

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

May 05, 2011

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 April 2011**

**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: \_\_\_\_\_.)

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**Taiwan Semiconductor Manufacturing  
Company Limited  
Financial Statements for the  
Three Months Ended March 31, 2011 and 2010 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2011 and 2010, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these 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 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 financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China. We have also reviewed, in accordance with the Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the three months ended March 31, 2011 on which we have issued an unqualified review report.

April 22, 2011

Notice to Readers

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

**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**MARCH 31, 2011 and 2010**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 93,336,868	13	\$ 117,507,201	19
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	11,605		81,703	
Available-for-sale financial assets (Notes 2, 6 and 23)	4,069,307			
Held-to-maturity financial assets (Notes 2, 7 and 23)	4,792,967	1	7,944,656	1
Receivables from related parties (Notes 3 and 24)	27,778,241	4	22,260,749	4
Notes and accounts receivable (Note 3)	24,160,358	3	22,614,938	4
Allowance for doubtful receivables (Notes 2, 3 and 8)	(488,000)		(453,000)	
Allowance for sales returns and others (Notes 2 and 8)	(6,771,655)	(1)	(7,003,204)	(1)
Other receivables from related parties (Notes 3 and 24)	1,852,676		295,654	
Other financial assets (Note 25)	375,679		1,129,976	
Inventories (Notes 2 and 9)	28,893,528	4	20,309,253	4
Deferred income tax assets (Notes 2 and 18)	4,864,903	1	6,072,089	1
Prepaid expenses and other current assets	1,102,143		1,387,580	
 Total current assets	 183,978,620	 25	 192,147,595	 32
 <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>				
Investments accounted for using equity method	113,973,080	16	110,955,652	18
Available-for-sale financial assets	1,036,044		1,043,306	
Held-to-maturity financial assets	1,405,140		6,214,948	1
Financial assets carried at cost	497,835		497,835	
 Total long-term investments	 116,912,099	 16	 118,711,741	 19
 <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
Cost				

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Buildings	144,102,555	20	125,872,902	21
Machinery and equipment	919,031,062	125	757,039,382	124
Office equipment	12,397,508	2	11,275,851	2
	1,075,531,125	147	894,188,135	147
Accumulated depreciation	(729,610,275)	(100)	(646,763,515)	(106)
Advance payments and construction in progress	65,400,509	9	34,006,978	5
Net property, plant and equipment	411,321,359	56	281,431,598	46
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	5,116,739	1	5,779,842	1
Total intangible assets	6,684,495	1	7,347,598	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 18)	6,386,238	1	6,555,961	1
Refundable deposits	4,793,553	1	2,525,862	1
Others (Notes 2 and 24)	1,421,263		478,615	
Total other assets	12,601,054	2	9,560,438	2
<b>TOTAL</b>	<b>\$ 731,497,627</b>	<b>100</b>	<b>\$ 609,198,970</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

Short-term loans (Note 14)	\$ 34,176,368	5	\$	
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	15,028		11,410	
Accounts payable	10,328,555	1	8,945,670	1
Payables to related parties (Note 24)	3,071,311		2,758,431	
Income tax payable (Notes 2 and 18)	9,702,596	1	10,990,083	2
Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)	13,415,809	2	9,046,820	1
Payables to contractors and equipment suppliers	32,410,632	4	28,369,183	5
Accrued expenses and other current liabilities (Notes 16 and 23)	11,677,636	2	11,281,871	2
Current portion of bonds payable (Notes 15 and 23)	4,500,000	1		

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Total current liabilities	119,297,935	16	71,403,468	11
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Notes 15 and 23)			4,500,000	1
Other long-term payables (Notes 16 and 23)			413,647	
Total long-term liabilities			4,913,647	1
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,830,337	1	3,808,052	1
Guarantee deposits (Note 27)	695,472		912,151	
Deferred credits (Notes 2 and 24)			23,936	
Total other liabilities	4,525,809	1	4,744,139	1
Total liabilities	123,823,744	17	81,061,254	13
<b>CAPITAL STOCK NT\$10 PAR VALUE (Note 20)</b>				
Authorized: 28,050,000 thousand shares Issued: 25,914,193 thousand shares in 2011 25,903,769 thousand shares in 2010	259,141,933	35	259,037,692	43
CAPITAL SURPLUS (Notes 2 and 20)	55,781,482	8	55,530,845	9
<b>RETAINED EARNINGS (Note 20)</b>				
Appropriated as legal capital reserve	86,239,494	12	77,317,710	13
Appropriated as special capital reserve	1,313,047			
Unappropriated earnings	214,504,803	29	138,228,089	22
	302,057,344	41	215,545,799	35
<b>OTHERS (Notes 2 and 23)</b>				
Cumulative translation adjustments	(9,351,749)	(1)	(2,378,010)	
Unrealized gain on financial instruments	44,873		401,390	
	(9,306,876)	(1)	(1,976,620)	
Total shareholders' equity	607,673,883	83	528,137,716	87

TOTAL	\$ 731,497,627	100	\$ 609,198,970	100
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The accompanying notes are an integral part of the financial statements.

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 24)	\$ 103,940,307		\$ 91,922,386	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	1,391,829		2,747,878	
NET SALES	102,548,478	100	89,174,508	100
COST OF SALES (Notes 9, 19 and 24)	53,489,888	52	46,657,769	52
GROSS PROFIT	49,058,590	48	42,516,739	48
REALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	56,207		14,015	
REALIZED GROSS PROFIT	49,114,797	48	42,530,754	48
OPERATING EXPENSES (Notes 19 and 24)				
Research and development	7,314,458	7	5,908,449	7
General and administrative	2,985,064	3	2,206,107	2
Marketing	664,712	1	630,103	1
Total operating expenses	10,964,234	11	8,744,659	10
INCOME FROM OPERATIONS	38,150,563	37	33,786,095	38
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	1,577,135	2	559,908	1
Foreign exchange gain, net (Note 2)	380,003			
Interest income	149,283		178,667	
Settlement income (Note 27)			637,580	1
Valuation gain on financial instruments, net (Notes 2, 5 and 23)			304,292	
Others (Notes 2 and 24)	353,387		176,336	



Total non-operating income and gains	2,459,808	2	1,856,783	2
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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	\$ 256,988		\$	
Loss on disposal of property, plant and equipment (Note 2)	164,502			
Interest expense	71,582		33,750	
Foreign exchange loss, net (Note 2)			286,109	1
Casualty loss (Note 9)			194,137	
Others (Note 2)	34,083		37,799	
Total non-operating expenses and losses	527,155		551,795	1
INCOME BEFORE INCOME TAX	40,083,216	39	35,091,083	39
INCOME TAX EXPENSE (Notes 2 and 18)	3,805,443	4	1,427,966	1
NET INCOME	\$ 36,277,773	35	\$ 33,663,117	38

	<b>2011</b>		<b>2010</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE (NT\$, Note 22)</b>				
Basic earnings per share	\$ 1.55	\$ 1.40	\$ 1.35	\$ 1.30
Diluted earnings per share	\$ 1.55	\$ 1.40	\$ 1.35	\$ 1.30

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 36,277,773	\$ 33,663,117
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,872,606	19,697,427
Realized gross profit from affiliates	(56,207)	(14,015)
Amortization of premium/discount of financial assets	4,180	4,294
Loss on disposal of financial assets carried at cost		1,263
Equity in earnings of equity method investees, net	(1,577,135)	(559,908)
Loss (gain) on disposal of property, plant and equipment, net	68,332	(17,461)
Deferred income tax	1,011,225	(800,997)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(4,411)	111,450
Receivables from related parties	(2,044,267)	281,024
Notes and accounts receivable	(1,909,453)	(2,730,418)
Allowance for doubtful receivables		22,000
Allowance for sales returns and others	(569,789)	(1,580,428)
Other receivables from related parties	(66,347)	(49,651)
Other financial assets	42,527	(25,904)
Inventories	(3,247,180)	(1,479,037)
Prepaid expenses and other current assets	250,101	(483,601)
Increase (decrease) in:		
Accounts payable	(1,521,635)	(1,064,746)
Payables to related parties	496,861	719,089
Income tax payable	2,593,727	2,228,963
Accrued profit sharing to employees and bonus to directors	2,456,340	2,275,482
Accrued expenses and other current liabilities	(2,177,677)	(5,270,419)
Accrued pension cost	5,736	876
Deferred credits		(23,937)
 Net cash provided by operating activities	 53,905,307	 44,904,463
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(77,193,490)	(45,824,671)
Investments accounted for using equity method	(423,220)	(6,377,184)
Financial assets carried at cost		(480)
Proceeds from disposal or redemption of:		
Held-to-maturity financial assets		8,000,000

Financial assets carried at cost		3,370
Property, plant and equipment	553,698	11,224
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2011</b>	<b>2010</b>
Increase in deferred charges	\$ (181,158)	\$ (372,884)
Decrease in refundable deposits	3,845,196	172,254
Increase in other assets	(23,199)	
 Net cash used in investing activities	 (73,422,173)	 (44,388,371)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	3,267,731	
Decrease in guarantee deposits	(52,415)	(89,225)
Proceeds from exercise of employee stock options	127,288	36,791
 Net cash provided by (used in) financing activities	 3,342,604	 (52,434)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 (16,174,262)	 463,658
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 109,511,130	 117,043,543
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 93,336,868	 \$ 117,507,201
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 181,409	\$ 135,000
Income tax paid	\$ 213,963	\$ 8,891
 <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 68,902,831	\$ 45,891,338
Decrease in payables to contractors and equipment suppliers	8,290,659	56,134
Nonmonetary exchange trade-out price		(122,801)
 Cash paid	 \$ 77,193,490	 \$ 45,824,671
 Disposal of property, plant and equipment	 \$ 1,037,746	 \$ 134,025
Increase in other receivables from related parties	(484,048)	

Nonmonetary exchange trade-out price			(122,801)
Cash received	\$	553,698	\$ 11,224
<b>NON-CASH FINANCING ACTIVITIES</b>			
Current portion of bonds payable	\$	4,500,000	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$	912,591	\$ 737,350

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

**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010**

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

**(Reviewed, Not Audited)**

**1. GENERAL**

Taiwan Semiconductor Manufacturing Company Limited (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. The Company is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. Beginning in 2010, the Company also engages in the researching, developing, designing, manufacturing and selling of LED lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). 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).

As of March 31, 2011 and 2010, the Company had 30,283 and 23,636 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the R.O.C.

For the convenience of readers, the accompanying 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

**Use of Estimates**

The preparation of financial statements in conformity with the aforementioned guidelines, law and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

**Classification of Current and Noncurrent Assets and Liabilities**

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

**Cash Equivalents**

Repurchase agreements collateralized by government bonds acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value due to their short term nature.

### **Financial Assets/Liabilities at Fair Value Through Profit or Loss**

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

The fair value of overseas publicly traded stock is determined using the closing prices at the end of the period. The fair value of debt securities is determined using the average of bid and asked prices at the end of the period.

Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

### **Held-to-maturity Financial Assets**

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.





The Company's provision was originally set at 1% of the amount of outstanding receivables. On January 1, 2011, the Company adopted the third revision of Statement of Financial Accounting Standards (SFAS) No. 34, Financial Instruments: Recognition and Measurement. One of the main revisions is that the impairment of receivables originated by the Company is subject to the provisions of SFAS No. 34. Companies are required to evaluate for indication of impairment of accounts receivable based on an individual and collective basis at the end of each reporting period. When objective evidence indicates that the estimated future cash flow of accounts receivable decreases as a result of one or more events that occurred after the initial recognition of the accounts receivable, such accounts receivable are deemed to be impaired.

Because of the Company's short average collection period, the amount of the impairment loss recognized is the difference between the carrying amount of accounts receivable and estimated future cash flows without considering the discounting effect. Changes in the carrying amount of the allowance account are recognized as bad debt in loss which is recorded in the operating expenses—general and administrative. When accounts receivable are considered uncollectable, the amount is written off against the allowance account.

### **Revenue Recognition and Allowance for Sales Returns and Others**

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and other allowances are recorded in the period the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

Sales prices are determined using fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

### **Inventories**

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.

### **Investments Accounted for Using Equity Method**

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. The cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.



When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company's share of the investee's equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentages in the investees until such gains or losses are realized through transactions with third parties. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until such gains or losses are realized through subsequent sales of the related products to third parties.

Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are realized through transactions with third parties. Gains or losses on sales between equity method investees over each of which the Company has control are deferred in proportion to the Company's weighted-average ownership percentage in the investee which records gains or losses. In transactions between equity method investees over either or both of which the Company has no control, gains or losses on sales are deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are deferred until they are realized through transactions with third parties.

If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency of the Company. Such differences are charged or credited to cumulative translation adjustments, a separate component of shareholders' equity.

#### **Financial Assets Carried at Cost**

Investments for which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such as non-publicly traded stocks and mutual funds, are carried at their original cost. The costs of non-publicly traded stocks and mutual funds are determined using the weighted-average method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

#### **Property, Plant and Equipment and Assets Leased to Others**

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings 10 to 20 years; machinery and equipment 5 years; and office equipment 3 to 5 years.

Upon sale or disposal of property, plant and equipment and assets leased to others, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss recorded as non-operating gains

or losses in the period of sale or disposal.

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### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill is no longer amortized and instead is tested for impairment annually, or more frequently if events or changes in circumstances suggest that the carrying amount may not be recoverable. If an event occurs or circumstances change which indicate that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and patent and others. The amounts are amortized over the following periods: Technology license fees the estimated life of the technology or the term of the technology transfer contract; software and system design costs 3 years; patent and others the economic life or contract period. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

### **Pension Costs**

For employees who participate in defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees individual pension accounts during their service periods. For employees who participate in defined benefit pension plans, pension costs are recorded based on actuarial calculations.

### **Income Tax**

The Company applies an inter-period allocation for its income tax whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from purchases of machinery and equipment, research and development expenditures and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years tax liabilities are added to or deducted from the current period s tax provision.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

**Stock-based Compensation**

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period. Employee stock option plans that were granted or modified after December 31, 2007 are accounted for using fair value method in accordance with Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment. The Company did not grant or modify any employee stock options since January 1, 2008.

**Foreign-currency Transactions**

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

**3. ACCOUNTING CHANGES**

On January 1, 2011, the Company prospectively adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, Financial Instruments: Recognition and Measurement. The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when the debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change did not have a significant effect on the Company's financial statements as of and for the period ended March 31, 2011.

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, Operating Segments. The statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20, Segment Reporting. The Company conformed to the disclosure requirements as of and for the period ended March 31, 2011. The information for the period ended March 31, 2010 has been recast to reflect the new segment reporting requirement.

**4. CASH AND CASH EQUIVALENTS**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Cash and deposits in banks	\$ 91,709,652	\$ 116,704,752
Repurchase agreements collateralized by government bonds	1,627,216	802,449
	<b>\$ 93,336,868</b>	<b>\$ 117,507,201</b>

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Trading financial assets		
Forward exchange contracts	\$ 11,605	\$ 2,397
Cross currency swap contracts		79,306
	\$ 11,605	\$ 81,703
Trading financial liabilities		
Forward exchange contracts	\$ 15,028	\$ 1,640
Cross currency swap contracts		9,770
	\$ 15,028	\$ 11,410

The Company entered into derivative contracts during the three months ended March 31, 2011 and 2010 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 its derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
March 31, 2011		
Sell NT\$/Buy JPY	April 2011	NT\$1,173,256/JPY3,268,300
Sell NT\$/Buy EUR	April 2011	NT\$83,800/EUR2,000
Sell EUR/Buy NT\$	April 2011	EUR59,550/NT\$2,494,130
March 31, 2010		
Sell EUR/Buy NT\$	April 2010	EUR7,500/NT\$323,205
Sell EUR/Buy US\$	April 2010	EUR4,500/US\$5,998

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
March 31, 2010			
April 2010 to May 2010	US\$930,000/NT \$29,662,580	0.21%-0.45%	0.00%-0.09%



For the three months ended March 31, 2011 and 2010, changes in fair value related to derivative financial instruments recognized in earnings was a net loss of NT\$256,988 thousand and a net gain of NT \$304,292 thousand, respectively.

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Overseas publicly traded stock	\$ 4,069,307	\$
Corporate bonds	1,036,044	1,043,306
	5,105,351	1,043,306
Current portion	(4,069,307)	
	\$ 1,036,044	\$ 1,043,306

**7. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Corporate bonds	\$ 6,198,107	\$ 12,260,803
Structured time deposits		1,000,000
Government bonds		898,801
	6,198,107	14,159,604
Current portion	(4,792,967)	(7,944,656)
	\$ 1,405,140	\$ 6,214,948

Structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
March 31, 2010				
Callable domestic deposits	\$ 1,000,000	\$ 809	0.36%	July 2010

**8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS**

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 488,000	\$ 431,000
Provision		22,000
Balance, end of period	\$ 488,000	\$ 453,000



Movements of the allowance for sales returns and others were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 7,341,444	\$ 8,583,632
Provision	1,391,829	2,747,878
Write-off	(1,961,618)	(4,328,306)
Balance, end of period	\$ 6,771,655	\$ 7,003,204

## 9. INVENTORIES

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Finished goods	\$ 6,988,136	\$ 1,975,182
Work in process	18,111,238	15,914,041
Raw materials	2,566,796	1,484,633
Supplies and spare parts	1,227,358	935,397
	\$ 28,893,528	\$ 20,309,253

Write-down of inventories to net realizable value in the amount of NT\$650,892 thousand and NT\$228,550 thousand, respectively, were included in the cost of sales for the three months ended March 31, 2011 and 2010. Inventories losses related to earthquake damage in the amount of NT\$194,137 thousand were classified under non-operating expenses and losses for the three months ended March 31, 2010.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>March 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
TSMC Global Ltd. (TSMC Global)	\$ 42,523,518	100	\$ 45,245,474	100
TSMC Partners, Ltd. (TSMC Partners)	32,779,954	100	32,637,828	100
Vanguard International Semiconductor Corporation (VIS)	9,456,221	38	9,359,350	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	7,256,841	39	6,308,810	39
Motech Industries Inc. (Motech)	6,770,069	20	6,210,916	20
TSMC China Company Limited (TSMC China)	4,721,701	100	2,787,558	100
TSMC North America	2,843,416	100	2,726,868	100
VentureTech Alliance Fund III, L.P. (VTAF III)	2,672,382	99	1,351,399	98
Xintec Inc. (Xintec)	1,678,379	41	1,532,384	41
Global UniChip Corporation (GUC)	1,164,288	35	1,039,348	35
VentureTech Alliance Fund II, L.P. (VTAF II)	1,041,270	98	1,140,879	98

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TSMC Solar Europe B.V. (TSMC Solar Europe)	406,305	100		
Emerging Alliance Fund, L.P. (Emerging Alliance)	290,203	99	303,768	99

(Continued)

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	<b>March 31</b>			
	<b>2011</b>	<b>% of</b>	<b>2010</b>	<b>% of</b>
	<b>Carrying</b>	<b>Owner-</b>	<b>Carrying</b>	<b>Owner-</b>
	<b>Amount</b>	<b>ship</b>	<b>Amount</b>	<b>ship</b>
TSMC Europe B.V. (TSMC Europe)	\$ 192,329	100	\$ 158,190	100
TSMC Japan Limited (TSMC Japan)	144,224	100	133,420	100
TSMC Korea Limited (TSMC Korea)	21,093	100	19,460	100
TSMC Solar North America, Inc. (TSMC Solar NA)	7,945	100		
TSMC Lighting North America, Inc. (TSMC Lighting NA)	2,942	100		
	<b>\$ 113,973,080</b>		<b>\$ 110,955,652</b>	

(Concluded)

For the renewable energy and efficiency related businesses development, the Company established wholly-owned subsidiaries, TSMC Solar NA, TSMC Solar Europe and TSMC Lighting NA, in the third quarter of 2010. In addition, the Company is also considering the formation of another two wholly-owned subsidiaries for solar and solid state lighting businesses as part of the strategic planning.

For the year ended December 31, 2010, the Company increased its investment in VTAF III for the amount of NT\$1,862,278 thousand, and the Company's percentage of ownership in VTAF III increased from 98% to 99%.

In February 2010, the Company subscribed to 75,316 thousand shares of Motech through a private placement for NT\$6,228,661 thousand; after the subscription, the Company's percentage of ownership in Motech was 20%. Transfer of the aforementioned common shares within three years is prohibited according to the related regulations.

For the three months ended March 31, 2011 and 2010, equity in earnings of equity method investees was a net gain of NT\$1,577,135 thousand and NT\$559,908 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except those of TSMC Solar Europe, Emerging Alliance, TSMC Europe, TSMC Japan, TSMC Korea, TSMC Solar NA and TSMC Lighting NA for the three months ended March 31, 2011 and those of VTAF II, Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea for the three months ended March 31, 2010. The Company believes that, had the aforementioned equity method investees' financial statements been reviewed, any adjustments arising would have no material effect on the Company's financial statements.

As of March 31, 2011 and 2010, the quoted market price of publicly traded stocks in unrestricted investments accounted for using the equity method (VIS and GUC) were NT\$13,160,444 thousand and NT\$16,963,095 thousand, respectively.

Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets were as follows:

<b>Three Months Ended March</b>	
<b>31</b>	
<b>2011</b>	<b>2010</b>

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Balance, beginning of period	\$ 2,504,496	\$ 1,429,118
Additions		2,055,660
Amortization	(238,356)	(218,611)
Balance, end of period	\$ 2,266,140	\$ 3,266,167

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Movements of the difference allocated to goodwill were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 1,415,565	\$ 1,061,885
Additions		353,680
Balance, end of period	\$ 1,415,565	\$ 1,415,565

#### 11. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Non-publicly traded stocks	\$ 338,584	\$ 338,584
Mutual funds	159,251	159,251
	\$ 497,835	\$ 497,835

#### 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Three Months Ended March 31, 2011</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 128,646,942	\$ 15,465,320	\$ (9,707)	\$	\$ 144,102,555
Machinery and equipment	852,733,592	66,496,059	(198,589)		919,031,062
Office equipment	11,730,537	805,809	(138,838)		12,397,508
	993,111,071	\$ 82,767,188	\$ (347,134)	\$	1,075,531,125
Accumulated depreciation					
Buildings	81,347,877	\$ 2,112,051	\$ (9,707)	\$	83,450,221
Machinery and equipment	616,495,207	20,975,058	(196,951)		637,273,314
Office equipment	8,762,361	263,217	(138,838)		8,886,740
	706,605,445	\$ 23,350,326	\$ (345,496)	\$	729,610,275
Advance payments and construction in progress	80,348,673	\$ (13,864,357)	\$ (1,083,807)	\$	65,400,509
	\$ 366,854,299				\$ 411,321,359



## Three Months Ended March 31, 2010

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 124,522,047	\$ 1,350,855	\$	\$	\$ 125,872,902
Machinery and equipment	713,426,126	43,804,758	(191,945)	443	757,039,382
Office equipment	10,781,099	515,324	(20,129)	(443)	11,275,851
	848,729,272	\$ 45,670,937	\$ (212,074)	\$	894,188,135
Accumulated depreciation					
Buildings	73,525,160	\$ 2,077,831	\$	\$	75,602,991
Machinery and equipment	545,693,910	16,918,504	(191,945)	443	562,420,912
Office equipment	8,545,253	214,931	(20,129)	(443)	8,739,612
	627,764,323	\$ 19,211,266	\$ (212,074)	\$	646,763,515
Advance payments and construction in progress	33,786,577	\$ 220,401	\$	\$	34,006,978
	\$ 254,751,526				\$ 281,431,598

No interest was capitalized during the three months ended March 31, 2011 and 2010.

