

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

March 08, 2012

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 March 2012

# Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

(Address of Principal Executive Offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing Company Ltd.

Date: March 8, 2012

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

**Taiwan Semiconductor Manufacturing  
Company Limited**

**Financial Statements for the**

**Years Ended December 31, 2011 and 2010 and**

**Independent Auditors Report**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2011 and 2010, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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 audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the year ended December 31, 2011 and 2010 on which we have issued an unqualified opinion.

February 14, 2012

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

## BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Par Value)

|   | 2011               |           | 2010               |           |
|---|--------------------|-----------|--------------------|-----------|
|   | Amount             | %         | Amount             | %         |
| <b>ASSETS</b>   |                    |           |                    |           |
| <b>CURRENT ASSETS</b>   |                    |           |                    |           |
| Cash and cash equivalents (Notes 2 and 4)                                 | \$ 85,262,521      | 11        | \$ 109,511,130     | 15        |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 24) | 14,925             |           |                    |           |
| Available-for-sale financial assets (Notes 2, 6 and 24)                   | 2,617,134          |           | 3,918,274          |           |
| Held-to-maturity financial assets (Notes 2, 7 and 24)                     | 701,136            |           | 4,796,589          | 1         |
| Receivables from related parties (Notes 3 and 25)                         | 24,777,534         | 3         | 25,733,974         | 4         |
| Notes and accounts receivable (Note 3)                                    | 19,894,386         | 3         | 22,250,905         | 3         |
| Allowance for doubtful receivables (Notes 2, 3 and 8)                     | (485,120)          |           | (488,000)          |           |
| Allowance for sales returns and others (Notes 2 and 8)                    | (4,887,879)        |           | (7,341,444)        | (1)       |
| Other receivables from related parties (Notes 3 and 25)                   | 188,028            |           | 1,302,281          |           |
| Other financial assets (Note 26)  | 122,010            |           | 418,206            |           |
| Inventories (Notes 2 and 9)   | 22,853,397         | 3         | 25,646,348         | 4         |
| Deferred income tax assets (Notes 2 and 18)                               | 5,779,544          | 1         | 5,133,775          | 1         |
| Prepaid expenses and other current assets                                 | 1,725,736          |           | 1,352,244          |           |
| <b>Total current assets</b>   | <b>158,563,352</b> | <b>21</b> | <b>192,234,282</b> | <b>27</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>               |                    |           |                    |           |
| Investments accounted for using equity method                             | 128,200,718        | 17        | 114,977,174        | 17        |
| Available-for-sale financial assets                                       |                    |           | 1,033,049          |           |
| Held-to-maturity financial assets   | 702,291            |           | 1,405,698          |           |
| Financial assets carried at cost  | 497,835            |           | 497,835            |           |
| <b>Total long-term investments</b>  | <b>129,400,844</b> | <b>17</b> | <b>117,913,756</b> | <b>17</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 25)</b>                 |                    |           |                    |           |
| <b>Cost</b>   |                    |           |                    |           |
| Buildings   | 149,495,478        | 20        | 128,646,942        | 18        |
| Machinery and equipment   | 984,978,666        | 129       | 852,733,592        | 122       |
| Office equipment  | 13,824,434         | 2         | 11,730,537         | 2         |
|   | 1,148,298,578      | 151       | 993,111,071        | 142       |
| Accumulated depreciation  | (804,740,797)      | (106)     | (706,605,445)      | (101)     |
| Advance payments and construction in progress                             | 110,815,752        | 14        | 80,348,673         | 11        |
| <b>Net property, plant and equipment</b>                                  | <b>454,373,533</b> | <b>59</b> | <b>366,854,299</b> | <b>52</b> |
| <b>INTANGIBLE ASSETS</b>  |                    |           |                    |           |
| Goodwill (Note 2)   | 1,567,756          |           | 1,567,756          |           |
| Deferred charges, net (Notes 2 and 13)                                    | 4,719,244          | 1         | 5,456,427          | 1         |
| <b>Total intangible assets</b>  | <b>6,287,000</b>   | <b>1</b>  | <b>7,024,183</b>   | <b>1</b>  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

| OTHER ASSETS                                |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
| Deferred income tax assets (Notes 2 and 18) | 7,221,824             | 1          | 7,154,266             | 1          |
| Refundable deposits                         | 4,491,735             | 1          | 8,638,749             | 2          |
| Others (Notes 2 and 25)                     | 1,069,586             |            | 1,420,131             |            |
| <b>Total other assets</b>                   | <b>12,783,145</b>     | <b>2</b>   | <b>17,213,146</b>     | <b>3</b>   |
| <b>TOTAL</b>                                | <b>\$ 761,407,874</b> | <b>100</b> | <b>\$ 701,239,666</b> | <b>100</b> |

- 1 -

|  | 2011                  |            | 2010                  |            |
|--|-----------------------|------------|-----------------------|------------|
|  | Amount                | %          | Amount                | %          |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                                     |                       |            |                       |            |
| <b>CURRENT LIABILITIES</b>   |                       |            |                       |            |
| Short-term loans (Note 14)   | \$ 25,926,528         | 3          | \$ 30,908,637         | 4          |
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24) |                       |            | 7,834                 |            |
| Accounts payable   | 9,522,688             | 1          | 10,559,283            | 2          |
| Payables to related parties (Note 25)  | 2,992,582             |            | 2,574,450             |            |
| Income tax payable (Notes 2 and 18)  | 10,647,797            | 1          | 7,108,869             | 1          |
| Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)    | 9,055,704             | 1          | 10,959,469            | 2          |
| Payables to contractors and equipment suppliers                                | 33,811,970            | 5          | 41,992,198            | 6          |
| Accrued expenses and other current liabilities (Notes 16, 24 and 25)           | 13,057,161            | 2          | 13,911,520            | 2          |
| Current portion of bonds payable (Notes 15 and 24)                             | 4,500,000             | 1          |                       |            |
| Total current liabilities  | 109,514,430           | 14         | 118,022,260           | 17         |
| <b>LONG-TERM LIABILITIES</b>   |                       |            |                       |            |
| Bonds payable (Notes 15 and 24)  | 18,000,000            | 2          | 4,500,000             |            |
| <b>OTHER LIABILITIES</b>   |                       |            |                       |            |
| Accrued pension cost (Notes 2 and 17)  | 3,860,898             | 1          | 3,824,601             | 1          |
| Guarantee deposits (Note 28)   | 439,032               |            | 747,887               |            |
| Total other liabilities  | 4,299,930             | 1          | 4,572,488             | 1          |
| Total liabilities  | 131,814,360           | 17         | 127,094,748           | 18         |
| <b>CAPITAL STOCK - NT\$10 PAR VALUE (Note 20)</b>                              |                       |            |                       |            |
| Authorized: 28,050,000 thousand shares   |                       |            |                       |            |
| Issued: 25,916,222 thousand shares in 2011                                     |                       |            |                       |            |
| 25,910,078 thousand shares in 2010   | 259,162,226           | 34         | 259,100,787           | 37         |
| <b>CAPITAL SURPLUS (Notes 2 and 20)</b>  |                       |            |                       |            |
|  | 55,846,357            | 8          | 55,698,434            | 8          |
| <b>RETAINED EARNINGS (Note 20)</b>   |                       |            |                       |            |
| Appropriated as legal capital reserve  | 102,399,995           | 13         | 86,239,494            | 12         |
| Appropriated as special capital reserve  | 6,433,874             | 1          | 1,313,047             |            |
| Unappropriated earnings  | 213,357,286           | 28         | 178,227,030           | 26         |
|  | 322,191,155           | 42         | 265,779,571           | 38         |
| <b>OTHERS (Notes 2, 22 and 24)</b>   |                       |            |                       |            |
| Cumulative translation adjustments   | (6,433,369)           | (1)        | (6,543,163)           | (1)        |
| Unrealized gain (loss) on financial instruments                                | (1,172,855)           |            | 109,289               |            |
|  | (7,606,224)           | (1)        | (6,433,874)           | (1)        |
| Total shareholders equity  | 629,593,514           | 83         | 574,144,918           | 82         |
| <b>TOTAL</b>   | <b>\$ 761,407,874</b> | <b>100</b> | <b>\$ 701,239,666</b> | <b>100</b> |

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





## Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

|   | 2011               |            | 2010               |            |
|---|--------------------|------------|--------------------|------------|
|   | Amount             | %          | Amount             | %          |
| GROSS SALES (Notes 2 and 25)  | \$ 421,472,087     |            | \$ 418,666,448     |            |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8)                        | 3,226,594          |            | 11,703,136         |            |
| <b>NET SALES</b>  | <b>418,245,493</b> | <b>100</b> | <b>406,963,312</b> | <b>100</b> |
| COST OF SALES (Notes 9, 19 and 25)                                  | 233,083,068        | 56         | 209,921,268        | 52         |
| <b>GROSS PROFIT BEFORE AFFILIATES ELIMINATION</b>                   | <b>185,162,425</b> | <b>44</b>  | <b>197,042,044</b> | <b>48</b>  |
| REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)         | 398,440            |            | (52,742)           |            |
| <b>GROSS PROFIT</b>   | <b>185,560,865</b> | <b>44</b>  | <b>196,989,302</b> | <b>48</b>  |
| <b>OPERATING EXPENSES (Notes 19 and 25)</b>                         |                    |            |                    |            |
| Research and development  | 31,594,034         | 7          | 27,623,299         | 7          |
| General and administrative  | 12,715,339         | 3          | 11,681,756         | 3          |
| Marketing   | 2,345,729          | 1          | 2,837,739          |            |
| Total operating expenses  | 46,655,102         | 11         | 42,142,794         | 10         |
| <b>INCOME FROM OPERATIONS</b>                                       | <b>138,905,763</b> | <b>33</b>  | <b>154,846,508</b> | <b>38</b>  |
| <b>NON-OPERATING INCOME AND GAINS</b>                               |                    |            |                    |            |
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 3,778,083          | 1          | 7,111,443          | 2          |
| Settlement income (Note 28)   | 947,340            | 1          | 6,939,764          | 2          |
| Valuation gain on financial instruments, net (Notes 2, 5 and 24)    | 801,195            |            | 312,862            |            |
| Interest income   | 697,196            |            | 764,027            |            |
| Technical service income (Note 25)                                  | 408,153            |            | 446,746            |            |
| Others (Notes 2 and 25)   | 655,079            |            | 333,126            |            |
| <b>Total non-operating income and gains</b>                         | <b>7,287,046</b>   | <b>2</b>   | <b>15,907,968</b>  | <b>4</b>   |

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

|  | 2011                  |           | 2010                  |           |
|--|-----------------------|-----------|-----------------------|-----------|
|  | Amount                | %         | Amount                | %         |
| <b>NON-OPERATING EXPENSES AND LOSSES</b>                   |                       |           |                       |           |
| Foreign exchange loss, net (Note 2)                        | \$ 673,085            |           | \$ 58,737             |           |
| Interest expense (Note 25)                                 | 445,887               |           | 214,641               |           |
| Loss on disposal of property, plant and equipment (Note 2) | 202,901               |           | 838,750               |           |
| Casualty loss (Note 9)                                     |                       |           | 190,992               |           |
| Others   | 163,092               |           | 161,152               |           |
| <b>Total non-operating expenses and losses</b>             | <b>1,484,965</b>      |           | <b>1,464,272</b>      |           |
| <b>INCOME BEFORE INCOME TAX</b>                            | <b>144,707,844</b>    | <b>35</b> | <b>169,290,204</b>    | <b>42</b> |
| <b>INCOME TAX EXPENSE (Notes 2 and 18)</b>                 | <b>10,506,565</b>     | <b>3</b>  | <b>7,685,195</b>      | <b>2</b>  |
| <b>NET INCOME</b>  | <b>\$ 134,201,279</b> | <b>32</b> | <b>\$ 161,605,009</b> | <b>40</b> |

|   | 2011                    |                        | 2010                    |                        |
|---|-------------------------|------------------------|-------------------------|------------------------|
|   | Before<br>Income<br>Tax | After<br>Income<br>Tax | Before<br>Income<br>Tax | After<br>Income<br>Tax |
| <b>EARNINGS PER SHARE (NT\$, Note 23)</b> |                         |                        |                         |                        |
| Basic earnings per share                  | \$ 5.58                 | \$ 5.18                | \$ 6.53                 | \$ 6.24                |
| Diluted earnings per share                | \$ 5.58                 | \$ 5.18                | \$ 6.53                 | \$ 6.23                |

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

|   | Capital Stock - Common<br>Stock |                | Retained Earnings  |                  |                    |                |  | Others<br>Unrealized                          |            | Treasury<br>Stock | Total<br>Shareholders'<br>Equity |
|---|---------------------------------|----------------|--------------------|------------------|--------------------|----------------|--|---|------------|-------------------|----------------------------------|
|   | Shares<br><br>(In<br>Thousands) | Amount         | Capital<br>Surplus | Legal<br>Capital | Special<br>Capital | Unappropriated | Cumulative<br>Translation<br>Adjustments | Gain (Loss)<br>on<br>Financial<br>Instruments |            |                   |                                  |
|   |                                 |                |                    | Reserve          | Reserve            | Earnings       |  |   | Total      |                   |                                  |
| Balance, January 1, 2010  | 25,902,706                      | \$ 259,027,066 | \$ 55,486,010      | \$ 77,317,710    | \$                 | \$ 104,564,972 | \$ 181,882,682                           | \$ (1,766,667)                                | \$ 453,621 | \$                | \$ 495,082,000                   |
| Provisions of prior earnings  |                                 |                |                    | 8,921,784        |                    | (8,921,784)    |  |   |            |                   |                                  |
| Capital reserve   |                                 |                |                    |                  | 1,313,047          | (1,313,047)    |  |   |            |                   |                                  |
| Dividends to shareholders NT\$3.00                                      |                                 |                |                    |                  |                    | (77,708,120)   | (77,708,120)                             |   |            |                   | (77,708,120)                     |
| Income in 2010  |                                 |                |                    |                  |                    | 161,605,009    | 161,605,009                              |   |            |                   | 161,605,009                      |
| Change arising from changes in stage of ownership in equity investments |                                 |                | (17,885)           |                  |                    |                |  |   |            |                   | (17,885)                         |
| Provision of stock from employee options                                | 7,372                           | 73,721         | 171,103            |                  |                    |                |  | (4,776,496)                                   |            |                   | (4,776,496)                      |
| Change in stage of ownership in equity investments                      |                                 |                |                    |                  |                    |                |  |   | (441,978)  |                   | (441,978)                        |
| Change in stage of ownership in equity investments                      |                                 |                | 59,206             |                  |                    |                |  |   | 97,646     |                   | 156,852                          |
| Balance, December 31, 2010  | 25,910,078                      | 259,100,787    | 55,698,434         | 86,239,494       | 1,313,047          | 178,227,030    | 265,779,571                              | (6,543,163)                                   | 109,289    |                   | 574,144,000                      |
| Provisions of prior earnings  |                                 |                |                    | 16,160,501       |                    | (16,160,501)   |  |   |            |                   |                                  |
| Capital reserve   |                                 |                |                    |                  | 5,120,827          | (5,120,827)    |  |   |            |                   |                                  |
| Dividends to shareholders-NT\$3.00                                      |                                 |                |                    |                  |                    | (77,730,236)   | (77,730,236)                             |   |            |                   | (77,730,236)                     |
| Income in 2011  |                                 |                |                    |                  |                    | 134,201,279    | 134,201,279                              |   |            |                   | 134,201,279                      |
| Change arising from changes in stage of ownership in equity investments |                                 |                | 59,898             |                  |                    |                |  | (112,326)                                     |            |                   | (52,428)                         |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                   |         |          |          |  |          |          |         |             |          |         |
|-------------------|---------|----------|----------|--|----------|----------|---------|-------------|----------|---------|
| tion              |         |          |          |  |          |          |         |             |          |         |
| ments             |         |          |          |  |          |          |         |             |          |         |
| ce of stock from  |         |          |          |  |          |          |         |             |          |         |
| ing employee      |         |          |          |  |          |          |         |             |          |         |
| ptions            | 7,144   | 71,439   | 146,258  |  |          |          |         |             |          | 21      |
| anges of          |         |          |          |  |          |          |         |             |          |         |
| on gain/loss on   |         |          |          |  |          |          |         |             |          |         |
| le-for-sale       |         |          |          |  |          |          |         |             |          |         |
| al assets         |         |          |          |  |          |          |         | (1,112,995) |          | (1,112) |
| ange in           |         |          |          |  |          |          |         |             |          |         |
| olders equity     |         |          |          |  |          |          |         |             |          |         |
| quity method      |         |          |          |  |          |          |         |             |          |         |
| es                |         |          |          |  |          |          |         | (165,851)   |          | (165)   |
| ition of treasury |         |          |          |  |          |          |         |             |          |         |
| shareholders      |         |          |          |  |          |          |         |             |          |         |
| ed the appraisal  |         |          |          |  |          |          |         |             | (71,598) | (71)    |
| ment of treasury  |         |          |          |  |          |          |         |             |          |         |
|                   | (1,000) | (10,000) | (2,139)  |  | (59,459) | (59,459) |         |             | 71,598   |         |
| of spin-off       |         |          | (56,094) |  |          |          | 222,120 | (3,298)     |          | 162     |

NCE,  
 MBER 31, 2011 25,916,222 \$ 259,162,226 \$ 55,846,357 \$ 102,399,995 \$ 6,433,874 \$ 213,357,286 \$ 322,191,155 \$ (6,433,369) \$ (1,172,855) \$ \$ 629,59

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

## Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|   | 2011               | 2010               |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                    |                    |
| Net income  | \$ 134,201,279     | \$ 161,605,009     |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                    |
| Depreciation and amortization   | 102,925,423        | 83,366,121         |
| Unrealized (realized) gross profit from affiliates                                | (398,440)          | 52,742             |
| Amortization of premium/discount of financial assets                              | 9,860              | 18,611             |
| Gain on disposal of available-for-sale financial assets, net                      | (35,151)           |                    |
| Loss on disposal of financial assets carried at cost                              |                    | 1,263              |
| Equity in earnings of equity method investees, net                                | (3,778,083)        | (7,111,443)        |
| Cash dividends received from equity method investees                              | 2,941,548          | 422,490            |
| Loss on disposal of property, plant and equipment and other assets, net           | 99,884             | 761,298            |
| Settlement income from receiving equity securities                                |                    | (4,434,364)        |
| Deferred income tax   | (493,026)          | (373,253)          |
| Changes in operating assets and liabilities:                                      |                    |                    |
| Financial assets and liabilities at fair value through profit or loss             | (22,759)           | 189,577            |
| Receivables from related parties  | 956,440            | (3,192,201)        |
| Notes and accounts receivable   | 2,356,519          | (2,366,385)        |
| Allowance for doubtful receivables  | (2,880)            | 57,000             |
| Allowance for sales returns and others  | (2,453,565)        | (1,242,188)        |
| Other receivables from related parties  | (38,049)           | 85,830             |
| Other financial assets  | 138,196            | 904,157            |
| Inventories   | 2,775,646          | (6,816,132)        |
| Prepaid expenses and other current assets   | (382,852)          | (445,797)          |
| Accounts payable  | (1,805,422)        | 624,608            |
| Payables to related parties   | 418,132            | 535,108            |
| Income tax payable  | 3,538,928          | (1,652,251)        |
| Accrued profit sharing to employees and bonus to directors                        | (1,903,765)        | 4,188,131          |
| Accrued expenses and other current liabilities                                    | (410,047)          | (3,124,307)        |
| Accrued pension cost  | 96,880             | 17,425             |
| Deferred credits  |                    | (47,873)           |
| <b>Net cash provided by operating activities</b>                                  | <b>238,734,696</b> | <b>222,023,176</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                    |                    |
| Cash contributed related to spin-off  | (1,270,340)        |                    |
| Acquisitions of:  |                    |                    |
| Property, plant and equipment   | (202,757,541)      | (182,335,032)      |
| Investments accounted for using equity method                                     | (7,390,883)        | (8,262,519)        |
| Financial assets carried at cost  |                    | (480)              |

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|  | 2011           | 2010           |
|--|----------------|----------------|
| Proceeds from disposal or redemption of:                               |                |                |
| Available-for-sale financial assets                                    | \$ 1,035,151   | \$             |
| Held-to-maturity financial assets                                      | 4,789,000      | 15,943,000     |
| Financial assets carried at cost                                       |                | 3,370          |
| Property, plant and equipment and other assets                         | 4,650,078      | 387,735        |
| Proceeds from return of capital by investees                           | 320,013        |                |
| Increase in deferred charges   | (1,658,296)    | (1,538,301)    |
| Decrease (increase) in refundable deposits                             | 4,147,014      | (5,940,633)    |
| Decrease (increase) in other assets                                    | 27,600         | (1,004,581)    |
| Net cash used in investing activities                                  | (198,108,204)  | (182,747,441)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |                |                |
| Increase (decrease) in short-term loans                                | (4,982,109)    | 30,908,637     |
| Proceeds from issuance of bonds  | 18,000,000     |                |
| Decrease in guarantee deposits   | (308,855)      | (253,489)      |
| Proceeds from exercise of employee stock options                       | 217,697        | 244,824        |
| Acquisition of treasury stock  | (71,598)       |                |
| Cash dividends   | (77,730,236)   | (77,708,120)   |
| Net cash used in financing activities                                  | (64,875,101)   | (46,808,148)   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                       | (24,248,609)   | (7,532,413)    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                    | 109,511,130    | 117,043,543    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                          | \$ 85,262,521  | \$ 109,511,130 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                |                |                |
| Interest paid  | \$ 369,085     | \$ 200,892     |
| Income tax paid  | \$ 7,454,386   | \$ 9,640,396   |
| <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>     |                |                |
| Acquisition of property, plant and equipment                           | \$ 195,932,728 | \$ 195,950,918 |
| Decrease (increase) in payables to contractors and equipment suppliers | 6,827,106      | (13,491,140)   |
| Nonmonetary exchange trade-out price                                   | (2,293)        | (124,746)      |
| Cash paid  | \$ 202,757,541 | \$ 182,335,032 |
| Disposal of property, plant and equipment and other assets             | \$ 3,370,165   | \$ 1,872,880   |
| Decrease (increase) in other receivables from related parties          | 1,124,206      | (1,142,108)    |
| Decrease (increase) in other financial assets                          | 158,000        | (218,291)      |
| Nonmonetary exchange trade-out price                                   | (2,293)        | (124,746)      |
| Cash received  | \$ 4,650,078   | \$ 387,735     |





## Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|  | 2011         | 2010       |
|--|--------------|------------|
| <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) | \$           | \$ 718,637 |

## SUPPLEMENTAL INFORMATION FOR SPIN-OFF BUSINESSES

In August 2011, the Company transferred the solid state lighting and solar businesses into its wholly-owned, newly incorporated subsidiaries, TSMC Solid State Lighting Ltd. (TSMC SSL) and TSMC Solar Ltd. (TSMC Solar), respectively. The relevant information about spin-off was as follows:

|  | TSMC SSL     | TSMC Solar    | Total         |
|--|--------------|---------------|---------------|
| Acquired investments accounted for using equity method | \$ 2,270,000 | \$ 11,180,000 | \$ 13,450,000 |
| Non-cash items transferred                             |              |               |               |
| Current assets   | 36,050       | 18,807        | 54,857        |
| Long-term investments                                  | 2,872        | 7,912,710     | 7,915,582     |
| Property, plant and equipment                          | 1,929,563    | 2,372,214     | 4,301,777     |
| Other assets   | 234,696      | 201,677       | 436,373       |
| Current liabilities                                    | (292,728)    | (337,439)     | (630,167)     |
| Other liabilities                                      | (36,272)     | (25,218)      | (61,490)      |
| Capital surplus  |              | (56,094)      | (56,094)      |
| Unrealized gain (loss) on financial instruments        |              | (3,298)       | (3,298)       |
| Cumulative translation adjustments                     | 256          | 221,864       | 222,120       |
|  | (1,874,437)  | (10,305,223)  | (12,179,660)  |
| Cash contributed related to spin-off                   | \$ 395,563   | \$ 874,777    | \$ 1,270,340  |

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

**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 solid state lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products. In August 2011, the Company transferred its solid state lighting and solar businesses into its wholly-owned, newly incorporated subsidiaries, TSMC SSL and TSMC Solar, respectively.

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 December 31, 2011 and 2010, the Company had 30,113 and 29,929 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:

**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.

**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 year. The fair value of debt securities is determined using the average of bid and asked prices at the end of the year.

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.

#### **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.

#### **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 (SFAS No. 34). One of the main revisions is that the impairment of receivables originated by the Company is subject to the provisions of SFAS No. 34. Accordingly, the Company evaluates 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 expense 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.

#### **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. Cash dividends received from an investee shall reduce the carrying amount of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income.

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.

### **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 year 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 - 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 year'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 SFAS No. 39, Accounting for Share-based Payment. The Company did not grant or modify any employee stock options since January 1, 2008.

### **Treasury Stock**

Treasury stock represents the outstanding shares that the Company buys back from market, which is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount. When the Company resells the treasury stock, the treasury stock shall be reversed, and if the selling price is greater than the book value, the amount in excess of the book value shall be credited to additional paid-in capital - treasury stock.

### **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 year 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 collectable 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.

### **Spin-off**

In accordance with the Company's organization realignment, the Company contributed net assets, including cash, to the newly formed subsidiaries in exchange for all of the shares of those subsidiaries. The net assets transferred are reflected at their net book value without recognizing any gain or loss.

### **3. ACCOUNTING CHANGES**

On January 1, 2011, the Company prospectively adopted the newly revised 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 year ended December 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 year ended December 31, 2011. The information for the year ended December 31, 2010 has been recast to reflect the new segment reporting requirement.

**4. CASH AND CASH EQUIVALENTS**

|  | December 31   |                |
|--|---------------|----------------|
|  | 2011          | 2010           |
| Cash and deposits in banks                               | \$ 81,467,607 | \$ 108,735,942 |
| Repurchase agreements collateralized by government bonds | 3,794,914     | 775,188        |
|  | \$ 85,262,521 | \$ 109,511,130 |

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

|                                      | December 31 |          |
|--------------------------------------|-------------|----------|
|                                      | 2011        | 2010     |
| <u>Trading financial assets</u>      |             |          |
| Forward exchange contracts           | \$ 14,925   | \$       |
| <u>Trading financial liabilities</u> |             |          |
| Forward exchange contracts           | \$          | \$ 7,834 |

The Company entered into derivative contracts during the years ended December 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:

|                          | Maturity Date                       | Contract Amount              |
|--------------------------|-------------------------------------|------------------------------|
|                          |                                     | (In Thousands)               |
| <u>December 31, 2011</u> |                                     |                              |
| Sell EUR/Buy NT\$        | January 2012                        | EUR38,600 /NT\$1,528,206     |
| <u>December 31, 2010</u> |                                     |                              |
| Sell NT\$/Buy JPY        | January 2011<br>to February<br>2011 | NT\$814,882/<br>JPY2,278,420 |

Net gains on derivative financial instruments for the years ended December 31, 2011 and 2010 were NT\$801,195 thousand and NT\$312,862 thousand, respectively.

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

|                                | December 31  |              |
|--------------------------------|--------------|--------------|
|                                | 2011         | 2010         |
| Overseas publicly traded stock | \$ 2,617,134 | \$ 3,918,274 |
| Corporate bonds                |              | 1,033,049    |
|                                | 2,617,134    | 4,951,323    |
| Current portion                | (2,617,134)  | (3,918,274)  |



\$ \$ 1,033,049

- 15 -

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

|                 | December 31  |              |
|-----------------|--------------|--------------|
|                 | 2011         | 2010         |
| Corporate bonds | \$ 1,403,427 | \$ 6,202,287 |
| Current portion | (701,136)    | (4,796,589)  |
|                 | \$ 702,291   | \$ 1,405,698 |

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

Movements of the allowance for doubtful receivables were as follows:

|                            | Years Ended December 31 |            |
|----------------------------|-------------------------|------------|
|                            | 2011                    | 2010       |
| Balance, beginning of year | \$ 488,000              | \$ 431,000 |
| Provision                  |                         | 59,268     |
| Write-off                  | (2,880)                 | (2,268)    |
| Balance, end of year       | \$ 485,120              | \$ 488,000 |

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

|                            | Years Ended December 31 |              |
|----------------------------|-------------------------|--------------|
|                            | 2011                    | 2010         |
| Balance, beginning of year | \$ 7,341,444            | \$ 8,583,632 |
| Provision                  | 3,226,594               | 11,703,136   |
| Write-off                  | (5,680,159)             | (12,945,324) |
| Balance, end of year       | \$ 4,887,879            | \$ 7,341,444 |

**9. INVENTORIES**

|                          | December 31   |               |
|--------------------------|---------------|---------------|
|                          | 2011          | 2010          |
| Finished goods           | \$ 3,250,637  | \$ 4,623,812  |
| Work in process          | 16,971,209    | 18,128,677    |
| Raw materials            | 1,593,393     | 1,681,525     |
| Supplies and spare parts | 1,038,158     | 1,212,334     |
|                          | \$ 22,853,397 | \$ 25,646,348 |

The reserve for inventory write-downs in the amount of NT\$74,861 thousand was reversed in the cost of sales for the year ended December 31, 2011 when the related inventory items were scrapped or sold. Write-down of inventories to net realizable value in the amount of NT\$792,951 thousand was included in the cost of sales for the year ended December 31, 2010. Inventory losses related to earthquake in the amount of NT\$190,992 thousand were classified under non-operating expenses and losses for the year ended December 31, 2010.



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

|  | December 31        |                        |                    |                        |
|--|--------------------|------------------------|--------------------|------------------------|
|  | 2011               | % of<br>Owner-<br>ship | 2010               | % of<br>Owner-<br>ship |
|  | Carrying<br>Amount |                        | Carrying<br>Amount |                        |
| TSMC Global Ltd. (TSMC Global)                           | \$ 44,071,845      | 100                    | \$ 43,710,543      | 100                    |
| TSMC Partners, Ltd. (TSMC Partners)                      | 34,986,964         | 100                    | 33,565,775         | 100                    |
| TSMC China Company Limited (TSMC China)                  | 13,542,181         | 100                    | 4,252,270          | 100                    |
| TSMC Solar   | 10,153,244         | 100                    |                    |                        |
| Vanguard International Semiconductor Corporation (VIS)   | 8,988,007          | 39                     | 9,422,452          | 38                     |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 6,289,429          | 39                     | 7,120,714          | 39                     |
| TSMC North America                                       | 2,981,639          | 100                    | 2,873,888          | 100                    |
| TSMC SSL   | 1,746,893          | 100                    |                    |                        |
| Xintec Inc. (Xintec)                                     | 1,606,694          | 40                     | 1,645,201          | 41                     |
| VentureTech Alliance Fund III, L.P. (VTAF III)           | 1,311,044          | 53                     | 2,769,423          | 99                     |
| Global UniChip Corporation (GUC)                         | 1,157,188          | 35                     | 1,113,516          | 35                     |
| VentureTech Alliance Fund II, L.P. (VTAF II)             | 762,135            | 98                     | 1,063,057          | 98                     |
| Emerging Alliance Fund, L.P. (Emerging Alliance)         | 213,235            | 99                     | 304,310            | 99                     |
| TSMC Europe B.V. (TSMC Europe)                           | 205,171            | 100                    | 177,784            | 100                    |
| TSMC Japan Limited (TSMC Japan)                          | 161,601            | 100                    | 150,312            | 100                    |
| TSMC Korea Limited (TSMC Korea)                          | 23,448             | 100                    | 20,929             | 100                    |
| Motech Industries Inc. (Motech)                          |                    |                        | 6,733,369          | 20                     |
| TSMC Solar North America, Inc. (TSMC Solar NA)           |                    |                        | 26,527             | 100                    |
| TSMC Solar Europe B.V. (TSMC Solar Europe)               |                    |                        | 23,971             | 100                    |
| TSMC Lighting North America, Inc. (TSMC Lighting NA)     |                    |                        | 3,133              | 100                    |
|  | \$ 128,200,718     |                        | \$ 114,977,174     |                        |

In the second half year of 2011, the Company continually increased its investment in TSMC China for the amount of NT\$6,759,300 thousand, and the Company has received the approval from the Investment Commission of Ministry of Economic Affairs.

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, to foster a stronger sense of corporate entrepreneurship and facilitate business specializations in order to strengthen overall profitability and operational efficiency, the Company transferred its solid state lighting and solar businesses into its wholly-owned, newly incorporated subsidiaries, TSMC SSL and TSMC Solar, in August 2011. Furthermore, the Company adjusted its investment structure by transferring TSMC Lighting NA to TSMC SSL and transferring Motech, TSMC Solar Europe, TSMC Solar NA and part of VTAF III to TSMC Solar. As of August 1, 2011, the net book values of the Company's certain assets, liabilities and shareholders' equity, including cash, contributed to TSMC SSL and TSMC Solar in exchange for all the shares of TSMC SSL and TSMC Solar amounted to NT\$2,270,000 thousand and NT\$11,180,000 thousand, respectively.

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%. Due to the aforementioned transfer and the effect of the subsequent cash injection of NT\$135,297 thousand, the Company's percentage of ownership further decreased to 53%.

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 unless permitted by other related regulations.

For the years ended December 31, 2011 and 2010, equity in earnings/losses of equity method investees was a net gain of NT\$3,778,083 thousand and NT\$7,111,443 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except those of Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea for the years ended December 31, 2011 and 2010. The Company believes that, had the aforementioned equity method investees' financial statements been audited, any adjustments arising would have no material effect on the Company's financial statements.