**13. DEFERRED CHARGES, NET****Three Months Ended March 31, 2011**

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 2,277,832	\$	\$ (167,493)	\$ 2,110,339
Software and system design costs	2,075,935	36,691	(252,004)	1,860,622
Patent and others	1,102,660	144,467	(101,349)	1,145,778
	\$ 5,456,427	\$ 181,158	\$ (520,846)	\$ 5,116,739

**Three Months Ended March 31, 2010**

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 2,979,801	\$	\$ (191,491)	\$ 2,788,310
Software and system design costs	1,646,973	372,884	(203,007)	1,816,850
Patent and others	1,264,911		(90,229)	1,174,682
	\$ 5,891,685	\$ 372,884	\$ (484,727)	\$ 5,779,842

**14. SHORT-TERM LOANS**

	<b>March 31, 2011</b>
Unsecured loans: US\$1,086,000 thousand and EUR52,000 thousand, due in April 2011, and annual interest at 0.40%-0.87%	\$ 34,176,368

**15. BONDS PAYABLE**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic unsecured bonds: Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually	\$ 4,500,000	\$ 4,500,000
Current portion	(4,500,000)	
	\$	\$ 4,500,000

**16. OTHER LONG-TERM PAYABLES**

The Company's other long-term payables mainly resulted from license agreements for certain semiconductor-related patents.

As of March 31, 2011, future payments for other long-term payables (classified under accrued expenses and other current liabilities) due in 2011 amounted to NT\$912,591 thousand.

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**17. PENSION PLANS**

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts and recognized pension cost of NT\$281,631 thousand and NT\$191,296 thousand for the three months ended March 31, 2011 and 2010, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. The Company recognized pension costs of NT\$75,423 thousand and NT\$59,245 thousand for the three months ended March 31, 2011 and 2010, respectively.

Movements of the Fund and accrued pension cost under the defined benefit plan were summarized as follows:

	<b>Three Months Ended March</b>	
	<b>31</b>	
	<b>2011</b>	<b>2010</b>
The Fund		
Balance, beginning of period	\$ 2,835,231	\$ 2,595,717
Contributions	71,165	68,265
Interest	27,083	41,105
Payments	(3,495)	
Balance, end of period	\$ 2,929,984	\$ 2,705,087
Accrued pension cost		
Balance, beginning of period	\$ 3,824,601	\$ 3,807,176
Accruals	5,736	876
Balance, end of period	\$ 3,830,337	\$ 3,808,052

**18. INCOME TAX**

a. A reconciliation of income tax expense based on income before income tax at the statutory rates and income tax currently payable was as follows:

	<b>Three Months Ended March</b>	
	<b>31</b>	
	<b>2011</b>	<b>2010</b>
Income tax expense based on income before income tax at statutory rate (17% and 20% for 2011 and 2010, respectively)	\$ 6,814,147	\$ 7,018,217
Tax effect of the following:		
Tax-exempt income	(3,478,506)	(3,881,271)
Temporary and permanent differences	(561,554)	26,692
Income tax credits used		(1,581,819)
Income tax currently payable	\$ 2,774,087	\$ 1,581,819



b. Income tax expense consisted of the following:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Income tax currently payable	\$ 2,774,087	\$ 1,581,819
Income tax adjustments on prior years		647,144
Other income tax adjustments	20,131	
Net change in deferred income tax assets		
Investment tax credits	(486,686)	(1,056,341)
Temporary differences	166,629	(601,364)
Valuation allowance	1,331,282	856,708
Income tax expense	\$ 3,805,443	\$ 1,427,966

c. Net deferred income tax assets consisted of the following:

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Current deferred income tax assets		
Investment tax credits	\$ 4,182,893	\$ 5,172,000
Temporary differences		
Allowance for sales returns and others	575,591	717,828
Unrealized gain/loss on financial instruments	62,060	
Others	44,359	182,261
	\$ 4,864,903	\$ 6,072,089
Noncurrent deferred income tax assets		
Investment tax credits	\$ 18,279,007	\$ 10,616,082
Temporary differences		
Depreciation	1,891,415	2,412,634
Others	199,860	183,285
Valuation allowance	(13,984,044)	(6,656,040)
	\$ 6,386,238	\$ 6,555,961

Effective in June 2010, the Article 5 of the Income Tax Law of the Republic of China was amended, in which the income tax rate of profit-seeking enterprises would be reduced from 20% to 17%. The last amended income tax rate of 17% is retroactively applied on January 1, 2010. The Company recalculated its deferred tax assets in accordance with the new amended Article and adjusted the resulting difference as an income tax expense in 2010. Furthermore, due to the reduced corporate income tax rate, the Company anticipated a decrease in future tax credits allowed for deduction, therefore resulting in higher adjustment to the valuation allowance balance.

Under Article 10 of the Statute for Industrial Innovation (SII) legislated and effective in May 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the

period in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that period. This incentive is retroactive to January 1, 2010 and effective until December 31, 2019.

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## d. Integrated income tax information:

The balance of the imputation credit account as of March 31, 2011 and 2010 was NT\$1,669,533 thousand and NT\$369,265 thousand, respectively.

The estimated and actual creditable ratios for distribution of earnings of 2010 and 2009 were 4.70% and 9.85%, respectively.

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

e. All earnings generated prior to December 31, 1997 have been appropriated.

f. As of March 31, 2011, investment tax credits consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 2,512,408	\$ 2,512,408	2012
		6,021,335	6,021,335	2013
		6,361,790	6,361,790	2014
		\$ 14,895,533	\$ 14,895,533	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,691,517	\$ 2,691,517	2012
		4,328,009	4,328,009	2013
		\$ 7,019,526	\$ 7,019,526	
Statute for Upgrading Industries	Personnel training expenditures	\$ 30,624	\$ 30,624	2012
		17,121	17,121	2013
		\$ 47,745	\$ 47,745	
Statute for Industrial Innovation	Research and development expenditures	\$ 499,096	\$ 499,096	2011

g. The profits generated from the following projects are exempt from income tax for a five-year period:

	<b>Tax-Exemption Period</b>
Construction and expansion of 2003	2007 to 2011
Construction and expansion of 2004	2008 to 2012
Construction and expansion of 2005	2010 to 2014

h. The tax authorities have examined income tax returns of the Company through 2007. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.



**19. LABOR COST, DEPRECIATION AND AMORTIZATION**

	<b>Three Months Ended March 31, 2011</b>		
	<b>Classified</b>		<b>Total</b>
	<b>as</b>	<b>as</b>	
	<b>Cost of</b>	<b>Operating</b>	
	<b>Sales</b>	<b>Expenses</b>	
Labor cost			
Salary and bonus	\$ 6,117,303	\$ 4,260,569	\$ 10,377,872
Labor and health insurance	307,843	168,284	476,127
Pension	230,885	126,169	357,054
Meal	165,359	65,669	231,028
Welfare	58,360	32,769	91,129
Others	14,252	7,681	21,933
	\$ 6,894,002	\$ 4,661,141	\$ 11,555,143
Depreciation	\$ 21,800,953	\$ 1,545,577	\$ 23,346,530
Amortization	\$ 324,635	\$ 196,211	\$ 520,846

	<b>Three Months Ended March 31, 2010</b>		
	<b>Classified</b>		<b>Total</b>
	<b>as</b>	<b>as</b>	
	<b>Cost of</b>	<b>Operating</b>	
	<b>Sales</b>	<b>Expenses</b>	
Labor cost			
Salary and bonus	\$ 5,083,162	\$ 3,791,508	\$ 8,874,670
Labor and health insurance	182,508	107,582	290,090
Pension	157,629	92,912	250,541
Meal	122,966	52,290	175,256
Welfare	47,194	29,069	76,263
Others	13,360	3,502	16,862
	\$ 5,606,819	\$ 4,076,863	\$ 9,683,682
Depreciation	\$ 18,051,574	\$ 1,155,626	\$ 19,207,200
Amortization	\$ 318,383	\$ 166,344	\$ 484,727

**20. SHAREHOLDERS EQUITY**

As of March 31, 2011, 1,096,414 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,482,071 thousand (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law. However, 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 and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of the Company's paid-in capital. In addition, the capital surplus from long-term investments may not be used for any purpose.

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Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Additional paid-in capital	\$ 23,715,050	\$ 23,483,970
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	367,797	348,240
Donations	55	55
	<b>\$ 55,781,482</b>	<b>\$ 55,530,845</b>

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

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

The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

The Company accrued profit sharing to employees based on certain percentage of net income during the period, which amounted to NT\$2,443,687 thousand and NT\$2,272,790 thousand for the three months ended March 2011 and 2010, respectively. Bonuses to directors were accrued based on estimated amount of payment. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

The Company no longer has supervisors since January 1, 2007. The required duties of supervisors are being fulfilled by the Audit Committee.

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 and bonuses for the portion in excess of 50% of the paid-in capital if the Company has no unappropriated earnings and the reserve balance has exceeded 50% of the Company's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of the Company's paid-in capital, up to 50% of the reserve may be transferred to capital.

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2010 and 2009 had been approved in a Board of Directors' meeting held on February 15, 2011 and a shareholders' meeting held on June 15, 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2010	For Fiscal Year 2009	For Fiscal Year 2010	For Fiscal Year 2009
Legal capital reserve	\$ 16,160,501	\$ 8,921,784		
Special capital reserve	5,120,827	1,313,047		
Cash dividends to shareholders	77,730,236	77,708,120	\$ 3.00	\$ 3.00
	\$ 99,011,564	\$ 87,942,951		

TSMC's profit sharing to employees and bonus to directors that will be paid in cash in the amounts of NT\$10,908,338 thousand and NT\$51,131 thousand for the year ended December 31, 2010, respectively, were resolved in the meeting of the Board of Directors held on February 15, 2011. Such amounts were not different from the amounts that have been charged against earnings for the year ended December 31, 2010.

The 2010 earnings appropriations related to profit sharing to employees and bonus to directors will be resolved by the shareholders. TSMC's annual shareholders' meeting is scheduled for June 9, 2011.

TSMC's profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT\$6,691,338 thousand and NT\$67,692 thousand for 2009, respectively, had been approved in the shareholders' meeting held on June 15, 2010. The resolved amounts of the profit sharing to employees and bonus to directors were consistent with the resolutions of meeting of the Board of Directors held on February 9, 2010 and same amount had been charged against earnings of 2009.

The information about the appropriations of profit sharing to employees and bonus to directors is available at the Market Observation Post System website.

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

## 21. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans, consisting of the 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.



Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of March 31, 2011.

Information about outstanding options for the three months ended March 31, 2011 and 2010 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2011		
Balance, beginning of period	21,437	\$ 32.3
Options exercised	(4,115)	30.9
Balance, end of period	17,322	32.6
Three months ended March 31, 2010		
Balance, beginning of period	28,810	33.5
Options exercised	(1,063)	34.6
Balance, end of period	27,747	33.4

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

As of March 31, 2011, information about outstanding options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Options Outstanding Weighted-average Remaining</b>	
		<b>Contractual Life (Years)</b>	<b>Weighted-average Exercise Price (NT\$)</b>
\$21.7-\$30.5	13,193	1.98	\$ 28.5
38.0-50.1	4,129	3.69	45.7
	17,322	2.39	32.6

As of March 31, 2011, all of the above outstanding options were exercisable.

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2011 and 2010. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions at the various grant dates and pro forma results of the Company for the three months ended March 31,

2011 and 2010 would have been as follows:

Assumptions:

Expected dividend yield	1.00%-3.44%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years

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	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Net income:		
Net income as reported	\$ 36,277,773	\$ 33,663,117
Pro forma net income	36,273,711	33,700,273
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 1.40	\$ 1.30
Pro forma basic EPS	1.40	1.30
Diluted EPS as reported	1.40	1.30
Pro forma diluted EPS	1.40	1.30

**22. EARNINGS PER SHARE**

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Three months ended March 31, 2011					
Basic EPS					
Earnings available to common shareholders	\$ 40,083,216	\$ 36,277,773	25,912,506	\$ 1.55	\$ 1.40
Effect of dilutive potential common shares			11,187		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 40,083,216	\$ 36,277,773	25,923,693	\$ 1.55	\$ 1.40
Three months ended March 31, 2010					
Basic EPS					
Earnings available to common shareholders	\$ 35,091,083	\$ 33,663,117	25,903,465	\$ 1.35	\$ 1.30
Effect of dilutive potential common shares			12,521		
Diluted EPS	\$ 35,091,083	\$ 33,663,117	25,915,986	\$ 1.35	\$ 1.30



Earnings available to common  
shareholders (including effect of  
dilutive potential common shares)

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders meeting in the following year.

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The average number of shares outstanding for EPS calculation has been considered for the effect of retrospective adjustments. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2010 to remain at NT\$1.30.

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	2011		March 31		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>						
Financial assets at fair value through profit or loss	\$ 11,605	\$ 11,605	\$ 81,703	\$ 81,703	\$ 81,703	\$ 81,703
Available-for-sale financial assets	5,105,351	5,105,351	1,043,306	1,043,306	1,043,306	1,043,306
Held-to-maturity financial assets	6,198,107	6,253,752	14,159,604	14,238,897	14,159,604	14,238,897
Financial assets carried at cost	497,835		497,835		497,835	
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	15,028	15,028	11,410	11,410	11,410	11,410
Bonds payable (including current portion)	4,500,000	4,542,890	4,500,000	4,565,957	4,500,000	4,565,957
Other long-term payables (including current portion)	912,591	912,591	1,150,997	1,150,997	1,150,997	1,150,997

b. Methods and assumptions used in the estimation of fair values of financial instruments

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Except for derivatives and structured time deposits, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- 5) Fair value of bonds payable was based on their quoted market price.
- 6) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. The changes in fair value of derivatives contracts for the three months ended March 31, 2011 and 2010 estimated using valuation techniques were recognized as net loss of NT\$3,423 thousand and a net gain of NT\$70,293 thousand, respectively.

d. As of March 31, 2011 and 2010, financial assets exposed to fair value interest rate risk were NT\$7,245,756 thousand and NT\$15,284,613 thousand, respectively, financial liabilities exposed to fair value interest rate risk

were NT\$38,691,396 thousand and NT\$4,511,410 thousand, respectively.

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- e. Movements of the unrealized gains or losses on financial instruments for the three months ended March 31, 2011 and 2010 were as follows:

	<b>Three Months Ended March 31, 2011</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>Equity- method Investments</b>	<b>Total</b>
Balance, beginning of period	\$ (395,306)	\$ 504,595	\$ 109,289
Recognized directly in shareholders' equity	128,353	(192,769)	(64,416)
Balance, end of period	\$ (266,953)	\$ 311,826	\$ 44,873

	<b>Three Months Ended March 31, 2010</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>Equity- method Investments</b>	<b>Total</b>
Balance, beginning of period	\$ 46,672	\$ 406,949	\$ 453,621
Recognized directly in shareholders' equity	(3,366)	(48,865)	(52,231)
Balance, end of period	\$ 43,306	\$ 358,084	\$ 401,390

f. Information about financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the market exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market exchange rate risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities and overseas publicly traded stock; therefore, the fluctuations in market interest rates and market price will result in changes in fair values of these debt securities.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The Company evaluated whether the financial instruments for any possible counter-party or third-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believed that the Company's exposure to credit risk was not significant.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.



**24. RELATED PARTY TRANSACTIONS**

The Company engages in business transactions with the following related parties:

## a. Subsidiaries

TSMC North America  
TSMC China  
TSMC Europe  
TSMC Japan

## b. Investees

GUC (with a controlling financial interest)  
Xintec (with a controlling financial interest)  
VIS (accounted for using equity method)  
SSMC (accounted for using equity method)

## c. Indirect subsidiaries

WaferTech, LLC (WaferTech)  
TSMC Technology, Inc. (TSMC Technology)  
TSMC Design Technology Canada, Inc. (TSMC Canada)

## d. Indirect investee

VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method.

## e. Others

Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions.

Transactions with the aforementioned parties, other than those disclosed in other notes, are summarized as follows:

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
For the three months ended March 31				
Sales				
TSMC North America	\$ 57,007,986	55	\$ 48,676,679	53
Others	567,051		373,853	
	\$ 57,575,037	55	\$ 49,050,532	53
Purchases				
TSMC China	\$ 2,419,959	19	\$ 1,577,962	16
WaferTech	1,770,429	14	1,636,493	17
VIS	1,325,127	10	960,978	10
SSMC	955,937	7	1,041,954	10
Others	65,792	1		
	\$ 6,537,244	51	\$ 5,217,387	53



	2011		2010	
	Amount	%	Amount	%
Manufacturing expenses				
Xintec (rent and outsourcing)	\$ 84,600		\$ 45,546	
VIS (rent)	7,104			
VisEra (outsourcing)	5,937		4,460	
Others	770			
	\$ 98,411		\$ 50,006	
Marketing expenses commission				
TSMC Europe	\$ 90,915	14	\$ 98,913	16
TSMC Japan	66,614	10	59,644	9
TSMC China	16,320	2	11,446	2
Others	5,375	1	4,285	1
	\$ 179,224	27	\$ 174,288	28
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 113,013	2	\$ 131,169	2
TSMC Canada (primarily consulting fee)	42,489		45,209	1
VIS (primarily rent)	1,999		2,274	
Others	22,250		7,989	
	\$ 179,751	2	\$ 186,641	3
Sales of property, plant and equipment				
TSMC China	\$ 592,339	57	\$ 11,224	8
WaferTech	64,255	6		
VIS	35,208	4	15,940	12
	\$ 691,802	67	\$ 27,164	20
Purchase of property, plant and equipment				
VIS	\$		\$ 15,865	
TSMC China			14,498	
WaferTech			9,624	
	\$		\$ 39,987	



Non-operating income and gains				
VIS (primarily technical service income)	\$ 68,905	3	\$ 86,868	5
SSMC (primarily technical service income)	44,817	2	44,503	2
TSMC China	6,801		25,426	1
	\$ 120,523	5	\$ 156,797	8

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	2011		2010	
	Amount	%	Amount	%
As of March 31				
Receivables				
TSMC North America	\$ 27,517,143	99	\$ 22,055,122	99
Others	261,098	1	205,627	1
	\$ 27,778,241	100	\$ 22,260,749	100
Other receivables				
TSMC China	\$ 1,593,520	86	\$ 123,354	42
VIS	153,680	8	113,100	38
SSMC	45,415	3	45,687	15
Others	60,061	3	13,513	5
	\$ 1,852,676	100	\$ 295,654	100
Payables				
VIS	\$ 953,003	31	\$ 695,640	25
TSMC China	855,485	28	762,578	28
WaferTech	550,219	18	647,205	23
SSMC	395,820	13	408,809	15
TSMC Technology	76,694	2	129,058	5
Others	240,090	8	115,141	4
	\$ 3,071,311	100	\$ 2,758,431	100
Other assets				
TSMC China	\$ 33,833	2	\$ 4,672	

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

The Company leased certain buildings, facilities, and machinery and equipment from Xintec. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and the related expenses were classified under manufacturing expenses.

The Company leased certain office space and facilities from VIS. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and the related expenses were classified under research and development expenses and manufacturing expenses.

The Company deferred the disposal losses (classified under other assets) derived from sales of property, plant and equipment to TSMC China, and then recognized such losses (classified under non-operating gains and losses) over

the depreciable lives of the disposed assets.

**25. PLEDGED OR MORTGAGED ASSETS**

As of March 31, 2011, the Company had no assets set aside as collateral. As of March 31, 2010, the Company had pledged time deposits of NT\$737,109 thousand (classified as other financial assets) as collateral for land lease agreements and customs duty guarantee.

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**26 SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from April 2011 to July 2030 and can be renewed upon expiration.

As of March 31, 2011, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2011 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 310,833
2012	412,977
2013	388,729
2014	375,171
2015	365,007
2016 and thereafter	3,078,295
	\$ 4,931,012

**27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of March 31, 2011, excluding those disclosed in other notes, were as follows:

- Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of March 31, 2011, the Company had a total of US\$21,583 thousand of guarantee deposits.
- Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referred to as SMIC) in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People's High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People's High Court ruled in favor of TSMC and dismissed SMIC's lawsuit. On November 4, 2009, after a

two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC's trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation's total shares outstanding, and recognized settlement income amounting to NT\$4,434,364 thousand.

- e. In June 2010, Keranos, LLC. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents are invalid. The outcome of these two litigations cannot be determined at this time.
- f. 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 allegedly infringing six U.S. patents. This litigation is in its very early stages and therefore the outcome of the case cannot be determined at this time.

## 28. OTHERS

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	March 31			
	2011			2010
	Foreign	Exchange	Foreign	Exchange
	Currencies	Rate	Currencies	Rate
	(In		(In	
	Thousands)	(Note)	Thousands)	(Note)
Financial assets				
Monetary items				
USD	\$ 1,919,150	29.468	\$ 1,481,960	31.819
EUR	127,036	41.81	55,447	42.80
JPY	29,399,539	0.3541	29,995,717	0.3430
Non-monetary items				
HKD	1,073,696	3.79		
Investments accounted for using equity method				
USD	3,022,391	29.468	2,802,271	31.819
EUR	14,318	41.81	3,696	42.80
JPY	407,297	0.3541	388,979	0.3430

RMB	1,049,606	4.50	599,071	4.66
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	<b>March 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Foreign</b>	<b>Exchange</b>	<b>Foreign</b>	<b>Exchange</b>
	<b>Currencies</b>	<b>Rate</b>	<b>Currencies</b>	<b>Rate</b>
	<b>(In</b>	<b>(Note)</b>	<b>(In</b>	<b>(Note)</b>
	<b>Thousands)</b>		<b>Thousands)</b>	
Financial liabilities				
Monetary items				
USD	\$ 1,915,005	29.468	\$ 738,649	31.819
EUR	163,964	41.81	107,390	42.80
JPY	32,211,580	0.3541	28,747,758	0.3430
				(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

## 29. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 2 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 7 attached;

- j. Information about derivatives of investees over which the Company has a controlling interest:

Not meet the criteria for hedge accounting

TSMC China entered into forward exchange contracts during the three months ended March 31, 2011 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contract as of March 31, 2011 consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell RMB/Buy US\$	May 2011 to June 2011	RMB581,698/US \$88,000
Sell US\$/Buy JPY	April 2011	US\$1,531/JPY124,092

For the three months ended March 31, 2011, net losses arising from forward exchange contracts of TSMC China amounted to NT\$29,524 thousand.

Xintec entered into forward exchange contracts during the three months ended March 31, 2011 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of March 31, 2011 consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell US\$/Buy NT\$	April 2011 to May 2011	US\$9,000/NT \$ 265,008
Sell NT\$/Buy US\$	April 2011	NT\$53,267/US \$ 1,800

For the three months ended March 31, 2011, net gains arising from forward exchange contracts of Xintec amounted to NT\$8,050 thousand.

TSMC Partners entered into forward exchange contracts during the three months ended March 31, 2011 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of March 31, 2011 consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell RMB/Buy US\$	April 2011 to May 2011	RMB344,167/US \$52,500

For the three months ended March 31, 2011, net losses arising from forward exchange contracts of TSMC Partners amounted to NT\$3,775 thousand.

Meet the criteria for hedge accounting

Xintec monitors and manages the financial risk through the analysis of business environment and evaluation of entity's financial risks. Further, Xintec seeks to reduce the effects of future cash flow related interest rate exposures by primarily using derivative financial instruments.



Xintec is exposed to interest rate risk because its long-term bank loans bear floating interest rates. Accordingly, Xintec enters into interest rate swap contract to hedge such a cash flow interest rate risk. As of March 31, 2011, the outstanding interest rate swap contract of Xintec consisted of the following:

<b>Hedged Item</b>	<b>Hedging Financial Instrument</b>	<b>Fair Value March 31, 2011</b>	<b>Expected Cash Flow Generated Period</b>	<b>Expected Timing for the Recognition of Gains or Losses from Hedge</b>
Long-term bank loans	Interest rate swap contract	\$(676)	2010 to 2012	2010 to 2012

The adjustment to shareholders' equity and the amount removed from shareholders' equity and recognized as a loss of Xintec from the above interest rate swap contract amounted to NT\$676 thousand and NT\$226 thousand for the three months period ended March 31, 2011, respectively.

k. Information on investment in Mainland China

- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Note 24.

**30. OPERATING SEGMENTS INFORMATION**

The Company has provided the operating segments disclosure in the consolidated financial statements.

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Investees  
FINANCINGS PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2011  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial statement	Financing Maximum Limit for Each Borrowing Period (US\$ in Thousands)	Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Interest Rate	Readily Available for Financing Debt	Collateral Items	Transaction Amounts (Note 2)	Financing Company's	Financing Amount Limits (Note 2)
1 TSMC Partnership from related parties	TSMC Note (US\$250,000)	\$ 7,367,000	\$ 7,367,000	0.25%-0.26%	Purchase equipment	\$ \$ \$	\$ 32,779,954		

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. While offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC will not be subjected to this restriction.

Note 2: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners.

**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES HELD**  
**MARCH 31, 2011**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

			March 31, 2011		
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage Owned
Government bond					
Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,036,044	
Intel Corporation		Held-to-maturity financial assets		1,506,225	
Petrochemical Corporation				1,463,363	
Power Company				1,349,634	
Plastics Corporation				1,303,390	
Plastics Corporation				575,495	
Semiconductor Manufacturing Corporation		Available-for-sale financial assets	1,789,493	4,069,307	
Global	Subsidiary	Investments accounted for using equity method	1	42,523,518	
Partners	Subsidiary		988,268	32,779,954	
	Investee accounted for using equity method		628,223	9,456,221	
	Investee accounted for using equity method		314	7,256,841	
	Investee accounted for using equity method		76,069	6,770,069	
North America	Subsidiary		11,000	2,843,416	
	Investee with a controlling financial interest		93,081	1,678,379	
	Investee with a controlling financial interest		46,688	1,164,288	
Latin America	Subsidiary			406,305	
Europe	Subsidiary			192,329	
Japan	Subsidiary		6	144,224	
China	Subsidiary		80	21,093	
Latin America	Subsidiary		1	7,945	
Lighting NA	Subsidiary		1	2,942	

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Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584
Handotai Taiwan Co., Ltd.			10,500	105,000
Technology Fund IV			4,000	40,000
Investments Fund		Financial assets carried at cost		103,992
Asia Capital				55,259
China	Subsidiary	Investments accounted for using equity method		4,721,701
	Subsidiary			2,672,382
	Subsidiary			1,041,270
Alliance	Subsidiary			290,203
bond				
Sec Cap Corp. Mtn		Held-to-maturity financial assets	US\$	20,218
Sec Cap Corp. Mtn			US\$	20,121

(Continued)

March 31

Marketable Securities	Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currencies)		Per
				Shares/Units (In Thousands)	Thousands)	
Common stock						
TSMC Development, Inc. (TSMC Development)	Subsidiary		Investments accounted for using equity method	1	US\$ 417,397	
TSMC Holding Company	Investee accounted for using equity method			43,000	US\$ 85,259	
TSMC Star Semiconductor Development, Inc. (ISDF)	Subsidiary			4,088	US\$ 19,707	
TSMC Star Semiconductor Development, Inc. (II) LDC. (ISDF II)	Subsidiary			16,532	US\$ 13,253	
TSMC Technology	Subsidiary			1	US\$ 10,083	
TSMC Canada	Subsidiary			2,300	US\$ 3,892	
TSMC Inc.	Investee accounted for using equity method			5,333		
Preferred stock						
TSMC Inc.	Investee accounted for using equity method		Investments accounted for using equity method	1,000		
Corporate bond						
Capital Corp.			Held-to-maturity financial assets		US\$ 20,185	
JPMorgan Chase & Co.					US\$ 15,000	
Bank						
Meritek	Subsidiary		Investments accounted for using equity method	293,640	US\$ 179,027	
Corporate bond						
Bk			Available-for-sale financial assets	249	US\$ 249	
Bk Ssb				249	US\$ 249	
Bank				249	US\$ 249	
Banco Popular De P R				249	US\$ 249	
R Block Bank				249	US\$ 249	
Common stock						
Wave Technology Corp.			Financial assets carried at cost	4,074	US\$ 1,545	
Global Investment Holding Inc.				11,124	US\$ 3,065	
Preferred stock						
Finance, Inc.			Financial assets carried at cost	1,654	US\$ 250	
IO, Inc.				800	US\$ 500	

Chron, Inc.			1,276	US\$	1,145
n, Inc.			4,641	US\$	1,137
Holdings, LLC				US\$	142
tal					
ureTech Alliance Holdings, LLC	Subsidiary	Investments accounted for using equity method			
A Holdings)					
orate bond					
R Block Bank		Available-for-sale financial assets	249	US\$	249
mon stock					
er Systems, Inc.		Financial assets carried at cost	1,600	US\$	1,503
Wave Technology Corp.			1,267	US\$	1,036
elic			1,806	US\$	2,607
					Continued

Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2018	
			Shares/Units (In Thousands)	Carrying Value Foreign Currencies in Thousands)
Common stock Technologies, Inc.		Financial assets carried at cost	2,890	US\$ 2,168
			3,974	US\$ 3,816
Common stock Inc.			12,378	US\$ 2,378
Common stock c.			475	US\$ 1,000
Common stock nc.			3,795	US\$ 953
Common stock , Inc.			2,847	US\$ 2,825
Common stock c.			33,347	US\$ 1,878
Common stock alog Microelectronics			7,027	US\$ 3,383
Common stock ings, LLC				US\$ 593
			4,615	US\$ 1,611
Buildings	Subsidiary	Investments accounted for using equity method		
Common stock k Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	11,868	US\$ 1,862
Common stock ireless Broadband Corp.		Financial assets carried at cost	2,249	US\$ 315
Common stock o, Inc.		Financial assets carried at cost	4,694	US\$ 422
Common stock k, Inc.			6,113	US\$ 7,781
Common stock nc.			59,695	US\$ 5,897
Common stock c.			1,154	US\$ 1,500
Common stock e, Inc.			816	US\$ 1,000
Common stock ls Lighting Corp.			1,600	US\$ 800
Common stock Inc.			3,686	US\$ 4,717
Common stock on, Ltd.			380	US\$ 5,790
Common stock nc.			3,106	US\$ 369
Common stock echnical Services, LLC			1,055	US\$ 1,208
Common stock o.			7,347	US\$ 50,000
Common stock c.			3,890	US\$ 3,025
Common stock ensors, Inc.			9,340	US\$ 3,456
Common stock und Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method		US\$ 854
Buildings	Subsidiary			
Common stock e Technologies, Inc.		Financial assets carried at cost	5,107	US\$ 762

stock		10	US\$ 25
Memory Logic, Inc.	Available-for-sale financial assets	2,989	US\$ 8,287
nc.		1,286	US\$ 4,692
stock	Financial assets carried at cost	230	US\$ 497
c.	Available-for-sale financial assets	1,072	US\$ 3,913
stock	Financial assets carried at cost	7,520	US\$ 3,664
nc.		278	US\$ 10

(Continued)



		March 31,		
		Carrying Value (Foreign Per Shares/Units Currencies)		
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	(In Thousands)	(in Thousands)
oyatek Technology, Corp.		Financial assets carried at cost	932 US\$	361
uden Technology MFG. Co., Ltd.			1,049 US\$	223
ferred stock				
ngTek, Inc.		Financial assets carried at cost	1,032 US\$	148
onics, Inc.			264 US\$	455
pen-end mutual fund				
i Sun Money Market Fund		Available-for-sale financial assets	9,875	\$ 140,097
mega Diamond Money Market Fund			10,009	120,110
CA Well Pool Money Market Fund			6,141	80,088
h Hwa Money Market Fund			3,606	50,056
ommon stock				
UC-NA	Subsidiary	Investments accounted for using equity method	800	60,915
UC-Japan	Subsidiary		1	14,881
UC-BVI	Subsidiary		550	8,846
UC-Europe	Subsidiary			3,916
apital				
lobal Unichip (Shanghai) Company, Limited	Subsidiary	Investments accounted for using equity method		7,551
GUC-Shanghai)				
apital				
ompositech Ltd.		Financial assets carried at cost	587	
ock				
SMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1 EUR	9,618
orporate bond				
frican Development Bank		Available-for-sale financial assets	2,600 US\$	2,620
llstate Life Gbl Fdg Secd			4,430 US\$	4,779
lltel Corp.			100 US\$	107
rcher Daniels Midland Co.			7,000 US\$	7,010
strazeneca Plc			3,150 US\$	3,357
T+T Wireless			3,500 US\$	3,767
anco Bilbao Vizcaya P R			3,250 US\$	3,249
ank of America Corp.			2,000 US\$	2,033

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Bank of America Corp.	2,100	US\$	2,148
Bank of New York Mellon	2,200	US\$	2,203
Barclays Bank Plc NY	400	US\$	400
Barclays Bk Plc UK Govt Cr	5,000	US\$	5,101
Bank of America Corporation	3,840	US\$	3,976
Bank of America US Senior SA Uniper	2,645	US\$	2,645
Bank of America Stearns Cos Inc.	3,500	US\$	3,514
Bank of America Stearns Cos Inc. Med Term	2,400	US\$	2,584
Bank of America Hathaway Inc. Del	3,500	US\$	3,522
Bank of America Billiton Fin USA Ltd.	2,000	US\$	2,090
Bank of America Billiton Fin USA Ltd.	3,500	US\$	3,881
Bank of America Tokyo Mitsubishi Ufj	2,000	US\$	2,033
Bank of America US Capital LLC	1,600	US\$	1,601
Bank of America Paribas SA	3,810	US\$	3,838
Bank of America Co.	1,000	US\$	1,017
Bank of America Co.	2,200	US\$	2,362

(Continued)

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		March 31, 2011			Market Value	
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Market Value Asset Value (Foreign Currency) in Thousands
				Shares/Units (In Thousands)	(Foreign Currencies in Thousands)	
	Bp Capital Markets Plc		Available-for-sale financial assets	7,160	US \$7,191	N/A
	Caterpillar Financial Se			100	US \$100	N/A
	Caterpillar Financial Se			900	US \$902	N/A
	Cellco Part/Veri Wireless			1,000	US \$1,141	N/A
	Cellco Part/Veri Wireless			1,100	US \$1,208	N/A
	Cello Part/Veri Wireless			2,000	US \$2,007	N/A
	Chevron Corp.			4,000	US \$4,278	N/A
	Cie Financement Foncier			200	US \$200	N/A
	Cie Financement Foncier			4,000	US \$4,009	N/A
	Cisco Systems Inc.			7,050	US \$7,073	N/A
	Citigroup Funding Inc.			6,000	US \$6,114	N/A
	Citigroup Funding Inc.			7,300	US \$7,438	N/A
	Citigroup Inc.			600	US \$609	N/A
	Citigroup Inc.			800	US \$824	N/A
	Citigroup Inc.			2,000	US \$2,110	N/A
	Citigroup Inc.			400	US \$428	N/A
	Citigroup Inc.			2,550	US \$2,773	N/A
	Citigroup Inc.			5,000	US \$5,467	N/A
	Citigroup Inc. Fdic Gtd Tlgp			2,000	US \$2,012	N/A
	Coca Cola Co.			4,000	US \$4,029	N/A
	Commonwealth Bank Aust			2,000	US \$1,997	N/A
	Commonwealth Bank Aust			2,800	US \$2,805	N/A
	Conocophillips			2,000	US \$2,129	N/A
	Credit Suisse New York			3,200	US \$3,239	N/A
	Credit Suisse New York			3,945	US \$4,065	N/A
	Deutsche Bank AG NY			2,500	US \$2,497	N/A
	Dexia Credit Local			6,000	US \$5,971	N/A
	Dexia Credit Local			4,000	US \$3,977	N/A
	Dexia Credit Local S.A			4,000	US \$3,994	N/A
	Dexia Credit Local SA NY			5,000	US \$4,966	N/A
				2,850	US \$2,856	N/A

Du Pont E I De Nemours + Co.			
Du Pont E I De Nemours + Co.	825	US \$882	N/A
Ebay Inc.	1,375	US \$1,360	N/A
Eog Res Inc.	2,200	US \$2,436	N/A
Eog Resources Inc.	1,500	US \$1,513	N/A
Finance for Danish Ind	3,800	US \$3,799	N/A
General Elec Cap Corp.	5,000	US \$5,041	N/A
General Elec Cap Corp.	7,000	US \$7,005	N/A
General Elec Cap Corp.	1,000	US \$1,000	N/A
General Elec Cap Corp.	4,000	US \$4,094	N/A
General Electric Capital Corp.	2,000	US \$2,012	N/A
Georgia Pwr Co.	1,000	US \$1,001	N/A
Georgia Pwr Co.	4,000	US \$4,000	N/A
Gmac LLC	4,600	US \$4,712	N/A
Goldman Sachs Group Inc.	3,400	US \$3,425	N/A
Goldman Sachs Group Inc.	2,000	US \$1,987	N/A
Groupe Bpce	1,150	US \$1,149	N/A
Hewlett Packard Co.	3,000	US \$3,004	N/A
Hewlett Packard Co.	2,030	US \$2,032	N/A
Household Fin Corp.	4,330	US \$4,660	N/A
HSBC Bank Plc	1,315	US \$1,315	N/A
HSBC Bank Plc	3,400	US \$3,397	N/A
HSBC Fin Corp.	2,900	US \$2,857	N/A

(Continued)

March 31, 2011							
Name	Marketable Securities	Relationship with the Company	Financial Statement Account	Carrying Value			Market Value of Asset (Foreign Currency) in Thousands
				Shares/Units (In Thousands)	Foreign Currencies in Thousands)	Percentage of Ownership (%)	
	Hutchison Whampoa Intl 03 13 L		Available-for-sale financial assets	1,900	US \$2,066	N/A	
	IBM Corp.			2,300	US \$2,301	N/A	
	IBM Corp.			6,800	US \$6,759	N/A	
	IBM Corp.			1,500	US \$1,501	N/A	
	Intl Bk Nv Neth St Cr Gtee			8,500	US \$8,643	N/A	
	Intl Bk Recon + Develop			2,000	US \$2,035	N/A	
	John Deer Capital Corp. Fdic GT			3,500	US \$3,601	N/A	
	JP Morgan Chase + Co.			2,500	US \$2,514	N/A	
	JP Morgan Chase + Co.			5,000	US \$5,033	N/A	
	JP Morgan Chase + Co. Fdic Gtd Tlg			1,625	US \$1,634	N/A	
	Kreditanstalt Fur Wiederaufbau			650	US \$660	N/A	
	Lilly Eli + Co.			1,531	US \$1,641	N/A	
	Lloyds Tsb Bank Plc Ser 144A			4,850	US \$4,850	N/A	
	Lloyds Tsb Bank Plc Ser 144A			2,950	US \$2,976	N/A	
	Macquarie Bk Ltd. Sr			13,200	US \$13,423	N/A	
	Massmutual Global Fdg II Mediu			4,000	US \$3,959	N/A	
	Mellon Fdg Corp.			3,500	US \$3,481	N/A	
	Merck + Co. Inc.			4,000	US \$4,015	N/A	
	Merck + Co. Inc.			2,000	US \$2,058	N/A	
	Merrill Lynch + Co. Inc.			4,691	US \$4,671	N/A	
	Merrill Lynch + Co. Inc.			4,000	US \$4,309	N/A	
	Met Life Glob Funding I			3,000	US \$3,016	N/A	
	Metlife Inc.			6,500	US \$6,570	N/A	
	Metlife Inc.			2,000	US \$2,010	N/A	
	Monsanto Co. New			250	US \$271	N/A	
	Monumental Global Fdg II			1,500	US \$1,450	N/A	
	Monumental Global Fdg III			750	US \$741	N/A	
	Morgan Stanley			9,000	US \$9,178	N/A	

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Morgan Stanley for Equity	2,000	US \$2,001	N/A
National Australia Bank	3,000	US \$3,030	N/A
National Australia Bank	1,000	US \$1,015	N/A
National Bank of Canada	600	US \$601	N/A
New York Life Global Fdg	2,000	US \$2,041	N/A
Occidental Petroleum Cor	1,000	US \$1,000	N/A
Pacific Gas + Electric Pepsiamericas Inc.	2,000	US \$1,999	N/A
Philip Morris Intl Inc.	4,000	US \$4,290	N/A
Philip Morris Intl Inc.	130	US \$139	N/A
Philip Morris Intl Inc.	4,000	US \$4,591	N/A
Pnc Funding Corp.	2,000	US \$2,001	N/A
Pricoa Global Fdg I Med Term	1,750	US \$1,726	N/A
Principal Life Income Fundings	2,250	US \$2,229	N/A
Princoa Global Fdg I Medium	2,200	US \$2,186	N/A
Public Svc Co. Colo	1,380	US \$1,515	N/A
Rabobank Nederland	5,000	US \$5,000	N/A
Royal Bk of Scotland Plc	4,000	US \$4,000	N/A
Royal Bk of Scotland Plc	5,000	US \$5,044	N/A
Royal Bk Scotland Plc	2,550	US \$2,619	N/A
Royal Bk Scotland Plc	2,825	US \$2,876	N/A
Royal Bk Scotlnd Grp Plc 144A	9,450	US \$9,504	N/A
Sanofi Aventis	4,000	US \$3,999	N/A
Sanofi Aventis	3,870	US \$3,880	N/A
Sbc Communications Inc.	2,000	US \$2,085	N/A
Shell International Fin	4,515	US \$4,533	N/A

(Continued)

March 31, 2011							
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value			Market Value Asset (Foreign C in Thous
				Shares/Units (In Thousands)	Foreign Currencies in Thousands)	Percentage of Ownership (%)	
	Shell International Fin		Available-for-sale financial assets	3,200	US \$3,257	N/A	
	Sovereign Bancorp Fdic Gtd Tlg			2,200	US \$2,248	N/A	
	Standard Chartered BK NY			3,000	US \$2,998	N/A	
	Sun Life Finl Global			4,400	US \$4,362	N/A	
	Sun Life Finl Global Fdg II Lp			1,500	US \$1,500	N/A	
	Suncorp Metway Ltd. Svenska			8,800	US \$8,964	N/A	
	Handelsbanken AB			2,200	US \$2,253	N/A	
	Swedbank AB			2,000	US \$1,998	N/A	
	Swedbank			1,500	US \$1,527	N/A	
	Foreningssparbanken A						
	Swedbank Hypotek AB			4,000	US \$4,000	N/A	
	Swedbank Hypotek AB			4,100	US \$4,101	N/A	
	Teva Pharm Fin III			4,000	US \$4,014	N/A	
	Teva Pharma Fin III LLC			4,000	US \$4,011	N/A	
	Thermo Fisher Scientific			2,050	US \$2,072	N/A	
	Tiaa Global Mkts Inc.			2,000	US \$2,118	N/A	
	Tiaa Global Mkts Inc. Mtn			1,500	US \$1,610	N/A	
	Total Capital Canada Ltd.			4,000	US \$4,012	N/A	
	Transcanada Pipelines Ltd.			1,000	US \$1,084	N/A	
	Ubs Ag Stamford CT			2,200	US \$2,198	N/A	
	Ubs Ag Stamford CT			800	US \$807	N/A	
	Unilever Cap Corp.			1,000	US \$1,054	N/A	
	United Technologies Corp.			4,000	US \$4,247	N/A	
	US Central Federal Cred			8,500	US \$8,661	N/A	
	Verizon Communications			7,725	US \$7,766	N/A	
	Virginia Elec + Pwr Co.			3,250	US \$3,460	N/A	
	Volkswagen Intl Fin NV			4,000	US \$4,001	N/A	

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Wachovia Corp.		550	US \$547	N/A
Wachovia Corp. Global Medium		5,000	US \$5,147	N/A
Wal Mart Stores Inc.		4,000	US \$3,966	N/A
Wal Mart Stores Inc.		3,770	US \$4,256	N/A
Wells Fargo + Company		2,000	US \$2,007	N/A
Westpac Banking Corp.		3,500	US \$3,508	N/A
Westpac Banking Corp.		2,100	US \$2,109	N/A
Westpac Banking Corp.		4,000	US \$4,004	N/A
Wyeth		3,983	US \$4,317	N/A
Aust + Nz Banking Group	Held-to-maturity financial assets	20,000	US \$20,000	N/A
Commonwealth Bank of Australia		25,000	US \$25,000	N/A
Commonwealth Bank of Australia		25,000	US \$25,000	N/A
JP Morgan Chase + Co.		35,000	US \$35,059	N/A
Nationwide Building Society-UK		8,000	US \$8,000	N/A
Government Guarantee Westpac Banking Corp.		25,000	US \$25,000	N/A
Westpac Banking Corp. 12/12 Frn Agency bond		5,000	US \$5,000	N/A
Emirate of Abu Dhabi 144A	Available-for-sale financial assets	1,800	US \$1,967	N/A
Fannie Mae		11,100	US \$11,106	N/A
Fannie Mae		3,900	US \$3,852	N/A
Fannie Mae		16,104	US \$16,114	N/A
Fannie Mae		6,100	US \$6,092	N/A
Fannie Mae		7,500	US \$7,501	N/A
Fannie Mae		20,265	US \$20,275	N/A
Fannie Mae		4,600	US \$4,597	N/A
Fannie Mae		3,000	US \$2,985	N/A

(Continued)



							March 31, 2011
							Market Value
							Asset
							(Foreign Currencies)
							Percentage of
							Ownership (%)
							in Thousands
Marketable Securities	Relationship with	Financial	Shares/Units	Carrying Value	Foreign Currencies	Percentage of	Market Value
Name	Type and Name	the Company	Statement Account	(In	in Thousands)	Ownership (%)	Asset
			Thousands)	Thousands)			(Foreign Currencies)
	Fed Hm Ln Pc Pool 1b2830		Available-for-sale financial assets	1,750	US \$1,833	N/A	
	Fed Hm Ln Pc Pool 1g0115			1,548	US \$1,599	N/A	
	Fed Hm Ln Pc Pool 1g1114			762	US \$800	N/A	
	Fed Hm Ln Pc Pool 1k1210			1,470	US \$1,543	N/A	
	Fed Hm Ln Pc Pool 780741			1,740	US \$1,819	N/A	
	Federal Farm Credit Bank			4,000	US \$3,982	N/A	
	Federal Farm Credit Bank			4,000	US \$3,999	N/A	
	Federal Farm Credit Bank			4,000	US \$4,002	N/A	
	Federal Home Ln Mtg Assn			1,492	US \$1,507	N/A	
	Federal Home Ln Mtg Corp.			3,417	US \$3,411	N/A	
	Federal Home Ln Mtg Corp.			2,054	US \$2,047	N/A	
	Federal Home Ln Mtg Corp.			1,284	US \$1,336	N/A	
	Federal Home Ln Mtg Corp.			2,355	US \$2,463	N/A	
	Federal Home Ln Mtg Corp.			1,488	US \$1,522	N/A	
	Federal Home Ln Mtg Corp.			1,565	US \$1,622	N/A	
	Federal Home Ln Mtg Corp.			1,027	US \$1,056	N/A	
	Federal Home Ln Mtg Corp.			3,202	US \$3,321	N/A	
	Federal Home Ln Mtg Corp.			1,632	US \$1,652	N/A	
	Federal Home Loan Bank			3,350	US \$3,364	N/A	
	Federal Home Loan Bank			8,400	US \$8,400	N/A	
	Federal Home Loan Mtg Corp.			4,760	US \$4,732	N/A	