As of December 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\$11,273,200 thousand and NT\$14,993,626 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>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2011</b>                    | <b>2010</b>  |
| Balance, beginning of year | \$ 2,504,496                   | \$ 1,429,118 |
| Additions                  |                                | 2,055,660    |
| Amortizations              | (721,482)                      | (980,282)    |
| Effect of spin-off         | (1,507,430)                    |              |
| Balance, end of year       | \$ 275,584                     | \$ 2,504,496 |

Movements of the difference allocated to goodwill were as follows:

|                            | <b>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2011</b>                    | <b>2010</b>  |
| Balance, beginning of year | \$ 1,415,565                   | \$ 1,061,885 |
| Additions                  |                                | 353,680      |
| Effect of spin-off         | (353,680)                      |              |
| Balance, end of year       | \$ 1,061,885                   | \$ 1,415,565 |

#### 11. FINANCIAL ASSETS CARRIED AT COST

|                            | <b>December 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**

|   | Year Ended December 31, 2011     |                |                |                  |                       | Balance,<br>End of Year |
|---|----------------------------------|----------------|----------------|------------------|-----------------------|-------------------------|
|   | Balance,<br>Beginning of<br>Year | Additions      | Disposals      | Reclassification | Effect of<br>Spin-off |                         |
| <b>Cost</b>                                   |                                  |                |                |                  |                       |                         |
| Buildings                                     | \$ 128,646,942                   | \$ 22,343,302  | \$ (36,929)    | \$ (388)         | \$ (1,457,449)        | \$ 149,495,478          |
| Machinery and equipment                       | 852,733,592                      | 135,641,295    | (2,079,115)    | (17,225)         | (1,299,881)           | 984,978,666             |
| Office equipment                              | 11,730,537                       | 2,495,001      | (362,032)      |                  | (39,072)              | 13,824,434              |
|   | 993,111,071                      | \$ 160,479,598 | \$ (2,478,076) | \$ (17,613)      | \$ (2,796,402)        | 1,148,298,578           |
| <b>Accumulated depreciation</b>               |                                  |                |                |                  |                       |                         |
| Buildings                                     | 81,347,877                       | \$ 8,966,377   | \$ (14,293)    | \$ (55)          | \$ (25,639)           | 90,274,267              |
| Machinery and equipment                       | 616,495,207                      | 90,613,430     | (2,025,728)    | (5,569)          | (192,323)             | 704,885,017             |
| Office equipment                              | 8,762,361                        | 1,184,310      | (362,031)      |                  | (3,127)               | 9,581,513               |
|   | 706,605,445                      | \$ 100,764,117 | \$ (2,402,052) | \$ (5,624)       | \$ (221,089)          | 804,740,797             |
| Advance payments and construction in progress | 80,348,673                       | \$ 35,453,130  | \$ (3,259,587) | \$               | \$ (1,726,464)        | 110,815,752             |
|   | \$ 366,854,299                   |                |                |                  |                       | \$ 454,373,533          |

|   | Year Ended December 31, 2010     |                |                |                  | Balance,<br>End of Year |
|---|----------------------------------|----------------|----------------|------------------|-------------------------|
|   | Balance,<br>Beginning of<br>Year | Additions      | Disposals      | Reclassification |                         |
| <b>Cost</b>                                   |                                  |                |                |                  |                         |
| Buildings                                     | \$ 124,522,047                   | \$ 4,262,592   | \$ (135,497)   | \$ (2,200)       | \$ 128,646,942          |
| Machinery and equipment                       | 713,426,126                      | 141,033,304    | (1,867,880)    | 142,042          | 852,733,592             |
| Office equipment                              | 10,781,099                       | 1,639,082      | (689,202)      | (442)            | 11,730,537              |
|   | 848,729,272                      | \$ 146,934,978 | \$ (2,692,579) | \$ 139,400       | 993,111,071             |
| <b>Accumulated depreciation</b>               |                                  |                |                |                  |                         |
| Buildings                                     | 73,525,160                       | \$ 7,951,678   | \$ (128,466)   | \$ (495)         | 81,347,877              |
| Machinery and equipment                       | 545,693,910                      | 72,528,436     | (1,867,476)    | 140,337          | 616,495,207             |
| Office equipment                              | 8,545,253                        | 906,714        | (689,164)      | (442)            | 8,762,361               |
|   | 627,764,323                      | \$ 81,386,828  | \$ (2,685,106) | \$ 139,400       | 706,605,445             |
| Advance payments and construction in progress | 33,786,577                       | \$ 49,015,940  | \$ (2,453,844) | \$               | 80,348,673              |
|   | \$ 254,751,526                   |                |                |                  | \$ 366,854,299          |

No interest was capitalized during the years ended December 31, 2011 and 2010.

**13. DEFERRED CHARGES, NET**

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Year Ended December 31, 2011

|                                  | Balance,<br>Beginning<br>of<br>Year | Additions    | Amortization   | Disposals | Effect of<br>Spin-off | Balance,<br>End of Year |
|----------------------------------|-------------------------------------|--------------|----------------|-----------|-----------------------|-------------------------|
| Technology license fees          | \$ 2,277,832                        | \$ 10,308    | \$ (670,830)   | \$        | \$                    | \$ 1,617,310            |
| Software and system design costs | 2,075,935                           | 1,324,958    | (1,064,884)    | (46)      | (19,392)              | 2,316,571               |
| Patent and others                | 1,102,660                           | 323,030      | (416,630)      |           | (223,697)             | 785,363                 |
|                                  | \$ 5,456,427                        | \$ 1,658,296 | \$ (2,152,344) | \$ (46)   | \$ (243,089)          | \$ 4,719,244            |

Year Ended December 31, 2010

|                                  | Balance,<br>Beginning<br>of<br>Year | Additions    | Amortization    | Balance,<br>End of Year |
|----------------------------------|-------------------------------------|--------------|-----------------|-------------------------|
| Technology license fees          | \$ 2,979,801                        | \$           | \$ (701,969)    | \$ 2,277,832            |
| Software and system design costs | 1,646,973                           | 1,327,183    | (898,221)       | 2,075,935               |
| Patent and others                | 1,264,911                           | 211,118      | (373,369)       | 1,102,660               |
|                                  | \$ 5,891,685                        | \$ 1,538,301 | \$ (1,973,5599) | \$ 5,456,427            |



**14. SHORT-TERM LOANS**

|   | December 31   |               |
|---|---------------|---------------|
|   | 2011          | 2010          |
| Unsecured loans:  |               |               |
| US\$856,000 thousand, due by February 2012, and annual interest at 0.45%-1.00% in 2011;                       |               |               |
| US\$864,000 thousand and EUR114,900 thousand, due in January 2011, and annual interest at 0.38%-0.65% in 2010 | \$ 25,926,528 | \$ 30,908,637 |

**15. BONDS PAYABLE**

|   | December 31   |              |
|---|---------------|--------------|
|   | 2011          | 2010         |
| Domestic unsecured bonds:   |               |              |
| Issued in September 2011 and repayable in September 2016, 1.40% interest payable annually | \$ 10,500,000 | \$           |
| Issued in September 2011 and repayable in September 2018, 1.63% interest payable annually | 7,500,000     |              |
| Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually     | 4,500,000     | 4,500,000    |
|   | 22,500,000    | 4,500,000    |
| Current portion   | (4,500,000)   |              |
|   | \$ 18,000,000 | \$ 4,500,000 |

With the approval from the Financial Supervisory Commission, the Company issued domestic unsecured bonds in the amount of NT\$17,000,000 thousand in January 2012.

**16. OTHER LONG-TERM PAYABLES**

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

As of December 31, 2011, other long-term payables due within one year were already paid.

**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 costs of NT\$1,119,717 thousand and NT\$964,063 thousand for the years ended December 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.

Due to the spin-off, the Company transferred the pension fund and the accrued pension cost in the amount of NT\$46,884 thousand and NT\$60,583 thousand, respectively, to TSMC SSL and TSMC Solar in August 2011.

Pension information on the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

|                                  | 2011              | 2010              |
|----------------------------------|-------------------|-------------------|
| Service cost                     | \$ 131,975        | \$ 129,552        |
| Interest cost                    | 164,372           | 145,151           |
| Projected return on plan assets  | (67,051)          | (39,939)          |
| Amortization                     | 73,306            | 1,061             |
| <b>Net periodic pension cost</b> | <b>\$ 302,602</b> | <b>\$ 235,825</b> |

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2011 and 2010

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| <b>Benefit obligation</b>                    |                     |                     |
| Vested benefit obligation                    | \$ 280,629          | \$ 189,047          |
| Nonvested benefit obligation                 | 5,356,405           | 5,390,113           |
| <b>Accumulated benefit obligation</b>        | <b>5,637,034</b>    | <b>5,579,160</b>    |
| Additional benefits based on future salaries | 3,389,649           | 3,634,495           |
| <b>Projected benefit obligation</b>          | <b>9,026,683</b>    | <b>9,213,655</b>    |
| Fair value of plan assets                    | (3,039,871)         | (2,853,535)         |
| <b>Funded status</b>                         | <b>5,986,812</b>    | <b>6,360,120</b>    |
| Unrecognized net transition obligation       | (73,599)            | (82,991)            |
| Prior service cost                           | 145,259             | 154,738             |
| Unrecognized net loss                        | (2,197,574)         | (2,607,266)         |
| <b>Accrued pension cost</b>                  | <b>\$ 3,860,898</b> | <b>\$ 3,824,601</b> |
| <b>Vested benefit</b>                        | <b>\$ 312,213</b>   | <b>\$ 208,176</b>   |

|   | 2011              | 2010              |
|---|-------------------|-------------------|
| <b>c. Actuarial assumptions at December 31, 2011 and 2010</b> |                   |                   |
| Discount rate used in determining present values              | 1.75%             | 1.75%             |
| Future salary increase rate                                   | 3.00%             | 3.00%             |
| Expected rate of return on plan assets                        | 2.00%             | 2.50%             |
| <b>d. Contributions to the Fund for the year</b>              | <b>\$ 209,260</b> | <b>\$ 209,459</b> |

|   |                 |                  |
|---|-----------------|------------------|
| <b>e. Payments from the Fund for the year</b> | <b>\$ 7,339</b> | <b>\$ 19,991</b> |
|---|-----------------|------------------|



**18. INCOME TAX**

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

|  | <b>Years Ended December 31</b> |                  |
|--|--------------------------------|------------------|
|  | <b>2011</b>                    | <b>2010</b>      |
| Income tax expense based on income before income tax at statutory rate (17%) | \$ 24,600,334                  | \$ 28,779,335    |
| Tax effect of the following:   |                                |                  |
| Tax-exempt income  | (13,231,821)                   | (16,669,784)     |
| Temporary and permanent differences  | (1,429,188)                    | (704,252)        |
| Additional income tax under Alternative Minimum Tax Act                      | 286,827                        |                  |
| Additional tax at 10% on unappropriated earnings                             | 6,259,344                      | 127,489          |
| Income tax credits used  | (6,259,344)                    | (4,823,988)      |
| <br>Income tax currently payable   | <br>\$ 10,226,152              | <br>\$ 6,708,800 |

- b. Income tax expense consisted of the following:

|  | <b>Years Ended December 31</b> |                  |
|--|--------------------------------|------------------|
|  | <b>2011</b>                    | <b>2010</b>      |
| Income tax currently payable             | \$ 10,226,152                  | \$ 6,708,800     |
| Income tax adjustments on prior years    | 464,078                        | 980,428          |
| Other income tax adjustments             | 309,361                        | 369,220          |
| Net change in deferred income tax assets |                                |                  |
| Investment tax credits                   | 1,795,254                      | (7,243,473)      |
| Temporary differences                    | 27,284                         | 16,790           |
| Valuation allowance                      | (2,314,671)                    | 6,853,430        |
| Effect of spin-off                       | (893)                          |                  |
| <br>Income tax expense                   | <br>\$ 10,506,565              | <br>\$ 7,685,195 |

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

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2011</b>        | <b>2010</b>      |
| <b>Current deferred income tax assets</b>        |                    |                  |
| Investment tax credits                           | \$ 4,892,158       | \$ 4,182,893     |
| Temporary differences                            |                    |                  |
| Allowance for sales returns and others           | 488,788            | 624,023          |
| Unrealized gain/loss on financial instruments    | 308,929            | 87,735           |
| Others   | 89,669             | 239,124          |
|  | <br>\$ 5,779,544   | <br>\$ 5,133,775 |
| <br><b>Noncurrent deferred income tax assets</b> |                    |                  |
| Investment tax credits                           | \$ 15,287,802      | \$ 17,792,321    |
| Temporary differences                            |                    |                  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                     |              |              |
|---------------------|--------------|--------------|
| Depreciation        | 2,044,680    | 1,981,915    |
| Others              | 227,433      | 32,792       |
| Valuation allowance | (10,338,091) | (12,652,762) |
|                     | \$ 7,221,824 | \$ 7,154,266 |

- 22 -

Effective in May 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. The Company evaluated the effect of Alternative Minimum Tax and applicable year of the profits generated from projects exempt from income tax for a five-year period. As the Company plans to apply the tax-exempt income in later years, income tax payable is anticipated to increase and the Company will utilize available investment tax credits as an offset against income taxes. Since more investment tax credits can be utilized, valuation allowance has been adjusted down accordingly.

Under the Article 10 of the Statute for Industrial Innovation (SII) legislated, 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 year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that year. This incentive is retroactive to January 1, 2010 and effective until December 31, 2019.

d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2011 and 2010 was NT\$4,003,228 thousand and NT\$1,669,533 thousand, respectively.

The estimated and actual creditable ratios for distribution of earnings of 2011 and 2010 were 6.67% and 4.96%, 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 December 31, 2011, investment tax credits consisted of the following:

| Law/Statute                       | Item                                  | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-----------------------------------|---------------------------------------|-------------------------|-----------------------------|-------------|
| Statute for Upgrading Industries  | Purchase of machinery and equipment   | \$ 3,202,253            | \$ 1,165,765                | 2012        |
|                                   |                                       | 6,513,605               | 6,513,605                   | 2013        |
|                                   |                                       | 7,006,655               | 7,006,655                   | 2014        |
|                                   |                                       | 482,351                 | 482,351                     | 2015        |
|                                   |                                       | \$ 17,204,864           | \$ 15,168,376               |             |
| Statute for Upgrading Industries  | Research and development expenditures | \$ 1,772,824            | \$                          | 2012        |
|                                   |                                       | 4,994,463               | 4,994,463                   | 2013        |
|                                   |                                       | \$ 6,767,287            | \$ 4,994,463                |             |
| Statute for Upgrading Industries  | Personnel training expenditures       | \$ 17,391               | \$                          | 2012        |
|                                   |                                       | 17,121                  | 17,121                      | 2013        |
|                                   |                                       | \$ 34,512               | \$ 17,121                   |             |
| Statute for Industrial Innovation | Research and development expenditures | \$ 2,432,641            | \$                          | 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                |
| Construction and expansion of 2006 | 2011 to 2015                |

- h. The tax authorities have examined income tax returns of the Company through 2008. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

## 19. LABOR COST, DEPRECIATION AND AMORTIZATION

|                            | <b>Year Ended December 31, 2011</b>    |   |                |
|----------------------------|--|---|----------------|
|                            | <b>Classified as<br/>Cost of Sales</b> | <b>Classified as<br/>Operating<br/>Expenses</b> | <b>Total</b>   |
| <b>Labor cost</b>          |  |   |                |
| Salary and bonus           | \$ 23,511,116                          | \$ 16,780,285                                   | \$ 40,291,401  |
| Labor and health insurance | 1,225,757                              | 713,298   | 1,939,055      |
| Pension                    | 899,039                                | 523,178   | 1,422,217      |
| Meal                       | 640,257                                | 273,002   | 913,259        |
| Welfare                    | 230,762                                | 137,019   | 367,781        |
| Others                     | 294,010                                | 143,151   | 437,161        |
|                            | \$ 26,800,941                          | \$ 18,569,933                                   | \$ 45,370,874  |
| <b>Depreciation</b>        | \$ 93,898,048                          | \$ 6,858,236                                    | \$ 100,756,284 |
| <b>Amortization</b>        | \$ 1,407,787                           | \$ 744,557                                      | \$ 2,152,344   |

|                            | <b>Year Ended December 31, 2010</b>    |   |               |
|----------------------------|--|---|---------------|
|                            | <b>Classified as<br/>Cost of Sales</b> | <b>Classified as<br/>Operating<br/>Expenses</b> | <b>Total</b>  |
| <b>Labor cost</b>          |  |   |               |
| Salary and bonus           | \$ 24,222,823                          | \$ 17,849,735                                   | \$ 42,072,558 |
| Labor and health insurance | 973,364                                | 550,731   | 1,524,095     |
| Pension                    | 765,872                                | 433,932   | 1,199,804     |
| Meal                       | 566,425                                | 229,247   | 795,672       |
| Welfare                    | 228,218                                | 133,376   | 361,594       |
| Others                     | 63,384                                 | 26,614  | 89,998        |
|                            | \$ 26,820,086                          | \$ 19,223,635                                   | \$ 46,043,721 |
| <b>Depreciation</b>        | \$ 76,219,816                          | \$ 5,150,747                                    | \$ 81,370,563 |
| <b>Amortization</b>        | \$ 1,242,824                           | \$ 730,735                                      | \$ 1,973,559  |



**20. SHAREHOLDERS EQUITY**

As of December 31, 2011, 1,092,313 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,461,567 thousand (one ADS represents five common shares).

Capital surplus can 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. However, according to the revised Company Law, effective January 2012, the aforementioned capital surplus generated from donations and the excess of the issuance price over the par value of capital stock can also be used to distribute cash in proportion to original shareholders' holding.

Capital surplus consisted of the following:

|                            | December 31   |               |
|----------------------------|---------------|---------------|
|                            | 2011          | 2010          |
| Additional paid-in capital | \$ 23,774,250 | \$ 23,628,908 |
| From merger                | 22,804,510    | 22,805,390    |
| From convertible bonds     | 8,892,847     | 8,893,190     |
| From long-term investments | 374,695       | 370,891       |
| Donations                  | 55            | 55            |
|                            | \$ 55,846,357 | \$ 55,698,434 |

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 year, which amounted to NT\$8,990,026 thousand and NT\$10,908,338 thousand for the years ended December 2011 and 2010, respectively. Bonuses to directors were expensed 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.

According to the revised Company Law, effective January 2012, the appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

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 shareholders' meetings held on June 9, 2011 and June 15, 2010, respectively. The appropriations and dividends per share were as follows:

|                                | Appropriation of Earnings |                         | Dividends Per Share<br>(NT\$) |                         |
|--------------------------------|---------------------------|-------------------------|-------------------------------|-------------------------|
|                                | For Fiscal<br>Year 2010   | For Fiscal<br>Year 2009 | For Fiscal<br>Year 2010       | For Fiscal<br>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 to be paid in cash and bonus to directors in the amounts of NT\$10,908,338 thousand and NT\$51,131 thousand for 2010, respectively, and 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 9, 2011 and June 15, 2010, respectively. 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 15, 2011 and February 9, 2010 and same amount had been charged against earnings of 2010 and 2009, respectively.

The appropriations of earnings for 2011 had been resolved in the meeting of the Board of Directors held on February 14, 2012. The appropriations and dividends per share were as follows:

|                                | <b>Appropriation<br/>of Earnings<br/>For Fiscal<br/>Year 2011</b> | <b>Dividends Per<br/>Share (NT\$)<br/>For Fiscal<br/>Year 2011</b> |
|--------------------------------|---|--|
| Legal capital reserve          | \$ 13,420,128   |  |
| Special capital reserve        | 1,172,350   |  |
| Cash dividends to shareholders | 77,748,668  | \$ 3.00  |
|                                | \$ 92,341,146   |  |

The Board of Directors also resolved to appropriate profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT\$8,990,026 thousand and NT\$62,324 thousand for 2011, respectively. There is no significant difference between the aforementioned resolved amounts and the amounts charged against earnings of 2011.

The appropriations of earnings, profit sharing to employees and bonus to directors for 2011 are to be resolved in the shareholders' meeting held on June 12, 2012 (expected).

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 December 31, 2011.

Information about outstanding options for the years ended December 31, 2011 and 2010 was as follows:

|                                     | Number of<br>Options<br>(In Thousands) | Weighted-<br>average<br>Exercise Price<br>(NT\$) |
|-------------------------------------|--|--|
| <b>Year ended December 31, 2011</b> |  |  |
| Balance, beginning of year          | 21,437                                 | \$ 31.4  |
| Options exercised                   | (7,144)                                | 30.5   |
| Balance, end of year                | 14,293                                 | 32.1   |
| <b>Year ended December 31, 2010</b> |  |  |
| Balance, beginning of year          | 28,810                                 | 32.4   |
| Options exercised                   | (7,372)                                | 33.2   |
| Options canceled                    | (1)                                    | 50.1   |
| Balance, end of year                | 21,437                                 | 32.3   |

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

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

| Range of Exercise Price<br>(NT\$) | Number of Options<br>(In<br>Thousands) | Options Outstanding<br>Weighted-average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted-average<br>Exercise Price<br>(NT\$) |
|-----------------------------------|--|--|--|
| \$20.9-\$ 29.3                    | 10,584                                 | 1.2  | \$ 27.4                                      |
| 38.0- 50.1                        | 3,709                                  | 2.9  | 45.7   |
|                                   | 14,293                                 | 1.7  | 32.1   |

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

No compensation cost was recognized under the intrinsic value method for the years ended December 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 years ended December 31, 2011 and 2010 would have been as follows:

|                         |               |
|-------------------------|---------------|
| <b>Assumptions:</b>     |               |
| 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       |

|  | Years Ended December 31 |                |
|--|-------------------------|----------------|
|  | 2011                    | 2010           |
| Net income:  |                         |                |
| Net income as reported                             | \$ 134,201,279          | \$ 161,605,009 |
| Pro forma net income                               | 134,146,490             | 161,470,030    |
| Earnings per share (EPS)- after income tax (NT\$): |                         |                |
| Basic EPS as reported                              | \$ 5.18                 | \$ 6.24        |
| Pro forma basic EPS                                | 5.18                    | 6.23           |
| Diluted EPS as reported                            | 5.18                    | 6.23           |
| Pro forma diluted EPS                              | 5.17                    | 6.23           |

**22. TREASURY STOCK**

(Shares in Thousands)

| Purpose of Treasury Stock                 | Number of Shares, Beginning of Year | Number of Shares |            | Number of Shares, End of Year |
|---|-------------------------------------|------------------|------------|-------------------------------|
|   |                                     | Addition         | Retirement |                               |
| <u>Year ended December 31, 2011</u>       |                                     |                  |            |                               |
| Shareholders executed the appraisal right |                                     | 1,000            | (1,000)    |                               |

In August 2011, pursuant to the Company Law and at the option of the shareholders of the Company, certain shareholders requested the Company to buy back their shares at the current market price, which shares were subsequently retired in November 2011.

**23. EARNINGS PER SHARE**

EPS is computed as follows:

|  | Amounts (Numerator) |                | Number of Shares (Denominator) (In Thousands) | EPS (NT\$) |            |
|--|---------------------|----------------|---|------------|------------|
|  | Before              | After          |   | Before     | After      |
|  | Income Tax          | Income Tax     |   | Income Tax | Income Tax |
| <u>Year ended December 31, 2011</u>  |                     |                |   |            |            |
| Basic EPS  |                     |                |   |            |            |
| Earnings available to common shareholders  | \$ 144,707,844      | \$ 134,201,279 | 25,914,076                                    | \$ 5.58    | \$ 5.18    |
| Effect of dilutive potential common shares   |                     |                | 10,606  |            |            |
| Diluted EPS  |                     |                |   |            |            |
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 144,707,844      | \$ 134,201,279 | 25,924,682                                    | \$ 5.58    | \$ 5.18    |
| <u>Year ended December 31, 2010</u>  |                     |                |   |            |            |
| Basic EPS  |                     |                |   |            |            |
| Earnings available to common shareholders  | \$ 169,290,204      | \$ 161,605,009 | 25,905,832                                    | \$ 6.53    | \$ 6.24    |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|  |        |
|--|--------|
| Effect of dilutive potential common shares | 13,982 |
|--|--------|

Diluted EPS

|  |                |                |            |         |         |
|--|----------------|----------------|------------|---------|---------|
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 169,290,204 | \$ 161,605,009 | 25,919,814 | \$ 6.53 | \$ 6.23 |
|--|----------------|----------------|------------|---------|---------|

- 29 -

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.

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 year ended December 31, 2010 to remain at NT\$6.24 and NT\$6.23, respectively.

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

|  | 2011            |            | 2010            |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <b>Assets</b>  |                 |            |                 |            |
| Financial assets at fair value through profit or loss      | \$ 14,925       | \$ 14,925  | \$              | \$         |
| Available-for-sale financial assets                        | 2,617,134       | 2,617,134  | 4,951,323       | 4,951,323  |
| Held-to-maturity financial assets                          | 1,403,427       | 1,426,474  | 6,202,287       | 6,278,054  |
| Financial assets carried at cost                           | 497,835         |            | 497,835         |            |
| <b>Liabilities</b>   |                 |            |                 |            |
| Financial liabilities at fair value through profit or loss |                 |            | 7,834           | 7,834      |
| Bonds payable (including current portion)                  | 22,500,000      | 22,597,115 | 4,500,000       | 4,538,660  |
| Other long-term payables (including current portion)       |                 |            | 718,637         | 718,637    |

- 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, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) The fair values of those derivatives 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.

- 30 -



- c. Valuation gains (losses) arising from changes in fair value of derivatives contracts determined using valuation techniques were recognized as a net gain of NT\$14,925 thousand and a net loss of NT\$7,834 thousand for the years ended December 31, 2011 and 2010, respectively.
- d. As of December 31, 2011 and 2010, financial assets exposed to fair value interest rate risk were NT\$1,418,352 thousand and NT\$7,235,336 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$48,426,528 thousand and NT\$35,416,471 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2011 and 2010 were as follows:

|   | Year Ended December 31, 2011             |                           |                |
|---|--|---------------------------|----------------|
|   | From Available-for-sale Financial Assets | Equity-method Investments | Total          |
| Balance, beginning of year                                  | \$ (395,306)                             | \$ 504,595                | \$ 109,289     |
| Recognized directly in shareholders equity                  | (1,077,844)                              | (165,851)                 | (1,243,695)    |
| Removed from shareholders equity and recognized in earnings | (35,151)                                 |                           | (35,151)       |
| Effect of spin-off  | (3,298)                                  |                           | (3,298)        |
| Balance, end of year  | \$ (1,511,599)                           | \$ 338,744                | \$ (1,172,855) |

|  | Year Ended December 31, 2010             |                           |            |
|--|--|---------------------------|------------|
|  | From Available-for-sale Financial Assets | Equity-method Investments | Total      |
| Balance, beginning of year                 | \$ 46,672                                | \$ 406,949                | \$ 453,621 |
| Recognized directly in shareholders equity | (441,978)                                | 97,646                    | (344,332)  |
| Balance, end of year                       | \$ (395,306)                             | \$ 504,595                | \$ 109,289 |

- 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 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 and bank facilities to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.

- 31 -

- 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.

## 25. 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

TSMC Global

### b. Investees

Xintec (holding a controlling financial interest)

GUC (accounted for using the equity method, as the Company had no controlling interest in GUC since July 2011)

VIS (accounted for using the equity method)

SSMC (accounted for using the 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 the 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:

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                     | 2011           |    | 2010           |    |
|---------------------|----------------|----|----------------|----|
|                     | Amount         | %  | Amount         | %  |
| <u>For the year</u> |                |    |                |    |
| Sales               |                |    |                |    |
| TSMC North America  | \$ 234,902,043 | 56 | \$ 220,529,792 | 53 |
| Others              | 3,882,801      | 1  | 3,071,549      | 1  |
|                     | \$ 238,784,844 | 57 | \$ 223,601,341 | 54 |

- 32 -

|  | 2011          |    | 2010          |    |
|--|---------------|----|---------------|----|
|  | Amount        | %  | Amount        | %  |
| <b>Purchases</b>   |               |    |               |    |
| TSMC China   | \$ 10,392,189 | 21 | \$ 8,748,101  | 18 |
| WaferTech  | 7,305,879     | 15 | 7,878,260     | 16 |
| VIS  | 5,577,762     | 12 | 4,937,617     | 10 |
| SSMC   | 3,949,176     | 8  | 4,521,046     | 10 |
| Others   | 124,673       |    | 39,099        |    |
|  | \$ 27,349,679 | 56 | \$ 26,124,123 | 54 |
| <b>Manufacturing expenses</b>                                      |               |    |               |    |
| Xintec (rent and outsourcing)                                      | \$ 260,250    |    | \$ 313,397    |    |
| VisEra (outsourcing)   | 14,588        |    | 44,488        |    |
| VIS (rent)   | 5,902         |    | 9,845         |    |
|  | \$ 280,740    |    | \$ 367,730    |    |
| <b>Marketing expenses commission</b>                               |               |    |               |    |
| TSMC Europe  | \$ 357,582    | 15 | \$ 415,765    | 15 |
| TSMC Japan   | 284,644       | 12 | 266,194       | 9  |
| TSMC China   | 64,907        | 3  | 59,180        | 2  |
| Others   | 22,049        | 1  | 19,318        | 1  |
|  | \$ 729,182    | 31 | \$ 760,457    | 27 |
| <b>Research and development expenses</b>                           |               |    |               |    |
| TSMC Technology (primarily consulting fee)                         | \$ 534,804    | 2  | \$ 547,838    | 2  |
| TSMC Canada (primarily consulting fee)                             | 192,616       | 1  | 181,943       | 1  |
| TSMC Europe  | 45,489        |    | 33,907        |    |
| VIS (primarily rent)   | 1,984         |    | 12,017        |    |
| Others   | 30,605        |    | 32,167        |    |
|  | \$ 805,498    | 3  | \$ 807,872    | 3  |
| <b>Sales of property, plant and equipment and other assets</b>     |               |    |               |    |
| TSMC China   | \$ 2,885,847  | 86 | \$ 1,409,862  | 75 |
| Others   | 109,141       | 3  | 84,336        | 5  |
|  | \$ 2,994,988  | 89 | \$ 1,494,198  | 80 |
| <b>Purchases of property, plant and equipment and other assets</b> |               |    |               |    |
| TSMC China   | \$ 70,491     |    | \$ 66,337     |    |
| VIS  | 45,473        |    | 109,855       |    |
| WaferTech  |               |    | 9,624         |    |
| Others   | 1,812         |    |               |    |
|  | \$ 117,776    |    | \$ 185,816    |    |

|   | 2011          |     | 2010          |     |
|---|---------------|-----|---------------|-----|
|   | Amount        | %   | Amount        | %   |
| <b>Non-operating income and gains</b>                                     |               |     |               |     |
| VIS (primarily technical service income)                                  | \$ 227,024    | 3   | \$ 267,370    | 2   |
| SSMC (primarily technical service income)                                 | 193,781       | 3   | 198,218       | 1   |
| TSMC China (primary gains on disposal from property, plant and equipment) | 96,050        | 1   | 49,738        |     |
| VisEra (primarily rent)   | 4,054         |     |               |     |
| Others  | 7,157         |     | 9,655         |     |
|   | \$ 528,066    | 7   | \$ 524,981    | 3   |
| <b>Non-operating expenses and losses</b>                                  |               |     |               |     |
| Xintec (settlement loss)  | \$ 19,686     | 1   | \$            |     |
| <b>As of December 31</b>  |               |     |               |     |
| <b>Receivables</b>  |               |     |               |     |
| TSMC North America  | \$ 24,661,104 | 99  | \$ 25,579,259 | 99  |
| Others  | 116,430       | 1   | 154,715       | 1   |
|   | \$ 24,777,534 | 100 | \$ 25,733,974 | 100 |
| <b>Other receivables</b>  |               |     |               |     |
| VIS   | \$ 87,507     | 46  | \$ 70,798     | 5   |
| SSMC  | 34,260        | 18  | 53,788        | 4   |
| TSMC North America  | 23,887        | 13  | 3,673         | 1   |
| TSMC China  | 23,688        | 13  | 1,170,407     | 90  |
| WaferTech   | 14,196        | 8   | 3,543         |     |
| Others  | 4,490         | 2   | 72            |     |
|   | \$ 188,028    | 100 | \$ 1,302,281  | 100 |
| <b>Payables</b>   |               |     |               |     |
| VIS   | \$ 987,937    | 33  | \$ 428,797    | 17  |
| TSMC China  | 946,826       | 32  | 895,193       | 35  |
| WaferTech   | 420,459       | 14  | 568,685       | 22  |
| SSMC  | 336,037       | 11  | 430,235       | 17  |
| Others  | 301,323       | 10  | 251,540       | 9   |
|   | \$ 2,992,582  | 100 | \$ 2,574,450  | 100 |
| <b>Other assets</b>   |               |     |               |     |
| TSMC China  | \$ 1,493      |     | \$ 27,327     | 2   |

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

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 leased certain machinery and equipment to VisEra. The lease terms and prices were determined in accordance with mutual agreements. The rental income was received monthly and the related income was classified under non-operating income and gains.

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.

The Company borrowed funds from related parties in July 2011. Additional disclosures consisted of the following:

| Year Ended December 31, 2011 |                 |                            |                |               |                  |                  |
|------------------------------|-----------------|----------------------------|----------------|---------------|------------------|------------------|
| Financing                    |                 |                            |                |               |                  |                  |
| Company                      | Maximum Balance | Date                       | Ending Balance | Interest Rate | Interest Expense | Interest Payable |
| TSMC Global                  | \$ 24,684,000   | July 2011 to December 2011 | \$             | 0.3544%       | \$ 22,293        | \$               |

Compensation of directors and management personnel:

|   | Years Ended December 31 |              |
|---|-------------------------|--------------|
|   | 2011                    | 2010         |
| Salaries, incentives and special compensation | \$ 654,972              | \$ 774,181   |
| Bonus   | 445,681                 | 593,967      |
|   | \$ 1,100,653            | \$ 1,368,148 |

The information about the compensation of directors and management personnel is available in the annual report for the shareholders meeting. Total compensation expense for the year ended December 31, 2011 includes estimated profit sharing to employees and bonus to directors of the Company that relate to 2011 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders meeting in 2012. The total compensation for the year ended December 31, 2010 included the bonuses appropriated from earnings of 2010 which was approved by the shareholders meeting held in 2011.

## 26. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2011, the Company had no assets set aside as collateral. As of December 31, 2010, the Company had pledged time deposits of NT\$25,864 thousand (classified as other financial assets) as collateral for land lease agreements and customs duty guarantee.

## 27. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2012 to September 2030 and can be renewed upon expiration.

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

| Year                | Amount              |
|---------------------|---------------------|
| 2012                | \$ 453,868          |
| 2013                | 429,130             |
| 2014                | 414,786             |
| 2015                | 404,465             |
| 2016                | 394,302             |
| 2017 and thereafter | 3,255,047           |
|                     | <b>\$ 5,351,598</b> |

## 28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity 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.
- b. 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 December 31, 2011, the Company had a total of US\$13,039 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. 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.
- 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 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



## Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

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 in July 2010, which are recorded within available for sale financial assets, and obtained the subsequent cash settlement income in accordance with the agreement.

- 36 -

- 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. These two litigations have been consolidated into a single case in the U.S. District Court for the Eastern District of Texas. The outcome 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.

## 29. SPIN-OFF BUSINESS INFORMATION

To foster a stronger sense of corporate entrepreneurship and facilitate business specializations in order to strengthen overall profitability and operational efficiency, the Company transferred its solid state lighting and solar businesses into its wholly-owned, newly incorporated subsidiaries, TSMC SSL and TSMC Solar, on August 1, 2011. As of August 1, 2011, the net book values transferred to TSMC SSL and TSMC Solar amounted to NT\$2,270,000 thousand and NT\$11,180,000 thousand, respectively.