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Federal Home Loan Mtg Corp.	218	US \$218	N/A
Federal National Mort Assoc	155	US \$155	N/A
Federal Natl Mtg Assn Gtd	2,093	US \$2,160	N/A
Federal Natl Mtg Assn Gtd Remi	1,640	US \$1,696	N/A
Federal Natl Mtg Assn Mtn	903	US \$921	N/A
Federal Natl Mtg Assn Remic	699	US \$704	N/A
Federal Natl Mtge Assn Fhr 2647 Pb	1,273	US \$1,338	N/A
Fhr 2953 Da	967	US \$973	N/A
Fhr 3087 Jb	2,912	US \$3,074	N/A
Fhr 3184 Fa	1,299	US \$1,366	N/A
Fnma Pool 467196	3,881	US \$3,865	N/A
Fnma Pool 745131	1,995	US \$1,989	N/A
Fnma Pool 745688	1,659	US \$1,724	N/A
Fnma Pool 775852	1,218	US \$1,271	N/A
Fnma Pool 790772	323	US \$329	N/A
Fnma Pool 819649	1,153	US \$1,212	N/A
Fnma Pool 829989	1,843	US \$1,921	N/A
Fnma Pool 841068	1,549	US \$1,627	N/A
Fnma Pool 846233	462	US \$487	N/A
Fnma Pool 870884	1,728	US \$1,805	N/A
Fnma Pool 879908	1,380	US \$1,446	N/A
Fnma Tba May 15 Single Fam	1,259	US \$1,323	N/A
Fnr 2005 47 HA	3,000	US \$3,136	N/A
Fnr 2006 60 CO	1,527	US \$1,600	N/A
Fnr 2006 60 CO	3,274	US \$3,259	N/A
Fnr 2009 116 A	87	US \$87	N/A
Fnr 2009 70 NT	3,927	US \$4,238	N/A
Freddie Mac	1,723	US \$1,787	N/A
Freddie Mac	2,500	US \$2,502	N/A
Freddie Mac	19,000	US \$18,982	N/A
Freddie Mac	3,550	US \$3,552	N/A
Freddie Mac	5,750	US \$5,743	N/A

(Continued)

March 31, 2011						
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Market Value Asset (Foreign C in Thous
				Shares/Units (In Thousands)	Foreign Currencies in Thousands)	
	Freddie Mac		Available-for-sale financial assets	4,300	US \$4,306	N/A
	Gnma II Pool 082431			1,871	US \$1,913	N/A
	Gnr 2008 9 SA			2,096	US \$2,098	N/A
	Gnr 2009 45 AB			3,431	US \$3,476	N/A
	Government Natl Mtg Assn			3,050	US \$3,217	N/A
	Government Natl Mtg Assn Gtd			1,442	US \$1,508	N/A
	Ngn 2010 R2 1A			3,540	US \$3,541	N/A
	Ngn 2011 R4 1A			4,000	US \$3,998	N/A
	Ontario(Province of)			2,000	US \$2,034	N/A
	State of Qatar			2,000	US \$2,143	N/A
	Government bond US Treasury N/B		Available-for-sale financial assets	10,000	US \$10,026	N/A
	US Treasury N/B			10,000	US \$9,983	N/A
	US Treasury N/B			10,000	US \$10,069	N/A
	US Treasury N/B			1,000	US \$1,012	N/A
	Societe De Financement De Lec		Held-to-maturity financial assets	15,000	US \$15,000	N/A
	Money market fund Ssga Cash Mgmt Global Offshore		Available-for-sale financial assets	4,921	US \$4,921	N/A

(Concluded)

TABLE 3

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Financial Statement	Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposition	
					Amount (Foreign Currencies in Thousands) (In Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands) (In Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands) (In Thousands)	Shares/Units (In Thousands)
				Subsidiary	\$ 23,971		\$ 385,682			
				Subsidiary	1	EUR 90		EUR 9,800		
	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.					9,875	140,000		
		Mega Investment International Trust Co., Ltd.					10,009	120,000		
	Available-for-sale financial assets				4,000	US\$ 3,995			4,000	US\$4,000
					3,500	US\$ 3,554			3,500	US\$3,554
							7,000	US\$ 7,000		
					5,000	US\$ 5,000			5,000	US\$5,000
					12,000	US\$ 11,997			12,000	US\$12,000
							5,000	US\$ 5,109		
							3,840	US\$ 3,990		
							4,000	US\$ 4,443	500	US\$500
					2,925	US\$ 3,192			2,925	US\$3,192
							7,160	US\$ 7,160		
					3,900	US\$ 3,988			3,900	US\$3,988

			4,000	US\$		4,305		
			7,050	US\$		7,050		
16,000	US\$	16,323					10,000	US\$10,22
4,000	US\$	4,208					4,000	US\$4,22
			3,200	US\$		3,200		
			5,000	US\$		5,000		
			3,400	US\$		3,400		
2,900	US\$	3,074					2,900	US\$3,07
			8,500	US\$		8,668		
5,950	US\$	6,009					3,000	US\$3,03
3,900	US\$	3,975	9,300	US\$		9,472		
			4,000	US\$		4,335		
			3,000	US\$		3,000		
3,250	US\$	3,232					3,250	US\$3,22
			9,000	US\$		9,000		

(Continued)

Name	Financial Statement	Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal	
					Amount (Foreign Currencies in Thousands) (In Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands) (Note 1)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)
		Available-for-sale financial assets			8,000	US\$8,524			8,000	US\$8,524
							3,000	US\$3,035		
							4,000	US\$4,329		
							4,000	US\$4,640		
							4,000	US\$4,000		
							3,870	US\$3,870		
							3,000	US\$3,000		
					6,420	US \$6,417			6,420	US\$6,417
							4,100	US\$4,100		
							4,000	US\$4,000		
							4,000	US\$4,000		
							4,000	US\$4,265		
					4,000	US \$4,084	4,500	US\$4,599		
							7,725	US\$7,725		
							3,250	US\$3,489		
							4,000	US\$4,000		
		Available-for-sale financial assets					20,300	US\$20,269	14,200	US\$14,200
							7,500	US\$7,500		
					8,765	US \$8,763	11,500	US\$11,503		
							11,045	US\$12,104	11,045	US\$12,104
							4,000	US\$4,002		
					5,000	US \$5,046			5,000	US\$5,046
					5,000	US \$5,007			5,000	US\$5,007
					6,800	US \$6,817			6,800	US\$6,817
					8,000	US \$8,040			4,650	US\$4,650
					10,000	US \$9,998			10,000	US\$10,000
							3,000	US\$3,147	3,000	US\$3,147
							3,000	US\$3,138	3,000	US\$3,138
							3,000	US\$3,110	3,000	US\$3,110
							3,000	US\$3,131	3,000	US\$3,131
							3,000	US\$3,156	3,000	US\$3,156
					10,420	US \$10,411			10,420	US\$10,411
							19,000	US\$18,981		

			3,550	US\$3,549		
			14,200	US\$14,196	14,200	US\$14,2
			4,000	US\$4,000		
Available-for-sale financial assets			10,000	US\$10,024		
			10,000	US\$9,988		
			10,000	US\$10,042	10,000	US\$10,0
			3,300	US\$3,301	3,300	US\$3,2
			10,000	US\$10,084		
	41,700	US \$42,042			41,700	US\$42,0
	7,000	US \$7,079			7,000	US\$7,0
	5,250	US \$5,212	30,175	US\$29,906	35,425	US\$35,1
	11,100	US\$10,976			11,100	US\$10,9

(Continued)

Financial Statement	Account	Counter-party	Relationship	Nature of Shares/Units (In Thousands)	Beginning Balance		Acquisition		Disposal	
					Amount (Foreign Shares/Units (In Thousands)	Currencies in (Thousands)	Amount (Foreign Shares/Units (In Thousands)	Currencies in (Thousands)	Amount (Foreign Shares/Units (In Thousands)	Currencies in (Thousands)

Available-for-sale financial assets				12,387	US \$12,387	77,883	US \$77,883	85,349	US\$85,349
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Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The data for marketable securities disposed exclude bonds maturities and redemption by the issuer.

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets, translation adjustments, equity in earnings/losses of equity method investees and other adjustments to long-term investment using equity method.

(Concluded)



**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100**  
**MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Types of Transaction	Transaction Date	Transaction Amount	Nature of Transaction	Prior Transaction of Related Counter-party	Relationships	Relationships	Purpose of Acquisition	Other Terms
TSMC	Fab	January 5, 2011 to February 24, 2011	\$ 260,171	By the construction progress of China Steel Structure Ltd.	N/A	N/A	N/A	Public bidding	Manufacturing purpose None
		January 27, 2011 to March 27, 2011	842,036	By the construction progress of Da Cin Construction Ltd.	N/A	N/A	N/A	Public bidding	Manufacturing purpose None
		January 27, 2011 to March 27, 2011	702,998	By the construction progress of Fu Tsu Construction Ltd.	N/A	N/A	N/A	Public bidding	Manufacturing purpose None
		January 27, 2011 to February 25, 2011	188,744	By the construction progress of Tasa Construction Corporation	N/A	N/A	N/A	Public bidding	Manufacturing purpose None
Xintec	Fab	February 17, 2011	1,050,000	Based on the agreement of Vertex Precision Electronics Int.	N/A	N/A	N/A	Pricing report	Manufacturing purpose None

**TABLE 5**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Abnormal Transaction		Notes/ Payable Receivable Ending Balance
			Amount	% to	Payment Terms	Unit Price (Note)	Payment Terms (Note)	
TSMC North America	Subsidiary	Sales	\$ 57,007,986	55	Net 30 days after invoice date			\$ 27,517,000
GUC	Investee with a controlling financial interest	Sales	455,936		Net 30 days after monthly closing			260,000
TSMC China	Subsidiary	Purchases	2,419,959	19	Net 30 days after monthly closing			(855,000)
WaferTech	Indirect subsidiary	Purchases	1,770,429	14	Net 30 days after monthly closing			(550,000)
VIS	Investee accounted for using equity method	Purchases	1,325,127	10	Net 30 days after monthly closing			(953,000)
SSMC	Investee accounted for using equity method	Purchases	955,937	7	Net 30 days after monthly closing			(395,000)
TSMC North America	Same parent company	Purchases	142,690	21	Net 30 days after invoice date/net 30 days after monthly closing			(87,000)
OmniVision	Parent company of director (represented for Xintec)	Sales	362,314	37	Net 30 days after monthly closing			211,000

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**MARCH 31, 2011**

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue Amounts	Action Taken	Period	Amounts Received in Subsequent	Allowance for Bad Debts
TSMC	TSMC North America	Subsidiary	\$ 27,523,796	42	\$ 7,617			\$ 12,065	\$
	TSMC China	Subsidiary	1,593,520	(Note 2)	277				
	GUC	Investee with a controlling financial interest	260,981	42	2		92		
	VIS	Investee accounted for using equity method	153,680	(Note 2)	29		35		
Xintec	OmniVision	Parent company of director (represented for Xintec)	211,809	42					

Note 1: The calculation of turnover days excludes other receivables from related parties.

Note 2: The ending balance primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

TABLE 7

**Taiwan Semiconductor Manufacturing Company Limited and Investees  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 MARCH 31, 2011**

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

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011			Net Income (Losses) the Investee (Foreign Currencies in Thousands)
			March 31, 2011 (Foreign Currencies in Thousands)	December 31, 2010 (Foreign Currencies in Thousands)	Shareholders	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 42,523,518	\$ 109,4
Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	32,779,954	306,9
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	38	9,456,221	396,7
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	7,256,841	986,9
n	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	76,069	20	6,770,069	685,4
China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	4,721,701	541,6
			333,718	333,718	11,000	100	2,843,416	54,3

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North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices							
III	Cayman Islands	Investing in new start-up technology companies	3,602,979	3,565,441		99	2,672,382	(56,1	
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,678,379	98,9	
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,164,288	150,1	
II	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,166,470		98	1,041,270	93,2	
Solar	Amsterdam, the Netherlands	Engaged in investing activities of solar related business	411,032	25,350		100	406,305	(10,9	
ing Alliance	Cayman Islands	Investing in new start-up technology companies	971,785	971,785		99	290,203	(5,1	
Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749		100	192,329	9,0	
Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	144,224	1,7	
Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	21,093	3	
Solar NA	Delaware, U.S.A.	Engaged in selling and marketing of solar related products	60,962	60,962	1	100	7,945	(17,6	
Lighting	Delaware, U.S.A.	Engaged in selling and marketing of LED related products	3,133	3,133	1	100	2,942		
Equipment Holding Company	Delaware, U.S.A.	Investment activities	US\$0.001	US\$0.001	1	100	US\$417,397	US\$14,1	
	Cayman Islands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US\$43,000	US\$43,000	43,000	49	US\$85,259	US\$5,9	
I	Cayman Islands	Investing in new start-up technology companies	US\$4,088	US\$4,088	4,088	97	US\$19,707	US\$1,2	
	Cayman Islands	Investing in new start-up technology companies	US\$16,532	US\$16,532	16,532	97	US\$13,253	US\$(6	
Technology	Delaware, U.S.A.	Engineering support activities	US\$0.001	US\$0.001	1	100	US\$10,083	US\$2	
Canada	Ontario, Canada	Engineering support activities	US\$2,300	US\$2,300	2,300	100	US\$3,892	US\$	



Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011		Net Income (Losses) of Investee (Foreign Currencies in Thousands)
			March 31, 2011 (Foreign Currencies in Thousands)	December 31, 2010 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	
(Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US \$800	US \$800	5,333	84	US\$ (3,000)
(Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US \$1,000	US \$1,000	1,000	6	US\$ (3,000)
	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US \$280,000	US \$280,000	293,640	100	US \$179,027
ky Co.,	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US \$3,937	US \$3,937	11,868	57	US \$1,862
nd	Cayman Islands	Investing in new start-up technology companies	US \$1,740	US \$1,700		100	US \$854
ings	Delaware, U.S.A.	Investing in new start-up technology companies				62	
ings	Delaware, U.S.A.	Investing in new start-up technology companies				31	
	U.S.A.	Consulting services in main products	US \$1,253	US \$1,249	800	100	\$60,915
n	Japan		JPY 30,000	JPY 30,000	1	100	14,881

		Consulting services in main products						
pe	British Virgin Islands	Investment activities	US \$550	US \$550	550	100		8,846
	The Netherlands	Consulting services in main products	EUR 100	EUR 100		100		3,916
ghai	Shanghai, China	Consulting services in main products	US \$500	US \$500		100		7,551
ings	Delaware, U.S.A.	Investing in new start-up technology companies				7		
ar bH	Hamburg, Germany	Engaged in the selling and customer service of solar cell modules and related products	EUR 9,900	EUR 100	1	100		EUR 9,618
								EUR (

Note 1: Equity in earnings/losses of investees include the effect of unrealized gross profit from affiliates.

Note 2: The equity in the earnings/losses of the investee company is not reflected herein as such amount is already included in the equity in the earnings/losses of the investor company.

Note 3: Equity in earnings/losses was determined based on the unreviewed financial statements.

(Concluded)



TABLE 8

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Businesses and Products	Total Amount of		Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2011	Percentage of Ownership	Equity in the Earnings (Losses)
	Paid-in Capital (Thousand)	Method of Investment	(US\$ in Thousand)	Outflow	Inflow	(US\$ in Thousand)		
Manufacturing and of integrated at the order of pursuant to design	\$12,180,367 (RMB 3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$	\$12,180,367 (US\$371,000)	100%	\$564,819 (Note 3)
ations and by customers								
ing services in products	16,160 (US\$ 500)	(Note 2)	16,160 (US\$ 500)			16,160 (US\$ 500)	100%	(61) (Note 4)

Investor Company	Accumulated Investment in	Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment
	Mainland China as of March 31, 2011 (US\$ in Thousand)	(US\$ in Thousand)		(US\$ in Thousand)
TSMC	\$ 12,180,367 (US\$371,000)	\$	12,180,367 (US\$371,000)	\$ 12,180,367 (US\$371,000)
GUC	16,160 (US\$ 500)		16,160 (US\$ 500)	2,004,316 (Note 5)

Note 1: TSMC directly invested US\$371,000 thousand in TSMC China.

Note 2: GUC, TSMC's investee with a controlling financial interest, indirectly invested in GUC-Shanghai through GUC-BVI.

Note 3: Amount was recognized based on the reviewed financial statements.

Note 4: Amount was determined based on the unreviewed financial statements.

Note 5: Subject to 60% of net asset value of GUC according to the revised Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China issued by the Investment Commission.

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Three Months Ended March 31, 2011 and 2010 and  
Independent Accountants' Review Report**

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**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 as of March 31, 2011 and 2010, and the related consolidated statements of income and cash flows for the three months then ended. 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 accounting principles generally accepted in the Republic of China.

April 22, 2011

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 jurisdiction. 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**  
**MARCH 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 129,445,000	17	\$ 159,799,703	25
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	12,283		83,280	
Available-for-sale financial assets (Notes 2, 6 and 25)	28,564,518	4	24,182,017	4
Held-to-maturity financial assets (Notes 2, 7 and 25)	5,388,732	1	7,944,656	1
Receivables from related parties	1,301		24,673	
Notes and accounts receivable	54,283,659	7	47,459,954	8
Allowance for doubtful receivables (Notes 2, 3 and 8)	(503,093)		(547,908)	
Allowance for sales returns and others (Notes 2 and 8)	(6,955,928)	(1)	(7,165,663)	(1)
Other receivables from related parties (Notes 3 and 26)	199,095		158,787	
Other financial assets (Note 27)	1,248,098		2,597,698	
Inventories (Notes 2 and 9)	31,787,239	4	22,694,233	4
Deferred income tax assets (Notes 2 and 20)	5,099,667	1	6,305,602	1
Prepaid expenses and other current assets	1,962,700		2,079,007	
<b>Total current assets</b>	<b>250,533,271</b>	<b>33</b>	<b>265,616,039</b>	<b>42</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)</b>				
Investments accounted for using equity method	25,995,552	3	24,246,735	4
Available-for-sale financial assets	1,036,044		1,267,029	
Held-to-maturity financial assets	7,692,591	1	11,114,601	2
Financial assets carried at cost	4,209,597	1	3,134,539	1
<b>Total long-term investments</b>	<b>38,933,784</b>	<b>5</b>	<b>39,762,904</b>	<b>7</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)</b>				
<b>Cost</b>				
Land and land improvements	1,519,805		928,605	

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Buildings	161,757,008	21	143,535,804	23
Machinery and equipment	979,510,419	131	818,778,607	131
Office equipment	15,531,932	2	14,243,723	2
Leased assets	684,775		709,705	
	1,159,003,939	154	978,196,444	156
Accumulated depreciation	(795,326,356)	(106)	(713,352,491)	(114)
Advance payments and construction in progress	72,911,797	10	34,785,266	6
Net property, plant and equipment	436,589,380	58	299,629,219	48
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	5,582,287	1	5,902,572	1
Deferred charges, net (Notes 2 and 14)	5,628,037	1	6,290,817	1
Total intangible assets	11,210,324	2	12,193,389	2
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 20)	6,599,175	1	6,770,699	1
Refundable deposits	4,831,356	1	2,563,884	
Others (Notes 2 and 27)	1,428,676		293,004	
Total other assets	12,859,207	2	9,627,587	1
<b>TOTAL</b>	<b>\$ 750,125,966</b>	<b>100</b>	<b>\$ 626,829,138</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

Short-term loans (Note 15)	\$ 34,176,368	5	\$ 318,242	
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	48,850		11,810	
Hedging derivative financial liabilities (Notes 2, 11 and 25)	676		238	
Accounts payable	11,923,131	2	10,511,246	2
Payables to related parties (Note 26)	1,427,800		1,114,589	
Income tax payable (Notes 2 and 20)	9,844,973	1	11,057,936	2
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	13,586,113	2	9,128,889	1
Payables to contractors and equipment suppliers	33,906,105	4	28,784,713	4
Accrued expenses and other current liabilities (Notes 18, 25 and 29)	17,602,638	2	16,302,457	3
	4,740,759	1	944,736	

Current portion of bonds payable and long-term bank loans (Notes 16, 17, 25 and 27)

Total current liabilities	127,257,413	17	78,174,856	12
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#### LONG-TERM LIABILITIES

Bonds payable (Notes 16 and 25)			4,500,000	1
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Long-term bank loans (Notes 17, 25 and 27)	1,040,562		517,781	
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Other long-term payables (Notes 18, 25 and 29)	3,849,674	1	5,565,465	1
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Obligations under capital leases (Notes 2, 13, and 25)	678,403		702,826	
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Total long-term liabilities	5,568,639	1	11,286,072	2
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#### OTHER LIABILITIES

Accrued pension cost (Notes 2 and 19)	3,817,717		3,797,319	1
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Guarantee deposits (Note 29)	714,643		932,370	
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Deferred credits	120,686		157,610	
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Others	254,909		176,209	
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Total other liabilities	4,907,955		5,063,508	1
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Total liabilities	137,734,007	18	94,524,436	15
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#### EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Capital stock NT\$10 par value (Note 22) Authorized: 28,050,000 thousand shares Issued: 25,914,193 thousand shares in 2011 25,903,769 thousand shares in 2010	259,141,933	35	259,037,692	41
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Capital surplus (Notes 2 and 22)	55,781,482	7	55,530,845	9
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Retained earnings (Note 22) Appropriated as legal capital reserve	86,239,494	11	77,317,710	12
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Appropriated as special capital reserve	1,313,047			
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Unappropriated earnings	214,504,803	29	138,228,089	22
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	302,057,344	40	215,545,799	34
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Others (Notes 2, 11 and 25)	(9,351,749)	(1)	(2,378,010)	
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Cumulative translation adjustments	44,873		401,390	
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Unrealized gain on financial instruments	(9,306,876)	(1)	(1,976,620)	
Equity attributable to shareholders of the parent	607,673,883	81	528,137,716	84
MINORITY INTERESTS (Note 2)	4,718,076	1	4,166,986	1
Total shareholders equity	612,391,959	82	532,304,702	85
TOTAL	\$ 750,125,966	100	\$ 626,829,138	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 INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 26)	\$ 106,835,757		\$ 95,020,306	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	1,458,262		2,833,620	
NET SALES	105,377,495	100	92,186,686	100
COST OF SALES (Notes 9, 21 and 26)	53,706,783	51	48,001,195	52
GROSS PROFIT	51,670,712	49	44,185,491	48
OPERATING EXPENSES (Notes 21 and 26)				
Research and development	7,963,628	8	6,409,840	7
General and administrative	3,342,828	3	2,471,979	3
Marketing	1,201,276	1	1,176,010	1
Total operating expenses	12,507,732	12	10,057,829	11
INCOME FROM OPERATIONS	39,162,980	37	34,127,662	37
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	520,109	1	177,080	
Foreign exchange gain, net (Note 2)	403,081	1		
Interest income	373,284		403,215	1
Gain on settlement and disposal of financial assets, net (Notes 2 and 25)	124,926		22,016	
Technical service income (Notes 26 and 29)	114,949		116,834	
Gain on disposal of property, plant and equipment (Note 2)	96,311		56,344	
Settlement income (Note 29)			637,580	1
Valuation gain on financial instruments, net (Notes 2, 5 and 25)			304,829	
Others (Note 2)	200,121		113,696	