The book values of transferred assets and liabilities were as follows:

|   | TSMC SSL     | TSMC Solar    | Total         |
|---|--------------|---------------|---------------|
| Current assets                                  | \$ 431,613   | \$ 893,584    | \$ 1,325,197  |
| Long-term investments                           | 2,872        | 7,912,710     | 7,915,582     |
| Property, plant and equipment                   | 1,929,563    | 2,372,214     | 4,301,777     |
| Other assets                                    | 234,696      | 201,677       | 436,373       |
| Current liabilities                             | (292,728)    | (337,439)     | (630,167)     |
| Other liabilities                               | (36,272)     | (25,218)      | (61,490)      |
| Capital surplus                                 |              | (56,094)      | (56,094)      |
| Unrealized gain (loss) on financial instruments |              | (3,298)       | (3,298)       |
| Cumulative translation adjustments              | 256          | 221,864       | 222,120       |
|   | \$ 2,270,000 | \$ 11,180,000 | \$ 13,450,000 |

**30. OTHERS**

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

|   | 2011                                      |                         | December 31                               |                         | 2010                                      |                         |
|---|---|-------------------------|---|-------------------------|---|-------------------------|
|   | Foreign<br>Currency<br><br>(In Thousands) | Exchange Rate<br>(Note) | Foreign<br>Currency<br><br>(In Thousands) | Exchange Rate<br>(Note) | Foreign<br>Currency<br><br>(In Thousands) | Exchange Rate<br>(Note) |
| <b>Financial assets</b>                       |   |                         |   |                         |   |                         |
| Monetary items                                |   |                         |   |                         |   |                         |
| USD   | \$ 1,566,212                              | 30.288                  | \$ 1,732,529                              | 30.368                  |   |                         |
| EUR   | 124,425                                   | 39.27                   | 224,363                                   | 40.65                   |   |                         |
| JPY   | 33,073,336                                | 0.3897                  | 28,580,962                                | 0.3735                  |   |                         |
| Non-monetary items                            |   |                         |   |                         |   |                         |
| HKD   | 671,060                                   | 3.90                    | 1,002,116                                 | 3.91                    |   |                         |
| Investments accounted for using equity method |   |                         |   |                         |   |                         |
| USD   | 2,983,866                                 | 30.288                  | 2,997,686                                 | 30.368                  |   |                         |
| EUR   | 5,225                                     | 39.27                   | 4,963                                     | 40.65                   |   |                         |
| JPY   | 414,680                                   | 0.3897                  | 402,441                                   | 0.3735                  |   |                         |
| RMB   | 2,823,953                                 | 4.81                    | 927,986                                   | 4.61                    |   |                         |
| <b>Financial liabilities</b>                  |   |                         |   |                         |   |                         |
| Monetary items                                |   |                         |   |                         |   |                         |
| USD   | 1,626,129                                 | 30.288                  | 1,776,756                                 | 30.368                  |   |                         |
| EUR   | 106,931                                   | 39.27                   | 261,956                                   | 40.65                   |   |                         |
| JPY   | 34,942,421                                | 0.3897                  | 30,604,986                                | 0.3735                  |   |                         |

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 the Company and its investees:

- a. Financings 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:  
Do not meet the criteria for hedge accounting

1) TSMC China

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

|                   | Maturity Date | Contract Amount (In<br>Thousands) |
|-------------------|---------------|-----------------------------------|
| Sell US\$/Buy EUR | January 2012  | US\$ 2,082/EUR1,591               |
| Sell US\$/Buy JPY | January 2012  | US\$ 3,335/JPY259,830             |

For the year ended December 31, 2011, net losses arising from forward exchange contracts of TSMC China amounted to NT\$56,819 thousand.

2) Xintec

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

|                    | Maturity Date                 | Contract Amount (In<br>Thousands) |
|--------------------|-------------------------------|-----------------------------------|
| Sell US\$/Buy NT\$ | January 2012 to February 2012 | US\$ 16,900/NT\$510,122           |

For the year ended December 31, 2011, net losses arising from forward exchange contracts of Xintec amounted to NT\$21,784 thousand.

3) TSMC Partners

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

|                   | Maturity Date | Contract Amount<br>(In Thousands) |
|-------------------|---------------|-----------------------------------|
| Sell RMB/Buy US\$ | January 2012  | RMB1,118,705/US\$ 177,000         |

For the year ended December 31, 2011, net losses arising from forward exchange contracts of TSMC Partners amounted to NT\$224,638 thousand.



4) TSMC Solar

TSMC Solar entered into derivative contracts during the year ended December 31, 2011 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2011 consisted of the following:

|                    | <b>Maturity Date</b>          | <b>Contract Amount (In Thousands)</b> |
|--------------------|-------------------------------|---------------------------------------|
| Sell NT\$/Buy US\$ | January 2012 to February 2012 | NT\$ 130,205/US\$4,300                |

Outstanding cross currency swap contracts as of December 31, 2011 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> |
|----------------------|---------------------------------------|-------------------------------------|---|
| January 2012         | NT\$ 208,398/US\$6,800                | 0.00%                               | 0.48%                                   |

For the year ended December 31, 2011, net gains arising from derivative financial instruments of TSMC Solar amounted to NT\$3,112 thousand.

5) TSMC SSL

TSMC SSL entered into derivative contracts during the year ended December 31, 2011 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2011 consisted of the following:

|                    | <b>Maturity Date</b>          | <b>Contract Amount (In Thousands)</b> |
|--------------------|-------------------------------|---------------------------------------|
| Sell NT\$/Buy US\$ | January 2012 to February 2012 | NT\$ 33,286/US\$1,100                 |

Outstanding cross currency swap contracts as of December 31, 2011 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> |
|----------------------|---------------------------------------|-------------------------------------|---|
| January 2012         | NT\$ 212,033/US\$7,000                | 0.00%                               | 0.48%                                   |

For the year ended December 31, 2011, net gains arising from derivative financial instruments of TSMC SSL amounted to NT\$6,365 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 December 31, 2011, the outstanding interest rate swap contract of Xintec consisted of the following:

| Hedged Item          | Hedging Financial           | Fair Value        | Expected                   | Expected Timing for the                   |
|----------------------|-----------------------------|-------------------|----------------------------|---|
|                      | Instrument                  | December 31, 2011 | Cash Flow Generated Period | Recognition of Gains or Losses from Hedge |
| Long-term bank loans | Interest rate swap contract | \$ (232)          | 2011 to 2012               | 2011 to 2012                              |

For the year ended December 31, 2011, the adjustment for current period to shareholders' equity amounted to a loss of NT\$98 thousand for the above Xintec's interest rate swap contract. The amount removed from shareholders' equity and recognized as a loss amounted to NT\$680 thousand.

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 25.

**32. OPERATING SEGMENTS INFORMATION**

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

**33. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on February 14, 2012.



**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Investees****FINANCINGS PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financing Company | Counter-party | Financial Statement Account                | Maximum Balance for the Period (US\$ in Thousands) (Note 4) | Ending Balance (US\$ in Thousands) (Note 4) | Amount Actually Drawn (US\$ in Thousands) | Interest Rate   | Nature of Transaction             | Reason for Bad Debts  | Allowance for Debt Item Value | Collateral | Financing Limits for Each Borrowing Company (Notes 1 and 2) |
|-------------------|---------------|--|---|---|---|-----------------|-----------------------------------|---|-------------------------------|------------|---|
| TSMC Partners     | TSMC China    | Long-term receivables from related parties | \$ 7,572,000  | \$ 7,572,000                                | \$ 7,572,000                              | 0.25%-0.26%     | The need for short-term financing | Purchase equipment  | \$                            | \$         | \$ 34,986,964   |
|                   |               | Other receivables from related parties     | (US\$ 250,000)  | (US\$ 250,000)                              | (US\$ 250,000)                            |                 |                                   |   |                               |            |   |
|                   |               | Other receivables from related parties     | 1,211,520   | 1,211,520                                   | 454,320                                   |                 |                                   |   |                               |            |   |
| TSMC Global       | TSMC Solar    | Other receivables from related parties     | (US\$ 40,000)   | (US\$ 40,000)                               | (US\$ 15,000)                             | 0.4017%-0.4651% | The need for short-term financing | Operating capital   |                               |            | 3,498,696   |
|                   |               | Other receivables from related parties     | 908,640   | 908,640                                     | 348,312                                   |                 |                                   |   |                               |            |   |
|                   |               | Other receivables from related parties     | (US\$ 30,000)   | (US\$ 30,000)                               | (US\$ 11,500)                             |                 |                                   |   |                               |            |   |
| TSMC Global       | TSMC          | Other receivables from related parties     | 25,744,800  |   |   | 0.3544%         | The need for short-term financing | Support the parent company's short-term operation requirement |                               |            | 44,071,845  |
|                   |               | Other receivables from related parties     | (US\$ 850,000)  |   |   |                 |                                   |   |                               |            |   |

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 are not subject to the above restrictions. The restriction of thirty percent (30%) of the borrower's net worth will not apply to subsidiaries whose voting shares are 90% or more owned, directly or indirectly, by TSMC.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Global. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. TSMC or offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC are not subject to the above restrictions.

Note 3: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners and TSMC Global, respectively.

Note 4: The maximum balance for the period and ending balance represents the amounts approved by Board of Directors.

**TABLE 2****Taiwan Semiconductor Manufacturing Company Limited and Investees****MARKETABLE SECURITIES HELD****DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Held Company Name | Marketable Securities Type and Name                   | Relationship with the Company | Financial Statement Account                    | Shares/Units (In Thousands) | December 31, 2011                                |                             | Market Value or Net Asset Value (Foreign Currencies in Thousands) | Note |
|-------------------|---|-------------------------------|--|-----------------------------|--|-----------------------------|---|------|
|                   |   |                               |  |                             | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) |   |      |
| TSMC              | <u>Corporate bond</u>                                 |                               |  |                             |  |                             |   |      |
|                   | Nan Ya Plastics Corporation                           |                               | Held-to-maturity financial assets              |                             | \$ 1,099,629                                     | N/A                         | \$ 1,120,808  |      |
|                   | China Steel Corporation                               |                               |  |                             | 303,798  | N/A                         | 305,666   |      |
|                   | <u>Stock</u>  |                               |  |                             |  |                             |   |      |
|                   | Semiconductor Manufacturing International Corporation |                               | Available-for-sale financial assets            | 1,789,493                   | 2,617,134  | 7                           | 2,617,134   |      |
|                   |   |                               | Investments accounted for using equity method  |                             |  |                             |   |      |
|                   | TSMC Global   | Subsidiary                    |  | 1                           | 44,071,845                                       | 100                         | 44,071,845  |      |
|                   | TSMC Partners   | Subsidiary                    |  | 988,268                     | 34,986,964                                       | 100                         | 34,986,964  |      |
|                   | TSMC Solar  | Subsidiary                    |  | 1,118,000                   | 10,153,244                                       | 100                         | 10,153,244  |      |
|                   |   |                               | Investee accounted for using equity method     |                             |  |                             |   |      |
|                   | VIS   |                               |  | 628,223                     | 8,988,007  | 39                          | 6,627,758   |      |
|                   |   |                               | Investee accounted for using equity method     |                             |  |                             |   |      |
|                   | SSMC  |                               |  | 314                         | 6,289,429  | 39                          | 6,075,445   |      |
|                   | TSMC North America                                    | Subsidiary                    |  | 11,000                      | 2,981,639  | 100                         | 2,981,639   |      |
|                   | TSMC SSL  | Subsidiary                    |  | 227,000                     | 1,746,893  | 100                         | 1,746,893   |      |
|                   |   |                               | Investee with a controlling financial interest |                             |  |                             |   |      |
|                   | Xintec  |                               |  | 94,011                      | 1,606,694  | 40                          | 1,606,694   |      |
|                   |   |                               | Investee accounted for using equity method     |                             |  |                             |   |      |
|                   | GUC   |                               |  | 46,688                      | 1,157,188  | 35                          | 4,645,442   |      |
|                   | TSMC Europe   | Subsidiary                    |  |                             | 205,171  | 100                         | 205,171   |      |
|                   | TSMC Japan  | Subsidiary                    |  | 6                           | 161,601  | 100                         | 161,601   |      |
|                   | TSMC Korea  | Subsidiary                    |  | 80                          | 23,448   | 100                         | 23,448  |      |
|                   |   |                               | Financial assets carried at cost               |                             |  |                             |   |      |
|                   | United Industrial Gases Co., Ltd.                     |                               |  | 16,783                      | 193,584  | 10                          | 350,060   |      |
|                   | Shin-Etsu Handotai Taiwan Co., Ltd.                   |                               |  | 10,500                      | 105,000  | 7                           | 351,996   |      |
|                   | W.K. Technology Fund IV                               |                               |  | 4,000                       | 40,000   | 2                           | 41,372  |      |
|                   | <u>Fund</u>   |                               |  |                             |  |                             |   |      |
|                   |   |                               | Financial assets carried at cost               |                             |  |                             |   |      |
|                   | Horizon Ventures Fund                                 |                               |  |                             | 103,992  | 12                          | 103,992   |      |
|                   | Crimson Asia Capital                                  |                               |  |                             | 55,259   | 1                           | 55,259  |      |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

| <u>Capital</u>    |              |  |   |            |           |            |
|-------------------|--------------|--|---|------------|-----------|------------|
|                   |              |  | Investments accounted for using equity method |            |           |            |
| TSMC China        | Subsidiary   |  |   | 13,542,181 | 100       | 13,583,214 |
| VTAF III          | Subsidiary   |  |   | 1,311,044  | 53        | 1,290,093  |
| VTAF II           | Subsidiary   |  |   | 762,135    | 98        | 756,125    |
| Emerging Alliance | Subsidiary   |  |   | 213,235    | 99        | 213,235    |
| <b>TSMC</b>       |              |  |   |            |           |            |
| Solar             | <u>Stock</u> |  |   |            |           |            |
|                   |              | Investee accounted for using equity method | Investments accounted for using equity method |            |           |            |
| Motech            |              |  |   | 87,480     | 5,612,344 | 20         |
| TSMC Solar Europe | Subsidiary   |  |   |            | 204,163   | 100        |
| TSMC Solar NA     | Subsidiary   |  |   | 1          | 52,187    | 100        |
|                   |              |  |   |            |           | 3,849,382  |
|                   |              |  |   |            |           | 204,163    |
|                   |              |  |   |            |           | 52,187     |
| <u>Capital</u>    |              |  |   |            |           |            |
|                   |              | Investee accounted for using equity method | Investments accounted for using equity method |            |           |            |
| VTAF III          |              |  |   | 1,681,719  | 46        | 1,681,719  |
| <b>TSMC</b>       |              |  |   |            |           |            |
| SSL               | <u>Stock</u> |  |   |            |           |            |
|                   |              |  | Investments accounted for using equity method |            |           |            |
| TSMC Lighting NA  | Subsidiary   |  |   | 1          | 2,994     | 100        |
|                   |              |  |   |            |           | 2,994      |

(Continued)

|                    |   |  |   |                             |  |         |                             |   |         | December 31, 2011 |  |  |  |
|--------------------|---|--|---|-----------------------------|--|---------|-----------------------------|---|---------|-------------------|--|--|--|
| Held Company Name  | Marketable Securities Type and Name                               | Relationship with the Company              | Financial Statement Account                   | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) |         |                             | Market Value or Net Asset Value (Foreign Currencies in Thousands) |         | Note              |  |  |  |
|                    |   |  |   |                             |  |         | Percentage of Ownership (%) |   |         |                   |  |  |  |
| TSMC Partners      | <u>Corporate bond</u>   |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | General Elec Cap Corp. Mtn  |  | Held-to-maturity financial assets             |                             | US\$   | 20,012  | N/A                         | US\$  | 20,100  |                   |  |  |  |
|                    | General Elec Cap Corp. Mtn  |  |   |                             | US\$   | 20,059  | N/A                         | US\$  | 20,740  |                   |  |  |  |
|                    | <u>Common stock</u>   |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | TSMC Development, Inc. (TSMC Development)                         | Subsidiary                                 | Investments accounted for using equity method | 1                           | US\$   | 460,034 | 100                         | US\$  | 460,034 |                   |  |  |  |
|                    | VisEra Holding Company  | Investee accounted for using equity method |   | 43,000                      | US\$   | 94,208  | 49                          | US\$  | 94,208  |                   |  |  |  |
|                    | InveStar Semiconductor Development Fund, Inc. (ISDF)              | Subsidiary                                 |   | 787                         | US\$   | 11,112  | 97                          | US\$  | 11,112  |                   |  |  |  |
|                    | TSMC Technology   | Subsidiary                                 |   | 1                           | US\$   | 10,615  | 100                         | US\$  | 10,615  |                   |  |  |  |
|                    | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | Subsidiary                                 |   | 14,153                      | US\$   | 9,994   | 97                          | US\$  | 9,994   |                   |  |  |  |
|                    | TSMC Canada   | Subsidiary                                 |   | 2,300                       | US\$   | 4,059   | 100                         | US\$  | 4,059   |                   |  |  |  |
|                    | Mcube Inc.  | Investee accounted for using equity method |   | 5,333                       |  |         | 80                          |   |         |                   |  |  |  |
|                    | <u>Preferred stock</u>  |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | Mcube Inc.  | Investee accounted for using equity method | Investments accounted for using equity method | 1,000                       |  |         | 5                           |   |         |                   |  |  |  |
|                    | <u>Fund</u>   |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | Shanghai Walden Venture Capital Enterprise                        |  | Financial assets carried at cost              |                             | US\$   | 5,000   | 8                           | US\$  | 5,000   |                   |  |  |  |
| TSMC North America | <u>Stock</u>  |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | Spansion Inc.   |  | Available-for-sale financial assets           | 276                         | US\$   | 2,283   |                             | US\$  | 2,283   |                   |  |  |  |
| TSMC Development   | <u>Corporate bond</u>   |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | GE Capital Corp.  |  | Held-to-maturity financial assets             |                             | US\$   | 20,090  | N/A                         | US\$  | 20,770  |                   |  |  |  |
|                    | JP Morgan Chase & Co.   |  |   |                             | US\$   | 15,000  | N/A                         | US\$  | 15,087  |                   |  |  |  |
|                    | <u>Stock</u>  |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | WaferTech   | Subsidiary                                 | Investments accounted for using equity method | 293,640                     | US\$   | 220,119 | 100                         | US\$  | 220,119 |                   |  |  |  |
| Emerging Alliance  | <u>Common stock</u>   |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | RichWave Technology Corp.   |  | Financial assets carried at cost              | 4,074                       | US\$   | 1,545   | 10                          | US\$  | 1,545   |                   |  |  |  |
|                    | Global Investment Holding Inc.                                    |  |   | 11,124                      | US\$   | 3,065   | 6                           | US\$  | 3,065   |                   |  |  |  |
|                    | <u>Preferred stock</u>  |  |   |                             |  |         |                             |   |         |                   |  |  |  |
|                    | Audience, Inc.  |  | Financial assets carried at cost              | 1,654                       | US\$   | 250     |                             | US\$  | 250     |                   |  |  |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|  |            |  |        |      |       |    |      |       |
|--|------------|--|--------|------|-------|----|------|-------|
| Next IO, Inc.  |            |  | 8      | US\$ | 500   |    | US\$ | 500   |
| Pixim, Inc.  |            |  | 4,641  | US\$ | 1,137 | 2  | US\$ | 1,137 |
| QST Holdings, LLC                                    |            |  |        | US\$ | 142   | 4  | US\$ | 142   |
| <u>Capital</u>                                       |            |  |        |      |       |    |      |       |
| VentureTech Alliance Holdings, LLC<br>(VTA Holdings) | Subsidiary | Investments<br>accounted for<br>using equity<br>method |        |      |       | 7  |      |       |
| <u>Common stock</u>                                  |            |  |        |      |       |    |      |       |
| Aether Systems, Inc.                                 |            | Financial assets<br>carried at cost                    | 1,800  | US\$ | 1,701 | 23 | US\$ | 1,701 |
| RichWave Technology Corp.                            |            |  | 1,267  | US\$ | 1,036 | 3  | US\$ | 1,036 |
| Sentelic   |            |  | 1,806  | US\$ | 2,607 | 9  | US\$ | 2,607 |
| <u>Preferred stock</u>                               |            |  |        |      |       |    |      |       |
| 5V Technologies, Inc.                                |            | Financial assets<br>carried at cost                    | 2,890  | US\$ | 2,168 | 4  | US\$ | 2,168 |
| Aquantia   |            |  | 4,556  | US\$ | 4,316 | 3  | US\$ | 4,316 |
| Audience, Inc.                                       |            |  | 12,378 | US\$ | 2,378 | 3  | US\$ | 2,378 |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account                   | Shares/Units (In Thousands) | December 31, 2011                                |        |                             | Market Value or Net Asset Value (Foreign Currencies) in Thousands | Note   |  |
|-------------------|-------------------------------------|-------------------------------|---|-----------------------------|--|--------|-----------------------------|---|--------|--|
|                   |                                     |                               |   |                             | Carrying Value (Foreign Currencies in Thousands) |        | Percentage of Ownership (%) |   |        |  |
|                   |                                     |                               |   |                             | US\$   | US\$   |                             |   |        |  |
|                   | Impinj, Inc.                        |                               | Financial assets carried at cost              | 475                         | US\$   | 1,000  |                             | US\$  | 1,000  |  |
|                   | Next IO, Inc.                       |                               |   | 132                         | US\$   | 1,110  | 2                           | US\$  | 1,110  |  |
|                   | Pixim, Inc.                         |                               |   | 33,347                      | US\$   | 1,878  | 2                           | US\$  | 1,878  |  |
|                   | Power Analog Microelectronics       |                               |   | 7,330                       | US\$   | 3,482  | 21                          | US\$  | 3,482  |  |
|                   | QST Holdings, LLC                   |                               |   |                             | US\$   | 593    | 13                          | US\$  | 593    |  |
|                   | <u>Capital</u>                      |                               |   |                             |  |        |                             |   |        |  |
|                   | VTA Holdings                        | Subsidiary                    | Investments accounted for using equity method |                             |  |        | 31                          |   |        |  |
| VTAF III          | <u>Common stock</u>                 |                               |   |                             |  |        |                             |   |        |  |
|                   | Mutual-Pak Technology Co., Ltd.     | Subsidiary                    | Investments accounted for using equity method | 11,868                      | US\$   | 1,204  | 57                          | US\$  | 1,204  |  |
|                   | Accton Wireless Broadband Corp.     |                               | Financial assets carried at cost              | 2,249                       | US\$   | 315    | 6                           | US\$  | 315    |  |
|                   | <u>Preferred stock</u>              |                               |   |                             |  |        |                             |   |        |  |
|                   | InvenSense, Inc.                    |                               | Available-for-sale financial assets           | 796                         | US\$   | 7,932  | 1                           | US\$  | 7,932  |  |
|                   | BridgeLux, Inc.                     |                               | Financial assets carried at cost              | 6,771                       | US\$   | 8,745  | 3                           | US\$  | 8,745  |  |
|                   | Exclara, Inc.                       |                               |   | 59,695                      | US\$   | 1,812  | 15                          | US\$  | 1,812  |  |
|                   | GTFB, Inc.                          |                               |   | 1,154                       | US\$   | 1,500  | N/A                         | US\$  | 1,500  |  |
|                   | LiquidLeds Lighting Corp.           |                               |   | 1,600                       | US\$   | 800    | 11                          | US\$  | 800    |  |
|                   | Neoconix, Inc.                      |                               |   | 3,916                       | US\$   | 4,779  | 4                           | US\$  | 4,779  |  |
|                   | Powervation, Ltd.                   |                               |   | 449                         | US\$   | 7,030  | 16                          | US\$  | 7,030  |  |
|                   | Stion Corp.                         |                               |   | 8,152                       | US\$   | 55,473 | 20                          | US\$  | 55,473 |  |
|                   | Tilera, Inc.                        |                               |   | 3,890                       | US\$   | 3,025  | 2                           | US\$  | 3,025  |  |
|                   | Validity Sensors, Inc.              |                               |   | 9,340                       | US\$   | 3,456  | 4                           | US\$  | 3,456  |  |
|                   | <u>Capital</u>                      |                               |   |                             |  |        |                             |   |        |  |
|                   | Growth Fund Limited (Growth Fund)   | Subsidiary                    | Investments accounted for using equity method |                             | US\$   | 510    | 100                         | US\$  | 510    |  |
|                   | VTA Holdings                        | Subsidiary                    |   |                             |  |        | 62                          |   |        |  |
| Growth Fund       | <u>Common stock</u>                 |                               |   |                             |  |        |                             |   |        |  |
|                   | Veebeam                             |                               | Financial assets carried at cost              | 10                          | US\$   | 25     |                             | US\$  | 25     |  |
| ISDF              | <u>Common stock</u>                 |                               |   |                             |  |        |                             |   |        |  |
|                   | Integrated Memory Logic, Inc.       |                               | Available-for-sale financial assets           | 2,161                       | US\$   | 6,289  | 3                           | US\$  | 6,289  |  |
|                   | Memsic, Inc.                        |                               |   | 1,286                       | US\$   | 3,407  | 5                           | US\$  | 3,407  |  |
|                   | <u>Preferred stock</u>              |                               |   |                             |  |        |                             |   |        |  |
|                   | Sonics, Inc.                        |                               | Financial assets carried at cost              | 230                         | US\$   | 497    | 2                           | US\$  | 497    |  |
| ISDF II           | <u>Common stock</u>                 |                               |   |                             |  |        |                             |   |        |  |
|                   | Memsic, Inc.                        |                               | Available-for-sale financial assets           | 1,072                       | US\$   | 2,841  | 5                           | US\$  | 2,841  |  |
|                   | Alchip Technologies Limited         |                               | Financial assets carried at cost              | 7,520                       | US\$   | 3,664  | 14                          | US\$  | 3,664  |  |
|                   | Sonics, Inc.                        |                               |   | 278                         | US\$   | 10     | 3                           | US\$  | 10     |  |
|                   | Goyatek Technology,                 |                               |   | 745                         | US\$   | 163    | 6                           | US\$  | 163    |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                      |   |  |       |      |       |     |      |       |
|----------------------|---|--|-------|------|-------|-----|------|-------|
|                      | Corp.<br>Auden<br>Technology<br>MFG. Co.,<br>Ltd. |  | 1,049 | US\$ | 223   | 3   | US\$ | 223   |
|                      | <u>Preferred stock</u>                            |  |       |      |       |     |      |       |
|                      | Sonics, Inc.                                      | Financial assets carried at cost                               | 264   | US\$ | 455   | 3   | US\$ | 455   |
| Xintec               | <u>Capital</u><br>Compositech<br>Ltd.             | Financial assets carried at cost                               | 587   |      |       | 3   |      |       |
| TSMC Solar<br>Europe | <u>Stock</u><br>TSMC Solar<br>Europe<br>GmbH      | Subsidiary<br>Investments accounted for using<br>equity method | 1     | EUR  | 5,103 | 100 | EUR  | 5,103 |

(Continued)

| December 31, 2011 |   |                               |                             |                             |  |                             |   |               |      |
|-------------------|---|-------------------------------|-----------------------------|-----------------------------|--|-----------------------------|---|---------------|------|
| Held Company      | Marketable Securities                               | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) | Market Value or Net Asset Value (Foreign Currencies in Thousands) |               | Note |
|                   |   |                               |                             |                             |  |                             | Name  | Type and Name |      |
| TSMC Global       | <u>Corporate bond</u>                               |                               |                             |                             |  |                             |   |               |      |
|                   |   |                               | Held-to-maturity            |                             |  |                             |   |               |      |
|                   | Aust + Nz Banking Group                             |                               | financial assets            | 20,000                      | US\$ 20,000                                      | N/A                         | US\$  | 19,751        |      |
|                   | Commonwealth Bank of Australia                      |                               |                             | 25,000                      | US\$ 25,000                                      | N/A                         | US\$  | 24,905        |      |
|                   | Commonwealth Bank of Australia                      |                               |                             | 25,000                      | US\$ 25,000                                      | N/A                         | US\$  | 24,991        |      |
|                   | Deutsche Bank AG London                             |                               |                             | 20,000                      | US\$ 19,884                                      | N/A                         | US\$  | 20,033        |      |
|                   | JP Morgan Chase + Co.                               |                               |                             | 35,000                      | US\$ 35,039                                      | N/A                         | US\$  | 35,070        |      |
|                   | Nationwide Building Society-UK Government Guarantee |                               |                             | 8,000                       | US\$ 8,000                                       | N/A                         | US\$  | 8,008         |      |
|                   | Westpac Banking Corp.                               |                               |                             | 25,000                      | US\$ 25,000                                      | N/A                         | US\$  | 24,825        |      |
|                   | Westpac Banking Corp. 12/12 Frn                     |                               |                             | 5,000                       | US\$ 5,000                                       | N/A                         | US\$  | 5,007         |      |
|                   | <u>Government bond</u>                              |                               |                             |                             |  |                             |   |               |      |
|                   |   |                               | Held-to-maturity            |                             |  |                             |   |               |      |
|                   | Societe De Financement De Lec                       |                               | financial assets            | 15,000                      | US\$ 15,000                                      | N/A                         | US\$  | 14,991        |      |
|                   | <u>Money market fund</u>                            |                               |                             |                             |  |                             |   |               |      |
|                   |   |                               | Available-for-sale          |                             |  |                             |   |               |      |
|                   | Ssga Cash Mgmt Global Offshore                      |                               | financial assets            | 83                          | US\$ 83  | N/A                         | US\$  | 83            |      |

(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 YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Marketable Securities Type and Name | Financial Statement Account                   | Counter-party | Relationship                               | Beginning Balance           |  | Acquisition                 |  | Disposal (Note 2)           |  | Gain (Loss) on Disposal (Foreign Currencies in Thousands) | Ending Balance (Note 2) |           |
|-------------------------------------|---|---------------|--|-----------------------------|--|-----------------------------|--|-----------------------------|--|---|-------------------------|-----------|
|                                     |   |               |  | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) |   |                         |           |
| <u>Stock</u>                        |   |               |  |                             |  |                             |  |                             |  |   |                         |           |
| TSMC Solar                          | Investments accounted for using equity method |               | Subsidiary                                 |                             |  |                             |  |                             |  |   |                         |           |
|                                     |   |               |  |                             | \$                                       | 1,118,000                   | \$                                       | 11,180,000                  | \$                                       | \$  | \$                      | 1,118,000 |
| TSMC SSL                            |   |               | Subsidiary                                 |                             |  | 227,000                     |  | 2,270,000                   |  |   |                         | 227,000   |
| <u>Capital</u>                      |   |               |  |                             |  |                             |  |                             |  |   |                         |           |
| TSMC China                          | Investments accounted for using equity method |               | Subsidiary                                 |                             | 4,252,270                                |                             | 6,759,300                                |                             |  |   |                         |           |
| VTAF III                            |   |               | Subsidiary                                 |                             | 2,769,423                                |                             | 135,297                                  |                             |  |   |                         |           |
| <u>Stock</u>                        |   |               |  |                             |  |                             |  |                             |  |   |                         |           |
| TSMC Solar Europe                   | Investments accounted for using equity method |               | Subsidiary                                 |                             | 23,971                                   |                             | 385,682                                  |                             |  |   |                         |           |
| <u>Capital</u>                      |   |               |  |                             |  |                             |  |                             |  |   |                         |           |
| VTAF III                            | Investments accounted for using equity method |               | Investee accounted for using equity method |                             |  |                             | 168,548                                  |                             |  |   |                         |           |
| <u>Stock</u>                        |   |               |  |                             |  |                             |  |                             |  |   |                         |           |
| TSMC Solar Europe GmbH              | Investments accounted for using equity method |               | Subsidiary                                 | 1                           | EUR 90                                   |                             | EUR 9,800                                |                             | EUR                                      | EUR   | EUR                     | 1         |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

| Corporate bond                   |                                     |        |      |        |       |        |       |        |      |        |      |       |      |      |
|----------------------------------|-------------------------------------|--------|------|--------|-------|--------|-------|--------|------|--------|------|-------|------|------|
| Allstate Life Gbl Fdg Secd       | Available-for-sale financial assets | 4,430  | US\$ | 4,824  | US\$  | 4,430  | US\$  | 4,787  | US\$ | 4,834  | US\$ | (47)  | US\$ |      |
| American Honda Fin Corp. Mtn Anz |                                     | 4,000  | US\$ | 3,995  |       | 4,000  | US\$  | 4,005  | US\$ | 3,985  | US\$ | 20    |      |      |
| National Intl Ltd.               |                                     | 3,500  | US\$ | 3,554  |       | 3,500  | US\$  | 3,555  | US\$ | 3,515  | US\$ | 40    |      |      |
| Archer Daniels Midland Co.       |                                     |        |      |        | 7,000 | US\$   | 7,000 | 7,000  | US\$ | 7,010  | US\$ | 7,000 | US\$ | 10   |
| Astrazeneca Plc                  |                                     | 3,150  | US\$ | 3,397  |       | 3,150  | US\$  | 3,356  | US\$ | 3,456  | US\$ | (100) |      |      |
| AT+T Wireless                    |                                     | 3,500  | US\$ | 3,823  |       | 3,500  | US\$  | 3,762  | US\$ | 3,979  | US\$ | (217) |      |      |
| Banco Bilbao Vizcaya P R         |                                     | 3,250  | US\$ | 3,249  |       | 3,250  | US\$  | 3,251  | US\$ | 3,250  | US\$ | 1     |      |      |
| Bank of Nova Scotia              |                                     | 5,000  | US\$ | 5,000  |       | 5,000  | US\$  | 5,012  | US\$ | 5,000  | US\$ | 12    |      |      |
| Barclays Bank Plc                |                                     | 12,000 | US\$ | 11,997 |       | 12,000 | US\$  | 12,022 | US\$ | 12,035 | US\$ | (13)  |      |      |
| Barclays Bk Plc UK               |                                     |        |      |        | 5,000 | US\$   | 5,108 | 5,000  | US\$ | 5,099  | US\$ | 5,108 | US\$ | (9)  |
| Bb+T Corporation                 |                                     |        |      |        | 3,840 | US\$   | 3,990 | 3,840  | US\$ | 3,977  | US\$ | 3,990 | US\$ | (13) |
| Bear Stearns Cos Inc.            |                                     | 3,500  | US\$ | 3,494  |       | 3,500  | US\$  | 3,465  | US\$ | 3,360  | US\$ | 105   |      |      |
| Berkshire Hathaway Inc. Del      |                                     | 3,500  | US\$ | 3,517  |       | 3,500  | US\$  | 3,521  | US\$ | 3,500  | US\$ | 21    |      |      |
| Bhp Billiton Fin USA Ltd.        |                                     |        |      |        | 4,000 | US\$   | 4,443 | 4,000  | US\$ | 4,447  | US\$ | 4,443 | US\$ | 4    |
| Bnp Paribas SA                   |                                     | 3,810  | US\$ | 3,844  |       | 3,810  | US\$  | 3,838  | US\$ | 3,844  | US\$ | (6)   |      |      |
| Boeing Cap Corp.                 |                                     | 2,925  | US\$ | 3,192  |       | 2,925  | US\$  | 3,180  | US\$ | 3,235  | US\$ | (55)  |      |      |
| Bp Capital Markets Plc           |                                     | 3,900  | US\$ | 3,988  |       | 3,900  | US\$  | 3,992  | US\$ | 3,969  | US\$ | 23    |      |      |

(Continued)

| Company Name | Marketable Securities Type and Name | Financial Statement Account         | Natural Relationship | Beginning Balance           |  | Acquisition                 |  | Disposal (Note 2)           |  |  | Gain (Loss) on Disposal | Ending Balance (Note 3) |
|--------------|-------------------------------------|-------------------------------------|----------------------|-----------------------------|--|-----------------------------|--|-----------------------------|--|--|-------------------------|-------------------------|
|              |                                     |                                     |                      | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Carrying Value (Foreign Currencies in Thousands) |                         |                         |
|              | Bp Capital Markets Plc              | Available-for-sale financial assets |                      |                             | US\$                                     | 7,160                       | US\$ 7,160                               | 7,160                       | US\$ 7,201                               | US\$ 7,160                                       | US\$ 41                 | US\$                    |
|              | Chevron Corp.                       |                                     |                      |                             |  | 4,000                       | US\$ 4,305                               | 4,000                       | US\$ 4,286                               | US\$ 4,305                                       | US\$ (19)               |                         |
|              | Cie Financement Foncier             |                                     |                      | 4,000                       | US\$ 4,019                               |                             |  | 4,000                       | US\$ 4,034                               | US\$ 4,029                                       | US\$ 5                  |                         |
|              | Cisco Systems Inc.                  |                                     |                      |                             |  | 7,050                       | US\$ 7,050                               | 7,050                       | US\$ 7,073                               | US\$ 7,050                                       | US\$ 23                 |                         |
|              | Citigroup Funding Inc.              |                                     |                      | 16,000                      | US\$ 16,323                              |                             |  | 16,000                      | US\$ 16,337                              | US\$ 16,262                                      | US\$ 75                 |                         |
|              | Citigroup Funding Inc.              |                                     |                      | 7,300                       | US\$ 7,446                               |                             |  | 7,300                       | US\$ 7,440                               | US\$ 7,448                                       | US\$ (8)                |                         |
|              | Citigroup Inc.                      |                                     |                      | 5,000                       | US\$ 5,490                               |                             |  | 5,000                       | US\$ 5,478                               | US\$ 5,360                                       | US\$ 118                |                         |
|              | Coca Cola Co.                       |                                     |                      | 4,000                       | US\$ 4,002                               |                             |  | 4,000                       | US\$ 4,003                               | US\$ 4,000                                       | US\$ 3                  |                         |
|              | Countrywide Finl Corp.              |                                     |                      | 4,000                       | US\$ 4,208                               |                             |  | 4,000                       | US\$ 4,221                               | US\$ 4,291                                       | US\$ (70)               |                         |
|              | Credit Suisse New York              |                                     |                      | 3,945                       | US\$ 4,090                               |                             |  | 3,945                       | US\$ 4,069                               | US\$ 4,073                                       | US\$ (4)                |                         |
|              | Credit Suisse New York              |                                     |                      |                             |  | 3,200                       | US\$ 3,200                               | 3,200                       | US\$ 3,238                               | US\$ 3,200                                       | US\$ 38                 |                         |
|              | Dexia Credit Local                  |                                     |                      | 6,000                       | US\$ 5,976                               |                             |  | 6,000                       | US\$ 5,983                               | US\$ 6,000                                       | US\$ (17)               |                         |
|              | Dexia Credit Local                  |                                     |                      | 4,000                       | US\$ 3,984                               |                             |  | 4,000                       | US\$ 3,927                               | US\$ 4,000                                       | US\$ (73)               |                         |
|              | Dexia Credit Local S.A              |                                     |                      | 4,000                       | US\$ 3,992                               |                             |  | 4,000                       | US\$ 3,976                               | US\$ 4,000                                       | US\$ (24)               |                         |
|              | Dexia Credit Local SA NY            |                                     |                      | 5,000                       | US\$ 4,983                               |                             |  | 5,000                       | US\$ 4,952                               | US\$ 5,000                                       | US\$ (48)               |                         |
|              | Finance for Danish Ind              |                                     |                      | 3,800                       | US\$ 3,799                               |                             |  | 3,800                       | US\$ 3,808                               | US\$ 3,801                                       | US\$ 7                  |                         |
|              | General Elec Cap Corp.              |                                     |                      | 7,000                       | US\$ 7,002                               |                             |  | 7,000                       | US\$ 7,005                               | US\$ 7,002                                       | US\$ 3                  |                         |
|              | General Elec Cap Corp.              |                                     |                      | 4,000                       | US\$ 4,110                               |                             |  | 4,000                       | US\$ 4,095                               | US\$ 4,117                                       | US\$ (22)               |                         |
|              | General Elec Cap Corp.              |                                     |                      |                             |  | 5,000                       | US\$ 5,000                               | 5,000                       | US\$ 5,037                               | US\$ 5,000                                       | US\$ 37                 |                         |
|              | Georgia Pwr Co.                     |                                     |                      | 4,000                       | US\$ 4,006                               |                             |  | 4,000                       | US\$ 4,002                               | US\$ 4,024                                       | US\$ (22)               |                         |
|              | Gmac LLC                            |                                     |                      | 4,600                       | US\$ 4,731                               |                             |  | 4,600                       | US\$ 4,715                               | US\$ 4,726                                       | US\$ (11)               |                         |
|              | Goldman Sachs Group Inc.            |                                     |                      |                             |  | 3,400                       | US\$ 3,400                               | 3,400                       | US\$ 3,425                               | US\$ 3,400                                       | US\$ 25                 |                         |
|              | Hewlett Packard Co.                 |                                     |                      | 3,000                       | US\$ 3,003                               |                             |  | 3,000                       | US\$ 3,004                               | US\$ 2,995                                       | US\$ 9                  |                         |
|              | Household Fin Corp.                 |                                     |                      | 4,330                       | US\$ 4,694                               |                             |  | 4,330                       | US\$ 4,662                               | US\$ 4,781                                       | US\$ (119)              |                         |
|              | HSBC Bank Plc                       |                                     |                      | 3,400                       | US\$ 3,405                               |                             |  | 3,400                       | US\$ 3,407                               | US\$ 3,407                                       |                         |                         |
|              | HSBC Fin Corp.                      |                                     |                      | 2,900                       | US\$ 3,074                               |                             |  | 2,900                       | US\$ 3,074                               | US\$ 3,142                                       | US\$ (68)               |                         |
|              | IBM Corp.                           |                                     |                      | 6,800                       | US\$ 6,775                               |                             |  | 6,800                       | US\$ 6,781                               | US\$ 6,772                                       | US\$ 9                  |                         |
|              | Inc Bk Nv Neth St Cr                |                                     |                      |                             |  | 8,500                       | US\$ 8,668                               | 8,500                       | US\$ 8,655                               | US\$ 8,668                                       | US\$ (13)               |                         |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                                 |       |      |       |       |            |        |       |        |       |            |           |
|---------------------------------|-------|------|-------|-------|------------|--------|-------|--------|-------|------------|-----------|
| Gtee                            |       |      |       |       |            |        |       |        |       |            |           |
| John Deer Capital Corp. Fdic GT | 3,500 | US\$ | 3,616 |       | 3,500      | US\$   | 3,601 | US\$   | 3,634 | US\$ (33)  |           |
| JP Morgan Chase + Co.           | 5,000 | US\$ | 5,021 |       | 5,000      | US\$   | 5,032 | US\$   | 5,000 | US\$ 32    |           |
| Lloyds Tsb Bank Plc Ser 144A    | 5,950 | US\$ | 6,009 |       | 5,950      | US\$   | 6,007 | US\$   | 6,077 | US\$ (70)  |           |
| Macquarie Bk Ltd. Sr            | 3,900 | US\$ | 3,975 | 9,300 | US\$ 9,472 | 13,200 | US\$  | 13,423 | US\$  | 13,455     | US\$ (32) |
| Massmutual Global Fdg II Mediu  | 4,000 | US\$ | 3,955 |       | 4,000      | US\$   | 3,991 | US\$   | 3,926 | US\$ 65    |           |
| Mellon Fdg Corp.                | 3,500 | US\$ | 3,475 |       | 3,500      | US\$   | 3,479 | US\$   | 3,404 | US\$ 75    |           |
| Merck + Co. Inc.                | 4,000 | US\$ | 4,032 |       | 4,000      | US\$   | 4,013 | US\$   | 4,066 | US\$ (53)  |           |
| Merrill Lynch + Co. Inc.        | 4,691 | US\$ | 4,647 |       | 4,691      | US\$   | 4,669 | US\$   | 4,603 | US\$ 66    |           |
| Merrill Lynch + Co. Inc.        |       |      |       | 4,000 | US\$ 4,335 | 4,000  | US\$  | 4,319  | US\$  | 4,335      | US\$ (16) |
| Met Life Glob Funding I         |       |      |       | 3,000 | US\$ 3,000 | 3,000  | US\$  | 3,004  | US\$  | 3,000      | US\$ 4    |
| Metlife Inc.                    | 6,500 | US\$ | 6,600 |       | 6,500      | US\$   | 6,584 | US\$   | 6,527 | US\$ 57    |           |
| Microsoft Corp.                 | 3,250 | US\$ | 3,232 |       | 3,250      | US\$   | 3,224 | US\$   | 3,249 | US\$ (25)  |           |
| Morgan Stanley                  |       |      |       | 9,000 | US\$ 9,000 | 9,000  | US\$  | 9,140  | US\$  | 9,000      | US\$ 140  |
| Morgan Stanley Dean Witter      | 8,000 | US\$ | 8,524 |       | 8,000      | US\$   | 8,513 | US\$   | 8,797 | US\$ (284) |           |
| National Australia Bank         |       |      |       | 3,000 | US\$ 3,035 | 3,000  | US\$  | 3,040  | US\$  | 3,034      | US\$ 6    |
| Pepsiamericas Inc.              |       |      |       | 4,000 | US\$ 4,329 | 4,000  | US\$  | 4,308  | US\$  | 4,329      | US\$ (21) |
| Philip Morris Intl Inc.         |       |      |       | 4,000 | US\$ 4,640 | 4,000  | US\$  | 4,591  | US\$  | 4,640      | US\$ (49) |
| Princoa Global Fdg I Medium     | 5,050 | US\$ | 5,011 |       | 5,050      | US\$   | 5,042 | US\$   | 4,921 | US\$ 121   |           |
| Rabobank Nederland              | 5,000 | US\$ | 5,000 |       | 5,000      | US\$   | 5,000 | US\$   | 4,997 | US\$ 3     |           |
| Royal Bk of Scotland Plc        | 5,000 | US\$ | 5,052 |       | 5,000      | US\$   | 5,045 | US\$   | 5,106 | US\$ (61)  |           |
| Royal Bk Scotlnd Grp Plc 144A   | 9,450 | US\$ | 9,516 |       | 9,450      | US\$   | 9,517 | US\$   | 9,596 | US\$ (79)  |           |

(Continued)

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

| Company Name | Marketable Securities Type and Name        | Financial Statement Account         | Nature of Investment | Beginning Balance           |  | Acquisition                          |  | Disposal (Note 2)           |  |  |   | Ending Balance (Note 3)     |  |
|--------------|--|-------------------------------------|----------------------|-----------------------------|--|--------------------------------------|--|-----------------------------|--|--|---|-----------------------------|--|
|              |  |                                     |                      | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) (Note 1) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Carrying Value (Foreign Currencies in Thousands) | Gain (Loss) on Disposal (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) |
|              | Sanofi Aventis                             | Available-for-sale financial assets |                      |                             | US\$                                     | 4,000                                | US\$ 4,000                               | 4,000                       | US\$ 4,003                               | US\$ 4,000                                       | US\$ 3  |                             | US\$                                     |
|              | Sanofi Aventis Shell                       |                                     |                      |                             |  | 3,870                                | US\$ 3,870                               | 3,870                       | US\$ 3,884                               | US\$ 3,870                                       | US\$ 14   |                             |  |
|              | International Fin Shell                    |                                     |                      | 4,515                       | US\$ 4,536                               |                                      |  | 4,515                       | US\$ 4,533                               | US\$ 4,527                                       | US\$ 6  |                             |  |
|              | International Fin Standard Chartered BK NY |                                     |                      | 3,200                       | US\$ 3,248                               |                                      |  | 3,200                       | US\$ 3,256                               | US\$ 3,227                                       | US\$ 29   |                             |  |
|              | State Str Corp.                            |                                     |                      | 6,420                       | US\$ 6,417                               | 3,000                                | US\$ 3,000                               | 3,000                       | US\$ 3,001                               | US\$ 3,000                                       | US\$ 1  |                             |  |
|              | Sun Life Finl Global                       |                                     |                      | 4,400                       | US\$ 4,332                               |                                      |  | 4,400                       | US\$ 4,351                               | US\$ 4,304                                       | US\$ 47   |                             |  |
|              | Suncorp Metway Ltd.                        |                                     |                      | 8,800                       | US\$ 8,982                               |                                      |  | 8,800                       | US\$ 8,937                               | US\$ 9,125                                       | US\$ (188)  |                             |  |
|              | Swedbank Hypotek AB                        |                                     |                      | 4,000                       | US\$ 3,993                               |                                      |  | 4,000                       | US\$ 3,998                               | US\$ 4,002                                       | US\$ (4)  |                             |  |
|              | Swedbank Hypotek AB                        |                                     |                      |                             |  | 4,100                                | US\$ 4,100                               | 4,100                       | US\$ 4,086                               | US\$ 4,100                                       | US\$ (14)   |                             |  |
|              | Teva Pharm Fin III                         |                                     |                      |                             |  | 4,000                                | US\$ 4,000                               | 4,000                       | US\$ 4,019                               | US\$ 4,000                                       | US\$ 19   |                             |  |
|              | Teva Pharma Fin III LLC                    |                                     |                      | 4,000                       | US\$ 4,016                               |                                      |  | 4,000                       | US\$ 4,011                               | US\$ 4,000                                       | US\$ 11   |                             |  |
|              | Total Capital Canada Ltd.                  |                                     |                      |                             |  | 4,000                                | US\$ 4,000                               | 4,000                       | US\$ 4,013                               | US\$ 4,000                                       | US\$ 13   |                             |  |
|              | United Technologies Corp.                  |                                     |                      |                             |  | 4,000                                | US\$ 4,265                               | 4,000                       | US\$ 4,244                               | US\$ 4,266                                       | US\$ (22)   |                             |  |
|              | US Central Federal Cred                    |                                     |                      | 4,000                       | US\$ 4,084                               | 4,500                                | US\$ 4,599                               | 8,500                       | US\$ 8,664                               | US\$ 8,692                                       | US\$ (28)   |                             |  |
|              | Verizon Communications                     |                                     |                      |                             |  | 7,725                                | US\$ 7,725                               | 7,725                       | US\$ 7,785                               | US\$ 7,725                                       | US\$ 60   |                             |  |
|              | Virginia Elec + Pwr Co.                    |                                     |                      |                             |  | 3,250                                | US\$ 3,489                               | 3,250                       | US\$ 3,461                               | US\$ 3,489                                       | US\$ (28)   |                             |  |
|              | Volkswagen Intl Fin NV                     |                                     |                      |                             |  | 4,000                                | US\$ 4,000                               | 4,000                       | US\$ 4,010                               | US\$ 4,000                                       | US\$ 10   |                             |  |
|              | Wachovia Corp. Global Medium               |                                     |                      | 5,000                       | US\$ 5,141                               |                                      |  | 5,000                       | US\$ 5,142                               | US\$ 5,138                                       | US\$ 4  |                             |  |
|              | Wal Mart Stores Inc.                       |                                     |                      | 4,000                       | US\$ 3,964                               |                                      |  | 4,000                       | US\$ 3,968                               | US\$ 3,986                                       | US\$ (18)   |                             |  |
|              | Wal Mart Stores Inc.                       |                                     |                      | 3,770                       | US\$ 4,325                               |                                      |  | 3,770                       | US\$ 4,261                               | US\$ 4,383                                       | US\$ (122)  |                             |  |
|              | Westpac Banking Corp.                      |                                     |                      | 3,500                       | US\$ 3,514                               |                                      |  | 3,500                       | US\$ 3,511                               | US\$ 3,500                                       | US\$ 11   |                             |  |
|              | Westpac Banking Corp.                      |                                     |                      | 4,000                       | US\$ 4,005                               |                                      |  | 4,000                       | US\$ 4,022                               | US\$ 4,044                                       | US\$ (22)   |                             |  |
|              | Wyeth                                      |                                     |                      | 3,345                       | US\$ 3,657                               | 638                                  | US\$ 697                                 | 3,983                       | US\$ 4,325                               | US\$ 4,397                                       | US\$ (72)   |                             |  |
|              | Deutsche Bank AG London                    | Held-to-maturity financial assets   |                      |                             |  | 20,000                               | US\$ 19,884                              |                             |  |  |   | 20,000                      | US\$ 19,884                              |
|              | <u>Government bond</u>                     |                                     |                      |                             |  |                                      |  |                             |  |  |   |                             |  |
|              | US Treasury N/B                            | Available-for-sale financial assets |                      | 41,700                      | US\$ 42,042                              |                                      |  | 41,700                      | US\$ 42,042                              | US\$ 41,729                                      | US\$ 313  |                             |  |
|              | US Treasury N/B                            |                                     |                      | 11,100                      | US\$ 10,976                              |                                      |  | 11,100                      | US\$ 10,941                              | US\$ 11,084                                      | US\$ (143)  |                             |  |
|              | US Treasury N/B                            |                                     |                      | 7,000                       | US\$ 7,079                               |                                      |  | 7,000                       | US\$ 7,077                               | US\$ 7,078                                       | US\$ (1)  |                             |  |
|              | US Treasury N/B                            |                                     |                      | 5,250                       | US\$ 5,212                               | 30,175                               | US\$ 29,906                              | 35,425                      | US\$ 35,154                              | US\$ 35,101                                      | US\$ 53   |                             |  |
|              | US Treasury N/B                            |                                     |                      |                             |  | 19,900                               | US\$ 19,872                              | 19,900                      | US\$ 19,888                              | US\$ 19,872                                      | US\$ 16   |                             |  |
|              | US Treasury N/B                            |                                     |                      |                             |  | 10,000                               | US\$ 10,084                              | 10,000                      | US\$ 10,073                              | US\$ 10,084                                      | US\$ (11)   |                             |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                             |  |        |             |             |             |             |             |             |
|-----------------------------|--|--------|-------------|-------------|-------------|-------------|-------------|-------------|
| US Treasury N/B             |  |        | 10,000      | US\$ 10,042 | 10,000      | US\$ 10,046 | US\$ 10,042 | US\$ 4      |
| US Treasury N/B             |  |        | 10,000      | US\$ 10,024 | 10,000      | US\$ 10,035 | US\$ 10,024 | US\$ 11     |
| US Treasury N/B             |  |        | 10,000      | US\$ 9,988  | 10,000      | US\$ 9,990  | US\$ 9,988  | US\$ 2      |
| US Treasury N/B             |  |        | 3,300       | US\$ 3,301  | 3,300       | US\$ 3,298  | US\$ 3,301  | US\$ (3)    |
| <u>Agency bond</u>          |  |        |             |             |             |             |             |             |
| Fannie Mae                  | Available-for-sale<br>financial assets | 16,104 | US\$ 16,102 |             | 16,104      | US\$ 16,116 | US\$ 16,098 | US\$ 18     |
| Fannie Mae                  |  | 11,100 | US\$ 11,096 |             | 11,100      | US\$ 11,109 | US\$ 11,096 | US\$ 13     |
| Fannie Mae                  |  | 8,765  | US\$ 8,763  | 11,500      | US\$ 11,503 | 20,265      | US\$ 20,280 | US\$ 20,262 |
| Fannie Mae                  |  | 4,600  | US\$ 4,589  |             |             | 4,600       | US\$ 4,606  | US\$ 4,598  |
| Fannie Mae                  |  | 3,900  | US\$ 3,861  |             |             | 3,900       | US\$ 3,851  | US\$ 3,899  |
| Fannie Mae                  |  | 3,000  | US\$ 2,994  |             |             | 3,000       | US\$ 3,000  | US\$ 3,009  |
| Fannie Mae                  |  |        |             | 20,300      | US\$ 20,269 | 20,300      | US\$ 20,301 | US\$ 20,269 |
| Fannie Mae                  |  |        |             | 11,045      | US\$ 12,104 | 11,045      | US\$ 12,044 | US\$ 12,104 |
| Fannie Mae                  |  |        |             | 7,500       | US\$ 7,500  | 7,500       | US\$ 7,508  | US\$ 7,500  |
| Fannie Mae                  |  |        |             | 3,000       | US\$ 3,000  | 3,000       | US\$ 3,008  | US\$ 3,000  |
| Federal Farm<br>Credit Bank |  | 4,000  | US\$ 3,994  |             |             | 4,000       | US\$ 4,002  | US\$ 3,995  |

(Continued)

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

| Company Name | Marketable Securities Type and Name | Financial Statement Account         | Nature of Investment | Beginning Balance           |  | Acquisition                 |  | Disposal (Note 2)           |  |  | Gain (Loss) on Disposal                       |                             | Ending Balance (Note 3)                  |
|--------------|-------------------------------------|-------------------------------------|----------------------|-----------------------------|--|-----------------------------|--|-----------------------------|--|--|---|-----------------------------|--|
|              |                                     |                                     |                      | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Carrying Value (Foreign Currencies in Thousands) | Gain (Loss) (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) |
|              | Federal Farm Credit Bank            | Available-for-sale financial assets |                      | 4,000                       | US\$ 3,984                               |                             | US\$                                     | 4,000                       | US\$ 3,986                               | US\$ 3,998                                       | US\$ (12)                                     | US\$                        |  |
|              | Federal Farm Credit Bank            |                                     |                      |                             |  | 4,000                       | US\$ 4,002                               | 4,000                       | US\$ 4,003                               | US\$ 4,002                                       | US\$ 1  |                             |  |
|              | Federal Home Loan Bank              |                                     |                      | 5,000                       | US\$ 5,007                               |                             |  | 5,000                       | US\$ 5,007                               | US\$ 5,009                                       | US\$ (2)                                      |                             |  |
|              | Federal Home Loan Bank              |                                     |                      | 6,800                       | US\$ 6,817                               |                             |  | 6,800                       | US\$ 6,817                               | US\$ 6,811                                       | US\$ 6  |                             |  |
|              | Federal Home Loan Bank              |                                     |                      | 8,000                       | US\$ 8,040                               |                             |  | 8,000                       | US\$ 8,033                               | US\$ 7,990                                       | US\$ 43                                       |                             |  |
|              | Federal Home Loan Bank              |                                     |                      | 10,000                      | US\$ 9,998                               |                             |  | 10,000                      | US\$ 10,001                              | US\$ 9,985                                       | US\$ 16                                       |                             |  |
|              | Federal Home Loan Bank              |                                     |                      | 8,400                       | US\$ 8,397                               |                             |  | 8,400                       | US\$ 8,400                               | US\$ 8,399                                       | US\$ 1  |                             |  |
|              | Federal Home Ln Bks                 |                                     |                      | 5,000                       | US\$ 5,046                               |                             |  | 5,000                       | US\$ 5,043                               | US\$ 5,098                                       | US\$ (55)                                     |                             |  |
|              | Federal Home Ln Mtg Corp.           |                                     |                      | 3,732                       | US\$ 3,727                               |                             |  | 3,340                       | US\$ 3,340                               | US\$ 3,341                                       | US\$ (1)                                      |                             |  |
|              | Federal Home Ln Mtg Corp.           |                                     |                      | 3,324                       | US\$ 3,453                               |                             |  | 3,161                       | US\$ 3,288                               | US\$ 3,360                                       | US\$ (72)                                     |                             |  |
|              | Federal Home Loan Mtg Corp.         |                                     |                      | 5,183                       | US\$ 5,168                               |                             |  | 4,634                       | US\$ 4,634                               | US\$ 4,632                                       | US\$ 2  |                             |  |
|              | Fhr 2953 Da                         |                                     |                      | 3,284                       | US\$ 3,466                               |                             |  | 2,846                       | US\$ 3,028                               | US\$ 2,993                                       | US\$ 35                                       |                             |  |
|              | Fhr 3184 Fa                         |                                     |                      | 4,096                       | US\$ 4,084                               |                             |  | 3,810                       | US\$ 3,807                               | US\$ 3,806                                       | US\$ 1  |                             |  |
|              | Fnma Tba Jan 15 Single Fam          |                                     |                      |                             |  | 3,000                       | US\$ 3,147                               | 3,000                       | US\$ 3,142                               | US\$ 3,147                                       | US\$ (5)                                      |                             |  |
|              | Fnma Tba Feb 15 Single Fam          |                                     |                      |                             |  | 3,000                       | US\$ 3,138                               | 3,000                       | US\$ 3,117                               | US\$ 3,138                                       | US\$ (21)                                     |                             |  |
|              | Fnma Tba Mar 15 Single Fam          |                                     |                      |                             |  | 3,000                       | US\$ 3,110                               | 3,000                       | US\$ 3,140                               | US\$ 3,110                                       | US\$ 30                                       |                             |  |
|              | Fnma Tba Apr 15 Single Fam          |                                     |                      |                             |  | 3,000                       | US\$ 3,131                               | 3,000                       | US\$ 3,164                               | US\$ 3,131                                       | US\$ 33                                       |                             |  |
|              | Fnr 2006 60 CO                      |                                     |                      | 3,485                       | US\$ 3,483                               |                             |  | 3,274                       | US\$ 3,274                               | US\$ 3,272                                       | US\$ 2  |                             |  |
|              | Fnr 2009 116 A                      |                                     |                      | 4,271                       | US\$ 4,640                               |                             |  | 3,841                       | US\$ 4,137                               | US\$ 4,122                                       | US\$ 15                                       |                             |  |
|              | Freddie Mac                         |                                     |                      | 5,750                       | US\$ 5,764                               |                             |  | 5,750                       | US\$ 5,761                               | US\$ 5,771                                       | US\$ (10)                                     |                             |  |
|              | Freddie Mac                         |                                     |                      | 4,300                       | US\$ 4,316                               |                             |  | 4,300                       | US\$ 4,312                               | US\$ 4,308                                       | US\$ 4  |                             |  |
|              | Freddie Mac                         |                                     |                      | 10,420                      | US\$ 10,411                              |                             |  | 10,420                      | US\$ 10,414                              | US\$ 10,412                                      | US\$ 2  |                             |  |
|              | Freddie Mac                         |                                     |                      |                             |  | 19,000                      | US\$ 18,981                              | 19,000                      | US\$ 18,986                              | US\$ 18,981                                      | US\$ 5  |                             |  |
|              | Freddie Mac                         |                                     |                      |                             |  | 3,550                       | US\$ 3,549                               | 3,550                       | US\$ 3,553                               | US\$ 3,549                                       | US\$ 4  |                             |  |
|              | Freddie Mac                         |                                     |                      |                             |  | 14,200                      | US\$ 14,196                              | 14,200                      | US\$ 14,204                              | US\$ 14,196                                      | US\$ 8  |                             |  |
|              | Gnr 2009 45 AB                      |                                     |                      | 4,417                       | US\$ 4,496                               |                             |  | 3,082                       | US\$ 3,129                               | US\$ 3,215                                       | US\$ (86)                                     |                             |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                                |       |      |       |       |      |       |      |       |      |       |            |
|--------------------------------|-------|------|-------|-------|------|-------|------|-------|------|-------|------------|
| Government<br>Natl Mtg<br>Assn | 3,050 | US\$ | 3,285 |       |      | 3,050 | US\$ | 3,202 | US\$ | 3,278 | US\$ (76)  |
| Ngn 2010<br>R2 1A              | 3,732 | US\$ | 3,731 |       |      | 3,490 | US\$ | 3,492 | US\$ | 3,490 | US\$ 2     |
| Ngn 2011<br>R4 1A              |       |      |       | 4,000 | US\$ | 4,000 |      | 3,914 | US\$ | 3,914 | US\$ 3,914 |

Money  
market fund

|                             |                    |        |      |        |         |      |         |         |      |         |              |
|-----------------------------|--------------------|--------|------|--------|---------|------|---------|---------|------|---------|--------------|
| Ssga Cash<br>Mgmt<br>Global | Available-for-sale |        |      |        |         |      |         |         |      |         |              |
| Offshore                    | financial assets   | 12,387 | US\$ | 12,387 | 764,155 | US\$ | 764,155 | 776,459 | US\$ | 776,459 | US\$ 776,459 |
|                             |                    |        |      |        |         |      |         |         |      |         | 83 US\$ 83   |

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, other adjustments to long-term investment using equity method and amounts transferred from spin-off.

(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 YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| Types<br>of<br>Property | Transaction<br>Date                          | Transaction<br>Amount | Payment                         |                                   | Nature of<br>Relationships | Prior Transaction of<br>Related<br>Counter-party<br>Transfer |              |      |        | Price<br>Reference | Purpose of<br>Acquisition |
|-------------------------|--|-----------------------|---------------------------------|-----------------------------------|----------------------------|--|--------------|------|--------|--------------------|---------------------------|
|                         |  |                       | Term                            | Counter-party                     |                            | Ownership  | Relationship | Date | Amount |                    |                           |
| Fab                     | January 5, 2011 to<br>November 10,<br>2011   | \$1,018,438           | By the construction<br>progress | China Steel Structure Co., Ltd.   |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 7, 2011 to<br>December 27,<br>2011   | 152,099               | By the construction<br>progress | Lead Fu Industrials Corp.         |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 26, 2011 to<br>December 27,<br>2011  | 222,928               | By the construction<br>progress | MandarTech Interiors Inc.         |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 26, 2011 to<br>December 27,<br>2011  | 173,899               | By the construction<br>progress | I Domain Industrial Co., Ltd.     |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 27, 2011 to<br>December 27,<br>2011  | 2,425,769             | By the construction<br>progress | Da Cin Construction Co., Ltd.     |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 27, 2011 to<br>December 27,<br>2011  | 2,036,095             | By the construction<br>progress | Fu Tsu Construction Co., Ltd.     |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 27, 2011 to<br>July 24, 2011         | 480,672               | By the construction<br>progress | Tasa Construction Corporation     |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | January 27, 2011 to<br>December 28,<br>2011  | 219,004               | By the construction<br>progress | Edg Corporation Ltd.              |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | February 24, 2011 to<br>December 27,<br>2011 | 229,992               | By the construction<br>progress | Yankey Engineering Co., Ltd.      |                            | N/A  | N/A          | N/A  | N/A    | Public bidding     | Manufacturing<br>purpose  |
| Fab                     | February 17, 2011                            | 1,050,000             | Based on the<br>agreement       | Vertex Precision Electronics Inc. |                            | N/A  | N/A          | N/A  | N/A    | Pricing report     | Manufacturing<br>purpose  |

**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 YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party          | Nature of Relationships                                 | Purchases/<br>Sales | Transaction Details |                  | Payment Terms                     | Abnormal<br>Transaction<br>Payment<br>Unit Price<br>(Note)(Note) | Notes/Accounts<br>Payable or<br>Receivable |                  | Note |
|--------------|------------------------|---|---------------------|---------------------|------------------|-----------------------------------|--|--|------------------|------|
|              |                        |   |                     | Amount              | %<br>to<br>Total |                                   |  | Ending<br>Balance                          | %<br>to<br>Total |      |
| TSMC         | TSMC North America     | Subsidiary  | Sales               | \$ 234,902,043      | 56               | Net 30 days after invoice date    |  | \$ 24,661,104                              | 55               |      |
|              | GUC                    | Investee accounted for using equity method              | Sales               | 3,388,912           | 1                | Net 30 days after monthly closing |  | 116,218                                    |                  |      |
|              | VIS                    | Investee accounted for using equity method              | Sales               | 302,844             |                  | Net 30 days after monthly closing |  |  |                  |      |
|              | TSMC Solar Europe GmbH | Indirect subsidiary                                     | Sales               | 148,898             |                  | Net 60 days after invoice date    |  |  |                  |      |
|              | TSMC China             | Subsidiary  | Purchases           | 10,392,189          | 21               | Net 30 days after monthly closing |  | (946,826)                                  | 8                |      |
|              | WaferTech              | Indirect subsidiary                                     | Purchases           | 7,305,879           | 15               | Net 30 days after monthly closing |  | (420,459)                                  | 3                |      |
|              | VIS                    | Investee accounted for using equity method              | Purchases           | 5,577,762           | 12               | Net 30 days after monthly closing |  | (987,937)                                  | 8                |      |
|              | SSMC                   | Investee accounted for using equity method              | Purchases           | 3,949,176           | 8                | Net 30 days after monthly closing |  | (336,037)                                  | 3                |      |
|              | Motech                 | Indirect investee accounted for using the equity method | Purchases           | 124,673             |                  | Net 30 days after monthly closing |  |  |                  |      |
| Xintec       | OmniVision             | Parent company of director (represented for Xintec)     | Sales               | 1,829,969           | 47               | Net 30 days after monthly closing |  | 241,333                                    | 51               |      |
|              | TSMC                   | Parent company  | Sales               | 267,841             | 7                | Net 30 days after monthly closing |  | 17,326                                     | 4                |      |

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****DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| <b>Company Name</b> | <b>Related Party</b> | <b>Nature of Relationships</b>                      | <b>Ending Balance</b> | <b>Turnover Days (Note 1)</b> | <b>Overdue Amount</b> | <b>Action Taken</b> | <b>Amounts Received in Subsequent Period</b> | <b>Allowance for Bad Debts</b> |
|---------------------|----------------------|---|-----------------------|-------------------------------|-----------------------|---------------------|--|--------------------------------|
| TSMC                | TSMC North America   | Subsidiary  | \$ 24,684,991         | 39                            | \$ 9,115,109          |                     | \$ 14,946,365                                | \$                             |
|                     |                      | Investee accounted for using equity method          | 116,218               | 15                            |                       |                     |  |                                |
| Xintec              | GUC OmniVision       | Parent company of director (represented for Xintec) | 241,333               | 36                            |                       |                     |  |                                |

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

TABLE 7

## Taiwan Semiconductor Manufacturing Company Limited and Investees

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2011

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

| Investor Company | Investee Company | Location                        | Main Businesses and Products   | Original Investment Amount                          |   | Balance as of December 31, 2011 |                         |  | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands) | Note                                       |
|------------------|------------------|---------------------------------|--|---|---|---------------------------------|-------------------------|--|---|--|--|
|                  |                  |                                 |  | December 31, 2011 (Foreign Currencies in Thousands) | December 31, 2010 (Foreign Currencies in Thousands) | Shares (In Thousand)            | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) |   |  |  |
| TSMC             | TSMC Global      | Tortola, British Virgin Islands | Investment activities  | \$ 42,327,245                                       | \$ 42,327,245                                       | 1                               | 100                     | \$ 44,071,845                                    | \$ 431,368  | \$ 431,368   | Subsidiary                                 |
|                  | TSMC Partners    | Tortola, British Virgin Islands | Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry                   | 31,456,130  | 31,456,130  | 988,268                         | 100                     | 34,986,964                                       | 1,745,799   | 1,745,799  | Subsidiary                                 |
|                  | TSMC China       | Shanghai, China                 | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers   | 18,939,667  | 12,180,367  |                                 | 100                     | 13,542,181                                       | 2,113,521   | 2,098,233  | Subsidiary                                 |
|                  | TSMC Solar       | Tai-Chung, Taiwan               | Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products | 11,180,000  |   | 1,118,000                       | 100                     | 10,153,244                                       | (982,868)   | (982,868)  | Subsidiary                                 |
|                  | VIS              | Hsin-Chu, Taiwan                | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and                   | 13,232,288  | 13,232,288  | 628,223                         | 39                      | 8,988,007  | 882,183   | (10,337)   | Investee accounted for using equity method |

## Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                    |                              |  |   |           |           |         |     |           |             |           |  |
|--------------------|------------------------------|--|---|-----------|-----------|---------|-----|-----------|-------------|-----------|--|
|                    |                              |  | related parts   |           |           |         |     |           |             |           |  |
| SSMC               | Singapore                    |  | Fabrication and supply of integrated circuits   | 5,120,028 | 5,120,028 | 314     | 39  | 6,289,429 | 3,370,241   | 1,143,147 | Investee accounted for using equity method     |
| TSMC North America | San Jose, California, U.S.A. |  | Selling and marketing of integrated circuits and semiconductor devices  | 333,718   | 333,718   | 11,000  | 100 | 2,981,639 | 197,493     | 197,493   | Subsidiary                                     |
| TSMC SSL           | Hsin-Chu, Taiwan             |  | Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems | 2,270,000 |           | 227,000 | 100 | 1,746,893 | (523,002)   | (523,002) | Subsidiary                                     |
| Xintec             | Taoyuan, Taiwan              |  | Wafer level chip size packaging service   | 1,357,890 | 1,357,890 | 94,011  | 40  | 1,606,694 | 166,603     | 54,449    | Investee with a controlling financial interest |
| VTAF III           | Cayman Islands               |  | Investing in new start-up technology companies  | 2,074,155 | 3,565,441 |         | 53  | 1,311,044 | (280,045)   | (273,038) | Subsidiary                                     |
|                    |                              |  |   | (Note 4)  | (Note 4)  |         |     |           |             |           |  |
| GUC                | Hsin-Chu, Taiwan             |  | Researching, developing, manufacturing, testing and marketing of integrated circuits  | 386,568   | 386,568   | 46,688  | 35  | 1,157,188 | 527,406     | 183,843   | Investee accounted for using equity method     |
| VTAF II            | Cayman Islands               |  | Investing in new start-up technology companies  | 949,267   | 1,166,470 |         | 98  | 762,135   | 32,275      | 31,629    | Subsidiary                                     |
| Emerging Alliance  | Cayman Islands               |  | Investing in new start-up technology companies  | 892,855   | 971,785   |         | 99  | 213,235   | (11,185)    | (11,129)  | Subsidiary (Note 3)                            |
| TSMC Europe        | Amsterdam, the Netherlands   |  | Marketing and engineering supporting activities   | 15,749    | 15,749    |         | 100 | 205,171   | 34,937      | 34,937    | Subsidiary (Note 3)                            |
| TSMC Japan         | Yokohama, Japan              |  | Marketing activities  | 83,760    | 83,760    | 6       | 100 | 161,601   | 4,523       | 4,523     | Subsidiary (Note 3)                            |
| TSMC Korea         | Seoul, Korea                 |  | Customer service and technical supporting activities  | 13,656    | 13,656    | 80      | 100 | 23,448    | 3,263       | 3,263     | Subsidiary (Note 3)                            |
| TSMC Solar         | Motech Taipei, Taiwan        |  | Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of         | 6,228,661 | 6,228,661 | 87,480  | 20  | 5,612,344 | (2,193,504) | Note 2    | Investee accounted for using equity method     |
|                    |                              |  |   | (Note 4)  | (Note 4)  |         |     |           |             |           |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|          |                   |                            |  |                       |                       |     |           |           |          |  |            |
|----------|-------------------|----------------------------|--|-----------------------|-----------------------|-----|-----------|-----------|----------|--|------------|
|          |                   |                            | solar power systems  |                       |                       |     |           |           |          |  |            |
|          | VTAF III          | Cayman Islands             | Investing in new start-up technology companies                 | 1,795,131<br>(Note 4) | 3,565,441<br>(Note 4) | 46  | 1,681,719 | (280,045) | Note 2   | Investee accounted for using equity method |            |
|          | TSMC Solar Europe | Amsterdam, the Netherlands | Investing in solar related business                            | 411,032<br>(Note 4)   | 25,350<br>(Note 4)    | 100 | 204,163   | (196,659) | Note 2   | Subsidiary                                 |            |
|          | TSMC Solar NA     | Delaware, U.S.A.           | Selling and marketing of solar related products                | 147,686<br>(Note 4)   | 60,962<br>(Note 4)    | 1   | 100       | 52,187    | (63,192) | Note 2                                     | Subsidiary |
| TSMC SSL | TSMC Lighting NA  | Delaware, U.S.A.           | Selling and marketing of solid state lighting related products | 3,133<br>(Note 4)     | 3,133<br>(Note 4)     | 1   | 100       | 2,994     | (34)     | Note 2                                     | Subsidiary |

(Continued)

| Investor Company | Investee Company                | Location           | Main Businesses and Products   | Original Investment Amount                          |   | Balance as of December 31, 2011 |                         |  | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands) | Note  |
|------------------|---------------------------------|--------------------|--|---|---|---------------------------------|-------------------------|--|---|--|---|
|                  |                                 |                    |  | December 31, 2011 (Foreign Currencies in Thousands) | December 31, 2010 (Foreign Currencies in Thousands) | Shares (In Thousands)           | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) |   |  |   |
| TSMC Partners    | TSMC Development                | Delaware, U.S.A.   | Investment activities  | US\$ 0.001  | US\$ 0.001  | 1                               | 100                     | US\$ 460,034                                     | US\$ 56,777   | Note 2   | Subsidiary  |
|                  | VisEra Holding Company          | 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\$ 94,208                                      | US\$ 29,054   | Note 2   | Investee accounted for using equity method          |
|                  | ISDF                            | Cayman Islands     | Investing in new start-up technology companies   | US\$ 787  | US\$ 4,088  | 787                             | 97                      | US\$ 11,112                                      | US\$ 3,656  | Note 2   | Subsidiary  |
|                  | TSMC Technology                 | Delaware, U.S.A.   | Engineering support activities   | US\$ 0.001  | US\$ 0.001  | 1                               | 100                     | US\$ 10,615                                      | US\$ 737  | Note 2   | Subsidiary (Note 3)                                 |
|                  | ISDF II                         | Cayman Islands     | Investing in new start-up technology companies   | US\$ 14,153   | US\$ 16,532   | 14,153                          | 97                      | US\$ 9,994                                       | US\$ (642)  | Note 2   | Subsidiary  |
|                  | TSMC Canada                     | Ontario, Canada    | Engineering support activities   | US\$ 2,300  | US\$ 2,300  | 2,300                           | 100                     | US\$ 4,059                                       | US\$ 435  | Note 2   | Subsidiary (Note 3)                                 |
|                  | Mcube Inc. (common stock)       | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device  | US\$ 800  | US\$ 800  | 5,333                           | 80                      |  | US\$ (13,586)   | Note 2   | Investee accounted for using equity method (Note 3) |
|                  | Mcube Inc. (preferred stock)    | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device  | US\$ 1,000  | US\$ 1,000  | 1,000                           | 5                       |  | US\$ (13,586)   | Note 2   | Investee accounted for using equity method (Note 3) |
| TSMC Development | WaferTech                       | 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\$ 220,119                                     | US\$ 54,908   | Note 2   | Subsidiary  |
| VTAF III         | Mutual-Pak Technology Co., Ltd. | 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\$ 1,204                                       | US\$ (1,458)  | Note 2   | Subsidiary (Note 3)                                 |
|                  | Growth Fund                     | Cayman Islands     | Investing in new start-up technology companies   | US\$ 1,830  | US\$ 1,700  |                                 | 100                     | US\$ 510   | US\$ (466)  | Note 2   | Subsidiary (Note 3)                                 |
|                  | VTA Holdings                    | Delaware, U.S.A.   | Investing in new start-up technology companies   |   |   |                                 | 62                      |  |   | Note 2   | Subsidiary (Note 3)                                 |
| VTAF II          | VTA Holdings                    | Delaware, U.S.A.   | Investing in new start-up technology companies   |   |   |                                 | 31                      |  |   | Note 2   | Subsidiary (Note 3)                                 |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                   |                        |                  |  |           |         |   |     |           |            |        |                     |
|-------------------|------------------------|------------------|--|-----------|---------|---|-----|-----------|------------|--------|---------------------|
| Emerging Alliance | VTA Holdings           | Delaware, U.S.A. | Investing in new start-up technology companies                   |           |         |   | 7   |           |            | Note 2 | Subsidiary (Note 3) |
| TSMC Solar Europe | TSMC Solar Europe GmbH | Hamburg, Germany | Selling of solar related products and providing customer service | EUR 9,900 | EUR 100 | 1 | 100 | EUR 5,103 | EUR(4,787) | Note 2 | Subsidiary          |

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 unaudited financial statements.

Note 4: In August 2011, the Company adjusted its investment structure by transferring TSMC Lighting NA to TSMC SSL and transferring Motech, TSMC Solar Europe, TSMC Solar NA and part of VTAF III to TSMC Solar.

(Concluded)



**TABLE 8****Taiwan Semiconductor Manufacturing Company Limited and Investees****INFORMATION OF INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2011**

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

| Investee Company                           | Main Businesses and Products   | Total Amount of Paid-in Capital (Foreign Currencies in Thousands) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2011 (US\$ in Thousand) | Investment Flows               |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2011 (US\$ in Thousands) | Percentage of Ownership | Equity in the Earnings (Losses) | Carrying Value as of December 31, 2011 (US\$ in Thousands) | Accumulated Inward Remittance of Earnings as of December 31, 2011 |
|--|--|---|----------------------|--|--------------------------------|--------|---|-------------------------|---------------------------------|--|---|
|  |  |   |                      |  | Outflow (US\$ in Thousands)    | Inflow |   |                         |                                 |  |   |
| TSMC China                                 | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$ 18,939,667<br>(RMB 4,502,080)                                  | (Note1)              | \$ 12,180,367<br>(US\$ 371,000)  | \$ 6,759,300<br>(US\$ 225,000) | \$     | \$ 18,939,667<br>(US\$ 596,000)   | 100%                    | \$ 2,098,233<br>(Note 3)        | \$ 13,542,181  | \$  |
| Shanghai Walden Venture Capital Enterprise | Investing in new start-up technology companies   | 953,709<br>(US\$ 31,488)  | (Note2)              |  | 147,485<br>(US\$ 5,000)        |        | 147,485<br>(US\$ 5,000)   | 8%                      | (Note 4)                        | 151,440<br>(US\$ 5,000)                                    |   |

| Accumulated Investment in Mainland China as of December 31, 2011<br>(US\$ in Thousand) | Investment Amounts Authorized by Investment Commission, MOEA<br>(US\$ in Thousand) | Upper Limit on Investment<br>(US\$ in Thousand) |
|--|--|---|
| \$ 19,087,152  | \$ 19,087,152  | \$ 19,087,152                                   |
| (US\$ 601,000)   | (US\$ 601,000)   | (US\$ 601,000)                                  |

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

Note 2: TSMC indirectly invested in China company through third region, TSMC Partners.

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

Note 4: TSMC Partners invested in financial assets carried at cost, equity in the earnings from which was not recognized.

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Years Ended December 31, 2011 and 2010 and  
Independent Auditors Report**

**REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2011, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, Consolidated Financial Statements. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

/S/ MORRIS CHANG  
MORRIS CHANG  
Chairman

February 14, 2012

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2011 and 2010, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

February 14, 2012

*Notice to Readers*

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Par Value)

|   | 2011           |       | 2010           |       |
|---|----------------|-------|----------------|-------|
|   | Amount         | %     | Amount         | %     |
| <b>ASSETS</b>   |                |       |                |       |
| <b>CURRENT ASSETS</b>   |                |       |                |       |
| Cash and cash equivalents (Notes 2 and 4)                                 | \$ 143,472,277 | 19    | \$ 147,886,955 | 20    |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 26) | 15,360         |       | 6,886          |       |
| Available-for-sale financial assets (Notes 2, 6 and 26)                   | 3,308,770      |       | 28,883,728     | 4     |
| Held-to-maturity financial assets (Notes 2, 7 and 26)                     | 3,825,680      | 1     | 4,796,589      | 1     |
| Receivables from related parties (Notes 3 and 27)                         | 185,764        |       | 2,722          |       |
| Notes and accounts receivable (Note 3)                                    | 46,321,240     | 6     | 51,029,885     | 7     |
| Allowance for doubtful receivables (Notes 2, 3 and 8)                     | (490,952)      |       | (504,029)      |       |
| Allowance for sales returns and others (Notes 2 and 8)                    | (5,068,263)    | (1)   | (7,546,264)    | (1)   |
| Other receivables from related parties (Notes 3 and 27)                   | 122,292        |       | 124,586        |       |
| Other financial assets (Note 28)  | 617,142        |       | 1,021,552      |       |
| Inventories (Notes 2 and 9)   | 24,840,582     | 3     | 28,405,984     | 4     |
| Deferred income tax assets (Notes 2 and 20)                               | 5,936,490      | 1     | 5,373,076      | 1     |
| Prepaid expenses and other current assets                                 | 2,174,014      |       | 2,037,647      |       |
| Total current assets  | 225,260,396    | 29    | 261,519,317    | 36    |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 26)</b>               |                |       |                |       |
| Investments accounted for using equity method                             | 24,900,332     | 3     | 25,815,385     | 4     |
| Available-for-sale financial assets                                       |                |       | 1,033,049      |       |
| Held-to-maturity financial assets   | 5,243,167      | 1     | 8,502,887      | 1     |
| Financial assets carried at cost  | 4,315,005      | 1     | 4,424,207      | 1     |
| Total long-term investments   | 34,458,504     | 5     | 39,775,528     | 6     |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 27 and 28)</b>             |                |       |                |       |
| Cost  |                |       |                |       |
| Land and land improvements  | 1,541,128      |       | 891,197        |       |
| Buildings   | 172,872,550    | 22    | 145,966,024    | 20    |
| Machinery and equipment   | 1,057,588,736  | 137   | 913,155,252    | 127   |
| Office equipment  | 16,969,266     | 2     | 14,856,582     | 2     |
| Leased assets   | 791,480        |       | 701,552        |       |
|   | 1,249,763,160  | 161   | 1,075,570,607  | 149   |
| Accumulated depreciation  | (876,252,220)  | (113) | (773,278,157)  | (107) |
| Advance payments and construction in progress                             | 116,863,976    | 15    | 86,151,573     | 12    |
| Net property, plant and equipment   | 490,374,916    | 63    | 388,444,023    | 54    |
| <b>INTANGIBLE ASSETS</b>  |                |       |                |       |
| Goodwill (Note 2)   | 5,693,999      | 1     | 5,704,897      | 1     |
| Deferred charges, net (Notes 2 and 14)                                    | 5,167,564      |       | 6,027,085      | 1     |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|   |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
| Total intangible assets                     | 10,861,563            | 1          | 11,731,982            | 2          |
| <b>OTHER ASSETS</b>                         |                       |            |                       |            |
| Deferred income tax assets (Notes 2 and 20) | 7,436,717             | 1          | 7,362,784             | 1          |
| Refundable deposits                         | 4,518,863             | 1          | 8,677,970             | 1          |
| Others (Notes 2 and 28)                     | 1,353,983             |            | 1,417,300             |            |
| <b>Total other assets</b>                   | <b>13,309,563</b>     | <b>2</b>   | <b>17,458,054</b>     | <b>2</b>   |
| <b>TOTAL</b>                                | <b>\$ 774,264,942</b> | <b>100</b> | <b>\$ 718,928,904</b> | <b>100</b> |

|   | 2011               |           | 2010               |           |
|---|--------------------|-----------|--------------------|-----------|
|   | Amount             | %         | Amount             | %         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                    |           |                    |           |
| <b>CURRENT LIABILITIES</b>  |                    |           |                    |           |
| Short-term loans (Note 15)  | \$ 25,926,528      | 3         | \$ 31,213,944      | 4         |
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 26)              | 13,742             |           | 19,002             |           |
| Hedging derivative financial liabilities (Notes 2, 11 and 26)                               | 232                |           | 814                |           |
| Accounts payable  | 10,530,487         | 1         | 12,104,173         | 2         |
| Payables to related parties (Note 27)   | 1,328,521          |           | 867,085            |           |
| Income tax payable (Notes 2 and 20)   | 10,656,124         | 1         | 7,184,697          | 1         |
| Salary and bonus payable  | 6,148,499          | 1         | 6,424,064          | 1         |
| Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22) | 9,081,293          | 1         | 11,096,147         | 2         |
| Payables to contractors and equipment suppliers   | 35,540,526         | 5         | 43,259,857         | 6         |
| Accrued expenses and other current liabilities (Notes 18, 26 and 30)                        | 13,218,235         | 2         | 10,779,923         | 1         |
| Current portion of bonds payable and long-term bank loans (Notes 16, 17, 26 and 28)         | 4,562,500          | 1         | 241,407            |           |
| <b>Total current liabilities</b>  | <b>117,006,687</b> | <b>15</b> | <b>123,191,113</b> | <b>17</b> |
| <b>LONG-TERM LIABILITIES</b>  |                    |           |                    |           |
| Bonds payable (Notes 16 and 26)   | 18,000,000         | 3         | 4,500,000          | 1         |
| Long-term bank loans (Notes 17, 26 and 28)  | 1,587,500          |           | 301,561            |           |
| Other long-term payables (Notes 18, 26 and 30)  |                    |           | 6,554,208          | 1         |
| Obligations under capital leases (Notes 2, 13 and 26)                                       | 870,993            |           | 694,986            |           |
| <b>Total long-term liabilities</b>  | <b>20,458,493</b>  | <b>3</b>  | <b>12,050,755</b>  | <b>2</b>  |
| <b>OTHER LIABILITIES</b>  |                    |           |                    |           |
| Accrued pension cost (Notes 2 and 19)   | 3,908,508          |           | 3,812,351          | 1         |
| Guarantee deposits (Note 30)  | 443,983            |           | 789,098            |           |
| Deferred credits  | 26,533             |           | 126,539            |           |
| Others  | 377,187            |           | 254,643            |           |
| <b>Total other liabilities</b>  | <b>4,756,211</b>   |           | <b>4,982,631</b>   | <b>1</b>  |
| <b>Total liabilities</b>  | <b>142,221,391</b> | <b>18</b> | <b>140,224,499</b> | <b>20</b> |
| <b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>                                    |                    |           |                    |           |
| Capital stock - NT\$10 par value (Note 22)  |                    |           |                    |           |
| Authorized: 28,050,000 thousand shares  |                    |           |                    |           |
| Issued: 25,916,222 thousand shares in 2011  |                    |           |                    |           |
| 25,910,078 thousand shares in 2010  | 259,162,226        | 33        | 259,100,787        | 36        |
| Capital surplus (Notes 2 and 22)  | 55,846,357         | 7         | 55,698,434         | 8         |
| Retained earnings (Note 22)   |                    |           |                    |           |
| Appropriated as legal capital reserve   | 102,399,995        | 13        | 86,239,494         | 12        |
| Appropriated as special capital reserve   | 6,433,874          | 1         | 1,313,047          |           |
| Unappropriated earnings   | 213,357,286        | 28        | 178,227,030        | 24        |
|   | 322,191,155        | 42        | 265,779,571        | 36        |
| Others (Notes 2, 11, 24 and 26)   |                    |           |                    |           |
| Cumulative translation adjustments  | (6,433,369)        | (1)       | (6,543,163)        | (1)       |
| Unrealized gain (loss) on financial instruments   | (1,172,855)        |           | 109,289            |           |
|   | (7,606,224)        | (1)       | (6,433,874)        | (1)       |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|   |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
| Equity attributable to shareholders of the parent | 629,593,514           | 81         | 574,144,918           | 79         |
| MINORITY INTERESTS (Note 2)                       | 2,450,037             | 1          | 4,559,487             | 1          |
| Total shareholders' equity                        | 632,043,551           | 82         | 578,704,405           | 80         |
| <b>TOTAL</b>                                      | <b>\$ 774,264,942</b> | <b>100</b> | <b>\$ 718,928,904</b> | <b>100</b> |

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



## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

|   | 2011           |     | 2010           |     |
|---|----------------|-----|----------------|-----|
|   | Amount         | %   | Amount         | %   |
| GROSS SALES (Notes 2 and 27)  | \$ 430,490,500 |     | \$ 431,630,858 |     |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8)                              | 3,409,855      |     | 12,092,947     |     |
| NET SALES   | 427,080,645    | 100 | 419,537,911    | 100 |
| COST OF SALES (Notes 9, 21 and 27)  | 232,937,388    | 55  | 212,484,320    | 51  |
| GROSS PROFIT BEFORE AFFILIATES ELIMINATION                                | 194,143,257    | 45  | 207,053,591    | 49  |
| UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)                          | (74,029)       |     |                |     |
| GROSS PROFIT  | 194,069,228    | 45  | 207,053,591    | 49  |
| OPERATING EXPENSES (Notes 21 and 27)                                      |                |     |                |     |
| Research and development  | 33,829,880     | 8   | 29,706,662     | 7   |
| General and administrative  | 14,164,114     | 3   | 12,803,997     | 3   |
| Marketing   | 4,517,816      | 1   | 5,367,597      | 1   |
| Total operating expenses  | 52,511,810     | 12  | 47,878,256     | 11  |
| INCOME FROM OPERATIONS  | 141,557,418    | 33  | 159,175,335    | 38  |
| NON-OPERATING INCOME AND GAINS  |                |     |                |     |
| Interest income   | 1,479,514      | 1   | 1,665,193      |     |
| Settlement income (Note 30)   | 947,340        |     | 6,939,764      | 2   |
| Equity in earnings of equity method investees, net (Notes 2 and 10)       | 897,611        |     | 2,298,159      | 1   |
| Valuation gain on financial instruments, net (Notes 2, 5 and 26)          | 507,432        |     | 320,730        |     |
| Technical service income (Notes 27 and 30)                                | 407,089        |     | 450,503        |     |
| Gain on settlement and disposal of financial assets, net (Notes 2 and 26) | 233,214        |     | 736,843        |     |
| Others (Notes 2 and 27)   | 886,327        |     | 724,880        |     |
| Total non-operating income and gains                                      | 5,358,527      | 1   | 13,136,072     | 3   |

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

|  | 2011                  |           | 2010                  |           |
|--|-----------------------|-----------|-----------------------|-----------|
|  | Amount                | %         | Amount                | %         |
| <b>NON-OPERATING EXPENSES AND LOSSES</b>                   |                       |           |                       |           |
| Interest expense   | \$ 626,725            |           | \$ 425,356            |           |
| Impairment of financial assets (Notes 2, 12 and 26)        | 265,515               |           | 159,798               |           |
| Loss on disposal of property, plant and equipment (Note 2) | 200,673               |           | 849,254               |           |
| Foreign exchange loss, net (Note 2)                        | 185,555               |           | 99,130                |           |
| Impairment loss on idle assets (Note 2)                    | 98,009                |           | 319                   |           |
| Casualty loss (Note 9)                                     |                       |           | 190,992               |           |
| Others (Note 2)  | 391,791               |           | 316,163               |           |
| <b>Total non-operating expenses and losses</b>             | <b>1,768,268</b>      |           | <b>2,041,012</b>      |           |
| <b>INCOME BEFORE INCOME TAX</b>                            | <b>145,147,677</b>    | <b>34</b> | <b>170,270,395</b>    | <b>41</b> |
| <b>INCOME TAX EXPENSE (Notes 2 and 20)</b>                 | <b>10,694,417</b>     | <b>3</b>  | <b>7,988,465</b>      | <b>2</b>  |
| <b>NET INCOME</b>  | <b>\$ 134,453,260</b> | <b>31</b> | <b>\$ 162,281,930</b> | <b>39</b> |
| <b>ATTRIBUTABLE TO:</b>                                    |                       |           |                       |           |
| Shareholders of the parent                                 | \$ 134,201,279        | 31        | \$ 161,605,009        | 39        |
| Minority interests   | 251,981               |           | 676,921               |           |
|  | \$ 134,453,260        | 31        | \$ 162,281,930        | 39        |

|   | 2011  |                  | 2010  |                  |
|---|---|------------------|---|------------------|
|   | Income Attributable to Shareholders of the Parent |                  | Income Attributable to Shareholders of the Parent |                  |
|   | Before Income Tax                                 | After Income Tax | Before Income Tax                                 | After Income Tax |
| <b>EARNINGS PER SHARE (NT\$, Note 25)</b> |   |                  |   |                  |
| Basic earnings per share                  | \$ 5.59   | \$ 5.18          | \$ 6.54   | \$ 6.24          |
| Diluted earnings per share                | \$ 5.59   | \$ 5.18          | \$ 6.54   | \$ 6.23          |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

| Capital Stock - Common Stock |                | Equity Attributable to Shareholders of the Parent |                       |                         |                         |                | Others Unrealized Gain (Loss) On Financial Instruments |            | Treasury Stock | Total          | Minority Interests |
|------------------------------|----------------|---|-----------------------|-------------------------|-------------------------|----------------|--|------------|----------------|----------------|--------------------|
| Shares (In Thousands)        | Amount         | Capital Surplus                                   | Legal Capital Reserve | Special Capital Reserve | Unappropriated Earnings | Total          | Cumulative Translation Adjustments                     |            |                |                |                    |
| 25,902,706                   | \$ 259,027,066 | \$ 55,486,010                                     | \$ 77,317,710         | \$                      | \$ 104,564,972          | \$ 181,882,682 | \$ (1,766,667)   | \$ 453,621 | \$             | \$ 495,082,712 | \$ 3,965,000       |
|                              |                |   | 8,921,784             |                         | (8,921,784)             |                |  |            |                |                |                    |
|                              |                |   |                       | 1,313,047               | (1,313,047)             |                |  |            |                |                |                    |
|                              |                |   |                       |                         | (77,708,120)            | (77,708,120)   |  |            |                | (77,708,120)   |                    |
|                              |                |   |                       |                         | 161,605,009             | 161,605,009    |  |            |                | 161,605,009    | 676,000            |
|                              |                | (17,885)  |                       |                         |                         |                |  |            |                | (17,885)       | 4,000              |
|                              |                |   |                       |                         |                         |                | (4,776,496)  |            |                | (4,776,496)    | 7,000              |
| 7,372                        | 73,721         | 171,103   |                       |                         |                         |                |  |            |                | 244,824        |                    |
|                              |                |   |                       |                         |                         |                |  | (337,970)  |                | (337,970)      | 3,000              |
|                              |                | 59,206  |                       |                         |                         |                |  | (6,031)    |                | 53,175         | 31,000             |
|                              |                |   |                       |                         |                         |                |  | (331)      |                | (331)          | (130,000)          |
| 25,910,078                   | 259,100,787    | 55,698,434  | 86,239,494            | 1,313,047               | 178,227,030             | 265,779,571    | (6,543,163)  | 109,289    |                | 574,144,918    | 4,559,000          |
|                              |                |   | 16,160,501            |                         | (16,160,501)            |                |  |            |                |                |                    |
|                              |                |   |                       | 5,120,827               | (5,120,827)             |                |  |            |                |                |                    |
|                              |                |   |                       |                         | (77,730,236)            | (77,730,236)   |  |            |                | (77,730,236)   |                    |
|                              |                |   |                       |                         | 134,201,279             | 134,201,279    |  |            |                | 134,201,279    | 251,000            |
|                              |                | 59,898  |                       |                         |                         |                |  |            |                | 59,898         | 1,000              |

|            |                |               |                |              |                |                |                |                |             |  |  |  |  |  |  |  |  |                |          |        |          |
|------------|----------------|---------------|----------------|--------------|----------------|----------------|----------------|----------------|-------------|--|--|--|--|--|--|--|--|----------------|----------|--------|----------|
|            |                |               |                |              |                |                |                |                | 109,794     |  |  |  |  |  |  |  |  | 109,794        |          | 7,     |          |
| 7,144      | 71,439         | 146,258       |                |              |                |                |                |                |             |  |  |  |  |  |  |  |  |                | 217,697  |        |          |
|            |                |               |                |              |                |                |                |                | (1,241,249) |  |  |  |  |  |  |  |  | (1,241,249)    |          | (3,    |          |
|            |                | (56,094)      |                |              |                |                |                |                | (41,133)    |  |  |  |  |  |  |  |  | (97,227)       |          |        |          |
|            |                |               |                |              |                |                |                |                |             |  |  |  |  |  |  |  |  |                | 238      |        | 238      |
|            |                |               |                |              |                |                |                |                |             |  |  |  |  |  |  |  |  |                | (71,598) |        | (71,598) |
| (1,000)    | (10,000)       | (2,139)       |                |              |                | (59,459)       | (59,459)       |                |             |  |  |  |  |  |  |  |  |                | 71,598   |        |          |
|            |                |               |                |              |                |                |                |                |             |  |  |  |  |  |  |  |  |                |          |        | (379,    |
|            |                |               |                |              |                |                |                |                |             |  |  |  |  |  |  |  |  |                |          |        | (1,987,  |
| 25,916,222 | \$ 259,162,226 | \$ 55,846,357 | \$ 102,399,995 | \$ 6,433,874 | \$ 213,357,286 | \$ 322,191,155 | \$ (6,433,369) | \$ (1,172,855) | \$          |  |  |  |  |  |  |  |  | \$ 629,593,514 | \$       | 2,450, |          |

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|   | 2011               | 2010               |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                    |                    |
| Net income attributable to shareholders of the parent                             | \$ 134,201,279     | \$ 161,605,009     |
| Net income attributable to minority interests                                     | 251,981            | 676,921            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                    |
| Depreciation and amortization   | 107,681,521        | 87,810,103         |
| Unrealized gross profit from affiliates   | 74,029             |                    |
| Amortization of premium/discount of financial assets                              | 24,711             | 34,142             |
| Impairment of financial assets  | 265,515            | 159,798            |
| Gain on disposal of available-for-sale financial assets, net                      | (212,442)          | (603,368)          |
| Gain on disposal of financial assets carried at cost, net                         | (20,772)           | (133,475)          |
| Equity in earnings of equity method investees, net                                | (897,611)          | (2,298,159)        |
| Cash dividends received from equity method investees                              | 2,848,141          | 320,002            |
| Loss (gain) on disposal of property, plant and equipment and other assets, net    | (3,286)            | 633,230            |
| Settlement income from receiving equity securities                                | (158,779)          | (4,434,364)        |
| Impairment loss on idle assets  | 98,009             | 319                |
| Deferred income tax   | (491,122)          | (377,248)          |
| Changes in operating assets and liabilities:                                      |                    |                    |
| Financial assets and liabilities at fair value through profit or loss             | (13,734)           | 198,172            |
| Receivables from related parties  | 123,265            | 9,802              |
| Notes and accounts receivable   | 3,627,110          | (6,392,243)        |
| Allowance for doubtful receivables  | (12,844)           | (39,296)           |
| Allowance for sales returns and others  | (2,478,001)        | (1,178,217)        |
| Other receivables from related parties  | 2,294              | (3,294)            |
| Other financial assets  | 376,342            | 740,959            |
| Inventories   | 2,611,297          | (7,492,233)        |
| Prepaid expenses and other current assets   | (403,762)          | (752,408)          |
| Accounts payable  | (1,968,820)        | 933,894            |
| Payables to related parties   | 462,578            | 84,078             |
| Income tax payable  | 3,490,268          | (1,615,552)        |
| Salary and bonus payable  | (275,565)          | (2,892,971)        |
| Accrued profit sharing to employees and bonus to directors and supervisors        | (1,925,594)        | 4,277,804          |
| Accrued expenses and other current liabilities                                    | 304,582            | 248,192            |
| Accrued pension cost  | 98,915             | 15,319             |
| Deferred credits  | (92,454)           | (59,150)           |
| <b>Net cash provided by operating activities</b>                                  | <b>247,587,051</b> | <b>229,475,766</b> |

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|  | 2011             | 2010             |
|--|------------------|------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |                  |                  |
| Acquisitions of:   |                  |                  |
| Property, plant and equipment                                | \$ (213,962,521) | \$ (186,944,203) |
| Available-for-sale financial assets                          | (35,088,394)     | (48,340,334)     |
| Held-to-maturity financial assets                            | (584,280)        | (4,101,501)      |
| Investments accounted for using equity method                |                  | (6,242,350)      |
| Financial assets carried at cost                             | (403,908)        | (1,812,928)      |
| Proceeds from disposal or redemption of:                     |                  |                  |
| Available-for-sale financial assets                          | 59,305,023       | 37,816,288       |
| Held-to-maturity financial assets                            | 4,789,000        | 15,943,000       |
| Financial assets carried at cost                             | 226,226          | 242,335          |
| Property, plant and equipment and other assets               | 698,055          | 115,524          |
| Increase in deferred charges                                 | (1,715,892)      | (1,801,728)      |
| Decrease (increase) in refundable deposits                   | 4,149,543        | (5,944,827)      |
| Decrease (increase) in other assets                          | 63,723           | (1,015,458)      |
| Net cash used in investing activities                        | (182,523,425)    | (202,086,182)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |                  |                  |
| Increase (decrease) in short-term loans                      | (5,287,416)      | 31,213,944       |
| Proceeds from long-term bank loans                           | 2,250,000        |                  |
| Repayment of long-term bank loans                            | (1,142,968)      | (967,034)        |
| Proceeds from issuance of bonds                              | 18,000,000       |                  |
| Decrease in other long-term payables                         | (3,633,052)      | (1,107,333)      |
| Decrease in guarantee deposits                               | (342,242)        | (232,925)        |
| Proceeds from donation                                       |                  | 49,021           |
| Proceeds from exercise of employee stock options             | 217,697          | 244,824          |
| Acquisition of treasury stock                                | (71,598)         |                  |
| Cash dividends   | (77,730,236)     | (77,708,120)     |
| Decrease in minority interests                               | (118,226)        | (130,083)        |
| Net cash used in financing activities                        | (67,858,041)     | (48,637,706)     |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                    | (2,794,415)      | (21,248,122)     |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (147,682)        | (2,141,264)      |
| EFFECT OF CHANGES IN CONSOLIDATED ENTITIES                   | (1,472,581)      |                  |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                 | 147,886,955      | 171,276,341      |
| CASH AND CASH EQUIVALENTS, END OF YEAR                       | \$ 143,472,277   | \$ 147,886,955   |

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

|  | 2011           | 2010           |
|--|----------------|----------------|
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>  |                |                |
| Interest paid  | \$ 531,518     | \$ 392,805     |
| Income tax paid  | \$ 7,677,085   | \$ 9,818,418   |
| <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>                                 |                |                |
| Acquisition of property, plant and equipment   | \$ 207,175,565 | \$ 201,696,476 |
| Decrease (increase) in payables to contractors and equipment suppliers                             | 6,846,682      | (14,599,987)   |
| Nonmonetary exchange trade-out price   | (3,164)        | (124,746)      |
| Increase in other liabilities  | (56,562)       | (27,540)       |
| Cash paid  | \$ 213,962,521 | \$ 186,944,203 |
| Disposal of property, plant and equipment and other assets   | \$ 543,219     | \$ 458,561     |
| Decrease (increase) in other financial assets  | 158,000        | (218,291)      |
| Nonmonetary exchange trade-out price   | (3,164)        | (124,746)      |
| Cash received  | \$ 698,055     | \$ 115,524     |
| Acquisition of available-for-sale financial assets   | \$ 35,024,974  | \$ 48,405,875  |
| Decrease (increase) in accrued expenses and other current liabilities                              | 63,420         | (65,541)       |
| Cash paid  | \$ 35,088,394  | \$ 48,340,334  |
| <b>NON-CASH FINANCING ACTIVITIES</b>   |                |                |
| Current portion of bonds payable   | \$ 4,500,000   | \$             |
| Current portion of long-term bank loans  | \$ 62,500      | \$ 241,407     |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 3,399,855   | \$ 1,406,601   |

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 YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

**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 solid state lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products. In August 2011, TSMC transferred its solid state lighting and solar businesses into its wholly-owned, newly incorporated subsidiaries, TSMC Solid State Lighting Ltd. (TSMC SSL) and TSMC Solar Ltd. (TSMC Solar), respectively.