Total non-operating income and gains	1,832,781	2	1,831,594	2
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Valuation loss on financial instruments, net (Notes 2, 5 and 25)	282,237	1		
Loss on disposal of property, plant and equipment (Note 2)	145,476		196	
Interest expense	119,922		87,446	

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Impairment of financial assets (Notes 2, 12 and 25)	\$ 58,537		\$ 8,709	
Foreign exchange loss, net (Note 2)			286,919	1
Casualty loss (Note 9)			194,137	
Others (Note 2)	77,147		79,073	
Total non-operating expenses and losses	683,319	1	656,480	1
INCOME BEFORE INCOME TAX	40,312,442	38	35,302,776	38
INCOME TAX EXPENSE (Notes 2 and 20)	3,885,350	3	1,477,461	1
NET INCOME	\$ 36,427,092	35	\$ 33,825,315	37
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 36,277,773	35	\$ 33,663,117	37
Minority interests	149,319		162,198	
	\$ 36,427,092	35	\$ 33,825,315	37

	<b>2011</b>		<b>2010</b>	
	<b>Income Attributable to Shareholders of the Parent</b>		<b>Income Attributable to Shareholders of the Parent</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	\$ 1.55	\$ 1.40	\$ 1.36	\$ 1.30
Diluted earnings per share	\$ 1.55	\$ 1.40	\$ 1.36	\$ 1.30

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 36,277,773	\$ 33,663,117
Net income attributable to minority interests	149,319	162,198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,816,388	21,002,670
Amortization of premium/discount of financial assets	7,797	7,828
Impairment of financial assets	58,537	8,709
Gain on disposal of available-for-sale financial assets, net	(111,511)	(10,114)
Gain on disposal of financial assets carried at cost, net	(13,415)	(11,902)
Equity in earnings of equity method investees, net	(520,109)	(177,080)
Loss (gain) on disposal of property, plant and equipment, net	49,165	(56,148)
Deferred income tax	1,037,018	(717,689)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	24,451	114,586
Receivables from related parties	1,421	(12,149)
Notes and accounts receivable	(3,253,774)	(2,822,312)
Allowance for doubtful receivables	(936)	4,583
Allowance for sales returns and others	(590,336)	(1,558,818)
Other receivables from related parties	(74,509)	(37,495)
Other financial assets	(39,472)	(61,077)
Inventories	(3,381,255)	(1,780,482)
Prepaid expenses and other current assets	74,947	(796,236)
Increase (decrease) in:		
Accounts payable	(1,476,564)	(700,830)
Payables to related parties	560,715	331,582
Income tax payable	2,660,276	2,257,687
Accrued profit sharing to employees and bonus to directors and supervisors	2,489,966	2,310,546
Accrued expenses and other current liabilities	(2,267,326)	(5,059,113)
Accrued pension cost	5,366	287
Deferred credits	(5,853)	(28,079)
Net cash provided by operating activities	56,478,079	46,034,269
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(81,262,394)	(46,135,779)
Available-for-sale financial assets	(13,865,070)	(24,259,847)

Held-to-maturity financial assets		(1,597,750)
Investments accounted for using equity method		(6,228,661)
Financial assets carried at cost	(1,670)	(111,409)
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2011</b>	<b>2010</b>
Proceeds from disposal or redemption of:		
Property, plant and equipment	\$ 381,310	\$ 35,632
Available-for-sale financial assets	13,459,391	14,219,695
Held-to-maturity financial assets		8,000,000
Financial assets carried at cost	63,254	25,800
Increase in deferred charges	(188,183)	(383,034)
Decrease in refundable deposits	3,846,614	169,259
Increase in other assets	(5,992)	(23,080)
 Net cash used in investing activities	 (77,572,740)	 (56,289,174)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	2,962,424	318,242
Proceed from long-term bank loans	800,000	
Repayment of long-term bank loans	(61,943)	(60,932)
Decrease in other long-term payables		(1,112,323)
Decrease in guarantee deposits	(74,455)	(89,653)
Proceeds from donation		49,021
Proceeds from exercise of employee stock options	127,288	36,791
Increase in minority interests	15,840	15,187
 Net cash provided by (used in) financing activities	 3,769,154	 (843,667)
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (17,325,507)	 (11,098,572)
 <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	 (1,116,448)	 (378,066)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 147,886,955	 171,276,341
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 129,445,000	 \$ 159,799,703
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 221,837	\$ 184,499
Income tax paid	\$ 218,178	\$ 17,732

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH  
ITEMS

Acquisition of property, plant and equipment	\$ 73,205,035	\$ 46,449,760
Increase in other liabilities		(24,540)
Decrease (increase) in payables to contractors and equipment suppliers	8,058,230	(166,640)
Nonmonetary exchange trade-out price	(871)	(122,801)
Cash paid	\$ 81,262,394	\$ 46,135,779

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2011</b>	<b>2010</b>
Disposal of property, plant and equipment	\$ 382,181	\$ 158,433
Nonmonetary exchange trade-out price	(871)	(122,801)
Cash received	\$ 381,310	\$ 35,632
Acquisition of available-for-sale financial assets	\$ 13,989,666	\$ 24,799,258
Increase in accrued expenses and other current liabilities	(124,596)	(539,411)
Cash paid	\$ 13,865,070	\$ 24,259,847
Disposal of available-for-sale financial assets	\$ 13,646,465	\$ 14,906,329
Increase in other financial assets	(187,074)	(686,634)
Cash received	\$ 13,459,391	\$ 14,219,695
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$ 4,500,000	\$
Current portion of long-term bank loans	\$ 240,759	\$ 944,736
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 4,134,622	\$ 2,837,536

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010**  
**(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. Beginning in 2010, TSMC also engages in the researching, developing, designing, manufacturing and selling of LED lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). 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).

As of March 31, 2011 and 2010, TSMC and its subsidiaries had 35,665 and 27,960 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

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.

Significant accounting policies are summarized as follows:

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of investees in which TSMC's ownership percentage is less than 50% but over which TSMC has a controlling interest. All significant intercompany balances and transactions are eliminated upon consolidation.



The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2011	2010	
TSMC	TSMC North America	100%	100%	
	TSMC Japan Limited (TSMC Japan)	100%	100%	
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	
	TSMC Korea Limited (TSMC Korea)	100%	100%	
	TSMC Europe B.V. (TSMC Europe)	100%	100%	
	TSMC Global Ltd. (TSMC Global)	100%	100%	
	TSMC China Company Limited (TSMC China)	100%	100%	
	VentureTech Alliance Fund III, L.P. (VTAF III)	99%	98%	
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	
	Global Unichip Corporation (GUC)	35%	35%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	41%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
	TSMC Solar North America, Inc. (TSMC Solar NA)	100%		Established in September 2010
	TSMC Lighting North America, Inc. (TSMC Lighting NA)	100%		Established in September 2010
TSMC Solar Europe B.V. (TSMC Solar Europe)	100%		Established in September 2010	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	
	TSMC Technology, Inc. (TSMC Technology)	100%	100%	
	TSMC Development, Inc. (TSMC Development)	100%	100%	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	
	TSMC Development	WaferTech, LLC (WaferTech)	100%	100%
VTAF III		57%	59%	

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	Mutual-Pak Technology Co., Ltd. (Mutual-Pak) Growth Fund Limited (Growth Fund)	100%	100%	
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	
GUC	Global Unichip Corp.-NA (GUC-NA)	100%	100%	
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	
	Global Unichip Europe B.V. (GUC-Europe)	100%	100%	
	Global Unichip (BVI) Corp. (GUC-BVI)	100%	100%	
GUC-BVI	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	100%	100%	Established in January 2010
TSMC Solar Europe	TSMC Solar Europe GmbH	100%		Established in December 2010

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The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of March 31, 2011:

TSMC North America is engaged in selling and marketing of integrated circuits and semiconductor devices. TSMC Japan, TSMC Korea and TSMC Europe are engaged mainly in marketing or customer service, engineering and technical supporting activities. TSMC Partners is engaged in investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. TSMC Global and TSMC Development are engaged in investing activities. TSMC China is engaged in the manufacturing and selling of integrated circuits pursuant to the orders from and product design specifications provided by customers. Emerging Alliance, VTAF II, VTAF III, VTA Holdings, ISDF, ISDF II, and Growth Fund are engaged in investing in new start-up technology companies. TSMC Canada and TSMC Technology are engaged mainly in engineering support activities. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in researching, developing, manufacturing, testing and marketing of integrated circuits. GUC-NA, GUC-Japan, GUC-Europe, and GUC-Shanghai are engaged in providing products consulting in North America, Japan, Europe, and China, respectively. GUC-BVI is engaged in investing activities. Xintec is engaged in the provision of wafer packaging service. TSMC Solar NA is engaged in selling and marketing of solar related products. TSMC Lighting NA is engaged in selling and marketing of LED related products. TSMC Solar Europe is engaged in investing activities of solar related business. TSMC Solar Europe GmbH is engaged in the selling and customer service of solar cell modules and related products. Mutual-Pak is engaged in the manufacturing and selling of electronic parts, and researching, developing and testing of RFID.

The Company is also considering the formation of another two wholly-owned subsidiaries for solar and solid state lighting businesses as part of the strategic planning.

TSMC together with its subsidiaries are hereinafter referred to collectively as the Company.

Minority interests in the aforementioned subsidiaries are presented as a separate component of shareholders' equity.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

#### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

### **Cash Equivalents**

Repurchase agreements collateralized by government bonds, corporate bonds, agency bonds, treasury bills and commercial papers acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value due to their short term nature.

### **Financial Assets/Liabilities at Fair Value Through Profit or Loss**

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

### **Hedging Derivative Financial Instruments**

Hedge derivatives are mainly derivatives instruments that are for cash flow hedge purposes and determined to be an effective hedge. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same period or period during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

### **Available-for-sale Financial Assets**

Investments designated as available-for-sale financial assets include debt securities and equity securities.

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is determined as follows: Open-end mutual funds and money market funds' net asset values at the end of the period; publicly traded stocks' closing prices at the end of the period; and other debt securities' average of bid and asked prices at the end of the period.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

### **Held-to-maturity Financial Assets**

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

TSMC's provision was originally set at 1% of the amount of outstanding receivables. On January 1, 2011, the Company adopted the third revision of Statement of Financial Accounting Standards (SFAS) No. 34, Financial Instruments: Recognition and Measurement. One of the main revisions is that the impairment of receivables originated by the Company is subject to the provisions of SFAS No. 34. Companies are required to evaluate for indication of impairment of accounts receivable based on an individual and collective basis at the end of each reporting period. When objective evidence indicates that the estimated future cash flow of accounts receivable decreases as a result of one or more events that occurred after the initial recognition of the accounts receivable, such accounts receivable are deemed to be impaired.

Because of the Company's short average collection period, the amount of the impairment loss recognized is the difference between the carrying amount of accounts receivable and estimated future cash flows without considering the discounting effect. Changes in the carrying amount of the allowance account are recognized as bad debt in loss which is recorded in the operating expenses—general and administrative. When accounts receivable are considered uncollectable, the amount is written off against the allowance account.

### **Revenue Recognition and Allowance for Sales Returns and Others**

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer; price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and other allowances are recorded in the period the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

Sales prices are determined using fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

### **Inventories**

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.

**Investments Accounted for Using Equity Method**

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. The cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company's share of the investee's equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Gains or losses on sales from the Company to equity method investees or from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until such gains or losses are realized through transactions with third parties.

If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency of the Company. Such differences are charged or credited to cumulative translation adjustments, a separate component of shareholders' equity.

**Financial Assets Carried at Cost**

Investments for which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such as non-publicly traded stocks and mutual funds, are carried at their original cost. The costs of non-publicly traded stocks and mutual funds are determined using the weighted-average method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

**Property, Plant and Equipment and Assets Leased to Others**

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease, with the corresponding amount recorded as obligations under capital leases. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements 20 years; buildings 10 to 20 years; machinery and equipment 3 to 5 years; office equipment 3 to 15 years; and leased assets 20 years.

Upon sale or disposal of property, plant and equipment and assets leased to others, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss recorded as non-operating gains or losses in the period of sale or disposal.

#### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill is no longer amortized and instead is tested for impairment annually, or more frequently if events or changes in circumstances suggest that the carrying amount may not be recoverable. If an event occurs or circumstances change which indicate that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and patent and others. The amounts are amortized over the following periods: Technology license fees the estimated life of the technology or the term of the technology transfer contract; software and system design costs 2 to 5 years; patent and others the economic life or contract period. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

#### **Pension Costs**

For employees who participate in defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts during their service periods. For employees who participate in defined benefit pension plans, pension costs are recorded based on actuarial calculations.

#### **Income Tax**

The Company applies an inter-period allocation for its income tax whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, net operating loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from purchases of machinery and equipment, research and development expenditures and personnel training expenditures are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

### **Stock-based Compensation**

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period. Employee stock option plans that were granted or modified after December 31, 2007 are accounted for using fair value method in accordance with Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment. The Company did not grant or modify any employee stock options since January 1, 2008.

### **Foreign-currency Transactions**

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

### **Translation of Foreign-currency Financial Statements**

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities spot rates at period-end; shareholders equity historical rates; income and expenses average rates during the period. The resulting translation adjustments are recorded as a separate component of shareholders equity.

### **3. ACCOUNTING CHANGES**

On January 1, 2011, the Company prospectively adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, Financial Instruments: Recognition and Measurement. The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when the debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change did not have a significant effect on the Company's consolidated financial statements as of and for the period ended March 31, 2011.

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, Operating Segments. The statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20, Segment Reporting. The Company conformed to the disclosure requirements as of and for the period ended March 31, 2011. The information for the period ended March 31, 2010 has been recast to reflect the new segment reporting requirement.



**4. CASH AND CASH EQUIVALENTS**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Cash and deposits in banks	\$ 127,349,258	\$ 157,826,361
Repurchase agreements collateralized by government bonds	1,627,216	1,241,551
Corporate bonds	383,092	159,077
Agency bonds	85,434	
Treasury bills		540,900
Commercial papers		31,814
	<b>\$ 129,445,000</b>	<b>\$ 159,799,703</b>

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

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Trading financial assets		
Forward exchange contracts	\$ 12,283	\$ 3,974
Cross currency swap contracts		79,306
	<b>\$ 12,283</b>	<b>\$ 83,280</b>
Trading financial liabilities		
Forward exchange contracts	\$ 48,850	\$ 2,040
Cross currency swap contracts		9,770
	<b>\$ 48,850</b>	<b>\$ 11,810</b>

The Company entered into derivative contracts during the three months ended March 31, 2011 and 2010 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:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
March 31, 2011		
Sell NT\$/Buy JPY	April 2011	NT\$1,173,256/JPY3,268,300
Sell NT\$/Buy EUR	April 2011	NT\$83,800/EUR2,000
Sell EUR/Buy NT\$	April 2011	EUR59,550/NT\$2,494,130
Sell NT\$/Buy US\$	April 2011	NT\$53,267/US\$1,800
Sell RMB/Buy US\$	April 2011 to June 2011	RMB925,865/US\$140,500
Sell US\$/Buy JPY	April 2011	US\$1,531/JPY124,092
Sell US\$/Buy NT\$	April 2011 to May 2011	US\$9,000/NT\$265,008

(Continued)



	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
March 31, 2010		
Sell EUR/Buy NT\$	April 2010	EUR7,500/NT\$323,205
Sell EUR/Buy US\$	April 2010	EUR4,500/US\$5,998
Sell US\$/Buy RMB	April 2010	US\$1,000/RMB6,827
Sell US\$/Buy NT\$	April 2010 to May 2010	US\$ 13,750/NT\$438,590 (Concluded)

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
March 31, 2010			
April 2010 to May 2010	US\$ 930,000/NT\$29,662,580	0.21%-0.45%	0.00%-0.09%

For the three months ended March 31, 2011 and 2010, changes in fair value related to derivative financial instruments recognized in earnings was a net loss of NT\$282,237 thousand and a net gain of NT\$304,829 thousand, respectively.

#### **6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Corporate bonds	\$ 16,650,404	\$ 13,026,082
Agency bonds	6,931,552	7,557,888
Publicly traded stocks	4,567,080	478,293
Government bonds	916,160	4,047,337
Open-end mutual funds	390,351	170,090
Money market funds	145,015	86,827
Corporate issued notes		82,529
	29,600,562	25,449,046
Current portion	(28,564,518)	(24,182,017)
	\$ 1,036,044	\$ 1,267,029

#### **7. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Corporate bonds	\$ 12,639,303	\$ 16,683,171
Government bonds	442,020	1,376,086
Structured time deposits		1,000,000
	13,081,323	19,059,257
Current portion	(5,388,732)	(7,944,656)

\$ 7,692,591      \$ 11,114,601

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Structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
March 31, 2010				
Callable domestic deposits	\$ 1,000,000	\$ 809	0.36%	July 2010

#### **8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS**

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 504,029	\$ 543,325
Provision (reversal)	(936)	4,583
Balance, end of period	\$ 503,093	\$ 547,908

Movements of the allowance for sales returns and others were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 7,546,264	\$ 8,724,481
Provision	1,458,262	2,833,620
Write-off	(2,048,598)	(4,392,438)
Balance, end of period	\$ 6,955,928	\$ 7,165,663

#### **9. INVENTORIES**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Finished goods	\$ 7,600,064	\$ 2,278,534
Work in process	19,320,917	17,265,051
Raw materials	2,853,159	1,708,680
Supplies and spare parts	2,013,099	1,441,968
	\$ 31,787,239	\$ 22,694,233

Write-downs of inventories to net realizable value in the amount of NT\$672,567 thousand and NT\$201,653 thousand, respectively, were included in the cost of sales for the three months ended March 31, 2011 and 2010. Inventory losses related to earthquake damage in the amount of NT\$194,137 thousand were classified under non-operating expenses and losses for the three months ended March 31, 2010.

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

	<b>March 31</b>			
	<b>2011</b>	<b>% of</b>	<b>2010</b>	<b>% of</b>
	<b>Carrying</b>	<b>Owner-</b>	<b>Carrying</b>	<b>Owner-</b>
	<b>Amount</b>	<b>ship</b>	<b>Amount</b>	<b>ship</b>
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,456,221	38	\$ 9,359,350	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	7,256,841	39	6,308,810	39
Motech Industries Inc. (Motech)	6,770,069	20	6,210,916	20
VisEra Holding Company (VisEra Holding)	2,512,421	49	2,305,135	49
Mcube Inc. (Mcube)		84	16,817	70
Aiconn Technology Corporation (Aiconn)			15,508	42
Preferred stock				
Mcube		6	30,199	10
	<b>\$ 25,995,552</b>		<b>\$ 24,246,735</b>	

The Company originally owned 43% of Aiconn, which was merged with Accton Wireless Broadband Corp. (Accton) in March 2011. As a result of the merger, the Company's equity investment in Aiconn was exchanged for equity of Accton and the Company did not exercise significant influence over Accton. Therefore, the aforementioned investment was reclassified to financial assets carried at cost.

In February 2010, the Company subscribed to 75,316 thousand shares of Motech through a private placement for NT\$6,228,661 thousand; after the subscription, the Company's percentage of ownership in Motech was 20%. Transfer of the aforementioned common shares within three years is prohibited according to the related regulations.

For the three months ended March 31, 2011 and 2010, equity in earnings/losses of equity method investees was a net gain of NT\$520,109 thousand and NT\$177,080 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except for Aiconn and Mcube. The Company believes that, had the aforementioned equity method investees' financial statements been reviewed, any adjustments arising would have had no material effect on the Company's consolidated financial statements.

As of March 31, 2011 and 2010, the quoted market price of publicly traded stocks in unrestricted investments accounted for using the equity method (VIS) was NT\$8,795,129 thousand and NT\$10,240,043 thousand, respectively. Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets were as follows:

	<b>Three Months Ended March</b>	
	<b>31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 2,491,891	\$ 1,391,500
Additions		2,055,660
Deductions	(244,977)	(212,358)
Balance, end of period	\$ 2,246,914	\$ 3,234,802



Movements of the difference allocated to goodwill were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 1,415,565	\$ 1,061,885
Additions		353,680
Balance, end of period	\$ 1,415,565	\$ 1,415,565

## 11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Hedging derivative financial liabilities		
Interest rate swap contract	\$ 676	\$ 238

The Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates. The outstanding interest rate swap contract consisted of the following:

<b>Contract Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
March 31, 2011			
NT\$116,000	August 31, 2012	1.38%	0.66%-0.68%
March 31, 2010			
NT\$140,000	August 31, 2012	1.38%	0.55%-0.57%

For the three months ended March 31, 2011 and 2010, the adjustment to shareholders' equity amounted to NT\$676 thousand and NT\$238 thousand, respectively; and the amount removed from shareholders' equity and recognized as a loss from the above interest rate swap contract amounted to NT\$226 thousand and nil, respectively.

## 12. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Non-publicly traded stocks	\$ 4,050,346	\$ 2,975,288
Mutual funds	159,251	159,251
	\$ 4,209,597	\$ 3,134,539





In June 2010, the Company invested in Stion Corporation (Stion, a United States corporation) for US\$50,000 thousand and obtained Stion's preferred stock of 7,347 thousand shares with 23.4% of ownership. Stion is engaged in the manufacturing of high-efficiency thin-film solar photovoltaic modules. Due to certain restrictions contained in the investment agreements, the Company does not have the ability to exert significant influence over Stion's operating and financial policies. Therefore, the investment was classified under financial assets carried at cost.

The common stock of Capella Microsystems (Taiwan), Inc. and Integrated Memory Logic Limited was listed on the Taiwan GreTai Securities Market and Taiwan Stock Exchange in June 2010 and May 2010, respectively. Thus, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.

For the three months ended March 31, 2011 and 2010, the Company recognized impairment on financial assets carried at cost of NT\$58,537 thousand and NT\$8,709 thousand, respectively.