On September 5, 1994, TSMC's 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 December 31, 2011 and 2010, TSMC and its subsidiaries had 35,457 and 35,029 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<br>December 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)                    | 53%                                    | 99%   | (Note 1)  |
|   | 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)                                  | (Note 2)                               | 35%   |   |
|   | Xintec Inc. (Xintec)  | 40%                                    | 41%   | TSMC obtained three out of five director positions and has a controlling interest in Xintec |
|   |   | TSMC SSL                               | 100%  |   |
|   | TSMC Solar  | 100%                                   |       | Established in August 2011  |
| 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)              |  |       |   |
|   | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | 97%                                    | 97%   |   |
| TSMC Development                        | WaferTech, LLC (WaferTech)  | 100%                                   | 100%  |   |
| VTAF III                                | Mutual-Pak Technology Co., Ltd. (Mutual-Pak)                      | 57%                                    | 57%   |   |
|   | 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)                                  | (Note 2)                               | 100%  |   |
|   | Global Unichip Japan Co., Ltd. (GUC-Japan)                        | (Note 2)                               | 100%  |   |
|   | Global Unichip Europe B.V. (GUC-Europe)                           | (Note 2)                               | 100%  |   |
|   | Global Unichip (BVI) Corp. (GUC-BVI)                              | (Note 2)                               | 100%  |   |
| GUC-BVI                                 | Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)         | (Note 2)                               | 100%  |   |
| TSMC SSL                                | TSMC Lighting North America, Inc. (TSMC Lighting NA)              | 100%                                   | 100%  | Established in September 2010<br>(Note 1)   |
| TSMC Solar                              | TSMC Solar North America, Inc. (TSMC Solar NA)                    | 100%                                   | 100%  | Established in September 2010<br>(Note 1)   |

(Continued)

| Name of Investor  | Name of Investee                           | Percentage of Ownership<br>December 31 |      | Remark                        |
|-------------------|--|--|------|-------------------------------|
|                   |  | 2011                                   | 2010 |                               |
| TSMC Solar        |  | 100%                                   | 100% | Established in September 2010 |
|                   | TSMC Solar Europe B.V. (TSMC Solar Europe) |  |      | (Note 1)                      |
|                   | VentureTech Alliance Fund III, L.P.        | 46%                                    |      |                               |
|                   | (VTAF III)                                 |  |      | (Note 1)                      |
| TSMC Solar Europe | TSMC Solar Europe GmbH                     | 100%                                   | 100% | Established in December 2010  |
|                   |  |  |      | (Note 1)                      |

(Concluded)

Note 1: In August 2011, TSMC adjusted its investment structure by transferring TSMC Lighting NA to TSMC SSL and transferring TSMC Solar Europe, TSMC Solar NA and part of VTAF III to TSMC Solar.

Note 2: TSMC has no controlling interest over the financial, operating and personnel hiring policy decisions of GUC and its subsidiaries since July 2011. As a result, GUC and its subsidiaries are no longer consolidated.

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

TSMC has no controlling interest over the financial, operating and personnel hiring decisions of GUC and its subsidiaries since July 2011. As a result, GUC and its subsidiaries are no longer consolidated and are accounted for using the equity method.

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. Xintec is engaged in the provision of wafer packaging service. TSMC SSL is engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems. TSMC Lighting NA is engaged in selling and marketing of solid state lighting related products. TSMC Solar is engaged in researching, developing, designing, manufacturing and selling renewable energy and energy saving related technologies and products. TSMC Solar NA is engaged in selling and marketing of solar 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.

To foster a stronger sense of corporate entrepreneurship and facilitate business specializations in order to strengthen overall profitability and operational efficiency, TSMC transferred its solid state lighting and solar businesses into its wholly-owned, newly incorporated subsidiaries, TSMC SSL and TSMC Solar, in August 2011.

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.

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

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.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at year-end; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded 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, and agency 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**

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: Money market funds' net asset values at the end of the year; publicly traded stocks' closing prices at the end of the year; and other debt securities' average of bid and asked prices at the end of the year.

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.

#### **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 year or year 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.

### **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.

### **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 (SFAS No. 34). One of the main revisions is that the impairment of receivables originated by the Company is subject to the provisions of SFAS No. 34. Accordingly, the Company evaluates 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 expense 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.

### **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. Cash dividends received from an investee shall reduce the carrying amount of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income.

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.

#### **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. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. 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 year of sale or disposal.

When property, plant and equipment are determined to be idle or useless, they are transferred to idle assets at the lower of the net realizable value or carrying amount. Depreciation on the idle assets is provided continuously, and the idle assets are tested for impairment on a periodical basis.

#### **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 year 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 SFAS No. 39, Accounting for Share-based Payment. The Company did not grant or modify any employee stock options since January 1, 2008.

**Treasury Stock**

Treasury stock represents the outstanding shares that the Company buys back from market, which is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus and additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus, treasury stock transactions and to retained earnings for any remaining amount. When the Company resells the treasury stock, the treasury stock shall be reversed, and if the selling price is greater than the book value, the amount in excess of the book value shall be credited to additional paid-in capital, treasury stock.

**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 year 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.

**3. ACCOUNTING CHANGES**

On January 1, 2011, the Company prospectively adopted the newly revised 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 year ended December 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 year ended December 31, 2011. The information for the year ended December 31, 2010 has been recast to reflect the new segment reporting requirement.

**4. CASH AND CASH EQUIVALENTS**

|  | December 31    |                |
|--|----------------|----------------|
|  | 2011           | 2010           |
| Cash and deposits in banks                               | \$ 139,637,363 | \$ 146,622,854 |
| Repurchase agreements collateralized by government bonds | 3,834,914      | 960,432        |
| Corporate bonds  |                | 151,840        |
| Agency bonds   |                | 151,829        |
|  | \$ 143,472,277 | \$ 147,886,955 |



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

|                                      | December 31 |           |
|--------------------------------------|-------------|-----------|
|                                      | 2011        | 2010      |
| <u>Trading financial assets</u>      |             |           |
| Forward exchange contracts           | \$ 15,360   | \$ 6,886  |
| <u>Trading financial liabilities</u> |             |           |
| Forward exchange contracts           | \$ 13,623   | \$ 19,002 |
| Cross currency swap contracts        | 119         |           |
|                                      | \$ 13,742   | \$ 19,002 |

The Company entered into derivative contracts during the years ended December 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:

|                          | Maturity Date                 | Contract Amount<br>(In Thousands) |
|--------------------------|-------------------------------|-----------------------------------|
| <u>December 31, 2011</u> |                               |                                   |
| Sell EUR/Buy NT\$        | January 2012                  | EUR38,600/NT\$1,528,206           |
| Sell US\$/Buy NT\$       | January 2012 to February 2012 | US\$16,900/NT\$510,122            |
| Sell US\$/Buy EUR        | January 2012                  | US\$2,082/EUR1,591                |
| Sell US\$/Buy JPY        | January 2012                  | US\$3,335/JPY259,830              |
| Sell RMB/Buy US\$        | January 2012                  | RMB1,118,705/US\$177,000          |
| Sell NT\$/Buy US\$       | January 2012 to February 2012 | NT\$163,491/US\$5,400             |
| <u>December 31, 2010</u> |                               |                                   |
| Sell NT\$/Buy JPY        | January 2011 to February 2011 | NT\$814,882/JPY2,278,420          |
| Sell EUR/Buy US\$        | February 2011                 | EUR3,067/US\$4,093                |
| Sell RMB/Buy US\$        | May 2011 to June 2011         | RMB529,190/US\$80,000             |
| Sell US\$/Buy NT\$       | January 2011 to March 2011    | US\$11,800/NT\$353,076            |

Outstanding cross currency swap contracts consisted of the following:

| Maturity Date            | Contract Amount<br>(In Thousands) | Range of<br>Interest Rates<br>Paid | Range of<br>Interest Rates<br>Received |
|--------------------------|-----------------------------------|------------------------------------|--|
| <u>December 31, 2011</u> |                                   |                                    |  |
| January 2012             | NT\$420,431/US\$13,880            | 0.00%                              | 0.48%                                  |

Net gains on derivative financial instruments for the years ended December 31, 2011 and 2010 were NT\$507,432 thousand and NT\$320,730 thousand, respectively.

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

|                        | December 31  |              |
|------------------------|--------------|--------------|
|                        | 2011         | 2010         |
| Publicly traded stocks | \$ 3,306,248 | \$ 4,634,170 |
| Money market funds     | 2,522        | 376,168      |
| Corporate bonds        |              | 14,871,120   |
| Agency bonds           |              | 8,021,192    |
| Government bonds       |              | 2,014,127    |
|                        | 3,308,770    | 29,916,777   |
| Current portion        | (3,308,770)  | (28,883,728) |
|                        | \$           | \$ 1,033,049 |

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

|                  | December 31  |               |
|------------------|--------------|---------------|
|                  | 2011         | 2010          |
| Corporate bonds  | \$ 8,614,527 | \$ 12,843,956 |
| Government bonds | 454,320      | 455,520       |
|                  | 9,068,847    | 13,299,476    |
| Current portion  | (3,825,680)  | (4,796,589)   |
|                  | \$ 5,243,167 | \$ 8,502,887  |

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

Movements of the allowance for doubtful receivables were as follows:

|  | Years Ended<br>December 31 |            |
|--|----------------------------|------------|
|  | 2011                       | 2010       |
| Balance, beginning of year                 | \$ 504,029                 | \$ 543,325 |
| Reversal                                   | (3,130)                    | (37,028)   |
| Write-off                                  | (9,714)                    | (2,268)    |
| Effect of changes in consolidated entities | (233)                      |            |
| Balance, end of year                       | \$ 490,952                 | \$ 504,029 |

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

|                            | Years Ended December 31 |              |
|----------------------------|-------------------------|--------------|
|                            | 2011                    | 2010         |
| Balance, beginning of year | \$ 7,546,264            | \$ 8,724,481 |
| Provision                  | 3,409,855               | 12,092,947   |
| Write-off                  | (5,887,856)             | (13,271,164) |
| Balance, end of year       | \$ 5,068,263            | \$ 7,546,264 |

## 9. INVENTORIES

|                          | December 31   |               |
|--------------------------|---------------|---------------|
|                          | 2011          | 2010          |
| Finished goods           | \$ 3,347,849  | \$ 5,118,060  |
| Work in process          | 17,940,960    | 19,376,372    |
| Raw materials            | 1,808,615     | 1,947,396     |
| Supplies and spare parts | 1,743,158     | 1,964,156     |
|                          | \$ 24,840,582 | \$ 28,405,984 |

Write-down of inventories to net realizable value in the amount of NT\$35,316 thousand and NT\$900,221 thousand, respectively, were included in the cost of sales for the year ended December 31, 2011 and 2010. Inventory losses related to earthquake in the amount of NT\$190,992 thousand were classified under non-operating expenses and losses for the year ended December 31, 2010.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|  | December 31     |                |                 |                |
|--|-----------------|----------------|-----------------|----------------|
|  | 2011            |                | 2010            |                |
|  | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership |
| <b>Common stock</b>                                      |                 |                |                 |                |
| Vanguard International Semiconductor Corporation (VIS)   | \$ 8,988,007    | 39             | \$ 9,422,452    | 38             |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 6,289,429       | 39             | 7,120,714       | 39             |
| Motech Industries Inc. (Motech)                          | 5,612,344       | 20             | 6,733,369       | 20             |
| VisEra Holding Company (VisEra Holding)                  | 2,853,364       | 49             | 2,522,267       | 49             |
| GUC  | 1,157,188       | 35             |                 |                |
| Mcube Inc. (Mcube)                                       |                 | 82             |                 | 70             |
| Aiconn Technology Corporation (Aiconn)                   |                 |                | 16,583          | 43             |
| <b>Preferred stock</b>                                   |                 |                |                 |                |
| Mcube  |                 | 5              |                 | 10             |
|  | \$ 24,900,332   |                | \$ 25,815,385   |                |

The Company has no controlling interest over the financial, operating and personnel hiring policy decisions of GUC and its subsidiaries since July 2011. However, the Company has significant influence over them and therefore, they are no longer consolidated and are accounted for using the equity method.

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 unless permitted by other related regulations.

For the years ended December 31, 2011 and 2010, equity in earnings/losses of equity method investees was a net gain of NT\$897,611 thousand and NT\$2,298,159 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except for Aiconn and Mcube. The Company believes that, had the aforementioned equity method investees' financial statements been audited, any adjustments arising would have no material effect on the Company's consolidated financial statements.

The quoted market price of publicly traded stocks in unrestricted investments accounted for using the equity method of VIS and GUC were NT\$11,273,200 thousand as of December 31, 2011 and of VIS NT\$9,297,707 thousand as of December 31, 2010.

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>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2011</b>                    | <b>2010</b>  |
| Balance, beginning of year | \$ 2,491,891                   | \$ 1,391,500 |
| Additions                  |                                | 2,055,660    |
| Deductions                 | (846,081)                      | (955,269)    |
| Balance, end of year       | \$ 1,645,810                   | \$ 2,491,891 |

Movements of the difference allocated to goodwill were as follows:

|                            | <b>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2011</b>                    | <b>2010</b>  |
| Balance, beginning of year | \$ 1,415,565                   | \$ 1,061,885 |
| Additions                  |                                | 353,680      |
| Balance, end of year       | \$ 1,415,565                   | \$ 1,415,565 |

**11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS**

|   | December 31 |        |
|---|-------------|--------|
|   | 2011        | 2010   |
| <u>Hedging derivative financial liabilities</u> |             |        |
| Interest rate swap contract                     | \$ 232      | \$ 814 |

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:

| Contract Amount<br>(In Thousands) | Maturity Date   | Range of Interest<br>Rates Paid | Range of Interest<br>Rates Received |
|-----------------------------------|-----------------|---------------------------------|-------------------------------------|
| <u>December 31, 2011</u>          |                 |                                 |                                     |
| NT\$80,000                        | August 31, 2012 | 1.38%                           | 0.63%-0.86%                         |
| <u>December 31, 2010</u>          |                 |                                 |                                     |
| NT\$128,000                       | August 31, 2012 | 1.38%                           | 0.56%-0.63%                         |

For the years ended December 31, 2011 and 2010, the adjustment for the current period to shareholders' equity amounted to net losses of NT\$98 thousand and NT\$1,166 thousand, respectively; and the amount removed from shareholders' equity and recognized as a loss from the above interest rate swap contract amounted to NT\$680 thousand and NT\$352 thousand, respectively.

**12. FINANCIAL ASSETS CARRIED AT COST**

|                            | December 31         |                     |
|----------------------------|---------------------|---------------------|
|                            | 2011                | 2010                |
| Non-publicly traded stocks | \$ 4,004,314        | \$ 4,264,956        |
| Mutual funds               | 310,691             | 159,251             |
|                            | <u>\$ 4,315,005</u> | <u>\$ 4,424,207</u> |

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 InvenSense, Inc. was listed on the NYSE in November 2011. Thus, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.

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 years ended December 31, 2011 and 2010, the Company recognized impairment on financial assets carried at cost of NT\$265,515 thousand and NT\$159,798 thousand, respectively.

### 13. PROPERTY, PLANT AND EQUIPMENT

|   | Year Ended December 31, 2011     |                |                |                  |   |                                       | Balance,<br>End of Year |
|---|----------------------------------|----------------|----------------|------------------|---|---------------------------------------|-------------------------|
|   | Balance,<br>Beginning of<br>Year | Additions      | Disposals      | Reclassification | Effect of Changes<br>in<br>Consolidated<br>Entities | Effect of<br>Exchange Rate<br>Changes |                         |
| <b>Cost</b>                                   |                                  |                |                |                  |   |                                       |                         |
| Land and land improvements                    | \$ 891,197                       | \$ 652,011     | \$             | \$               | \$  | \$ (2,080)                            | \$ 1,541,128            |
| Buildings                                     | 145,966,024                      | 26,592,895     | (47,667)       | (388)            | (242,718)   | 604,404                               | 172,872,550             |
| Machinery and equipment                       | 913,155,252                      | 146,048,745    | (2,305,971)    | (82,475)         | (375,702)   | 1,148,887                             | 1,057,588,736           |
| Office equipment                              | 14,856,582                       | 2,825,159      | (431,847)      | (72,041)         | (236,153)   | 27,566                                | 16,969,266              |
| Leased asset                                  | 701,552                          | 56,562         |                |                  |   | 33,366                                | 791,480                 |
|   | 1,075,570,607                    | \$ 176,175,372 | \$ (2,785,485) | \$ (154,904)     | \$ (854,573)  | \$ 1,812,143                          | 1,249,763,160           |
| <b>Accumulated depreciation</b>               |                                  |                |                |                  |   |                                       |                         |
| Land and land improvements                    | 328,792                          | \$ 26,805      | \$             | \$               | \$  | \$ (42)                               | 355,555                 |
| Buildings                                     | 90,472,703                       | 10,343,346     | (21,452)       | (55)             | (32,791)  | 242,296                               | 101,004,047             |
| Machinery and equipment                       | 671,268,636                      | 93,499,249     | (2,252,415)    | (31,287)         | (293,605)   | 583,777                               | 762,774,355             |
| Office equipment                              | 10,957,676                       | 1,430,941      | (427,103)      | (13,563)         | (148,862)   | 21,639                                | 11,820,728              |
| Leased asset                                  | 250,350                          | 34,646         |                |                  |   | 12,539                                | 297,535                 |
|   | 773,278,157                      | \$ 105,334,987 | \$ (2,700,970) | \$ (44,905)      | \$ (475,258)  | \$ 860,209                            | 876,252,220             |
| Advance payments and construction in progress | 86,151,573                       | \$ 31,000,193  | \$ (455,372)   | \$ (2,091)       | \$  | \$ 169,673                            | 116,863,976             |
|   | \$ 388,444,023                   |                |                |                  |   |                                       | \$ 490,374,916          |

|                                 | Year Ended December 31, 2010     |                |                |                  |                                       |    | Balance,<br>End of Year |
|---------------------------------|----------------------------------|----------------|----------------|------------------|---------------------------------------|----|-------------------------|
|                                 | Balance,<br>Beginning of<br>Year | Additions      | Disposals      | Reclassification | Effect of<br>Exchange Rate<br>Changes |    |                         |
| <b>Cost</b>                     |                                  |                |                |                  |                                       |    |                         |
| Land and land improvements      | \$ 934,090                       | \$             | \$             | \$ 320           | \$ (43,213)                           | \$ | \$ 891,197              |
| Buildings                       | 142,294,558                      | 4,361,536      | (135,497)      | 2,162            | (556,735)                             |    | 145,966,024             |
| Machinery and equipment         | 775,653,489                      | 142,125,965    | (2,287,420)    | 228,370          | (2,565,152)                           |    | 913,155,252             |
| Office equipment                | 13,667,747                       | 1,997,654      | (731,094)      | 3,704            | (81,429)                              |    | 14,856,582              |
| Leased asset                    | 714,424                          |                |                |                  | (12,872)                              |    | 701,552                 |
|                                 | 933,264,308                      | \$ 148,485,155 | \$ (3,154,011) | \$ 234,556       | \$ (3,259,401)                        |    | 1,075,570,607           |
| <b>Accumulated depreciation</b> |                                  |                |                |                  |                                       |    |                         |
| Land and land improvements      | 317,580                          | \$ 28,746      | \$             | \$               | \$ (17,534)                           |    | 328,792                 |
| Buildings                       | 81,821,718                       | 9,100,935      | (128,466)      | (495)            | (320,989)                             |    | 90,472,703              |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|   |                |               |                |              |                |                |
|---|----------------|---------------|----------------|--------------|----------------|----------------|
| Machinery and equipment                       | 600,795,474    | 75,237,057    | (2,277,047)    | 133,318      | (2,620,166)    | 671,268,636    |
| Office equipment                              | 10,589,349     | 1,165,827     | (726,539)      | (442)        | (70,519)       | 10,957,676     |
| Leased asset                                  | 219,765        | 35,084        |                |              | (4,499)        | 250,350        |
|   | 693,743,886    | \$ 85,567,649 | \$ (3,132,052) | \$ 132,381   | \$ (3,033,707) | 773,278,157    |
| Advance payments and construction in progress | 34,154,365     | \$ 53,211,321 | \$ (1,030,521) | \$ (108,035) | \$ (75,557)    | 86,151,573     |
|   | \$ 273,674,787 |               |                |              |                | \$ 388,444,023 |

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 December 31, 2011 were NT\$870,993 thousand.

During the year ended December 31, 2011, the Company capitalized the borrowing costs directly attributable to the acquisition or construction of property, plant and equipment. Information about capitalized interest was as follows:

|                      | Year Ended           |
|----------------------|----------------------|
|                      | December 31,<br>2011 |
| Capitalized interest | \$ 9,093             |
| Capitalization rates | 1.07%-1.29%          |

**14. DEFERRED CHARGES, NET**

|                                  | Year Ended December 31, 2011        |              |                |          |                  |   |                                       |                         |
|----------------------------------|-------------------------------------|--------------|----------------|----------|------------------|---|---------------------------------------|-------------------------|
|                                  | Balance,<br>Beginning<br>of<br>Year | Additions    | Amortization   | Disposal | Reclassification | Effect of<br>Changes in<br>Consolidated<br>Entities | Effect of<br>Exchange Rate<br>Changes | Balance,<br>End of Year |
| Technology license fees          | \$ 2,455,348                        | \$ 10,308    | \$ (716,067)   | \$       | \$               | \$ (66,186)   | \$ (511)                              | \$ 1,682,892            |
| Software and system design costs | 2,333,271                           | 1,360,846    | (1,152,331)    | (46)     | 2,091            | (177,916)   | 568                                   | 2,366,483               |
| Patent and others                | 1,238,466                           | 344,738      | (469,172)      |          |                  |   | 4,157                                 | 1,118,189               |
|                                  | \$ 6,027,085                        | \$ 1,715,892 | \$ (2,337,570) | \$ (46)  | \$ 2,091         | \$ (244,102)  | \$ 4,214                              | \$ 5,167,564            |

|                                  | Year Ended December 31, 2010        |              |                |           |                  |                                       |                         |  |
|----------------------------------|-------------------------------------|--------------|----------------|-----------|------------------|---------------------------------------|-------------------------|--|
|                                  | Balance,<br>Beginning<br>of<br>Year | Additions    | Amortization   | Disposals | Reclassification | Effect of<br>Exchange Rate<br>Changes | Balance,<br>End of Year |  |
| Technology license fees          | \$ 3,230,624                        | \$ 8,300     | \$ (783,557)   | \$        | \$               | \$ (19)                               | \$ 2,455,348            |  |
| Software and system design costs | 1,834,528                           | 1,547,605    | (1,054,194)    | (173)     | 5,542            | (37)                                  | 2,333,271               |  |
| Patent and others                | 1,393,402                           | 245,823      | (398,965)      |           |                  | (1,794)                               | 1,238,466               |  |
|                                  | \$ 6,458,554                        | \$ 1,801,728 | \$ (2,236,716) | \$ (173)  | \$ 5,542         | \$ (1,850)                            | \$ 6,027,085            |  |

**15. SHORT-TERM LOANS**

|   | December 31   |               |
|---|---------------|---------------|
|   | 2011          | 2010          |
| Unsecured loans:  |               |               |
| US\$856,000 thousand, due by February 2012, and annual interest at 0.45%-1.00% in 2011; US\$874,000 thousand and EUR114,900 thousand, due by February 2011, annual interest at 0.38%-1.84% in 2010. | \$ 25,926,528 | \$ 31,213,944 |

**16. BONDS PAYABLE**

|   | December 31   |              |
|---|---------------|--------------|
|   | 2011          | 2010         |
| Domestic unsecured bonds:   |               |              |
| Issued in September 2011 and repayable in September 2016, 1.40% interest payable annually | \$ 10,500,000 | \$           |
| Issued in September 2011 and repayable in September 2018, 1.63% interest payable annually | 7,500,000     |              |
| Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually     | 4,500,000     | 4,500,000    |
|   | 22,500,000    | 4,500,000    |
| Current portion   | (4,500,000)   |              |
|   | \$ 18,000,000 | \$ 4,500,000 |

With the approval from the Financial Supervisory Commission (FSC), the Company issued domestic unsecured bonds in the amount of NT\$17,000,000 thousand in January 2012.





**17. LONG-TERM BANK LOANS**

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2011</b>        | <b>2010</b> |
| Bank loans for working capital:   |                    |             |
| Repayable in full in one lump sum payment in June 2016, annual interest at 1.00%-1.08%  | \$ 650,000         | \$          |
| Repayable in full in one lump sum payment in March 2013, annual interest at 1.02%-1.16%   | 500,000            |             |
| Repayable from July 2012 in 16 quarterly installments, annual interest at 1.11%-1.21%   | 300,000            |             |
| Repayable from September 2012 in 16 quarterly installments, annual interest at 1.13%-1.21%  | 200,000            |             |
| Secured loans:  |                    |             |
| Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.24% in 2010, repayable in full in one lump sum payment in June 2011 |                    | 542,968     |
|   | 1,650,000          | 542,968     |
| Current portion   | (62,500)           | (241,407)   |
|   | \$ 1,587,500       | \$ 301,561  |

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 December 31, 2011, Xintec was in compliance with all such financial covenants.

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

| <b>Year of Repayment</b> | <b>Amount</b> |
|--------------------------|---------------|
| 2012                     | \$ 62,500     |
| 2013                     | 625,000       |
| 2014                     | 125,000       |
| 2015                     | 125,000       |
| 2016                     | 712,500       |
|                          | \$ 1,650,000  |

**18. OTHER LONG-TERM PAYABLES**

|   | <b>December 31</b> |              |
|---|--------------------|--------------|
|   | <b>2011</b>        | <b>2010</b>  |
| Payables for acquisition of property, plant and equipment (Note 30g)              | \$ 3,399,855       | \$ 7,112,172 |
| Payables for royalties  |                    | 848,637      |
|   | 3,399,855          | 7,960,809    |
| Current portion (classified under accrued expenses and other current liabilities) | (3,399,855)        | (1,406,601)  |
|   | \$                 | \$ 6,554,208 |

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

**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, Mutual-Pak, TSMC SSL and TSMC Solar have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe, TSMC Canada, TSMC 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\$1,297,583 thousand and NT\$1,121,650 thousand for the years ended December 31, 2011 and 2010, respectively.

TSMC, GUC, Xintec, TSMC SSL and TSMC Solar have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

Pension information on the defined benefit plans is summarized as follows:

## a. Components of net periodic pension cost for the year

|                                  | 2011              | 2010              |
|----------------------------------|-------------------|-------------------|
| Service cost                     | \$ 132,995        | \$ 129,722        |
| Interest cost                    | 167,911           | 146,625           |
| Projected return on plan assets  | (68,067)          | (40,967)          |
| Amortization                     | 74,814            | 2,196             |
| <b>Net periodic pension cost</b> | <b>\$ 307,653</b> | <b>\$ 237,576</b> |

## b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2011 and 2010

|  | 2011              | 2010              |
|--|-------------------|-------------------|
| <b>Benefit obligation</b>                    |                   |                   |
| Vested benefit obligation                    | \$ 313,463        | \$ 189,047        |
| Nonvested benefit obligation                 | 5,456,913         | 5,432,624         |
| Accumulated benefit obligation               | 5,770,376         | 5,621,671         |
| Additional benefits based on future salaries | 3,443,749         | 3,667,087         |
| Projected benefit obligation                 | 9,214,125         | 9,288,758         |
| Fair value of plan assets                    | (3,120,665)       | (2,907,156)       |
| Funded status                                | 6,093,460         | 6,381,602         |
| Unrecognized net transition obligation       | (74,766)          | (84,230)          |
| Prior service cost                           | 147,564           | 154,738           |
| Unrecognized net loss                        | (2,257,750)       | (2,639,759)       |
| Accrued pension cost                         | \$ 3,908,508      | \$ 3,812,351      |
| <b>Vested benefit</b>                        | <b>\$ 349,981</b> | <b>\$ 208,176</b> |

|  | 2011        | 2010        |
|--|-------------|-------------|
| c. Actuarial assumptions at December 31, 2011 and 2010 |             |             |
| Discount rate used in determining present values       | 1.75%       | 1.75%-2.25% |
| Future salary increase rate                            | 2.50%-3.00% | 3.00%       |
| Expected rate of return on plan assets                 | 2.00%       | 2.00%-2.50% |
| d. Contributions to the Funds for the year             | \$ 211,963  | \$ 212,248  |
| e. Payments from the Funds for the year                | \$ 7,339    | \$ 19,991   |

## 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:

|   | Years Ended December 31 |               |
|---|-------------------------|---------------|
|   | 2011                    | 2010          |
| Income tax expense based on income before income tax at statutory rates | \$ 25,964,235           | \$ 30,456,361 |
| Tax effect of the following:  |                         |               |
| Tax-exempt income   | (13,832,239)            | (17,410,223)  |
| Temporary and permanent differences                                     | (1,597,357)             | (827,033)     |
| Additional income tax under the Alternative Minimum Tax Act             | 286,827                 |               |
| Additional tax at 10% on unappropriated earnings                        | 6,293,384               | 138,243       |
| Net operating loss carryforwards used                                   | (395,258)               | (529,347)     |
| Investment tax credits used   | (6,318,215)             | (4,887,947)   |
| Income tax currently payable  | \$ 10,401,377           | \$ 6,940,054  |

- b. Income tax expense consisted of the following:

|  | Years Ended December 31 |              |
|--|-------------------------|--------------|
|  | 2011                    | 2010         |
| Income tax currently payable               | \$ 10,401,377           | \$ 6,940,054 |
| Income tax adjustments on prior years      | 470,376                 | 977,876      |
| Other income tax adjustments               | 312,999                 | 373,051      |
| Net change in deferred income tax assets   |                         |              |
| Investment tax credits                     | 2,304,884               | (7,129,517)  |
| Net operating loss carryforwards           | 224,141                 | 546,234      |
| Temporary differences                      | (71,013)                | (78,187)     |
| Valuation allowance                        | (2,873,378)             | 6,358,954    |
| Effect of changes in consolidated entities | (74,969)                |              |
| Income tax expense                         | \$ 10,694,417           | \$ 7,988,465 |

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

|   | December 31   |               |
|---|---------------|---------------|
|   | 2011          | 2010          |
| <b>Current deferred income tax assets</b>     |               |               |
| Investment tax credits                        | \$ 4,913,791  | \$ 4,282,132  |
| <b>Temporary differences</b>                  |               |               |
| Allowance for sales returns and others        | 506,172       | 653,452       |
| Unrealized gain/loss on financial instruments | 308,929       | 87,735        |
| Others  | 348,079       | 488,806       |
| Valuation allowance                           | (140,481)     | (139,049)     |
|   | \$ 5,936,490  | \$ 5,373,076  |
| <b>Noncurrent deferred income tax assets</b>  |               |               |
| Investment tax credits                        | \$ 15,399,558 | \$ 18,336,101 |
| Net operating loss carryforwards              | 2,491,708     | 2,735,278     |
| <b>Temporary differences</b>                  |               |               |
| Depreciation                                  | 2,280,923     | 2,160,248     |
| Others  | 654,672       | 414,830       |
| Valuation allowance                           | (13,390,144)  | (16,283,673)  |
|   | \$ 7,436,717  | \$ 7,362,784  |

Effective in May 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. The Company evaluated the effect of Alternative Minimum Tax and applicable year of the profits generated from projects exempt from income tax for a five-year period. As the Company plans to apply the tax-exempt income in later years, income tax payable is anticipated to increase and the Company will utilize available investment tax credits as an offset against income taxes. Since more investment tax credits can be utilized, valuation allowance has been adjusted down accordingly.

Under the Article 10 of the Statute for Industrial Innovation (SII) legislated, 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 year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that year. This incentive is retroactive to January 1, 2010 and effective until December 31, 2019.

As of December 31, 2011, the net operating loss carryforwards generated by WaferTech, TSMC Development, Mutual-Pak, TSMC SSL and TSMC Solar would expire on various dates through 2023.

d. Integrated income tax information:

The balance of the imputation credit account of TSMC as of December 31, 2011 and 2010 was NT\$4,003,228 thousand and NT\$1,669,533 thousand, respectively.

The estimated and actual creditable ratios for distribution of TSMC's earnings of 2011 and 2010 were 6.67% and 4.96%, respectively.

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

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

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

| Law/Statute                       | Item                                  | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-----------------------------------|---------------------------------------|-------------------------|-----------------------------|-------------|
| Statute for Upgrading Industries  | Purchase of machinery and equipment   | \$ 22,084               | \$                          | 2011        |
|                                   |                                       | 3,209,214               | 1,172,726                   | 2012        |
|                                   |                                       | 6,524,655               | 6,524,655                   | 2013        |
|                                   |                                       | 7,041,416               | 7,041,416                   | 2014        |
|                                   |                                       | 505,941                 | 505,941                     | 2015        |
|                                   |                                       | \$ 17,303,310           | \$ 15,244,738               |             |
| Statute for Upgrading Industries  | Research and development expenditures | \$ 9,067                | \$                          | 2011        |
|                                   |                                       | 1,804,257               | 31,433                      | 2012        |
|                                   |                                       | 5,020,042               | 5,020,042                   | 2013        |
|                                   |                                       | \$ 6,833,366            | \$ 5,051,475                |             |
| Statute for Upgrading Industries  | Personnel training expenditures       | \$ 486                  | \$                          | 2011        |
|                                   |                                       | 17,406                  | 15                          | 2012        |
|                                   |                                       | 17,121                  | 17,121                      | 2013        |
|                                   |                                       | \$ 35,013               | \$ 17,136                   |             |
| Statute for Industrial Innovation | Research and development expenditures | \$ 2,432,641            | \$                          | 2011        |

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

|   | Tax-Exemption Period |
|---|----------------------|
| 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 2006 by TSMC                  | 2011 to 2015         |
| 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 2008. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

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

|                            | Year Ended December 31, 2011   |  |                |
|----------------------------|--------------------------------|--|----------------|
|                            | Classified as<br>Cost of Sales | Classified as<br>Operating<br>Expenses | Total          |
| Labor cost                 |                                |  |                |
| Salary and bonus           | \$ 26,548,111                  | \$ 20,686,957                          | \$ 47,235,068  |
| Labor and health insurance | 1,316,726                      | 923,645                                | 2,240,371      |
| Pension                    | 971,263                        | 634,476                                | 1,605,739      |
| Meal                       | 710,547                        | 297,762                                | 1,008,309      |
| Welfare                    | 714,628                        | 266,891                                | 981,519        |
| Others                     | 341,156                        | 372,673                                | 713,829        |
|                            | \$ 30,602,431                  | \$ 23,182,404                          | \$ 53,784,835  |
| Depreciation               | \$ 98,065,992                  | \$ 7,261,159                           | \$ 105,327,151 |
| Amortization               | \$ 1,463,405                   | \$ 874,165                             | \$ 2,337,570   |

|                            | Year Ended December 31, 2010   |  |               |
|----------------------------|--------------------------------|--|---------------|
|                            | Classified as<br>Cost of Sales | Classified as<br>Operating<br>Expenses | Total         |
| Labor cost                 |                                |  |               |
| Salary and bonus           | \$ 27,246,876                  | \$ 22,053,062                          | \$ 49,299,938 |
| Labor and health insurance | 1,054,566                      | 780,384                                | 1,834,950     |
| Pension                    | 819,775                        | 539,367                                | 1,359,142     |
| Meal                       | 613,870                        | 247,672                                | 861,542       |
| Welfare                    | 704,494                        | 273,722                                | 978,216       |
| Others                     | 115,109                        | 270,739                                | 385,848       |
|                            | \$ 30,554,690                  | \$ 24,164,946                          | \$ 54,719,636 |
| Depreciation               | \$ 80,123,895                  | \$ 5,427,488                           | \$ 85,551,383 |
| Amortization               | \$ 1,309,257                   | \$ 927,459                             | \$ 2,236,716  |

**22. SHAREHOLDERS EQUITY**

As of December 31, 2011, 1,092,313 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,461,567 thousand (one ADS represents five common shares).

Capital surplus can 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 investments may not be used for any purpose. However, according to the revised Company Law, effective January 2012, the aforementioned capital surplus generated from donations and the excess of the issuance price over the par value of capital stock can also be used to distribute cash in proportion to original shareholders' holding.

Capital surplus consisted of the following:

|                            | December 31   |               |
|----------------------------|---------------|---------------|
|                            | 2011          | 2010          |
| Additional paid-in capital | \$ 23,774,250 | \$ 23,628,908 |
| From merger                | 22,804,510    | 22,805,390    |
| From convertible bonds     | 8,892,847     | 8,893,190     |
| From long-term investments | 374,695       | 370,891       |
| Donations                  | 55            | 55            |
|                            | \$ 55,846,357 | \$ 55,698,434 |

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;
- 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 year, which amounted to NT\$8,990,026 thousand and NT\$10,908,338 thousand for the years ended December 2011 and 2010, respectively. Bonuses to directors were expensed 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.

According to the revised Company Law, effective January 2012, the appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.



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 TSMC's shareholders' meetings held on June 9, 2011 and June 15, 2010, respectively. The appropriations and dividends per share were as follows:

|                                | Appropriation of Earnings |                         | Dividends Per Share<br>(NT\$) |                         |
|--------------------------------|---------------------------|-------------------------|-------------------------------|-------------------------|
|                                | For Fiscal<br>Year 2010   | For Fiscal<br>Year 2009 | For Fiscal<br>Year 2010       | For Fiscal<br>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 to be paid in cash and bonus to directors in the amounts of NT\$10,908,338 thousand and NT\$51,131 thousand for 2010, respectively, and 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 9, 2011 and June 15, 2010, respectively. 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 15, 2011 and February 9, 2010 and same amount had been charged against earnings of 2010 and 2009, respectively.

TSMC's appropriations of earnings for 2011 had been resolved in the meeting of the Board of Directors held on February 14, 2012. The appropriations and dividends per share were as follows:

|                                | Appropriation<br>of Earnings<br>For Fiscal Year<br>2011 | Dividends<br>Per<br>Share<br>(NT\$) |
|--------------------------------|---|-------------------------------------|
|                                |   | For Fiscal Year<br>2011             |
| Legal capital reserve          | \$ 13,420,128   |                                     |
| Special capital reserve        | 1,172,350   |                                     |
| Cash dividends to shareholders | 77,748,668  | \$ 3.00                             |
|                                | \$ 92,341,146   |                                     |

The Board of Directors of TSMC also resolved to appropriate profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT\$8,990,026 thousand and NT\$62,324 thousand for 2011, respectively. There is no significant difference between the aforementioned resolved amounts and the amounts charged against earnings of 2011.

The appropriations of earnings, profit sharing to employees and bonus to directors for 2011 are to be resolved in the TSMC's shareholders' meeting held on June 12, 2012 (expected).

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, 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 December 31, 2011.

Information about TSMC's outstanding options for the years ended December 31, 2011 and 2010 was as follows:

|                                     | Number of<br>Options<br>(In Thousands) | Weighted-<br>average<br>Exercise Price<br>(NT\$) |
|-------------------------------------|--|--|
| <u>Year ended December 31, 2011</u> |  |  |
| Balance, beginning of year          | 21,437                                 | \$ 31.4  |
| Options exercised                   | (7,144)                                | 30.5   |
| Balance, end of year                | 14,293                                 | 32.1   |
| <u>Year ended December 31, 2010</u> |  |  |
| Balance, beginning of year          | 28,810                                 | \$ 32.4  |
| Options exercised                   | (7,372)                                | 33.2   |
| Options canceled                    | (1)                                    | 50.1   |
| Balance, end of year                | 21,437                                 | 32.3   |

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 December 31, 2011, information about TSMC's outstanding options was as follows:

| Range of Exercise Price (NT\$) | Number of Options<br>(In<br>Thousands) | Options Outstanding<br>Weighted-average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted-average<br>Exercise Price<br>(NT\$) |
|--------------------------------|--|--|--|
| \$20.9- \$29.3                 | 10,584                                 | 1.2  | \$ 27.4                                      |
| 38.0- 50.1                     | 3,709                                  | 2.9  | 45.7   |
|                                | 14,293                                 | 1.7  | 32.1   |

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

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.

Information about Xintec's outstanding options for the years ended December 31, 2011 and 2010 was as follows:

|                                     | Number of Options<br>(In Thousands) | Weighted- average<br>Exercise Price<br>(NT\$) |
|-------------------------------------|-------------------------------------|---|
| <u>Year ended December 31, 2011</u> |                                     |   |
| Balance, beginning of year          | 1,832                               | \$ 14.4                                       |
| Options exercised                   | (967)                               | 14.4  |
| Options canceled                    | (40)                                | 17.4  |
| Balance, end of year                | 825                                 | 15.1  |
| <u>Year ended December 31, 2010</u> |                                     |   |
| Balance, beginning of year          | 3,960                               | \$ 14.7                                       |
| Options exercised                   | (1,856)                             | 13.9  |
| Options canceled                    | (272)                               | 17.3  |
| Balance, end of year                | 1,832                               | 15.1  |

The exercise prices have been adjusted to reflect the distribution of earnings by Xintec in accordance with the plans.

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

| Range of Exercise Price (NT\$) | Options Outstanding                    |  |   | Options Exercisable                    |   |
|--------------------------------|--|--|---|--|---|
|                                | Number of Options<br>(In<br>Thousands) | Weighted- average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted- average<br>Exercise Price<br>(NT\$) | Number of Options<br>(In<br>Thousands) | Weighted- average<br>Exercise Price<br>(NT\$) |
| \$10.9-\$ 12.7                 | 239                                    | 4.8  | \$ 11.0                                       | 233                                    | \$ 11.0                                       |
| 14.9- 18.8                     | 586                                    | 5.7  | 16.8  | 581                                    | 16.8  |
|                                | 825                                    | 5.4  | 15.1  | 814                                    | 15.1  |

No compensation cost was recognized under the intrinsic value method for the years ended December 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 years ended December 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       |
| Xintec       | Expected dividend yield | 0.80%         |
|              | Expected volatility     | 31.79%-47.42% |
|              | Risk free interest rate | 1.88%-2.45%   |
|              | Expected life           | 3 years       |

|  | Years Ended December 31 |                |
|--|-------------------------|----------------|
|  | 2011                    | 2010           |
| Net income attributable to shareholders of the parent: |                         |                |
| As reported  | \$ 134,201,279          | \$ 161,605,009 |
| Pro forma  | 134,146,490             | 161,470,030    |
| Earnings per share (EPS) after income tax (NT\$):      |                         |                |
| Basic EPS as reported                                  | \$ 5.18                 | \$ 6.24        |
| Pro forma basic EPS                                    | 5.18                    | 6.23           |
| Diluted EPS as reported                                | 5.18                    | 6.23           |
| Pro forma diluted EPS                                  | 5.17                    | 6.23           |

**24. TREASURY STOCK**

(Shares in Thousands)

| <b>Purpose of Treasury Stock</b>          | <b>Number of Shares, Beginning of Year</b> | <b>Addition</b> | <b>Retirement</b> | <b>Number of Shares, End of Year</b> |
|---|--|-----------------|-------------------|--------------------------------------|
| <u>Year ended December 31, 2011</u>       |  |                 |                   |                                      |
| Shareholders executed the appraisal right |  | 1,000           | (1,000)           |                                      |

In August 2011, pursuant to the Company Law and at the option of the shareholders of TSMC, certain shareholders requested TSMC to buy back their shares at the current market price, which shares were subsequently retired in November 2011.

**25. EARNINGS PER SHARE**

EPS is computed as follows:

|  | <b>Amounts (Numerator)</b> |                   | <b>Number of Shares</b> | <b>EPS (NT\$)</b> |                   |
|--|----------------------------|-------------------|-------------------------|-------------------|-------------------|
|  | <b>Before</b>              | <b>After</b>      |                         | <b>Before</b>     | <b>After</b>      |
|  | <b>Income Tax</b>          | <b>Income Tax</b> | <b>(Denominator)</b>    | <b>Income Tax</b> | <b>Income Tax</b> |
| <u>Year ended December 31, 2011</u>  |                            |                   |                         |                   |                   |
| Basic EPS  |                            |                   |                         |                   |                   |
| Earnings available to common shareholders of the parent  | \$ 144,852,948             | \$ 134,201,279    | 25,914,076              | \$ 5.59           | \$ 5.18           |
| Effect of dilutive potential common shares   |                            |                   | 10,606                  |                   |                   |
| Diluted EPS  |                            |                   |                         |                   |                   |
| Earnings available to common shareholders of the parent (including effect of dilutive potential common shares) | \$ 144,852,948             | \$ 134,201,279    | 25,924,682              | \$ 5.59           | \$ 5.18           |
| <u>Year ended December 31, 2010</u>  |                            |                   |                         |                   |                   |
| Basic EPS  |                            |                   |                         |                   |                   |
| Earnings available to common shareholders of the parent  | \$ 169,520,145             | \$ 161,605,009    | 25,905,832              | \$ 6.54           | \$ 6.24           |
| Effect of dilutive potential common shares   |                            |                   | 13,982                  |                   |                   |
| Diluted EPS  |                            |                   |                         |                   |                   |
| Earnings available to common shareholders of the parent (including effect of dilutive potential common shares) | \$ 169,520,145             | \$ 161,605,009    | 25,919,814              | \$ 6.54           | \$ 6.23           |

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.

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 year ended December 31, 2010 to remain at NT\$6.24 and NT\$6.23, respectively.

## 26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

|  | December 31        |            |                    |            |
|--|--------------------|------------|--------------------|------------|
|  | 2011               |            |                    | 2010       |
|  | Carrying<br>Amount | Fair Value | Carrying<br>Amount | Fair Value |
| <b>Assets</b>  |                    |            |                    |            |
| Financial assets at fair value through profit or loss      | \$ 15,360          | \$ 15,360  | \$ 6,886           | \$ 6,886   |
| Available-for-sale financial assets                        | 3,308,770          | 3,308,770  | 29,916,777         | 29,916,777 |
| Held-to-maturity financial assets                          | 9,068,847          | 9,128,063  | 13,299,476         | 13,457,742 |
| Financial assets carried at cost                           | 4,315,005          |            | 4,424,207          |            |
| <b>Liabilities</b>   |                    |            |                    |            |
| Financial liabilities at fair value through profit or loss | 13,742             | 13,742     | 19,002             | 19,002     |
| Hedging derivative financial liabilities                   | 232                | 232        | 814                | 814        |
| Bonds payable (including current portion)                  | 22,500,000         | 22,597,115 | 4,500,000          | 4,538,660  |
| Long-term bank loans (including current portion)           | 1,650,000          | 1,650,000  | 542,968            | 542,968    |
| Other long-term payables (including current portion)       | 3,399,855          | 3,399,855  | 7,960,809          | 7,960,809  |
| Obligations under capital leases                           | 870,993            | 870,993    | 694,986            | 694,986    |

- 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, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) The fair values of those derivatives 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. Valuation gains (losses) arising from changes in fair value of derivatives contracts determined using valuation techniques were recognized as a net gain of NT\$1,618 thousand and a net loss of NT\$12,116 thousand for the years ended December 31, 2011 and 2010, respectively.
- d. As of December 31, 2011 and 2010, financial assets exposed to fair value interest rate risk were NT\$9,086,729 thousand and NT\$38,588,969 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$52,711,118 thousand and NT\$43,235,611 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,650,232 thousand and NT\$848,275 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2011 and 2010 were as follows:

|   | Year Ended December 31, 2011 |               |                     |                |
|---|------------------------------|---------------|---------------------|----------------|
|   | From Available-              | Equity Method | Gain (Loss) on      | Total          |
|   | for-sale<br>Financial Assets | Investments   | Cash Flow<br>Hedges |                |
| Balance, beginning of year                                  | \$ 86,158                    | \$ 23,462     | \$ (331)            | \$ 109,289     |
| Recognized directly in shareholders equity                  | (1,034,446)                  | (41,402)      | (36)                | (1,075,884)    |
| Removed from shareholders equity and recognized in earnings | (206,534)                    |               | 274                 | (206,260)      |
| Effect of changes in consolidated entities                  | (269)                        | 269           |                     |                |
| Balance, end of year  | \$ (1,155,091)               | \$ (17,671)   | \$ (93)             | \$ (1,172,855) |

|   | Year Ended December 31, 2010 |               |                     |            |
|---|------------------------------|---------------|---------------------|------------|
|   | From Available-              | Equity Method | Gain (Loss) on      | Total      |
|   | for-sale<br>Financial Assets | Investments   | Cash Flow<br>Hedges |            |
| Balance, beginning of year                                  | \$ 424,128                   | \$ 29,493     | \$                  | \$ 453,621 |
| Recognized directly in shareholders equity                  | 250,475                      | (6,031)       | (476)               | 243,968    |
| Removed from shareholders equity and recognized in earnings | (588,445)                    |               | 145                 | (588,300)  |
| Balance, end of year  | \$ 86,158                    | \$ 23,462     | \$ (331)            | \$ 109,289 |



## 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 publicly traded stocks; 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 and bank facilities 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:

| Hedged Item              | Hedging Financial Instrument | Fair Value | Expected Cash Flow Generated Period | Expected Timing for the Recognition of Gains or Losses from Hedge |
|--------------------------|------------------------------|------------|-------------------------------------|---|
| <u>December 31, 2011</u> |                              |            |                                     |   |
| Long-term bank loans     | Interest rate swap contract  | \$ (232)   | 2011 to 2012                        | 2011 to 2012  |
| <u>December 31, 2010</u> |                              |            |                                     |   |
| Long-term bank loans     | Interest rate swap contract  | (814)      | 2010 to 2012                        | 2010 to 2012  |

**27. 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

GUC (prior to July 2011, GUC was a subsidiary. Since July 2011, GUC is accounted for using the equity method. The related party information between the Company and GUC as of and for the six months ended December 31, 2011 is disclosed as follows.)

VIS (accounted for using the equity method)

SSMC (accounted for using the equity method)

## b. Indirect investee

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

Mcube, an indirect investee accounted for using the equity method by TSMC.

## c. Others

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

|   | 2011         |   | 2010         |   |
|---|--------------|---|--------------|---|
|   | Amount       | % | Amount       | % |
| <b>For the year</b>                     |              |   |              |   |
| Sales                                   |              |   |              |   |
| GUC                                     | \$ 2,461,345 | 1 | \$           |   |
| VIS                                     | 302,844      |   | 223,584      |   |
| VisEra                                  | 10,885       |   | 82,595       |   |
| Others                                  | 50,342       |   | 11,397       |   |
|   | \$ 2,825,416 | 1 | \$ 317,576   |   |
| Purchases                               |              |   |              |   |
| VIS                                     | \$ 5,597,895 | 2 | \$ 4,959,050 | 2 |
| SSMC                                    | 3,949,176    | 2 | 4,521,046    | 2 |
| Others                                  | 124,673      |   | 39,099       |   |
|   | \$ 9,671,744 | 4 | \$ 9,519,195 | 4 |
| Manufacturing expenses                  |              |   |              |   |
| VisEra (primarily outsourcing and rent) | \$ 49,155    |   | \$ 102,188   |   |
| VIS (primarily rent)                    | 5,902        |   | 10,161       |   |
|   | \$ 55,057    |   | \$ 112,349   |   |

|   | 2011       |     | 2010       |     |
|---|------------|-----|------------|-----|
|   | Amount     | %   | Amount     | %   |
| <b>Research and development expenses</b>                          |            |     |            |     |
| VisEra  | \$ 19,018  |     | \$ 12,053  |     |
| VIS (primarily rent)  | 1,984      |     | 12,017     |     |
| Others  |            |     | 133        |     |
|   | \$ 21,002  |     | \$ 24,203  |     |
| <b>Sales of property, plant and equipment and other assets</b>    |            |     |            |     |
| VIS   | \$ 36,008  | 7   | \$ 37,011  | 11  |
| VisEra  |            |     | 4,418      | 1   |
| SSMC  |            |     | 2,401      | 1   |
|   | \$ 36,008  | 7   | \$ 43,830  | 13  |
| <b>Purchase of property, plant and equipment and other assets</b> |            |     |            |     |
| VIS   | \$ 45,473  |     | \$ 109,855 |     |
| VisEra  | 11,110     |     |            |     |
| Others  | 1,812      |     |            |     |
|   | \$ 58,395  |     | \$ 109,855 |     |
| <b>Non-operating incomes and gains</b>                            |            |     |            |     |
| VIS (primarily technical service income)                          | \$ 227,024 | 4   | \$ 267,370 | 2   |
| SSMC (primarily technical service income)                         | 199,377    | 4   | 198,218    | 2   |
| VisEra (primarily rent)   | 4,054      |     |            |     |
|   | \$ 430,455 | 8   | \$ 465,588 | 4   |
| <b>As of December 31</b>  |            |     |            |     |
| <b>Receivables</b>  |            |     |            |     |
| GUC   | \$ 154,086 | 83  | \$         |     |
| Mcube   | 31,466     | 17  |            |     |
| VisEra  | 212        |     | 2,599      | 95  |
| VIS   |            |     | 123        | 5   |
|   | \$ 185,764 | 100 | \$ 2,722   | 100 |
| <b>Other receivables</b>  |            |     |            |     |
| VIS   | \$ 87,507  | 72  | \$ 70,798  | 57  |
| SSMC  | 34,260     | 28  | 53,788     | 43  |
| Others  | 525        |     |            |     |
|   | \$ 122,292 | 100 | \$ 124,586 | 100 |

|          | 2011         |     | 2010       |     |
|----------|--------------|-----|------------|-----|
|          | Amount       | %   | Amount     | %   |
| Payables |              |     |            |     |
| VIS      | \$ 987,937   | 75  | \$ 428,797 | 49  |
| SSMC     | 336,037      | 25  | 430,235    | 50  |
| Others   | 4,547        |     | 8,053      | 1   |
|          | \$ 1,328,521 | 100 | \$ 867,085 | 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.

The Company leased certain machinery and equipment to VisEra. The lease terms and prices were determined in accordance with mutual agreements. The rental income was received monthly and the related income was classified under non-operating income and gains.

Compensation of directors and management personnel:

|   | Years Ended December 31 |              |
|---|-------------------------|--------------|
|   | 2011                    | 2010         |
| Salaries, incentives and special compensation | \$ 752,767              | \$ 885,766   |
| Bonus   | 445,681                 | 593,967      |
|   | \$ 1,198,448            | \$ 1,479,733 |

The information about the compensation of directors and management personnel is available in the annual report for the shareholders meeting. Total compensation expense for the year ended December 31, 2011 includes estimated profit sharing to employees and bonus to directors of the Company that relate to 2011 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders meeting in 2012. The total compensation for the year ended December 31, 2010 included the bonuses appropriated from earnings of 2010 which was approved by the shareholders meeting held in 2011.

**28. 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:

|                                    | December 31 |              |
|------------------------------------|-------------|--------------|
|                                    | 2011        | 2010         |
| Other financial assets             | \$ 121,140  | \$ 163,531   |
| Property, plant and equipment, net |             | 1,109,249    |
| Other assets                       |             | 40,000       |
|                                    | \$ 121,140  | \$ 1,312,780 |

**29. 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 December 2012 to September 2030 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain office equipment located in the United States, Japan, Shanghai and Taiwan. These operating leases expire between 2012 and 2020 and can be renewed upon expiration.

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

| Year                | Amount       |
|---------------------|--------------|
| 2012                | \$ 627,882   |
| 2013                | 590,628      |
| 2014                | 566,953      |
| 2015                | 556,993      |
| 2016                | 543,728      |
| 2017 and thereafter | 3,870,728    |
|                     | \$ 6,756,912 |

**30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

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

- a. Under a technical cooperation agreement with Industrial Technology Research Institute, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity 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 December 31, 2011, TSMC had a total of US\$13,039 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 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 in July 2010, which are recorded within available for sale financial assets, and obtained the subsequent cash settlement income in accordance with the agreement.
- 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. These two litigations have been consolidated into a single case in the U.S. District Court for the Eastern District of Texas. The outcome 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\$3,399,855 thousand and NT\$7,112,172 thousand as of December 31, 2011 and 2010, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of December 31, 2011 were NT\$263,880 thousand.

### 31. OTHERS

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

|   | 2011                                 |                         | December 31                          |                         | 2010                                 |                         |
|---|--------------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
|   | Foreign Currencies<br>(In Thousands) | Exchange Rate<br>(Note) | Foreign Currencies<br>(In Thousands) | Exchange Rate<br>(Note) | Foreign Currencies<br>(In Thousands) | Exchange Rate<br>(Note) |
| <b>Financial assets</b>                       |                                      |                         |                                      |                         |                                      |                         |
| Monetary items                                |                                      |                         |                                      |                         |                                      |                         |
| USD   | \$ 3,744,817                         | 30.288                  | \$ 3,944,765                         | 29.13-30.368            |                                      |                         |
| EUR   | 135,857                              | 39.18-39.27             | 233,213                              | 38.92-40.65             |                                      |                         |
| JPY   | 37,276,671                           | 0.3897-0.3906           | 29,779,663                           | 0.3582-0.3735           |                                      |                         |
| RMB   | 201,385                              | 4.81                    | 251,319                              | 4.3985-4.61             |                                      |                         |
| Non-monetary items                            |                                      |                         |                                      |                         |                                      |                         |
| USD   | 141,498                              | 30.288                  | 189,327                              | 30.368                  |                                      |                         |
| HKD   | 671,060                              | 3.90                    | 1,002,116                            | 3.91                    |                                      |                         |
| Investments accounted for using equity method |                                      |                         |                                      |                         |                                      |                         |
| USD   | 294,797                              | 30.288                  | 306,102                              | 30.368                  |                                      |                         |
| <b>Financial liabilities</b>                  |                                      |                         |                                      |                         |                                      |                         |
| Monetary items                                |                                      |                         |                                      |                         |                                      |                         |
| USD   | 1,744,746                            | 30.288                  | 2,021,729                            | 29.13-30.368            |                                      |                         |
| EUR   | 111,750                              | 39.18-39.27             | 265,360                              | 38.92-40.65             |                                      |                         |
| JPY   | 35,349,169                           | 0.3897-0.3906           | 31,561,576                           | 0.3582-0.3735           |                                      |                         |
| RMB   | 278,877                              | 4.81                    | 566,778                              | 4.3985-4.61             |                                      |                         |

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

### 32. 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. Financings 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 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.

### 33. OPERATING SEGMENT INFORMATION

The Company's only reportable segment is the foundry segment. The foundry segment engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. The Company also had other operating segments that did not exceed the quantitative threshold. 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 solid state 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 segment information was as follows:

a. Industry financial information

|   | Foundry        | Others       | Elimination | Total          |
|---|----------------|--------------|-------------|----------------|
| <b>Year ended December 31, 2011</b>                         |                |              |             |                |
| Sales from external customers                               | \$ 422,691,098 | \$ 4,389,547 | \$          | \$ 427,080,645 |
| Sales among intersegments                                   | 1,588,601      | 6,224        | (1,594,825) |                |
| Operating profit (loss)                                     | 143,222,120    | (1,664,702)  |             | 141,557,418    |
| Equity in earnings (losses) of equity method investees, net | 1,635,303      | (737,692)    |             | 897,611        |
| Income tax expense  | 10,649,688     | 44,729       |             | 10,694,417     |
| <b>Year ended December 31, 2010</b>                         |                |              |             |                |
| Sales from external customers                               | 409,216,727    | 10,321,184   |             | 419,537,911    |
| Sales among intersegments                                   | 3,816,530      | 8,734        | (3,825,264) |                |
| Operating profit (loss)                                     | 159,633,614    | (458,279)    |             | 159,175,335    |
| Equity in earnings of equity method investees, net          | 1,755,941      | 542,218      |             | 2,298,159      |
| Income tax expense  | 7,928,663      | 59,802       |             | 7,988,465      |

b. Geographic information

|               | Years Ended December 31                   |                |                    |                |
|---------------|---|----------------|--------------------|----------------|
|               | Sales to Other Than Consolidated Entities |                | Non-current Assets |                |
|               | 2011                                      | 2010           | 2011               | 2010           |
| Taiwan        | \$ 49,798,532                             | \$ 56,420,375  | \$ 472,168,728     | \$ 379,553,584 |
| United States | 250,811,666                               | 221,148,708    | 8,284,575          | 8,164,795      |
| Asia          | 75,946,671                                | 91,862,893     | 22,121,979         | 13,817,069     |
| Europe        | 48,982,743                                | 49,000,320     | 15,180             | 17,857         |
| Others        | 1,541,033                                 | 1,105,615      |                    |                |
|               | \$ 427,080,645                            | \$ 419,537,911 | \$ 502,590,462     | \$ 401,553,305 |

The geographic information is presented by billed regions. Non-current assets include property, plant and equipment, intangible assets and other assets, but not include financial instruments and deferred income tax assets.

c. Production information

| Production | Years Ended December 31 |                |
|------------|-------------------------|----------------|
|            | 2011                    | 2010           |
| Wafer      | \$ 384,632,494          | \$ 375,060,853 |
| Mask       | 23,818,656              | 19,796,871     |
| Others     | 18,629,495              | 24,680,187     |
|            | \$ 427,080,645          | \$ 419,537,911 |

- d. Major customers representing at least 10% of gross sales

|            | Years Ended December 31 |    |               |    |
|------------|-------------------------|----|---------------|----|
|            | 2011                    |    | 2010          |    |
|            | Amount                  | %  | Amount        | %  |
| Customer A | \$ 60,412,085           | 14 | \$ 37,962,026 | 9  |
| Customer B | 31,635,496              | 7  | 41,022,200    | 10 |

### 34. PRE-DISCLOSURE OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company is required to provide pre-disclosure regarding the adoption of the International Financial Reporting Standards (IFRSs) in the consolidated financial statements as follows.

- a. On May 14, 2009, the FSC announced the roadmap of IFRSs adoption for R.O.C. companies. Starting from 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare for the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, International Accounting Standards (IASs), interpretations and related guidance translated by Accounting Research and Development Foundation (ARDF) and issued by the FSC. Due to aforementioned amendments, the Company established a taskforce to monitor and execute the IFRSs adoption plan. The important plan items, responsible divisions and plan progress are listed as follows.

| Plan Item  | Responsible Division   | Plan Progress |
|--|--|---------------|
| 1) Establish the IFRSs taskforce   | Accounting Division  | Finished      |
| 2) Complete the identification of GAAP differences and impact                | Accounting Division, Finance Division and Employee Benefit and Payroll Section                                       | Finished      |
| 3) Complete the identification of consolidated entities under IFRSs          | Accounting Division  | Finished      |
| 4) Evaluate potential effect to business operations                          | Accounting Division, Finance Division, Employee Benefit and Payroll Section and Business System Integration Division | Finished      |
| 5) Complete the evaluation of resources and budget needed for IFRSs adoption | Accounting division and Business System Integration Division   | Finished      |
| 6) Set up a work plan for IFRSs adoption                                     | Accounting Division and Business System Integration Division   | Finished      |
| 7) Personnel training  | Accounting Division  | Finished      |
| 8) Determine IFRSs accounting policies                                       | Accounting Division, Finance Division and Employee Benefit and Payroll Section                                       | Finished      |

(Continued)

| Plan Item  | Responsible Division   | Plan Progress                     |
|--|--|-----------------------------------|
| 9) Develop financial statement template under IFRSs                      | Accounting Division and Finance Division                     | Finished                          |
| 10) Complete evaluation, configuration and testing of the IT systems     | Accounting Division and Business System Integration Division | Finished                          |
| 11) Communicate with related departments on the impact of IFRSs adoption | Accounting Division  | In progress according to the plan |
| 12) Complete the preparation of opening date balance sheet under IFRSs   | Accounting Division  | In progress according to the plan |
| 13) Complete modification to the relevant internal controls              | Accounting Division and Internal Audit Division              | In progress according to the plan |
| 14) Prepare comparative financial information under IFRSs for 2012       | Accounting Division and Finance Division                     | In progress according to the plan |

(Concluded)

- b. As of December 31, 2011, from the Company's assessment, the significant differences between the Company's current accounting policies under R.O.C. GAAP and the ones under IFRSs are stated as follows:

Allowance for sales returns and others

Under R.O.C. GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions (classified under current liabilities) accordingly.

Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability.

In addition, under R.O.C. GAAP, 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. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

The classification of leased assets and idle assets

Under R.O.C. GAAP, leased assets and idle assets are classified under other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment according to their nature. Leased assets are mainly dormitories leased to employees and factories leased to suppliers. In accordance with the relevant IFRSs guidance, the dormitories leased to employees are not classified as investment properties; factories leased to suppliers are not considered as investment properties since they cannot be sold separately and comprise only an insignificant portion of the plant.

Employee benefits

The Company had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Company should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, Employee Benefits.

Under R.O.C. GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees.

Under IAS No. 19, Employee Benefits, the Company will recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

Investments accounted for using the equity method

The Company's associates and joint ventures accounted for using the equity method have also assessed the significant differences between their respective present accounting policies and IFRSs. The significant difference is mainly the adjustment to employee benefits.

The reclassification of line items in the statement of comprehensive income

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers before its amendment due to the adoption of IFRSs, income from operations in the consolidated income statement only includes revenue, cost of sales and operating expenses. Under IFRSs, based on the nature of operating transactions, technical service income is reclassified under revenue; rental revenue, depreciation of rental assets, net loss on disposal of property, plant and equipment and intangible assets, and impairment loss of property, plant and equipment, are reclassified under other operating gains and losses, which are reflected in income from operations.

- c. The Company's aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, the assessment result may be impacted by the addition or the amendment of IFRSs issued or proposed by International Accounting Standards Board and the possible future rules issued by R.O.C. authorities governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market.

**35. THE AUTHORIZATION OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors and authorized for issue on February 14, 2012.

**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****FINANCINGS PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Counter-party | Financial Statement Account                | Maximum Balance for the Period (US\$ in Thousands) (Note 4) | Ending Balance (US\$ in Thousands) (Note 4) | Amount Actually Drawn (US\$ in Thousands) | Interest Rate   | Nature for Transaction            | Reason for Financing  | Collateral             |            | Financing Limits for Each Borrowing Company (Notes 1 and 2) |
|---------------|--|---|---|---|-----------------|-----------------------------------|---|------------------------|------------|---|
|               |  |   |   |   |                 |                                   |   | Allowance for Bad Debt | Item Value |   |
| TSMC China    |  | \$ 7,572,000  | \$ 7,572,000                                | \$ 7,572,000                              |                 | The need for short-term financing | Purchase equipment  |                        |            | \$ 34,986,964   |
|               | Long-term receivables from related parties | (US\$ 250,000)  | (US\$ 250,000)                              | (US\$ 250,000)                            | 0.25%-0.26%     |                                   |   |                        |            |   |
| TSMC Solar    |  | 1,211,520   | 1,211,520                                   | 454,320                                   |                 | The need for short-term financing | Operating capital   |                        |            | 3,498,696   |
|               | Other receivables from related parties     | (US\$ 40,000)   | (US\$ 40,000)                               | (US\$ 15,000)                             | 0.4017%-0.4651% |                                   |   |                        |            |   |
| TSMC SSL      |  | 908,640   | 908,640                                     | 348,312                                   |                 | The need for short-term financing | Operating capital   |                        |            | 3,498,696   |
|               | Other receivables from related parties     | (US\$ 30,000)   | (US\$ 30,000)                               | (US\$ 11,500)                             | 0.4545%         |                                   |   |                        |            |   |
| TSMC          |  | 25,744,800  |   |   |                 | The need for short-term financing | Support the parent company's short-term operation requirement |                        |            | 44,071,845  |
|               | Other receivables from related parties     | (US\$ 850,000)  |   |   | 0.3544%         |                                   |   |                        |            |   |

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 are not subject to the above restrictions. The restriction of thirty percent (30%) of the borrower's net worth will not apply to subsidiaries whose voting shares are 90% or more owned, directly or indirectly, by TSMC.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Global. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. TSMC or offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC are not subject to the above restrictions.

Note 3: The total amount available for lending purpose shall not exceed the net worth of TSMC Partners and TSMC Global, respectively.

Note 4: The maximum balance for the period and ending balance represents the amounts approved by Board of Directors.