### 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Three Months Ended March 31, 2011</b>					<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Cost						
Land and land improvements	\$ 891,197	\$ 652,011	\$	\$	\$ (23,403)	\$ 1,519,805
Buildings	145,966,024	16,229,827	(9,707)		(429,136)	161,757,008
Machinery and equipment	913,155,252	68,138,372	(248,904)		(1,534,301)	979,510,419
Office equipment	14,856,582	875,855	(145,803)		(54,702)	15,531,932
Leased asset	701,552				(16,777)	684,775
	1,075,570,607	\$ 85,896,065	\$ (404,414)	\$	\$ (2,058,319)	1,159,003,939
Accumulated depreciation						
Land and land improvements	328,792	\$ 6,682	\$	\$	\$ (9,706)	325,768
Buildings	90,472,703	2,392,872	(9,707)		(238,029)	92,617,839
Machinery and equipment	671,268,636	21,494,836	(247,266)		(1,478,448)	691,037,758
Office equipment	10,957,676	327,377	(145,786)		(47,085)	11,092,182
Leased asset	250,350	8,376			(5,917)	252,809
	773,278,157	\$ 24,230,143	\$ (402,759)	\$	\$ (1,779,185)	795,326,356
Advance payments and construction in progress	86,151,573	\$ (12,691,030)	\$ (429,691)	\$ (199)	\$ (118,856)	72,911,797

\$ 388,444,023

\$ 436,589,380

## Three Months Ended March 31, 2010

	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 934,090	\$	\$	\$	\$ (5,485)	\$ 928,605
Buildings	142,294,558	1,351,012		4,422	(114,188)	143,535,804
Machinery and equipment	775,653,489	43,807,043	(352,530)	40,643	(370,038)	818,778,607
Office equipment	13,667,747	560,945	(22,804)	52,685	(14,850)	14,243,723
Leased asset	714,424				(4,719)	709,705
	933,264,308	\$ 45,719,000	\$ (375,334)	\$ 97,750	\$ (509,280)	978,196,444
Accumulated depreciation						
Land and land improvements	317,580	\$ 7,283	\$	\$	\$ (2,123)	322,740
Buildings	81,821,718	2,366,466			(55,562)	84,132,622
Machinery and equipment	600,795,474	17,787,671	(352,334)	443	(394,503)	617,836,751
Office equipment	10,589,349	280,027	(22,782)	(443)	(12,862)	10,833,289
Leased asset	219,765	8,811			(1,487)	227,089
	693,743,886	\$ 20,450,258	\$ (375,116)	\$	\$ (466,537)	713,352,491
Advance payments and construction in progress	34,154,365	\$ 730,760	\$	\$ (97,750)	\$ (2,109)	34,785,266
	\$ 273,674,787					\$ 299,629,219

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of March 31, 2011 were NT\$754,723 thousand.

**14. DEFERRED CHARGES, NET**

	<b>Three Months Ended March 31, 2011</b>					<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Technology license fee	\$ 2,455,348	\$	\$ (185,338)	\$	\$ (108)	\$ 2,269,902
Software and system design costs	2,333,271	38,065	(291,150)	199	(151)	2,080,234
Patent and others	1,238,466	150,118	(108,322)		(2,361)	1,277,901
	\$ 6,027,085	\$ 188,183	\$ (584,810)	\$ 199	\$ (2,620)	\$ 5,628,037

	<b>Three Months Ended March 31, 2010</b>					<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Technology license fee	\$ 3,230,624	\$	\$ (214,183)	\$	\$ 910	\$ 3,017,351
Software and system design costs	1,834,528	377,852	(240,858)		(28)	1,971,494
Patent and others	1,393,402	5,182	(95,936)		(676)	1,301,972
	\$ 6,458,554	\$ 383,034	\$ (550,977)	\$	\$ 206	\$ 6,290,817

**15. SHORT-TERM LOANS**

	<b>March 31 2011</b>	<b>March 31 2010</b>
Unsecured loans: US\$1,086,000 thousand and EUR52,000 thousand, due in April 2011, and annual interest at 0.40%-0.87% ; US\$10,000 thousand, due in April 2010, and annual interest at 1.07%	\$ 34,176,368	\$ 318,242

**16. BONDS PAYABLE**

	<b>March 31 2011</b>	<b>March 31 2010</b>

Domestic unsecured bonds:

Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually	\$ 4,500,000	\$ 4,500,000
Current portion	(4,500,000)	
	\$	\$ 4,500,000

**17. LONG-TERM BANK LOANS**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Unsecured loans:		
Repayable in full in one lump sum payment in March 2013, annual interest at 1.02%-1.04%	\$ 500,000	\$
Repayable from September 2012 in 6 installments before March 31, 2015, annual interest at 1.14%	300,000	
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.69%-1.30% in 2011 and 0.66%-1.11% in 2010	481,321	727,157
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.83%		636,485
Repayable from December 2007 in 8 semi-annual installments, fully repaid in June 2010, annual interest at 1.10% in 2010		98,875
	1,281,321	1,462,517
Current portion	(240,759)	(944,736)
	\$ 1,040,562	\$ 517,781

Pursuant to the loan agreements, financial ratios calculated based on semi-annual and annual financial statements of Xintec must comply with predetermined financial covenants.

As of March 31, 2011, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2011 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 180,569
2012	290,759
2013	659,993
2014	100,000
2015	50,000
	\$ 1,281,321

**18. OTHER LONG-TERM PAYABLES**

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Payables for acquisition of property, plant and equipment (Note 29g)	\$ 6,942,466	\$ 7,192,395
Payables for royalties	1,041,830	1,210,606
	7,984,296	8,403,001
Current portion (classified under accrued expenses and other current liabilities)	(4,134,622)	(2,837,536)

\$ 3,849,674      \$ 5,565,465

The payables for royalties were primarily attributable to several license arrangements that the Company entered into for certain semiconductor-related patents.

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As of March 31, 2011, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2011 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 1,584,531
2012	3,110,868
2013	3,288,897
	\$ 7,984,296

## 19. PENSION PLANS

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe, TSMC Canada, TSMC Solar NA and TSMC Solar Europe GmbH are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$323,975 thousand and NT\$228,158 thousand for the three months ended March 31, 2011 and 2010, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension costs of NT\$76,010 thousand and NT\$59,683 thousand for the three months ended March 31, 2011 and 2010, respectively.

Movements in the Funds and accrued pension cost under the defined benefit plans were summarized as follows:

	<b>Three Months Ended March</b>	
	<b>2011</b>	<b>2010</b>
The Funds		
Balance, beginning of period	\$ 2,888,852	\$ 2,644,988
Contributions	72,122	69,292
Interest	27,246	41,105
Payments	(3,495)	
Balance, end of period	\$ 2,984,725	\$ 2,755,385
Accrued pension cost		
Balance, beginning of period	\$ 3,812,351	\$ 3,797,032
Accruals	5,366	287
Balance, end of period	\$ 3,817,717	\$ 3,797,319





**20. INCOME TAX**

- a. A reconciliation of income tax expense based on income before income tax at the statutory rates and income tax currently payable was as follows:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Income tax expense based on income before income tax at statutory rates	\$ 7,186,305	\$ 7,338,355
Tax effect of the following:		
Tax-exempt income	(3,634,868)	(3,999,921)
Temporary and permanent differences	(565,085)	(93,665)
Net operating loss carryforwards used	(118,323)	(81,389)
Income tax credits used	(12,061)	(1,604,378)
Income tax currently payable	\$ 2,855,968	\$ 1,559,002

- b. Income tax expense consisted of the following:

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Income tax currently payable	\$ 2,855,968	\$ 1,559,002
Income tax adjustments on prior years	2,669	647,144
Other income tax adjustments	23,669	(9,164)
Net change in deferred income tax assets		
Investment tax credits	(484,374)	(1,039,371)
Net operating loss carryforwards	116,494	84,051
Temporary differences	101,136	(562,476)
Valuation allowance	1,269,788	798,275
Income tax expense	\$ 3,885,350	\$ 1,477,461

- c. Net deferred income tax assets consisted of the following:

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Current deferred income tax assets		
Investment tax credits	\$ 4,257,923	\$ 5,265,061
Temporary differences		
Allowance for sales returns and others	597,393	739,785
Unrealized gain/loss on financial instruments	62,060	
Others	332,930	446,489
Valuation allowances	(150,639)	(145,733)
	\$ 5,099,667	\$ 6,305,602

Noncurrent deferred income tax assets		
Investment tax credits	\$ 18,844,684	\$ 11,263,026
Net operating loss carryforwards	2,537,753	3,331,918
Temporary differences		
Depreciation	2,087,167	2,521,058
Others	574,518	530,685
Valuation allowance	(17,444,947)	(10,875,988)
	\$ 6,599,175	\$ 6,770,699

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Effective in June 2010, the Article 5 of the Income Tax Law of the Republic of China was amended, in which the income tax rate of profit-seeking enterprises would be reduced from 20% to 17%. The last amended income tax rate of 17% is retroactively applied on January 1, 2010. TSMC and its domestic subsidiaries which are subject to the Income Tax Law of the Republic of China recalculated their deferred tax assets in accordance with the new amended Article and adjusted the resulting difference as an income tax expense in 2010. Furthermore, due to the reduced corporate income tax rate, the Company anticipated a decrease in future tax credits allowed for deduction, therefore resulting in higher adjustment to the valuation allowance balance.

Under Article 10 of the Statute for Industrial Innovation (SII) legislated and effective in May 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the period in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that period. This incentive is retroactive to January 1, 2010 and effective until December 31, 2019.

As of March 31, 2010, the net operating loss carryforwards generated by WaferTech, TSMC Development and Mutual-Pak would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account of TSMC as of March 31, 2011 and 2010 was NT\$1,669,533 thousand and NT\$369,265 thousand, respectively.

The estimated and actual creditable ratios for distribution of TSMC's earnings of 2010 and 2009 were 4.70% and 9.85%, respectively.

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

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

f. As of March 31, 2011, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 67,436	\$ 66,600	2011
		2,519,887	2,519,887	2012
		6,040,347	6,040,347	2013
		6,378,194	6,378,194	2014
		\$ 15,005,864	\$ 15,005,028	
Statute for Upgrading Industries	Research and development expenditures	\$ 114,431	\$ 103,508	2011

2,921,041	2,921,041	2012
4,523,367	4,523,367	2013

\$ 7,558,839	\$ 7,547,916
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(Continued)

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Personnel training expenditures	\$ 788	\$ 486	2011
		32,286	32,286	2012
		17,795	17,795	2013
		\$ 50,869	\$ 50,567	
Statute for Industrial Innovation	Research and development expenditures	\$ 499,096	\$ 499,096	2011

(Concluded)

- g. The profits generated from the following projects of TSMC, GUC and Xintec are exempt from income tax for a five-year period:

	<b>Tax-Exemption Period</b>
Construction and expansion of 2003 by TSMC	2007 to 2011
Construction and expansion of 2004 by TSMC	2008 to 2012
Construction and expansion of 2005 by TSMC	2010 to 2014
Construction and expansion of 2003 by GUC	2007 to 2011
Construction and expansion of 2005 and 2006 by GUC	2013 to 2017
Construction and expansion of 2003 by Xintec	2007 to 2011
Construction and expansion of 2002, 2003 and 2006 by Xintec	2010 to 2014

- h. The tax authorities have examined income tax returns of TSMC through 2007. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

## 21. LABOR COST, DEPRECIATION AND AMORTIZATION

	<b>Three Months Ended March 31, 2011</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified as Cost of Sales</b>	<b>Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 6,891,851	\$ 5,199,990	\$ 12,091,841
Labor and health insurance	330,938	222,319	553,257
Pension	245,467	154,518	399,985
Meal	181,445	70,146	251,591
Welfare	177,414	65,708	243,122
Others	24,039	75,221	99,260
	\$ 7,851,154	\$ 5,787,902	\$ 13,639,056

Depreciation	\$ 22,615,937	\$ 1,610,410	\$ 24,226,347
Amortization	\$ 342,059	\$ 242,751	\$ 584,810

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	<b>Three Months Ended March 31, 2010</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>as</b>	<b>Operating</b>
	<b>Cost of</b>	<b>Expenses</b>	<b>Expenses</b>
	<b>Sales</b>	<b>Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 5,731,160	\$ 4,706,686	\$ 10,437,846
Labor and health insurance	199,239	166,519	365,758
Pension	169,499	118,342	287,841
Meal	131,445	56,286	187,731
Welfare	150,950	62,137	213,087
Others	23,797	72,265	96,062
	<b>\$ 6,406,090</b>	<b>\$ 5,182,235</b>	<b>\$ 11,588,325</b>
Depreciation	\$ 19,218,310	\$ 1,225,382	\$ 20,443,692
Amortization	\$ 334,090	\$ 216,887	\$ 550,977

## 22. SHAREHOLDERS EQUITY

As of March 31, 2011, 1,096,414 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,482,071 thousand (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law. However, 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 and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of TSMC's paid-in capital. In addition, the capital surplus from long-term investment may not be used for any purpose.

Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2011</b>	<b>2010</b>
Additional paid-in capital	\$ 23,715,050	\$ 23,483,970
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	367,797	348,240
Donations	55	55
	<b>\$ 55,781,482</b>	<b>\$ 55,530,845</b>



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:

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

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c. 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;

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

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

TSMC accrued profit sharing to employees based on certain percentage of net income during the period, which amounted to NT\$2,443,687 thousand and NT\$2,272,790 thousand for the three months ended March 31, 2011 and 2010, respectively. Bonuses to directors were accrued based on estimated amount of payment. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

TSMC no longer has supervisors since January 1, 2007. The required duties of supervisors are being fulfilled by the Audit Committee.

The appropriation for legal capital reserve shall be made until the reserve equals TSMC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if TSMC has no unappropriated earnings and the reserve balance has exceeded 50% of TSMC's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of TSMC's paid-in capital, up to 50% of the reserve may be transferred to capital.

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2010 and 2009 had been approved in the TSMC's Board of Directors' meeting held on February 15, 2011 and a shareholders' meeting held on June 15, 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal	For Fiscal	For	For
	Year 2010	Year 2009	Fiscal Year 2010	Fiscal Year 2009
Legal capital reserve	\$ 16,160,501	\$ 8,921,784		
Special capital reserve	5,120,827	1,313,047		
Cash dividends to shareholders	77,730,236	77,708,120	\$ 3.00	\$ 3.00

\$ 99,011,564      \$ 87,942,951

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TSMC's profit sharing to employees and bonus to directors that will be paid in cash in the amounts of NT\$10,908,338 thousand and NT\$51,131 thousand for the year ended December 31, 2010, respectively, were resolved in the meeting of the Board of Directors held on February 15, 2011. Such amounts were not different from the amounts that have been charged against earnings for the year ended December 31, 2010.

The 2010 earnings appropriations related to profit sharing to employees and bonus to directors will be resolved by the shareholders. TSMC's annual shareholders' meeting is scheduled for June 9, 2011.

TSMC's profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT\$6,691,338 thousand and NT\$67,692 thousand for 2009, respectively, had been approved in the shareholders' meeting held on June 15, 2010. The resolved amounts of the profit sharing to employees and bonus to directors were consistent with the resolutions of meeting of the Board of Directors held on February 9, 2010 and same amount had been charged against earnings of 2009.

The information about the appropriations of TSMC's profit sharing to employees and bonus to directors is available at the Market Observation Post System website.

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

### 23. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans, consisting of the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share of TSMC when exercised. The options may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the grant date.

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of March 31, 2011.

Information about TSMC's outstanding options for the three months ended March 31, 2011 and 2010 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise price (NT\$)</b>
Three months ended March 31, 2011		
Balance, beginning of period	21,437	\$ 32.3

Options exercised	(4,115)	30.9
Balance, end of period	17,322	32.6

(Continued)

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise price (NT\$)</b>
Three months ended March 31, 2010		
Balance, beginning of period	28,810	\$ 33.5
Options exercised	(1,063)	34.6
Balance, end of period	27,747	33.4

(Concluded)

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

As of March 31, 2011, information about TSMC's outstanding options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Options Outstanding Weighted-average Remaining</b>	<b>Weighted-average</b>
		<b>Contractual Life (Year)</b>	<b>Exercise Price (NT\$)</b>
\$21.7-\$30.5	13,193	1.98	\$28.5
38.0-50.1	4,129	3.69	45.7
	17,322	2.39	32.6

As of March 31, 2011, all of the above outstanding options were exercisable.

GUC's Employee Stock Option Plans, consisting of the GUC 2003 Plan and GUC 2002 Plan, were approved by its Board of Directors on January 23, 2003 and July 1, 2002, respectively. The maximum number of options authorized to be granted under the GUC 2003 Plan and GUC 2002 Plan was 7,535 and 5,000, respectively, with each option eligible to subscribe for one thousand common shares of GUC when exercised. The options may be granted to qualified employees of GUC. The options of all the plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Moreover, the GUC 2007 Plan, GUC 2006 Plan, and GUC 2004 Plan were approved by the SFB on November 28, 2007, July 3, 2006, and August 16, 2004 to grant a maximum of 1,999 options, 3,665 options and 2,500 options, respectively, with each option eligible to subscribe for one thousand common shares of GUC when exercised. The options may be granted to qualified employees of GUC or any of its subsidiaries. Except for the options of the GUC 2006 Plan which are valid until August 15, 2011, the options of the other two GUC option plans are valid for six

years. Options of all three plans are exercisable at certain percentages subsequent to the second anniversary of the grant date.

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Information about GUC's outstanding options for the three months ended March 31, 2011 and 2010 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2011		
Balance, beginning of period	1,787	\$ 130.9
Options exercised	(388)	15.3
Options canceled	(63)	175.0
Balance, end of period	1,336	162.5
Three months ended March 31, 2010		
Balance, beginning of period	3,810	83.4
Options exercised	(170)	10.0
Options canceled	(140)	90.6
Balance, end of period	3,500	86.6

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

As of March 31, 2011, information about GUC's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$ 15.3	105	0.42	\$ 15.3	105	\$ 15.3
175.0	1,231	2.75	175.0	615	175.0
	1,336	2.57	162.5	720	151.7

Xintec's Employee Stock Option Plans, consisting of the Xintec 2007 Plan and Xintec 2006 Plan, were approved by the SFB on June 26, 2007 and July 3, 2006, respectively. The maximum number of options authorized to be granted under the Xintec 2007 Plan and Xintec 2006 Plan was 6,000 thousand each, with each option eligible to subscribe for one common share of Xintec when exercised. The options may be granted to qualified employees of Xintec or any of its subsidiaries. The options of all the plans are valid for ten years and exercisable at certain percentages



subsequent to the second anniversary of the grant date.

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Information about Xintec's outstanding options for the three months ended March 31, 2011 and 2010 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2011		
Balance, beginning of period	1,832	\$ 15.1
Options exercised	(642)	14.3
Options canceled	(18)	17.7
Balance, end of period	1,172	15.6
Three months ended March 31, 2010		
Balance, beginning of period	3,960	14.7
Options exercised	(746)	14.2
Options canceled	(170)	17.1
Balance, end of period	3,044	14.7

The exercise prices have been adjusted to reflect the distribution of earnings by Xintec in accordance with the plans. As of March 31, 2011, information about Xintec's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$12.1-\$14.0	365	5.55	\$ 12.4	348	\$ 12.4
15.2-19.1	807	6.43	16.8	275	16.8
	1,172	6.15	15.4	623	14.3

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2011 and 2010. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions at the various grant dates and pro forma results of the Company for the three months ended March 31, 2011 and 2010 would have been as follows:

Assumptions:

TSMC	Expected dividend yield	1.00%-3.44%
	Expected volatility	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%
	Expected life	5 years
GUC	Expected dividend yield	0.00%-0.60%
	Expected volatility	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%
	Expected life	3-6 years

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Xintec	Expected dividend yield	0.80%
	Expected volatility	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%
	Expected life	3 years

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Net income attributable to shareholders of the parent:		
As reported	\$ 36,277,773	\$ 33,663,117
Pro forma	36,273,711	33,700,273
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 1.40	\$ 1.30
Pro forma basic EPS	1.40	1.30
Diluted EPS as reported	1.40	1.30
Pro forma diluted EPS	1.40	1.30

**24. EARNINGS PER SHARE**

EPS is computed as follows:

	<b>Amounts (Numerator)</b>		<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>		<b>Before Income Tax</b>	<b>After Income Tax</b>
Three months ended March 31, 2011					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 40,139,062	\$ 36,277,773	25,912,506	\$ 1.55	\$ 1.40
Effect of dilutive potential common shares			11,187		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 40,139,062	\$ 36,277,773	25,923,693	\$ 1.55	\$ 1.40
Three months ended March 31, 2010					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 35,123,919	\$ 33,663,117	25,903,465	\$ 1.36	\$ 1.30

Effect of dilutive potential common shares	12,521
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Diluted EPS

Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 35,123,919	\$ 33,663,117	25,915,986	\$ 1.36	\$ 1.30
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If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders meeting in the following year.

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The average number of shares outstanding for EPS calculation has been considered for the effect of retrospective adjustments. This adjustment caused each the basic and diluted after income tax EPS for the three months ended March 31, 2010 to remain at NT\$1.30.

## 25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	March 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Financial assets at fair value through profit or loss	\$ 12,283	\$ 12,283	\$ 83,280	\$ 83,280
Available-for-sale financial assets	29,600,562	29,600,562	25,449,046	25,449,046
Held-to-maturity financial assets	13,081,323	13,206,182	19,059,257	19,275,147
Financial assets carried at cost	4,209,597		3,134,539	
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	48,850	48,850	11,810	11,810
Hedging derivative financial liabilities	676	676	238	238
Bonds payable (including current portion)	4,500,000	4,542,890	4,500,000	4,565,957
Long-term bank loans (including current portion)	1,281,321	1,281,321	1,462,517	1,462,517
Other long-term payables (including current portion)	7,984,296	7,984,296	8,403,001	8,403,001
Obligations under capital leases	678,403	678,403	702,826	702,826

b. Methods and assumptions used in estimating fair values of financial instruments

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Except for derivatives and structured time deposits, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- 5) Fair value of bonds payable was based on their quoted market price.
- 6) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.

c.

The changes in fair value of derivatives contracts for the three months ended March 31, 2011 and 2010 estimated using valuation techniques were recognized as net loss of NT\$36,567 thousand and net gain NT\$71,470 thousand, respectively.

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- d. As of March 31, 2011 and 2010, financial assets exposed to fair value interest rate risk were NT\$38,127,088 thousand and NT\$44,113,290 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$46,346,763 thousand and NT\$12,725,511 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,281,321 thousand and NT\$1,462,517 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the three months ended March 31, 2011 and 2010 were as follows:

**Three Months Ended March 31, 2011**

	From				Gain (Loss) on	
	Available- for-sale Financial Assets	Equity Method		Cash Flow		
		Investments	Hedges			
						Total
Balance, beginning of period	\$ 86,158	\$ 23,462	\$ (331)	\$ 109,289		
Recognized directly in shareholders' equity	56,915	(13,204)	57	43,768		
Removed from shareholders' equity and recognized in earnings	(108,184)			(108,184)		
Balance, end of period	\$ 34,889	\$ 10,258	\$ (274)	\$ 44,873		

**Three Months Ended March 31, 2010**

	From				Gain (Loss) on	
	Available- for-sale Financial Assets	Equity Method		Cash Flow		
		Investments	Hedges			
						Total
Balance, beginning of period	\$ 424,128	\$ 29,493	\$	\$ 453,621		
Recognized directly in shareholders' equity	(55,489)	12,662	(97)	(42,924)		
Removed from shareholders' equity and recognized in earnings	(9,307)			(9,307)		
Balance, end of period	\$ 359,332	\$ 42,155	\$ (97)	\$ 401,390		

- f. Information about financial risk
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge market the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market exchange rate risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities and publicly traded stock; therefore, the fluctuations in market interest rates and market prices will result in changes in fair values of these debt securities.





- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The Company evaluated whether the financial instruments for any possible counter-parties or third-parties are reputable financial institutions, business enterprises and government agencies and accordingly, the Company believed that the Company's exposure to credit risk was not significant.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates. The long-term bank loans were floating-rate loans. Therefore, changes in the market interest rates will result in changes in the interest rate of the long-term bank loans, which will affect future cash flows.
- g. The Company seeks to reduce the effects of future cash flow related interest rate changes by primarily using derivative financial instruments.

The Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates. Information about outstanding interest rate swap contract consisted of the following:

<b>Hedged Item</b>	<b>Hedging Financial Instrument</b>	<b>Fair Value</b>	<b>Expected Cash Flow Generated Period</b>	<b>Expected Timing for the Recognition of Gains or Losses from Hedge</b>
March 31, 2011				
Long-term bank loans	Interest rate swap contract	\$ (676)	2010 to 2012	2010 to 2012
March 31, 2010				
Long-term bank loans	Interest rate swap contract	(238)	2010 to 2012	2010 to 2012

## 26. RELATED PARTY TRANSACTIONS

Except as disclosed in the consolidated financial statements and other notes, the following is a summary of significant related party transactions:

- a. Investees of TSMC

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

- b. VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method by TSMC.
- c. Others

Related parties over which the Company has significant influence but with which the Company had no material transactions.

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	2011		2010	
	Amount	%	Amount	%
For the three months ended March 31				
Sales				
VIS	\$ 48,962		\$ 49,345	
VisEra	1,151		24,064	
Others	2,171		956	
	\$ 52,284		\$ 74,365	
Purchases				
VIS	\$ 1,333,377	2	\$ 965,783	2
SSMC	955,937	2	1,041,954	2
Others	65,792			
	\$ 2,355,106	4	\$ 2,007,737	4
Manufacturing expenses				
VisEra (outsourcing and rent)	\$ 21,173		\$ 18,567	
VIS (rent)	7,104			
	\$ 28,277		\$ 18,567	
Research and development expense				
VisEra	\$ 5,366		\$ 1,663	
VIS (primarily rent)	1,999		2,274	
	\$ 7,365		\$ 3,937	
Sales of property, plant and equipment				
VIS	\$ 35,208	9	\$ 15,940	10
Purchase of property, plant and equipment				
VisEra	\$ 11,110		\$	
VIS			15,865	
	\$ 11,110		\$ 15,865	

Non-operating income and gains				
VIS (primarily technical service income)	\$ 68,905	4	\$ 86,868	5
SSMC (primarily technical service income)	44,817	2	44,503	2
	\$ 113,722	6	\$ 131,371	7

As of March 31

Other receivables				
VIS	\$ 153,680	77	\$ 113,100	71
SSMC	45,415	23	45,687	29
	\$ 199,095	100	\$ 158,787	100

	2011		2010	
	Amount	%	Amount	%
Payables				
VIS	\$ 954,914	67	\$ 697,992	63
SSMC	395,820	28	408,809	37
Others	77,066	5	7,788	
	\$ 1,427,800	100	\$ 1,114,589	100

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

The Company leased certain office space and facilities from VIS. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and the related expenses were classified under research and development expenses and manufacturing expenses.

The Company leased certain factory building from VisEra. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under manufacturing expenses.

## 27. PLEDGED OR MORTGAGED ASSETS

The Company provided certain assets as collateral mainly for long-term bank loans, land lease agreements and customs duty guarantee, which were as follows:

	March 31	
	2011	2010
Other financial assets	\$ 118,418	\$ 880,700
Property, plant and equipment, net	1,048,102	2,636,977
Other assets	20,000	20,000
	\$ 1,186,520	\$ 3,537,677

## 28. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land, factory and office premises from the Science Park Administration and Jhongli Industrial Park Service Center. These operating leases expire on various dates from April 2011 to July 2030 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2011 and 2018 and can be renewed upon expiration.

As of March 31, 2011, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2011 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 460,039
2012	589,759
2013	559,739
2014	536,476
2015	504,272
2016 and thereafter	3,463,988
	<b>\$ 6,114,273</b>

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of March 31, 2011, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if 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.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of March 31, 2011 TSMC had a total of US\$21,583 thousand of guarantee deposits.
- c. 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, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. 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 Philips (now 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 fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referred to as SMIC) in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People's High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People's High Court ruled in favor of TSMC and dismissed SMIC's lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC's trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of

SMIC's appeal against the Beijing High Court's finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the

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US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation's total shares outstanding, and recognized settlement income amounting to NT\$4,434,364 thousand.

- e. In June 2010, Keranos, LLC. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents are invalid. The outcome of these two litigations cannot be determined at this time.
- f. 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 allegedly infringing six U.S. patents. This litigation is in its very early stages and therefore the outcome of the case cannot be determined at this time.
- g. TSMC entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$6,942,466 thousand and NT\$7,192,395 thousand as of March 31, 2011 and 2010, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of March 31, 2011 were NT\$93,266 thousand.

### 30. OTHERS

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	2011		March 31		2010
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	
Financial assets					
Monetary items					
USD	\$ 4,105,193	29.40-29.468	\$ 3,762,723	31.80-31.819	
EUR	142,865	41.71-41.81	62,534	42.72-42.80	
JPY	30,343,009	0.3550-0.3541	30,736,239	0.341-0.343	
RMB	196,111	4.5-4.511	31,074	4.66	
Non-monetary items					
USD	142,851	29.40-29.468	97,897	31.80-31.819	
HKD	1,073,696	3.79			

(Continued)



	2011		March 31		2010	
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)
Investments accounted for using equity method						
USD	\$ 320,411	29.468	\$ 257,645	31.819		
Financial liabilities						
Monetary items						
USD	2,130,487	29.40-29.468	940,851	31.80-31.819		
EUR	169,447	41.71-41.81	112,667	42.72-42.80		
JPY	32,939,519	0.3550-0.3541	28,974,325	0.341-0.343		
RMB	583,750	4.5-4.511	618,014	4.66		

(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

### 31. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC and its investees in which all significant intercompany balances and transactions are eliminated upon consolidation:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Please see Table 2 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 7 attached;

## j. 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, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.
- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 9 attached.

k. Intercompany relationships and significant intercompany transactions: Please see Table 9 attached.

**32. OPERATING SEGMENTS INFORMATION**

The Company's only reportable segment is the wafer fabrication segment. The wafer fabrication 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. These segments mainly engage in the researching, developing, and providing SoC (System on chip) design and also engage in the researching, developing, designing, manufacturing and selling of LED lighting devices and renewable energy and efficiency related technologies and products.

The Company uses the operating profit as the measurement for segment profit and the basis of performance assessment. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2.

The Company's operating segments information was as follows:

	<b>Wafer Fabrication</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>
Three months ended March 31, 2011				
Sales from external customers	\$ 103,290,219	\$ 2,087,276	\$	\$ 105,377,495
Sales among intersegments	703,023	6,224	(709,247)	
Operating profit	39,370,261	(207,281)		39,162,980
Three months ended March 31, 2010				
Sales from external customers	90,029,635	2,157,051		92,186,686
Sales among intersegments	568,798	54	(568,852)	
Operating profit	34,159,079	(31,417)		34,127,662
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TABLE 1

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**FINANCINGS PROVIDED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

No.	Name of Counterparty	Relationship	Financing Limit for Each Borrowing (US\$ in Thousands)	Maximum Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Interest Rate	Reason for Financing	Allowance for Collateral Bad Debt	Transaction Amount	Financing Company's Financing Amount (Note 2)
1	Partner parties	China	\$ 7,367,000 (US\$ 250,000)	\$ 7,367,000 (US\$ 250,000)	\$ 7,367,000 (US\$ 250,000)	0.25%-0.26%	Purchase of equipment		\$ 32,779,954	

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. While offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC will not be subjected to this restriction.

Note 2: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners.

**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**MARKETABLE SECURITIES HELD**  
**MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

			March 31,	
			Carrying Value	
			(Foreign Pe	
			Currencies	
			Shares/Units	
			(In	
			Thousands)	
			in Thousands)	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Thousands)	in Thousands)
Corporate bond				
China Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,036,044
Steel Corporation		Held-to-maturity financial assets		1,506,225
Yonfa Petrochemical Corporation				1,463,363
Yonfa Power Company				1,349,634
Yonfa Plastics Corporation				1,303,390
Yonfa Plastics Corporation				575,495
Taiwan Semiconductor Manufacturing International Corporation		Available-for-sale financial assets	1,789,493	4,069,307
TSMC Global	Subsidiary	Investments accounted for using equity method	1	42,523,518
TSMC Partners	Subsidiary	Investee accounted for using equity method	988,268	32,779,954
		Investee accounted for using equity method	628,223	9,456,221
		Investee accounted for using equity method	314	7,256,841
		Investee accounted for using equity method	76,069	6,770,069
TSMC North America	Subsidiary	Investee with a controlling financial interest	11,000	2,843,416
		Investee with a controlling financial interest	93,081	1,678,379
		Investee with a controlling financial interest	46,688	1,164,288
TSMC Solar Europe	Subsidiary			406,305
TSMC Europe	Subsidiary			192,329
TSMC Japan	Subsidiary		6	144,224
TSMC Korea	Subsidiary		80	21,093
TSMC Solar NA	Subsidiary		1	7,945
TSMC Lighting NA	Subsidiary		1	2,942
Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584

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Etsu Handotai Taiwan Co., Ltd.			10,500	105,000
Technology Fund IV			4,000	40,000
on Ventures Fund		Financial assets carried at cost		103,992
on Asia Capital				55,259
al				
C China	Subsidiary	Investments accounted for using equity method		4,721,701
F III	Subsidiary			2,672,382
F II	Subsidiary			1,041,270
ging Alliance	Subsidiary			290,203
orate bond				
al Elec Cap Corp. Mtn		Held-to-maturity financial assets	US\$	20,218
al Elec Cap Corp. Mtn			US\$	20,121

(Continued)

			March 31,		
			Carrying		
			Value		
			(ForeignPer		
			Shares/UnitsCurrencies		
			(In in Ow		
			Thousands)Thousands)		
Marketable Securities	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units	Currencies
Common stock					
TSMC Development, Inc. (TSMC Development)		Subsidiary	Investments accounted for using equity method	1	US\$ 417,397
VisEra Holding Company		Investee accounted for using equity method		43,000	US\$ 85,259
InveStar Semiconductor Development Fund, Inc. (ISDF)		Subsidiary		4,088	US\$ 19,707
InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)		Subsidiary		16,532	US\$ 13,253
TSMC Technology		Subsidiary		1	US\$ 10,083
TSMC Canada		Subsidiary		2,300	US\$ 3,892
Mcube Inc.		Investee accounted for using equity method		5,333	
Preferred stock					
Mcube Inc.		Investee accounted for using equity method	Investments accounted for using equity method	1,000	
Corporate bond					
GE Capital Corp.			Held-to-maturity financial assets		US\$ 20,185
P Morgan Chase & Co.					US\$ 15,000
Common stock					
WaferTech		Subsidiary	Investments accounted for using equity method	293,640	US\$ 179,027
Corporate bond					
Beal Bk			Available-for-sale financial assets	249	US\$ 249
Beal Bk Ssb				249	US\$ 249
Ed Ally Bank				249	US\$ 249
Ed Banco Popular De P R				249	US\$ 249
W&R Block Bank				249	US\$ 249
Common stock					
RichWave Technology Corp.			Financial assets carried at cost	4,074	US\$ 1,545



Global Investment Holding Inc.			11,124	US\$	3,065
Preferred stock					
Audience, Inc.		Financial assets carried at cost	1,654	US\$	250
Next IO, Inc.			800	US\$	500
Optichron, Inc.			1,276	US\$	1,145
Pixim, Inc.			4,641	US\$	1,137
QST Holdings, LLC				US\$	142
Capital					
VentureTech Alliance Holdings, LLC	Subsidiary	Investments accounted for using equity method			
(VTA Holdings)					
Corporate bond					
H&R Block Bank		Available-for-sale financial assets	249	US\$	249
Common stock					
Weather Systems, Inc.		Financial assets carried at cost	1,600	US\$	1,503
RichWave Technology Corp.			1,267	US\$	1,036
Sentelic			1,806	US\$	2,607

(Continued)

			March 31,		
			Carrying Value (Foreign Per Shares/UnitsCurrencies (In in Ow Thousands)Thousands)		
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	(In Thousands)	Currencies	(in Thousands)
Preferred stock					
AV Technologies, Inc.		Financial assets carried at cost	2,890	US\$	2,168
Quantia			3,974	US\$	3,816
Audience, Inc.			12,378	US\$	2,378
Spinj, Inc.			475	US\$	1,000
Next IO, Inc.			3,795	US\$	953
Optichron, Inc.			2,847	US\$	2,825
Maxim, Inc.			33,347	US\$	1,878
Power Analog Microelectronics			7,027	US\$	3,383
ST Holdings, LLC				US\$	593
Perceive			4,615	US\$	1,611
Capital					
TA Holdings	Subsidiary	Investments accounted for using equity method			
Common stock					
Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	11,868	US\$	1,862
Accton Wireless Broadband Corp.		Financial assets carried at cost	2,249	US\$	315
Preferred stock					
Suramicro, Inc.		Financial assets carried at cost	4,694	US\$	422
BridgeLux, Inc.			6,113	US\$	7,781
Exclara, Inc.			59,695	US\$	5,897
TBF, Inc.			1,154	US\$	1,500
SevenSense, Inc.			816	US\$	1,000
LiquidLeds Lighting Corp.			1,600	US\$	800
Neoconix, Inc.			3,686	US\$	4,717
Powervation, Ltd.			380	US\$	5,790
Quellan, Inc.			3,106	US\$	369
Silicon Technical Services, LLC			1,055	US\$	1,208
tion Corp.			7,347	US\$	50,000
tilera, Inc.			3,890	US\$	3,025
Validity Sensors, Inc.			9,340	US\$	3,456
Capital					
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method		US\$	854
TA Holdings	Subsidiary				

Common stock				
SiliconBlue Technologies, Inc.	Financial assets carried at cost	5,107	US\$	762
Freebeam		10	US\$	25
Common stock				
Integrated Memory Logic, Inc.	Available-for-sale financial assets	2,989	US\$	8,287
Hemscic, Inc.		1,286	US\$	4,692
Preferred stock				
onics, Inc.	Financial assets carried at cost	230	US\$	497
Common stock				
Hemscic, Inc.	Available-for-sale financial assets	1,072	US\$	3,913
Chip Technologies Limited	Financial assets carried at cost	7,520	US\$	3,664
onics, Inc.		278	US\$	10

(Continued)

March 31, 2018

Investible Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign Currency)	
			Shares/Units (In Thousands)	Currencies (In Thousands)
atek Technology, Corp.		Financial assets carried at cost	932	US\$ 361
n Technology MFG. Co., Ltd.			1,049	US\$ 223
urred stock				
Tek, Inc.		Financial assets carried at cost	1,032	US\$ 148
es, Inc.			264	US\$ 455
-end mutual fund				
un Money Market Fund		Available-for-sale financial assets	9,875	\$ 140,097
a Diamond Money Market Fund			10,009	120,110
Well Pool Money Market Fund			6,141	80,088
Hwa Money Market Fund			3,606	50,056
omon stock				
-NA	Subsidiary	Investments accounted for using equity method	800	60,915
-Japan	Subsidiary		1	14,881
-BVI	Subsidiary		550	8,846
-Europe	Subsidiary			3,916
al				
al Unichip (Shanghai) Company, Ltd (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method		7,551
al				
positech Ltd.		Financial assets carried at cost	587	
k				
C Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1	EUR 9,618
orate bond				
an Development Bank		Available-for-sale financial assets	2,600	US\$ 2,620
ate Life Gbl Fdg Secd			4,430	US\$ 4,779
l Corp.			100	US\$ 107
er Daniels Midland Co.			7,000	US\$ 7,010
zeneca Plc			3,150	US\$ 3,357

T Wireless	3,500	US\$	3,767
o Bilbao Vizcaya P R	3,250	US\$	3,249
of America Corp.	2,000	US\$	2,033
of America Corp.	2,100	US\$	2,148
of New York Mellon	2,200	US\$	2,203
ays Bank Plc NY	400	US\$	400
ays Bk Plc UK Govt Cr	5,000	US\$	5,101
T Corporation	3,840	US\$	3,976
US Senior SA Uniper	2,645	US\$	2,645
Stearns Cos Inc.	3,500	US\$	3,514
Stearns Cos Inc. Med Term	2,400	US\$	2,584
shire Hathaway Inc. Del	3,500	US\$	3,522
Billiton Fin USA Ltd.	2,000	US\$	2,090
Billiton Fin USA Ltd.	3,500	US\$	3,881
okyo Mitsubishi Ufj	2,000	US\$	2,033
US Capital LLC	1,600	US\$	1,601
Paribas SA	3,810	US\$	3,838
ng Co.	1,000	US\$	1,017
ng Co.	2,200	US\$	2,362

(Continued)

March 31, 2018

Investable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Currencies (in Thousands)	Carrying Value (Foreign Currencies) (Thousands)	Percentage Owned
Capital Markets Plc		Available-for-sale financial assets	7,160	US\$	7,191	
Millar Financial Se			100	US\$	100	
Millar Financial Se			900	US\$	902	
Part/Veri Wireless			1,000	US\$	1,141	
Part/Veri Wirelss			1,100	US\$	1,208	
Part/Veri Wirelss			2,000	US\$	2,007	
on Corp.			4,000	US\$	4,278	
ancement Foncier			200	US\$	200	
ancement Foncier			4,000	US\$	4,009	
Systems Inc.			7,050	US\$	7,073	
up Funding Inc.			6,000	US\$	6,114	
up Funding Inc.			7,300	US\$	7,438	
up Inc.			600	US\$	609	
up Inc.			800	US\$	824	
up Inc.			2,000	US\$	2,110	
up Inc.			400	US\$	428	
up Inc.			2,550	US\$	2,773	
up Inc.			5,000	US\$	5,467	
up Inc. Fdic Gtd Tlgp			2,000	US\$	2,012	
Cola Co.			4,000	US\$	4,029	
onwealth Bank Aust			2,000	US\$	1,997	
onwealth Bank Aust			2,800	US\$	2,805	
pphillips			2,000	US\$	2,129	
Suisse New York			3,200	US\$	3,239	
Suisse New York			3,945	US\$	4,065	
he Bank AG NY			2,500	US\$	2,497	
Credit Local			6,000	US\$	5,971	
Credit Local			4,000	US\$	3,977	
Credit Local S.A			4,000	US\$	3,994	
Credit Local SA NY			5,000	US\$	4,966	
nt E I De Nemours + Co.			2,850	US\$	2,856	
nt E I De Nemours + Co.			825	US\$	882	
nc.			1,375	US\$	1,360	
es Inc.			2,200	US\$	2,436	
esources Inc.			1,500	US\$	1,513	
e for Danish Ind			3,800	US\$	3,799	
l Elec Cap Corp.			5,000	US\$	5,041	

l Elec Cap Corp.	7,000	US\$	7,005
l Elec Cap Corp.	1,000	US\$	1,000
l Elec Cap Corp.	4,000	US\$	4,094
l Electric Capital Corp.	2,000	US\$	2,012
a Pwr Co.	1,000	US\$	1,001
a Pwr Co.	4,000	US\$	4,000
LLC	4,600	US\$	4,712
an Sachs Group Inc.	3,400	US\$	3,425
an Sachs Group Inc.	2,000	US\$	1,987
e Bpce	1,150	US\$	1,149
it Packard Co.	3,000	US\$	3,004
it Packard Co.	2,030	US\$	2,032
old Fin Corp.	4,330	US\$	4,660
Bank Plc	1,315	US\$	1,315
Bank Plc	3,400	US\$	3,397
Fin Corp.	2,900	US\$	2,857
			(Continued)

March 31, 2018

Available Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign)		Percentage Owned
			Shares/Units (In Thousands)	Currencies (in Thousands)	
Whampoa Intl 03 13 L		Available-for-sale financial assets	1,900	US\$ 2,066	
Corp.			2,300	US\$ 2,301	
Corp.			6,800	US\$ 6,759	
Corp.			1,500	US\$ 1,501	
Nv Neth St Cr Gtee			8,500	US\$ 8,643	
Recon + Develop			2,000	US\$ 2,035	
er Capital Corp. Fdic GT			3,500	US\$ 3,601	
an Chase + Co.			2,500	US\$ 2,514	
an Chase + Co.			5,000	US\$ 5,033	
an Chase + Co. Fdic Gtd Tlg			1,625	US\$ 1,634	
stalt Fur Wiederaufbau			650	US\$ 660	
+ Co.			1,531	US\$ 1,641	
sb Bank Plc Ser 144A			4,850	US\$ 4,850	
sb Bank Plc Ser 144A			2,950	US\$ 2,976	
ie Bk Ltd. Sr			13,200	US\$ 13,423	
tual Global Fdg II Mediu			4,000	US\$ 3,959	
Fdg Corp.			3,500	US\$ 3,481	
Co. Inc.			4,000	US\$ 4,015	
Co. Inc.			2,000	US\$ 2,058	
lynch + Co. Inc.			4,691	US\$ 4,671	
lynch + Co. Inc.			4,000	US\$ 4,309	
Glob Funding I			3,000	US\$ 3,016	
nc.			6,500	US\$ 6,570	
nc.			2,000	US\$ 2,010	
o Co. New			250	US\$ 271	
ental Global Fdg II			1,500	US\$ 1,450	
ental Global Fdg III			750	US\$ 741	
Stanley			9,000	US\$ 9,178	
Stanley for Equity			2,000	US\$ 2,001	
Australia Bank			3,000	US\$ 3,030	
Australia Bank			1,000	US\$ 1,015	
Bank of Canada			600	US\$ 601	
rk Life Global Fdg			2,000	US\$ 2,041	
al Petroleum Cor			1,000	US\$ 1,000	
Gas + Electric			2,000	US\$ 1,999	
ericas Inc.			4,000	US\$ 4,290	
orris Intl Inc.			130	US\$ 139	
orris Intl Inc.			4,000	US\$ 4,591	



ing Corp.	2,000	US\$	2,001
lobal Fdg I Med Term	1,750	US\$	1,726
Life Income Fundings	2,250	US\$	2,229
Global Fdg I Medium	2,200	US\$	2,186
vc Co. Colo	1,380	US\$	1,515
k Nederland	5,000	US\$	5,000
k of Scotland Plc	4,000	US\$	4,000
k of Scotland Plc	5,000	US\$	5,044
k Scotland Plc	2,550	US\$	2,619
k Scotland Plc	2,825	US\$	2,876
k Scotlnd Grp Plc 144A	9,450	US\$	9,504
ventis	4,000	US\$	3,999
ventis	3,870	US\$	3,880
munications Inc.	2,000	US\$	2,085
ernational Fin	4,515	US\$	4,533

(Continued)

March 31, 2018

Available Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign)		Percentage Owned
			Shares/Units (In Thousands)	Currencies (in Thousands)	
International Fin		Available-for-sale financial assets	3,200	US\$ 3,257	
Bank of America Corp Fdic Gtd Tlg			2,200	US\$ 2,248	
Bank of America Chartered BK NY			3,000	US\$ 2,998	
Bank of America Finl Global			4,400	US\$ 4,362	
Bank of America Finl Global Fdg II Lp			1,500	US\$ 1,500	
Bank of America Metway Ltd.			8,800	US\$ 8,964	
Bank of America Handelsbanken AB			2,200	US\$ 2,253	
Bank of America k AB			2,000	US\$ 1,998	
Bank of America k Foreningssparbanken A			1,500	US\$ 1,527	
Bank of America k Hypotek AB			4,000	US\$ 4,000	
Bank of America k Hypotek AB			4,100	US\$ 4,101	
Bank of America arm Fin III			4,000	US\$ 4,014	
Bank of America arma Fin III LLC			4,000	US\$ 4,011	
Bank of America Fisher Scientific			2,050	US\$ 2,072	
Bank of America bal Mkts Inc.			2,000	US\$ 2,118	
Bank of America bal Mkts Inc. Mtn			1,500	US\$ 1,610	
Bank of America pital Canada Ltd.			4,000	US\$ 4,012	
Bank of America ada Pipelines Ltd.			1,000	US\$ 1,084	
Bank of America Stamford CT			2,200	US\$ 2,198	
Bank of America Stamford CT			800	US\$ 807	
Bank of America Cap Corp.			1,000	US\$ 1,054	
Bank of America echnologies Corp.			4,000	US\$ 4,247	
Bank of America ral Federal Cred			8,500	US\$ 8,661	
Bank of America Communications			7,725	US\$ 7,766	
Bank of America Elec + Pwr Co.			3,250	US\$ 3,460	
Bank of America gen Intl Fin NV			4,000	US\$ 4,001	
Bank of America a Corp.			550	US\$ 547	
Bank of America a Corp. Global Medium			5,000	US\$ 5,147	
Bank of America t Stores Inc.			4,000	US\$ 3,966	
Bank of America t Stores Inc.			3,770	US\$ 4,256	
Bank of America rgo + Company			2,000	US\$ 2,007	
Bank of America Banking Corp.			3,500	US\$ 3,508	
Bank of America Banking Corp.			2,100	US\$ 2,109	
Bank of America Banking Corp.			4,000	US\$ 4,004	
Bank of America			3,983	US\$ 4,317	
Bank of America z Banking Group		Held-to-maturity financial assets	20,000	US\$ 20,000	
Bank of America nwealth Bank of Australia			25,000	US\$ 25,000	
Bank of America nwealth Bank of Australia			25,000	US\$ 25,000	

an Chase + Co.		35,000	US\$	35,059
ide Building Society-UK				
ment Guarantee		8,000	US\$	8,000
Banking Corp.		25,000	US\$	25,000
Banking Corp. 12/12 Frn		5,000	US\$	5,000
bond				
of Abu Dhabi 144A	Available-for-sale financial assets	1,800	US\$	1,967
Mae		11,100	US\$	11,106
Mae		3,900	US\$	3,852
Mae		16,104	US\$	16,114
Mae		6,100	US\$	6,092
Mae		7,500	US\$	7,501
Mae		20,265	US\$	20,275
Mae		4,600	US\$	4,597
Mae		3,000	US\$	2,985

(Continued)

March 31, 2018

Available Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign)		Percentage Owned
			Shares/Units (In Thousands)	Currencies (in Thousands)	
Ln Pc Pool 1b2830		Available-for-sale financial assets	1,750	US\$ 1,833	
Ln Pc Pool 1g0115			1,548	US\$ 1,599	
Ln Pc Pool 1g1114			762	US\$ 800	
Ln Pc Pool 1k1210			1,470	US\$ 1,543	
Ln Pc Pool 780741			1,740	US\$ 1,819	
Farm Credit Bank			4,000	US\$ 3,982	
Farm Credit Bank			4,000	US\$ 3,999	
Farm Credit Bank			4,000	US\$ 4,002	
Home Ln Mtg Assn			1,492	US\$ 1,507	
Home Ln Mtg Corp.			3,417	US\$ 3,411	
Home Ln Mtg Corp.			2,054	US\$ 2,047	
Home Ln Mtg Corp.			1,284	US\$ 1,336	
Home Ln Mtg Corp.			2,355	US\$ 2,463	
Home Ln Mtg Corp.			1,488	US\$ 1,522	
Home Ln Mtg Corp.			1,565	US\$ 1,622	
Home Ln Mtg Corp.			1,027	US\$ 1,056	
Home Ln Mtg Corp.			3,202	US\$ 3,321	
Home Ln Mtg Corp.			1,632	US\$ 1,652	
Home Loan Bank			3,350	US\$ 3,364	
Home Loan Bank			8,400	US\$ 8,400	
Home Loan Mtg Corp.			4,760	US\$ 4,732	
Home Loan Mtg Corp.			218	US\$ 218	
National Mort Assoc			155	US\$ 155	
Natl Mtg Assn Gtd			2,093	US\$ 2,160	
Natl Mtg Assn Gtd Remi			1,640	US\$ 1,696	
Natl Mtg Assn Mtn			903	US\$ 921	
Natl Mtg Assn Remic			699	US\$ 704	
Natl Mtge Assn			1,273	US\$ 1,338	
7 Pb			967	US\$ 973	
3 Da			2,912	US\$ 3,074	
7 Jb			1,299	US\$ 1,366	
4 Fa			3,881	US\$ 3,865	
Pool 467196			1,995	US\$ 1,989	
Pool 745131			1,659	US\$ 1,724	
Pool 745688			1,218	US\$ 1,271	
Pool 775852			323	US\$ 329	
Pool 790772			1,153	US\$ 1,212	
Pool 819649			1,843	US\$ 1,921	

ol 829989	1,549	US\$	1,627
ol 841068	462	US\$	487
ol 846233	1,728	US\$	1,805
ol 870884	1,380	US\$	1,446
ol 879908	1,259	US\$	1,323
oa May 15 Single Fam	3,000	US\$	3,136
5 47 HA	1,527	US\$	1,600
5 60 CO	3,274	US\$	3,259
5 60 CO	87	US\$	87
9 116 A	3,927	US\$	4,238
9 70 NT	1,723	US\$	1,787
Mac	2,500	US\$	2,502
Mac	19,000	US\$	18,982
Mac	3,550	US\$	3,552
Mac	5,750	US\$	5,743

(Continued)

March 31, 2018

Available Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (Foreign)		Percentage Owned
			Shares/Units (In Thousands)	Currencies (in Thousands)	
Mac		Available-for-sale financial assets	4,300	US\$ 4,306	
Pool 082431			1,871	US\$ 1,913	
8 9 SA			2,096	US\$ 2,098	
9 45 AB			3,431	US\$ 3,476	
ment Natl Mtg Assn			3,050	US\$ 3,217	
ment Natl Mtg Assn Gtd			1,442	US\$ 1,508	
0 R2 1A			3,540	US\$ 3,541	
1 R4 1A			4,000	US\$ 3,998	
Province of)			2,000	US\$ 2,034	
Qatar			2,000	US\$ 2,143	
ment bond					
surety N/B		Available-for-sale financial assets	10,000	US\$ 10,026	
surety N/B			10,000	US\$ 9,983	
surety N/B			10,000	US\$ 10,069	
surety N/B			1,000	US\$ 1,012	
De Financement De Lec		Held-to-maturity financial assets	15,000	US\$ 15,000	
market fund					
sh Mgmt Global Offshore		Available-for-sale financial assets	4,921	US\$ 4,921	

(Concluded)

TABLE 3

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal	
			Shares/Units (In Thousands)	Amount (Foreign Shares/Units Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
Investments accounted for using equity method		Subsidiary		\$ 23,971		\$ 385,682		\$
Investments accounted for using equity method		Subsidiary	1 EUR	90		EUR 9,800		
Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.				9,875	140,000		
	Mega Investment International Trust Co., Ltd.				10,009	120,000		
Available-for-sale financial assets			4,000 US\$	3,995			4,000 US\$	4,005 U
			3,500 US\$	3,554			3,500 US\$	3,555 U
					7,000 US\$	7,000		
			5,000 US\$	5,000			5,000 US\$	5,012 U
			12,000 US\$	11,997			12,000 US\$	12,022 U
					5,000 US\$	5,109		
					3,840 US\$	3,990		
					4,000 US\$	4,443	500 US\$	558 U
			2,925 US\$	3,192			2,925 US\$	3,180 U
					7,160 US\$	7,160		

3,900 US\$	3,988			3,900 US\$	3,992 U
			4,000 US\$	4,305	
			7,050 US\$	7,050	
16,000 US\$	16,323			10,000 US\$	10,221 U
4,000 US\$	4,208			4,000 US\$	4,221 U
			3,200 US\$	3,200	
			5,000 US\$	5,000	
			3,400 US\$	3,400	
2,900 US\$	3,074			2,900 US\$	3,074 U
			8,500 US\$	8,668	
5,950 US\$	6,009			3,000 US\$	3,030 U
3,900 US\$	3,975		9,300 US\$	9,472	
			4,000 US\$	4,335	
			3,000 US\$	3,000	
3,250 US\$	3,232			3,250 US\$	3,224 U
			9,000 US\$	9,000	

(Continued)



Type and Financial Statement	Account	Counter-party Relationship	Nature of Shares/Units	Beginning Balance		Acquisition		Disposal				
				(In Thousands)	Currencies	(In Thousands)	Currencies	(In Thousands)	Currencies			
										Amount	Amount	Amount
										(Foreign Shares/Units)	(Foreign Shares/Units)	(Foreign Shares/Units)
er	Available-for-sale financial assets			8,000	US\$ 8,524			8,000	US\$ 8,513			
						3,000	US\$ 3,035					
						4,000	US\$ 4,329					
						4,000	US\$ 4,640					
						4,000	US\$ 4,000					
						3,870	US\$ 3,870					
						3,000	US\$ 3,000					
				6,420	US\$ 6,417			6,420	US\$ 6,422			
						4,100	US\$ 4,100					
						4,000	US\$ 4,000					
						4,000	US\$ 4,000					
						4,000	US\$ 4,265					
				4,000	US\$ 4,084	4,500	US\$ 4,599					
						7,725	US\$ 7,725					
						3,250	US\$ 3,489					
						4,000	US\$ 4,000					
	Available-for-sale financial assets					20,300	US\$ 20,269	14,200	US\$ 14,206			
						7,500	US\$ 7,500					
				8,765	US\$ 8,763	11,500	US\$ 11,503					
						11,045	US\$ 12,104	11,045	US\$ 12,044			
						4,000	US\$ 4,002					
				5,000	US\$ 5,046			5,000	US\$ 5,043			
				5,000	US\$ 5,007			5,000	US\$ 5,007			
				6,800	US\$ 6,817			6,800	US\$ 6,817			
				8,000	US\$ 8,040			4,650	US\$ 4,667			
				10,000	US\$ 9,998			10,000	US\$ 10,001			
um						3,000	US\$ 3,147	3,000	US\$ 3,142			
am						3,000	US\$ 3,138	3,000	US\$ 3,117			
am						3,000	US\$ 3,110	3,000	US\$ 3,140			
am						3,000	US\$ 3,131	3,000	US\$ 3,164			
Fam						3,000	US\$ 3,156					
				10,420	US\$ 10,411			10,420	US\$ 10,414			
						19,000	US\$ 18,981					

		3,550	US\$	3,549			
		14,200	US\$	14,196	14,200	US\$	14,204
		4,000	US\$	4,000			
Available-for-sale financial assets		10,000	US\$	10,024			
		10,000	US\$	9,988			
		10,000	US\$	10,042	10,000	US\$	10,046
		3,300	US\$	3,301	3,300	US\$	3,298
		10,000	US\$	10,084			
	41,700	US\$	42,042		41,700	US\$	42,042
	7,000	US\$	7,079		7,000	US\$	7,077
	5,250	US\$	5,212	30,175	US\$	29,906	35,425
	11,100	US\$	10,976		11,100	US\$	10,941

(Concluded)

Account	Counter-party Relationship	Nature of Shares/Units	Beginning Balance		Acquisition		Disposal	
			Shares/Units	Amount	Shares/Units	Amount	Amount	
			(In Thousands)	(Foreign Currencies)	(In Thousands)	(Foreign Currencies)	(Foreign Currencies)	
al Offshore Available-for-sale financial assets			12,387	US\$ 12,387	77,883	US\$ 77,883	85,349	US\$ 85,349

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The data for marketable securities disposed exclude bonds maturities and redemption by the issuer.

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets, translation adjustments, equity in earnings/losses of equity method investees and other adjustments to long-term investment using equity method.

(Concluded)

TABLE 4

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100**  
**MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars)**

<b>Transaction Date</b>	<b>Amount</b>	<b>Payment Term</b>	<b>Counter-party</b>	<b>Nature of Relationships</b>	<b>Prior Transaction of Owner</b>	<b>Related Counter-party Relationships</b>	<b>Transfer Date</b>	<b>Amount</b>
1 to 2011	\$ 260,171	By the construction progress	China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A
1 to 2011	842,036	By the construction progress	Da Cin Construction Co., Ltd.		N/A	N/A	N/A	N/A
1 to 2011	702,998	By the construction progress	Fu Tsu Construction Co., Ltd.		N/A	N/A	N/A	N/A
1 to 2011	188,744	By the construction progress	Tasa Construction Corporation		N/A	N/A	N/A	N/A
1 to 2011	1,050,000	Based on the agreement	Vertex Precision Electronics Inc.		N/A	N/A	N/A	N/A

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TABLE 5

**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 THREE MONTHS ENDED MARCH 31, 2011 (Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Sales/Purchases/	Transaction Details			Abnormal Transaction	
			Amount	Total % to	Payment Terms	Unit Price (Note)	Payment Terms (Note)
North America	Subsidiary	Sales	\$ 57,007,986	55	Net 30 days after invoice date		
	Investee with a controlling financial interest	Sales	455,936		Net 30 days after monthly closing		
China	Subsidiary	Purchases	2,419,959	19	Net 30 days after monthly closing		
	Indirect subsidiary	Purchases	1,770,429	14	Net 30 days after monthly closing		
	Investee accounted for using equity method	Purchases	1,325,127	10	Net 30 days after monthly closing		
	Investee accounted for using equity method	Purchases	955,937	7	Net 30 days after monthly closing		
North America	Same parent company	Purchases	142,690	21	Net 30 days after invoice date/net 30 days after monthly closing		
China	Parent company of director (represented for Xintec)	Sales	362,314	37	Net 30 days after monthly closing		

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

TABLE 6

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue Amounts Action Taken	Period of Subsequent Amounts Received in All
MC	TSMC North America	Subsidiary	\$ 27,523,796	42	\$ 7,617	\$ 12,065
	TSMC China	Subsidiary	1,593,520	(Note 2)	277	
	GUC	Investee with a controlling financial interest	260,981	42	2	92
	VIS	Investee accounted for using equity method	153,680	(Note 2)	29	35
tec	OmniVision	Parent company of director (represented for Xintec)	211,809	42		

Note 1: The calculation of turnover days excludes other receivables from related parties.

Note 2: The ending balance primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

TABLE 7

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011		Net Investment (Loss) in Thousands of Dollars	
			March 31,	December 31,	Carrying	Value		
			2011 (Foreign Currencies in Thousands)	2010 (Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)		
Global	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$42,523,518	\$1
Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	32,779,954	3
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	38	9,456,221	3
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	7,256,841	9
	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	76,069	20	6,770,069	6
na	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	4,721,701	5

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th	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,843,416	
	Cayman Islands	Investing in new start-up technology companies	3,602,979	3,565,441		99	2,672,382	(
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,678,379	
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,164,288	1
	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,166,470		98	1,041,270	
ar	Amsterdam, the Netherlands	Engaged in investing activities of solar related business	411,032	25,350		100	406,305	(
Alliance	Cayman Islands	Investing in new start-up technology companies	971,785	971,785		99	290,203	
ope	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749		100	192,329	
an	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	144,224	
rea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	21,093	
ar NA	Delaware, U.S.A.	Engaged in selling and marketing of solar related products	60,962	60,962	1	100	7,945	(
hting	Delaware, U.S.A.	Engaged in selling and marketing of LED related products	3,133	3,133	1	100	2,942	
ent	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 417,397	US\$
ding	Cayman Islands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 85,259	US\$
	Cayman Islands	Investing in new start-up technology companies	US\$ 4,088	US\$ 4,088	4,088	97	US\$ 19,707	US\$
	Cayman Islands	Investing in new start-up technology companies	US\$ 16,532	US\$ 16,532	16,532	97	US\$ 13,253	US\$
hnology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 10,083	US\$
nada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,892	US\$





Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011			Net Income (Losses) of the Investment (Foreign Currencies in Thousands)
			March 31, 2011 (Foreign Currencies in Thousands)	December 31, 2010 (Foreign Currencies in Thousands)	Shareholders	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
(stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US \$800	US \$800	5,333	84	US\$	US\$ (3,
(stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US \$1,000	US \$1,000	1,000	6		US\$ (3,
	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US \$280,000	US \$280,000	293,640	100	US\$	US\$179,027 US\$13,
Co.,	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US \$3,937	US \$3,937	11,868	57	US\$	1,862 US\$ (
d	Cayman Islands	Investing in new start-up technology companies	US \$1,740	US \$1,700		100	US\$	854 US\$
ngs	Delaware, U.S.A.	Investing in new start-up technology companies				62		
ngs	Delaware, U.S.A.	Investing in new start-up technology companies				31		
	U.S.A.	Consulting services in main products	US \$1,253	US \$1,249	800	100	\$	60,915 \$ 2,
	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100		14,881
		Investment activities	US \$550	US \$550	550	100		8,846

British Virgin Islands	The Netherlands	Consulting services in main products	EUR 100	EUR 100	100	3,916
Shanghai, China		Consulting services in main products	US \$500	US \$500	100	7,551
Delaware, U.S.A.		Investing in new start-up technology companies			7	
Hamburg, Germany		Engaged in the selling and customer service of solar cell modules and related products	EUR 9,900	EUR 100	1 100	EUR 9,618 EUR (

Note 1: Equity in earnings/losses of investees include the effect of unrealized gross profit from affiliates.

Note 2: The equity in the earnings/losses of the investee company is not reflected herein as such amount is already included in the equity in the earnings/losses of the investor company.

Note 3 : Equity in earnings/losses was determined based on the unreviewed financial statements.

(Concluded)

TABLE 8

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investor	Main Businesses	Total Amount of Investment Paid-in Capital	Method of Investment	Accumulated	Accumulated	Equity in the Earnings	Carrying Value as of March 31, 2011	Accumulated Inward Remittance of Earnings as of March 31, 2011
				Outflow of Investment from Taiwan as of January 1, 2011	Outflow of Investment from Taiwan as of March 31, 2011			
Company	Products	(Thousand)	Investment	(Thousand)	Outflow	(Thousand)	Ownership	(Losses)
				(US\$ in	Flows	(US\$ in	Percentage	
TSMC	TSMC Manufacturing China							
	selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367	(Note 1)	\$12,180,367	\$	\$12,180,367	100%	\$564,819
		(RMB 3,070,623)		(US\$ 371,000)		(US\$ 371,000)		(Note 3)
	Consulting services in main		(Note 2)					
GUC	GUC Shanghai	16,160		16,160		16,160	100%	(61)
		(US\$ 500)		(US\$ 500)		(US\$ 500)		(Note 4)

**Accumulated Investment in**

<b>Investor Company</b>	<b>Mainland China as of March 31, 2011 (US\$ in Thousand)</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)</b>	<b>Upper Limit on Investment (US\$ in Thousand)</b>
TSMC	\$12,180,367 (US\$ 371,000)	\$12,180,367 (US\$ 371,000)	\$12,180,367 (US\$ 371,000)
GUC	16,160 (US\$ 500)	16,160 (US\$ 500)	2,004,316 (Note 5)

Note 1: TSMC directly invested US\$371,000 thousand in TSMC China.

Note 2: GUC, TSMC's investee with a controlling financial interest, indirectly invested in GUC-Shanghai through GUC-BVI.

Note 3: Amount was recognized based on the reviewed financial statements.

Note 4: Amount was determined based on the unreviewed financial statements.

Note 5: Subject to 60% of net asset value of GUC according to the revised Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China issued by the Investment Commission.

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TABLE 9

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

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

A. For the three months ended March 31, 2011

Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets (Note 2)
TSMC	TSMC North America	1	Sales	\$ 57,007,986	53%
			Receivables from related parties	27,517,143	4%
			Other receivables from related parties	6,653	
	TSMC China	1	Payables to related parties	36,634	
			Sales	7,070	
			Purchases	2,419,959	2%
			Marketing expenses commission	16,320	
			Sales of property, plant, and equipment	592,339	
			Gain on disposal of property, plant and equipment, net	6,506	
			Other receivables from related parties	1,593,520	
	TSMC Japan	1	Payables to related parties	855,485	
			Deferred debits	33,833	
	TSMC Europe	1	Marketing expenses commission	66,614	
			Payables to related parties	24,004	
	TSMC Korea	1	Marketing expenses commission	90,915	
			Research and development expenses	8,774	
			Payables to related parties	36,246	
Marketing expenses commission			5,375		
Payables to related parties			1,363		
GUC	1	Sales	455,936		
		Research and development expenses	5,717		
		Receivables from related parties	260,981		
		Payables to related parties	1,915		
TSMC Technology	1	Research and development expenses	113,013		

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		Payables to related parties	76,694	
WaferTech	1	Sales	2,027	
		Purchases	1,770,429	2%
		Sales of property, plant, and equipment	64,255	
		Payables to related parties	550,219	
TSMC Canada	1	Research and development expenses	42,489	
		Payables to related parties	15,036	
Xintec	1	Research and development expenses	2,755	
		Manufacturing overhead	84,600	
		Payables to related parties	53,025	
TSMC Solar Europe GmbH	1	Sales	52,526	
		Other receivables from related parties	52,413	

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets
					Amount	(Note 2)	
		TSMC North America	3	Purchases	\$ 142,690		
				Manufacturing overhead	92,754		
				Payables to related parties	87,469		
1	GUC	GUC-NA	3	Operating expenses	29,539		
				Manufacturing overhead	17,604		
				Accrued expense	14,791		
		GUC-Japan	3	Operating expenses	9,565		
				Accrued expense	2,895		
		GUC-Shanghai	3	Operating expenses	4,567		
				Accrued expense	1,760		
2	TSMC Partners	TSMC China	3	Other long term receivables	7,367,000		1%
3	TSMC China	TSMC Partners	3	Other long term payables	7,375,950		1%

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.

(Continued)



B. For the three months ended March 31, 2010

Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
				Amount	TermsConsolidate (Note 2) Sales or T
TSMC North America		1	Sales	\$ 48,676,679	5
			Receivables from related parties	22,055,122	4
			Other receivables from related parties	8,810	
			Payables to related parties	8,667	
TSMC China		1	Sales	1,409	
			Purchases	1,557,962	2
			Marketing expenses commission	11,446	
			Sales of property, plant, and equipment	11,224	
			Purchase of property, plant, and equipment	14,498	
			Gain on disposal of property, plant and equipment, net	23,866	
			Technical service income	1,560	
			Other receivables from related parties	123,354	
			Payables to related parties	762,578	
			Deferred debits	4,672	
			TSMC Japan		1
Payables to related parties	22,869				
TSMC Europe		1	Marketing expenses commission	98,913	
			Research and development expenses	6,352	
			Payables to related parties	35,186	
TSMC Korea		1	Marketing expenses commission	4,285	
			Payables to related parties	1,333	
GUC		1	Sales	320,263	
			Receivables from related parties	205,381	
TSMC Technology		1	Research and development expenses	131,169	
			Payables to related parties	129,058	
WaferTech		1	Sales	1,648	
			Purchases	1,636,493	2
			Purchase of property, plant, and equipment	9,624	
			Other receivables from related parties	4,703	
			Payables to related parties	647,205	
TSMC Canada		1	Research and development expenses	45,209	
			Payables to related parties	15,983	
Xintec		1	Manufacturing overhead	45,546	
			Payables to related parties	27,979	
TSMC North America		3	Purchases	181,144	
			Manufacturing overhead	61,478	
			Payables to related parties	107,527	
GUC-NA		3	Operating expenses	44,847	
			Accrued expense	13,917	
GUC-Japan		3	Operating expenses	10,706	
			Accrued expense	3,472	
GUC-Shanghai		3	Other receivables from related parties	5,960	

Note 1: No. 1 represents the transactions from parent company to subsidiary.

No. 3 represents the transactions between subsidiaries.

Note 2: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

(Concluded)

**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: April 28, 2011

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