**TABLE 2****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Held<br>Company<br>Name | Marketable<br>Securities<br>Type and Name                | Relationship<br>with the<br>Company | Financial<br>Statement<br>Account                       | Shares/Units<br>(In<br>Thousands) | December 31, 2011   |                                      | Market<br>Value or<br>Net Asset<br>Value<br>(Foreign<br>Currencies<br>in<br>Thousands) | Note |
|-------------------------|--|-------------------------------------|---|-----------------------------------|---|--------------------------------------|--|------|
|                         |  |                                     |   |                                   | Carrying<br>Value<br>(Foreign<br>Currencies<br>in<br>Thousands) | Percentage<br>of<br>Ownership<br>(%) |  |      |
| TSMC                    | <u>Corporate bond</u>                                    |                                     |   |                                   |   |                                      |  |      |
|                         | Nan Ya Plastics Corporation                              |                                     | Held-to-maturity<br>financial assets                    |                                   | \$ 1,099,629  | N/A                                  | \$ 1,120,808   |      |
|                         | China Steel Corporation                                  |                                     |   |                                   | 303,798   | N/A                                  | 305,666  |      |
|                         | <u>Stock</u>   |                                     |   |                                   |   |                                      |  |      |
|                         | Semiconductor Manufacturing<br>International Corporation |                                     | Available-for-sale<br>financial assets                  | 1,789,493                         | 2,617,134   | 7                                    | 2,617,134  |      |
|                         | TSMC Global  | Subsidiary                          | Investments<br>accounted for<br>using equity<br>method  | 1                                 | 44,071,845  | 100                                  | 44,071,845   |      |
|                         | TSMC Partners  | Subsidiary                          |   | 988,268                           | 34,986,964  | 100                                  | 34,986,964   |      |
|                         | TSMC Solar   | Subsidiary                          |   | 1,118,000                         | 10,153,244  | 100                                  | 10,153,244   |      |
|                         | VIS  |                                     | Investee<br>accounted for<br>using equity<br>method     | 628,223                           | 8,988,007   | 39                                   | 6,627,758  |      |
|                         | SSMC   |                                     | Investee<br>accounted for<br>using equity<br>method     | 314                               | 6,289,429   | 39                                   | 6,075,445  |      |
|                         | TSMC North America                                       | Subsidiary                          |   | 11,000                            | 2,981,639   | 100                                  | 2,981,639  |      |
|                         | TSMC SSL   | Subsidiary                          |   | 227,000                           | 1,746,893   | 100                                  | 1,746,893  |      |
|                         | Xintec   |                                     | Investee with<br>a controlling<br>financial<br>interest | 94,011                            | 1,606,694   | 40                                   | 1,606,694  |      |
|                         | GUC  |                                     | Investee<br>accounted for<br>using equity<br>method     | 46,688                            | 1,157,188   | 35                                   | 4,645,442  |      |
|                         | TSMC Europe  | Subsidiary                          |   |                                   | 205,171   | 100                                  | 205,171  |      |
|                         | TSMC Japan   | Subsidiary                          |   | 6                                 | 161,601   | 100                                  | 161,601  |      |
|                         | TSMC Korea   | Subsidiary                          |   | 80                                | 23,448  | 100                                  | 23,448   |      |
|                         | United Industrial Gases Co., Ltd.                        |                                     |   | 16,783                            | 193,584   | 10                                   | 350,060  |      |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                |                                     |   |  |            |           |            |
|----------------|-------------------------------------|---|--|------------|-----------|------------|
|                |                                     | Financial assets<br>carried at cost                 |  |            |           |            |
|                | Shin-Etsu Handotai Taiwan Co., Ltd. |   | 10,500   | 105,000    | 7         | 351,996    |
|                | W.K. Technology Fund IV             |   | 4,000  | 40,000     | 2         | 41,372     |
| <b>Fund</b>    |                                     |   |  |            |           |            |
|                |                                     | Financial assets<br>carried at cost                 |  |            |           |            |
|                | Horizon Ventures Fund               |   |  | 103,992    | 12        | 103,992    |
|                | Crimson Asia Capital                |   |  | 55,259     | 1         | 55,259     |
| <b>Capital</b> |                                     |   |  |            |           |            |
|                | TSMC China                          | Subsidiary  | Investments<br>accounted for<br>using equity<br>method |            |           |            |
|                |                                     |   |  | 13,542,181 | 100       | 13,583,214 |
|                | VTAF III                            | Subsidiary  |  | 1,311,044  | 53        | 1,290,093  |
|                | VTAF II                             | Subsidiary  |  | 762,135    | 98        | 756,125    |
|                | Emerging Alliance                   | Subsidiary  |  | 213,235    | 99        | 213,235    |
| TSMC Solar     | <b>Stock</b>                        |   |  |            |           |            |
|                | Motech                              | Investee<br>accounted for<br>using equity<br>method | Investments<br>accounted for<br>using equity<br>method | 87,480     | 5,612,344 | 20         |
|                |                                     |   |  |            |           | 3,849,382  |
|                | TSMC Solar Europe                   | Subsidiary  |  | 204,163    | 100       | 204,163    |
|                | TSMC Solar NA                       | Subsidiary  |  | 1          | 52,187    | 100        |
|                |                                     |   |  |            |           | 52,187     |

(Continued)

| Held Company Name | Marketable Securities Type and Name                               | Relationship with the Company              | Financial Statement Account                   | December 31, 2011           |  |                             | Market Value or Net Asset Value (Foreign Currencies in Thousands) | Note |
|-------------------|---|--|---|-----------------------------|--|-----------------------------|---|------|
|                   |   |  |   | Shares/Units (In Thousands) | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) |   |      |
|                   | <u>Capital</u>  |  |   |                             |  |                             |   |      |
|                   | VTAF III  | Investee accounted for using equity method | Investments accounted for using equity method |                             | \$ 1,681,719                                     | 46                          | \$ 1,681,719  |      |
| TSMC SSL          | <u>Stock</u><br>TSMC Lighting NA                                  | Subsidiary                                 | Investments accounted for using equity method | 1                           | 2,994  | 100                         | 2,994   |      |
| TSMC Partners     | <u>Corporate bond</u><br>General Elec Cap Corp. Mtn               |  | Held-to-maturity financial assets             |                             | US\$ 20,012                                      | N/A                         | US\$ 20,100   |      |
|                   | General Elec Cap Corp. Mtn  |  |   |                             | US\$ 20,059                                      | N/A                         | US\$ 20,740   |      |
|                   | <u>Common stock</u>   |  |   |                             |  |                             |   |      |
|                   | TSMC Development, Inc. (TSMC Development)                         | Subsidiary                                 | Investments accounted for using equity method | 1                           | US\$ 460,034                                     | 100                         | US\$ 460,034  |      |
|                   | VisEra Holding Company  | Investee accounted for using equity method |   | 43,000                      | US\$ 94,208                                      | 49                          | US\$ 94,208   |      |
|                   | InveStar Semiconductor Development Fund, Inc. (ISDF)              | Subsidiary                                 |   | 787                         | US\$ 11,112                                      | 97                          | US\$ 11,112   |      |
|                   | TSMC Technology   | Subsidiary                                 |   | 1                           | US\$ 10,615                                      | 100                         | US\$ 10,615   |      |
|                   | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | Subsidiary                                 |   | 14,153                      | US\$ 9,994                                       | 97                          | US\$ 9,994  |      |
|                   | TSMC Canada   | Subsidiary                                 |   | 2,300                       | US\$ 4,059                                       | 100                         | US\$ 4,059  |      |
|                   | Mcube Inc.  | Investee accounted for using equity method |   | 5,333                       |  | 80                          |   |      |
|                   | <u>Preferred stock</u>  |  |   |                             |  |                             |   |      |



Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                    |   |            |  |   |            |              |     |              |  |
|--------------------|---|------------|--|---|------------|--------------|-----|--------------|--|
|                    | Mcube Inc.  |            | Investee accounted for using equity method | Investments accounted for using equity method | 1,000      |              |     | 5            |  |
|                    | <u>Fund</u>                                       |            |  |   |            |              |     |              |  |
|                    | Shanghai Walden Venture Capital Enterprise        |            |  | Financial assets carried at cost              | US\$ 5,000 |              | 8   | US\$ 5,000   |  |
| TSMC North America | <u>Stock</u>                                      |            |  |   |            |              |     |              |  |
|                    | Spansion Inc.                                     |            |  | Available-for-sale financial assets           | 276        | US\$ 2,283   |     | US\$ 2,283   |  |
| TSMC Development   | <u>Corporate bond</u>                             |            |  |   |            |              |     |              |  |
|                    | GE Capital Corp.                                  |            |  | Held-to-maturity financial assets             |            | US\$ 20,090  | N/A | US\$ 20,770  |  |
|                    | JP Morgan Chase & Co.                             |            |  |   |            | US\$ 15,000  | N/A | US\$ 15,087  |  |
|                    | <u>Stock</u>                                      |            |  |   |            |              |     |              |  |
|                    | WaferTech   | Subsidiary |  | Investments accounted for using equity method | 293,640    | US\$ 220,119 | 100 | US\$ 220,119 |  |
| Emerging Alliance. | <u>Common stock</u>                               |            |  |   |            |              |     |              |  |
|                    | RichWave Technology Corp                          |            |  | Financial assets carried at cost              | 4,074      | US\$ 1,545   | 10  | US\$ 1,545   |  |
|                    | Global Investment Holding Inc.                    |            |  |   | 11,124     | US\$ 3,065   | 6   | US\$ 3,065   |  |
|                    | <u>Preferred stock</u>                            |            |  |   |            |              |     |              |  |
|                    | Audience, Inc.                                    |            |  | Financial assets carried at cost              | 1,654      | US\$ 250     |     | US\$ 250     |  |
|                    | Next IO, Inc.                                     |            |  |   | 8          | US\$ 500     |     | US\$ 500     |  |
|                    | Pixim, Inc.                                       |            |  |   | 4,641      | US\$ 1,137   | 2   | US\$ 1,137   |  |
|                    | QST Holdings, LLC                                 |            |  |   |            | US\$ 142     | 4   | US\$ 142     |  |
|                    | <u>Capital</u>                                    |            |  |   |            |              |     |              |  |
|                    | VentureTech Alliance Holdings, LLC (VTA Holdings) | Subsidiary |  | Investments accounted for using equity method |            |              | 7   |              |  |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account                   | Shares/Units (In Thousands) | December 31, 2011                                |                             |     | Market Value or Net Asset Value (Foreign Currencies in Thousands) | Note   |
|-------------------|-------------------------------------|-------------------------------|---|-----------------------------|--|-----------------------------|-----|---|--------|
|                   |                                     |                               |   |                             | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) |     |   |        |
| VTAF II           | <u>Common stock</u>                 |                               |   |                             |  |                             |     |   |        |
|                   | Aether Systems, Inc.                |                               | Financial assets carried at cost              | 1,800                       | US\$   | 1,701                       | 23  | US\$  | 1,701  |
|                   | RichWave Technology Corp.           |                               |   | 1,267                       | US\$   | 1,036                       | 3   | US\$  | 1,036  |
|                   | Sentelic                            |                               |   | 1,806                       | US\$   | 2,607                       | 9   | US\$  | 2,607  |
|                   | <u>Preferred stock</u>              |                               |   |                             |  |                             |     |   |        |
|                   | 5V Technologies, Inc.               |                               | Financial assets carried at cost              | 2,890                       | US\$   | 2,168                       | 4   | US\$  | 2,168  |
|                   | Aquantia                            |                               |   | 4,556                       | US\$   | 4,316                       | 3   | US\$  | 4,316  |
|                   | Audience, Inc.                      |                               |   | 12,378                      | US\$   | 2,378                       | 3   | US\$  | 2,378  |
|                   | Impinj, Inc.                        |                               |   | 475                         | US\$   | 1,000                       |     | US\$  | 1,000  |
|                   | Next IO, Inc.                       |                               |   | 132                         | US\$   | 1,110                       | 2   | US\$  | 1,110  |
|                   | Pixim, Inc.                         |                               |   | 33,347                      | US\$   | 1,878                       | 2   | US\$  | 1,878  |
|                   | Power Analog Microelectronics       |                               |   | 7,330                       | US\$   | 3,482                       | 21  | US\$  | 3,482  |
|                   | QST Holdings, LLC                   |                               |   |                             | US\$   | 593                         | 13  | US\$  | 593    |
|                   | <u>Capital</u>                      |                               |   |                             |  |                             |     |   |        |
|                   | VTA Holdings                        | Subsidiary                    | Investments accounted for using equity method |                             |  |                             | 31  |   |        |
| VTAF III          | <u>Common stock</u>                 |                               |   |                             |  |                             |     |   |        |
|                   | Mutual-Pak Technology Co., Ltd.     | Subsidiary                    | Investments accounted for using equity method | 11,868                      | US\$   | 1,204                       | 57  | US\$  | 1,204  |
|                   | Accton Wireless Broadband Corp.     |                               | Financial assets carried at cost              | 2,249                       | US\$   | 315                         | 6   | US\$  | 315    |
|                   | <u>Preferred stock</u>              |                               |   |                             |  |                             |     |   |        |
|                   | InvenSense, Inc.                    |                               | Available-for-sale financial assets           | 796                         | US\$   | 7,932                       | 1   | US\$  | 7,932  |
|                   | BridgeLux, Inc.                     |                               | Financial assets carried at cost              | 6,771                       | US\$   | 8,745                       | 3   | US\$  | 8,745  |
|                   | Exclara, Inc.                       |                               |   | 59,695                      | US\$   | 1,812                       | 15  | US\$  | 1,812  |
|                   | GTBF, Inc.                          |                               |   | 1,154                       | US\$   | 1,500                       | N/A | US\$  | 1,500  |
|                   | LiquidLeds Lighting Corp.           |                               |   | 1,600                       | US\$   | 800                         | 11  | US\$  | 800    |
|                   | Neoconix, Inc.                      |                               |   | 3,916                       | US\$   | 4,779                       | 4   | US\$  | 4,779  |
|                   | Powervation, Ltd.                   |                               |   | 449                         | US\$   | 7,030                       | 16  | US\$  | 7,030  |
|                   | Stion Corp.                         |                               |   | 8,152                       | US\$   | 55,473                      | 20  | US\$  | 55,473 |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|             |                                   |            |       |      |   |       |      |       |
|-------------|-----------------------------------|------------|-------|------|---|-------|------|-------|
|             | Tilera, Inc.                      |            | 3,890 | US\$ | 3,025   | 2     | US\$ | 3,025 |
|             | Validity Sensors, Inc.            |            | 9,340 | US\$ | 3,456   | 4     | US\$ | 3,456 |
|             | <u>Capital</u>                    |            |       |      |   |       |      |       |
|             | Growth Fund Limited (Growth Fund) | Subsidiary |       |      |   |       |      |       |
|             |                                   |            |       |      | Investments accounted for using equity method |       |      |       |
|             |                                   |            |       | US\$ | 510   | 100   | US\$ | 510   |
|             | VTA Holdings                      | Subsidiary |       |      |   | 62    |      |       |
| Growth Fund | <u>Common stock</u>               |            |       |      |   |       |      |       |
|             | Veebeam                           |            |       |      | Financial assets carried at cost              | 10    | US\$ | 25    |
|             |                                   |            |       |      |   |       | US\$ | 25    |
| ISDF        | <u>Common stock</u>               |            |       |      |   |       |      |       |
|             | Integrated Memory Logic, Inc.     |            |       |      | Available-for-sale financial assets           | 2,161 | US\$ | 6,289 |
|             | Memsic, Inc.                      |            | 1,286 | US\$ | 3,407   | 5     | US\$ | 3,407 |
|             | <u>Preferred stock</u>            |            |       |      |   |       |      |       |
|             | Sonics, Inc.                      |            |       |      | Financial assets carried at cost              | 230   | US\$ | 497   |
|             |                                   |            |       |      |   | 2     | US\$ | 497   |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account                   | Shares/Units (In Thousands) | December 31, 2011                                |                             |     | Market Value or Net Asset Value (Foreign Currencies in Thousands) | Note      |
|-------------------|-------------------------------------|-------------------------------|---|-----------------------------|--|-----------------------------|-----|---|-----------|
|                   |                                     |                               |   |                             | Carrying Value (Foreign Currencies in Thousands) | Percentage of Ownership (%) |     |   |           |
| ISDF II           | <u>Common stock</u>                 |                               |   |                             |  |                             |     |   |           |
|                   | Memsic, Inc.                        |                               | Available-for-sale financial assets           | 1,072                       | US\$   | 2,841                       | 5   | US\$  | 2,841     |
|                   | Alchip Technologies Limited         |                               | Financial assets carried at cost              | 7,520                       | US\$   | 3,664                       | 14  | US\$  | 3,664     |
|                   | Sonics, Inc.                        |                               |   | 278                         | US\$   | 10                          | 3   | US\$  | 10        |
|                   | Goyatek Technology, Corp.           |                               |   | 745                         | US\$   | 163                         | 6   | US\$  | 163       |
|                   | Auden Technology MFG. Co., Ltd.     |                               |   | 1,049                       | US\$   | 223                         | 3   | US\$  | 223       |
|                   | <u>Preferred stock</u>              |                               |   |                             |  |                             |     |   |           |
|                   | Sonics, Inc.                        |                               | Financial assets carried at cost              | 264                         | US\$   | 455                         | 3   | US\$  | 455       |
| Xintec            | <u>Capital</u>                      |                               |   |                             |  |                             |     |   |           |
|                   | Compositech Ltd.                    |                               | Financial assets carried at cost              | 587                         |  |                             | 3   |   |           |
| TSMC Solar Europe | <u>Stock</u>                        |                               |   |                             |  |                             |     |   |           |
|                   | TSMC Solar Europe GmbH              | Subsidiary                    | Investments accounted for using equity method | 1                           | EUR  | 5,103                       | 100 |   | EUR 5,103 |
| TSMC Global       | <u>Corporate bond</u>               |                               |   |                             |  |                             |     |   |           |
|                   | Aust + Nz Banking Group             |                               | Held-to-maturity financial assets             | 20,000                      | US\$   | 20,000                      | N/A | US\$  | 19,751    |
|                   | Commonwealth Bank of Australia      |                               |   | 25,000                      | US\$   | 25,000                      | N/A | US\$  | 24,905    |
|                   | Commonwealth Bank of Australia      |                               |   | 25,000                      | US\$   | 25,000                      | N/A | US\$  | 24,991    |
|                   | Deutsche Bank AG London             |                               |   | 20,000                      | US\$   | 19,884                      | N/A | US\$  | 20,033    |
|                   | JP Morgan Chase + Co.               |                               |   | 35,000                      | US\$   | 35,039                      | N/A | US\$  | 35,070    |
|                   | Nationwide Building Society-UK      |                               |   |                             |  |                             |     |   |           |
|                   | Government Guarantee                |                               |   | 8,000                       | US\$   | 8,000                       | N/A | US\$  | 8,008     |
|                   | Westpac Banking Corp.               |                               |   | 25,000                      | US\$   | 25,000                      | N/A | US\$  | 24,825    |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                                       |  |        |      |        |     |      |        |
|---------------------------------------|--|--------|------|--------|-----|------|--------|
| Westpac<br>Banking Corp.<br>12/12 Frn |  | 5,000  | US\$ | 5,000  | N/A | US\$ | 5,007  |
| <u>Government bond</u>                |  |        |      |        |     |      |        |
| Societe De<br>Financement<br>De Lec   | Held-to-maturity<br>financial assets   | 15,000 | US\$ | 15,000 | N/A | US\$ | 14,991 |
| <u>Money market fund</u>              |  |        |      |        |     |      |        |
| Ssga Cash<br>Mgmt Global<br>Offshore  | Available-for-sale<br>financial assets | 83     | US\$ | 83     | N/A | US\$ | 83     |

(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 YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Marketable Securities Type and Name | Financial Statement Account                   | Counterparty | Nature of Relationship                     | Beginning Balance           |  | Acquisition                 |  | Disposal (Note 2)           |  |  | Gain (Loss) on Disposal (Foreign Currencies in Thousands) | Ending Balance              |  |      |
|-------------------------------------|---|--------------|--|-----------------------------|--|-----------------------------|--|-----------------------------|--|--|---|-----------------------------|--|------|
|                                     |   |              |  | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Carrying Value (Foreign Currencies in Thousands) |   | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) |      |
| <b>Stock</b>                        |   |              |  |                             |  |                             |  |                             |  |  |   |                             |  |      |
| TSMC Solar                          | Investments accounted for using equity method |              | Subsidiary                                 |                             | \$                                       | 1,118,000                   | \$                                       | 11,180,000                  | \$                                       | \$   | \$  |                             | 1,118,000                                | \$   |
| TSMC SSL                            |   |              | Subsidiary                                 |                             |  | 227,000                     |  | 2,270,000                   |  |  |   |                             | 227,000                                  |      |
| <b>Capital</b>                      |   |              |  |                             |  |                             |  |                             |  |  |   |                             |  |      |
| TSMC China                          | Investments accounted for using equity method |              | Subsidiary                                 |                             |  | 4,252,270                   |  | 6,759,300                   |  |  |   |                             |  |      |
| VTAF III                            |   |              | Subsidiary                                 |                             |  | 2,769,423                   |  | 135,297                     |  |  |   |                             |  |      |
| <b>Stock</b>                        |   |              |  |                             |  |                             |  |                             |  |  |   |                             |  |      |
| TSMC Solar Europe                   | Investments accounted for using equity method |              | Subsidiary                                 |                             |  | 23,971                      |  | 385,682                     |  |  |   |                             |  |      |
| <b>Capital</b>                      |   |              |  |                             |  |                             |  |                             |  |  |   |                             |  |      |
| VTAF III                            | Investments accounted for using equity method |              | Investee accounted for using equity method |                             |  |                             |  | 168,548                     |  |  |   |                             |  |      |
| <b>Stock</b>                        |   |              |  |                             |  |                             |  |                             |  |  |   |                             |  |      |
| TSMC Solar Europe GmbH              | Investments accounted for using equity method |              | Subsidiary                                 |                             |  | 1                           | EUR 90                                   | EUR 9,800                   | EUR                                      | EUR  | EUR   |                             | 1  | EUR  |
| <b>Corporate bond</b>               |   |              |  |                             |  |                             |  |                             |  |  |   |                             |  |      |
| Allstate Life Gbl Fdg Secd          | Available-for-sale financial assets           |              |  |                             |  | 4,430                       | US\$ 4,824                               | US\$                        | 4,430                                    | US\$ 4,787                                       | US\$ 4,834  | US\$ (47)                   |  | US\$ |
| American Honda Fin Corp. Mtn Anz    |   |              |  |                             |  | 4,000                       | US\$ 3,995                               |                             | 4,000                                    | US\$ 4,005                                       | US\$ 3,985  | US\$ 20                     |  |      |
| National Intl                       |   |              |  |                             |  | 3,500                       | US\$ 3,554                               |                             | 3,500                                    | US\$ 3,555                                       | US\$ 3,515  | US\$ 40                     |  |      |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|  |        |      |        |       |      |       |        |      |        |      |        |      |       |
|--|--------|------|--------|-------|------|-------|--------|------|--------|------|--------|------|-------|
| Ltd.   |        |      |        |       |      |       |        |      |        |      |        |      |       |
| Archer Daniels Midland Co.                   |        |      |        | 7,000 | US\$ | 7,000 | 7,000  | US\$ | 7,010  | US\$ | 7,000  | US\$ | 10    |
| Astrazeneca Plc                              | 3,150  | US\$ | 3,397  |       |      |       | 3,150  | US\$ | 3,356  | US\$ | 3,456  | US\$ | (100) |
| AT+T Wireless                                | 3,500  | US\$ | 3,823  |       |      |       | 3,500  | US\$ | 3,762  | US\$ | 3,979  | US\$ | (217) |
| Banco Bilbao Vizcaya P R Bank of Nova Scotia | 3,250  | US\$ | 3,249  |       |      |       | 3,250  | US\$ | 3,251  | US\$ | 3,250  | US\$ | 1     |
| Barclays Bank Plc                            | 5,000  | US\$ | 5,000  |       |      |       | 5,000  | US\$ | 5,012  | US\$ | 5,000  | US\$ | 12    |
| Barclays Bank Plc                            | 12,000 | US\$ | 11,997 |       |      |       | 12,000 | US\$ | 12,022 | US\$ | 12,035 | US\$ | (13)  |
| Barclays Bk Plc UK                           |        |      |        |       |      |       |        |      |        |      |        |      |       |
| Govt Cr Bb+T Corporation                     |        |      |        | 5,000 | US\$ | 5,108 | 5,000  | US\$ | 5,099  | US\$ | 5,108  | US\$ | (9)   |
| Bear Stearns Cos Inc.                        |        |      |        | 3,840 | US\$ | 3,990 | 3,840  | US\$ | 3,977  | US\$ | 3,990  | US\$ | (13)  |
| Berkshire Hathaway Inc. Del                  | 3,500  | US\$ | 3,494  |       |      |       | 3,500  | US\$ | 3,465  | US\$ | 3,360  | US\$ | 105   |
| Bhp Billiton Fin USA Ltd.                    |        |      |        | 4,000 | US\$ | 4,443 | 4,000  | US\$ | 4,447  | US\$ | 4,443  | US\$ | 4     |
| Bnp Paribas SA                               | 3,810  | US\$ | 3,844  |       |      |       | 3,810  | US\$ | 3,838  | US\$ | 3,844  | US\$ | (6)   |
| Boeing Cap Corp.                             | 2,925  | US\$ | 3,192  |       |      |       | 2,925  | US\$ | 3,180  | US\$ | 3,235  | US\$ | (55)  |
| Bp Capital Markets Plc                       | 3,900  | US\$ | 3,988  |       |      |       | 3,900  | US\$ | 3,992  | US\$ | 3,969  | US\$ | 23    |

(Continued)

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

| Company Name | Marketable Securities Type and Name | Financial Statement Counterparty | Nature of Relationship | Beginning Balance           |  | Acquisition                 |  | Disposal (Note 2)           |  | Ending Balance (Note 3)                                   |  |
|--------------|-------------------------------------|----------------------------------|------------------------|-----------------------------|--|-----------------------------|--|-----------------------------|--|---|--|
|              |                                     |                                  |                        | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Gain (Loss) on Disposal (Foreign Currencies in Thousands) | Amount (Foreign Currencies in Thousands) |
|              |                                     | Available-                       |                        |                             |  |                             |  |                             |  |   |  |
|              |                                     | for-sale                         |                        |                             |  |                             |  |                             |  |   |  |
|              |                                     | financial                        |                        |                             |  |                             |  |                             |  |   |  |
|              | Bp Capital Markets Plc              | assets                           |                        | US\$ 7,160                  | 7,160                                    | US\$ 7,160                  | 7,160                                    | US\$ 7,201                  | US\$ 7,160                               | US\$ 41   | US\$                                     |
|              | Chevron Corp.                       |                                  |                        | 4,000                       | US\$ 4,305                               | 4,000                       | US\$ 4,286                               | US\$ 4,305                  | US\$ (19)                                |   |  |
|              | Cie Financement Foncier             |                                  |                        | 4,000                       | US\$ 4,019                               |                             | 4,000                                    | US\$ 4,034                  | US\$ 4,029                               | US\$ 5  |  |
|              | Cisco Systems Inc.                  |                                  |                        |                             | 7,050                                    | US\$ 7,050                  | 7,050                                    | US\$ 7,073                  | US\$ 7,050                               | US\$ 23   |  |
|              | Citigroup Funding Inc.              |                                  |                        | 16,000                      | US\$ 16,323                              |                             | 16,000                                   | US\$ 16,337                 | US\$ 16,262                              | US\$ 75   |  |
|              | Citigroup Funding Inc.              |                                  |                        | 7,300                       | US\$ 7,446                               |                             | 7,300                                    | US\$ 7,440                  | US\$ 7,448                               | US\$ (8)  |  |
|              | Citigroup Inc.                      |                                  |                        | 5,000                       | US\$ 5,490                               |                             | 5,000                                    | US\$ 5,478                  | US\$ 5,360                               | US\$ 118  |  |
|              | Coca Cola Co.                       |                                  |                        | 4,000                       | US\$ 4,002                               |                             | 4,000                                    | US\$ 4,003                  | US\$ 4,000                               | US\$ 3  |  |
|              | Countrywide Finl Corp.              |                                  |                        | 4,000                       | US\$ 4,208                               |                             | 4,000                                    | US\$ 4,221                  | US\$ 4,291                               | US\$ (70)   |  |
|              | Credit Suisse New York              |                                  |                        | 3,945                       | US\$ 4,090                               |                             | 3,945                                    | US\$ 4,069                  | US\$ 4,073                               | US\$ (4)  |  |
|              | Credit Suisse New York              |                                  |                        |                             | 3,200                                    | US\$ 3,200                  | 3,200                                    | US\$ 3,238                  | US\$ 3,200                               | US\$ 38   |  |
|              | Dexia Credit Local                  |                                  |                        | 6,000                       | US\$ 5,976                               |                             | 6,000                                    | US\$ 5,983                  | US\$ 6,000                               | US\$ (17)   |  |
|              | Dexia Credit Local                  |                                  |                        | 4,000                       | US\$ 3,984                               |                             | 4,000                                    | US\$ 3,927                  | US\$ 4,000                               | US\$ (73)   |  |
|              | Dexia Credit Local S.A              |                                  |                        | 4,000                       | US\$ 3,992                               |                             | 4,000                                    | US\$ 3,976                  | US\$ 4,000                               | US\$ (24)   |  |
|              | Dexia Credit Local SA NY            |                                  |                        | 5,000                       | US\$ 4,983                               |                             | 5,000                                    | US\$ 4,952                  | US\$ 5,000                               | US\$ (48)   |  |
|              | Finance for Danish Ind              |                                  |                        | 3,800                       | US\$ 3,799                               |                             | 3,800                                    | US\$ 3,808                  | US\$ 3,801                               | US\$ 7  |  |
|              | General Elec Cap Corp.              |                                  |                        | 7,000                       | US\$ 7,002                               |                             | 7,000                                    | US\$ 7,005                  | US\$ 7,002                               | US\$ 3  |  |
|              | General Elec Cap Corp.              |                                  |                        | 4,000                       | US\$ 4,110                               |                             | 4,000                                    | US\$ 4,095                  | US\$ 4,117                               | US\$ (22)   |  |
|              | General Elec Cap Corp.              |                                  |                        |                             | 5,000                                    | US\$ 5,000                  | 5,000                                    | US\$ 5,037                  | US\$ 5,000                               | US\$ 37   |  |
|              | Georgia Pwr Co.                     |                                  |                        | 4,000                       | US\$ 4,006                               |                             | 4,000                                    | US\$ 4,002                  | US\$ 4,024                               | US\$ (22)   |  |
|              | Gmac LLC                            |                                  |                        | 4,600                       | US\$ 4,731                               |                             | 4,600                                    | US\$ 4,715                  | US\$ 4,726                               | US\$ (11)   |  |
|              | Goldman Sachs Group Inc.            |                                  |                        |                             | 3,400                                    | US\$ 3,400                  | 3,400                                    | US\$ 3,425                  | US\$ 3,400                               | US\$ 25   |  |
|              | Hewlett Packard Co.                 |                                  |                        | 3,000                       | US\$ 3,003                               |                             | 3,000                                    | US\$ 3,004                  | US\$ 2,995                               | US\$ 9  |  |
|              | Household Fin Corp.                 |                                  |                        | 4,330                       | US\$ 4,694                               |                             | 4,330                                    | US\$ 4,662                  | US\$ 4,781                               | US\$ (119)  |  |
|              |                                     |                                  |                        | 3,400                       | US\$ 3,405                               |                             | 3,400                                    | US\$ 3,407                  | US\$ 3,407                               |   |  |



Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|   |       |            |       |            |        |             |             |            |  |
|---|-------|------------|-------|------------|--------|-------------|-------------|------------|--|
| HSBC Bank Plc                             |       |            |       |            |        |             |             |            |  |
| HSBC Fin Corp.                            | 2,900 | US\$ 3,074 |       |            | 2,900  | US\$ 3,074  | US\$ 3,142  | US\$ (68)  |  |
| IBM Corp.                                 | 6,800 | US\$ 6,775 |       |            | 6,800  | US\$ 6,781  | US\$ 6,772  | US\$ 9     |  |
| Inc Bk Nv Neth St Cr Gtee                 |       |            | 8,500 | US\$ 8,668 | 8,500  | US\$ 8,655  | US\$ 8,668  | US\$ (13)  |  |
| John Deer Capital Corp. Fdic GT           | 3,500 | US\$ 3,616 |       |            | 3,500  | US\$ 3,601  | US\$ 3,634  | US\$ (33)  |  |
| JP Morgan Chase + Co.                     | 5,000 | US\$ 5,021 |       |            | 5,000  | US\$ 5,032  | US\$ 5,000  | US\$ 32    |  |
| Lloyds Tsb Bank Plc Ser 144A              | 5,950 | US\$ 6,009 |       |            | 5,950  | US\$ 6,007  | US\$ 6,077  | US\$ (70)  |  |
| Macquarie Bk Ltd. Sr                      | 3,900 | US\$ 3,975 | 9,300 | US\$ 9,472 | 13,200 | US\$ 13,423 | US\$ 13,455 | US\$ (32)  |  |
| Massmutual Global Fdg II Mediu            | 4,000 | US\$ 3,955 |       |            | 4,000  | US\$ 3,991  | US\$ 3,926  | US\$ 65    |  |
| Mellon Fdg Corp.                          | 3,500 | US\$ 3,475 |       |            | 3,500  | US\$ 3,479  | US\$ 3,404  | US\$ 75    |  |
| Merck + Co. Inc.                          | 4,000 | US\$ 4,032 |       |            | 4,000  | US\$ 4,013  | US\$ 4,066  | US\$ (53)  |  |
| Merrill Lynch + Co. Inc.                  | 4,691 | US\$ 4,647 |       |            | 4,691  | US\$ 4,669  | US\$ 4,603  | US\$ 66    |  |
| Merrill Lynch + Co. Inc.                  |       |            | 4,000 | US\$ 4,335 | 4,000  | US\$ 4,319  | US\$ 4,335  | US\$ (16)  |  |
| Met Life Glob Funding I                   |       |            | 3,000 | US\$ 3,000 | 3,000  | US\$ 3,004  | US\$ 3,000  | US\$ 4     |  |
| Metlife Inc.                              | 6,500 | US\$ 6,600 |       |            | 6,500  | US\$ 6,584  | US\$ 6,527  | US\$ 57    |  |
| Microsoft Corp.                           | 3,250 | US\$ 3,232 |       |            | 3,250  | US\$ 3,224  | US\$ 3,249  | US\$ (25)  |  |
| Morgan Stanley Morgan Stanley Dean Witter | 8,000 | US\$ 8,524 |       |            | 8,000  | US\$ 8,513  | US\$ 8,797  | US\$ (284) |  |
| National Australia Bank                   |       |            | 3,000 | US\$ 3,035 | 3,000  | US\$ 3,040  | US\$ 3,034  | US\$ 6     |  |
| Pepsiamericas Inc.                        |       |            | 4,000 | US\$ 4,329 | 4,000  | US\$ 4,308  | US\$ 4,329  | US\$ (21)  |  |
| Philip Morris Intl Inc.                   |       |            | 4,000 | US\$ 4,640 | 4,000  | US\$ 4,591  | US\$ 4,640  | US\$ (49)  |  |
| Princoa Global Fdg I Medium               | 5,050 | US\$ 5,011 |       |            | 5,050  | US\$ 5,042  | US\$ 4,921  | US\$ 121   |  |
| Rabobank Nederland                        | 5,000 | US\$ 5,000 |       |            | 5,000  | US\$ 5,000  | US\$ 4,997  | US\$ 3     |  |
| Royal Bk of Scotland Plc                  | 5,000 | US\$ 5,052 |       |            | 5,000  | US\$ 5,045  | US\$ 5,106  | US\$ (61)  |  |
| Royal Bk Scotlnd Grp Plc 144A             | 9,450 | US\$ 9,516 |       |            | 9,450  | US\$ 9,517  | US\$ 9,596  | US\$ (79)  |  |

(Continued)

| Company | Marketable<br>Securities | Type<br>and<br>Name             | Financial<br>Statement<br>Account         | Nature<br>Counter-of<br>party<br>Relationship | Beginning Balance                     |  | Acquisition                           |  | Disposal (Note 2)                     |  |   | Ending Balance<br>(Note 3)   |                                       |  |        |       |        |      |        |
|---------|--------------------------|---------------------------------|---|---|---------------------------------------|--|---------------------------------------|--|---------------------------------------|--|---|--|---------------------------------------|--|--------|-------|--------|------|--------|
|         |                          |                                 |   |   | Shares/<br>Units<br>(In<br>Thousands) | Amount<br>(Foreign<br>Currencies<br>in<br>Thousands) | Shares/<br>Units<br>(In<br>Thousands) | Amount<br>(Foreign<br>Currencies<br>in<br>Thousands) | Shares/<br>Units<br>(In<br>Thousands) | Amount<br>(Foreign<br>Currencies<br>in<br>Thousands) | Carrying<br>Value<br>(Foreign<br>Currencies<br>in<br>Thousands) | Gain<br>(Loss)<br>on<br>Disposal<br>(Foreign<br>Currencies<br>in<br>Thousands) | Shares/<br>Units<br>(In<br>Thousands) | Amount<br>(Foreign<br>Currencies<br>in<br>Thousands) |        |       |        |      |        |
|         |                          | Sanofi Aventis                  | Available-for-sale<br>financial<br>assets |   |                                       |  | US\$                                  | 4,000  | US\$                                  | 4,000  | 4,000   | US\$   | 4,003                                 | US\$   | 3      | US\$  |        |      |        |
|         |                          | Sanofi Aventis                  |   |   |                                       |  |                                       | 3,870  | US\$                                  | 3,870  | 3,870   | US\$   | 3,884                                 | US\$   | 3,870  | US\$  | 14     |      |        |
|         |                          | Shell                           |   |   |                                       | 4,515  | US\$                                  | 4,536  |                                       |  | 4,515   | US\$   | 4,533                                 | US\$   | 4,527  | US\$  | 6      |      |        |
|         |                          | International Fin               |   |   |                                       |  |                                       |  |                                       |  |   |  |                                       |  |        |       |        |      |        |
|         |                          | Shell                           |   |   |                                       | 3,200  | US\$                                  | 3,248  |                                       |  | 3,200   | US\$   | 3,256                                 | US\$   | 3,227  | US\$  | 29     |      |        |
|         |                          | International Fin               |   |   |                                       |  |                                       |  |                                       |  |   |  |                                       |  |        |       |        |      |        |
|         |                          | Standard<br>Chartered BK<br>NY  |   |   |                                       |  |                                       | 3,000  | US\$                                  | 3,000  | 3,000   | US\$   | 3,001                                 | US\$   | 3,000  | US\$  | 1      |      |        |
|         |                          | State Str Corp.                 |   |   |                                       | 6,420  | US\$                                  | 6,417  |                                       |  | 6,420   | US\$   | 6,423                                 | US\$   | 6,382  | US\$  | 41     |      |        |
|         |                          | Sun Life Finl<br>Global         |   |   |                                       | 4,400  | US\$                                  | 4,332  |                                       |  | 4,400   | US\$   | 4,351                                 | US\$   | 4,304  | US\$  | 47     |      |        |
|         |                          | Suncorp Metway<br>Ltd.          |   |   |                                       | 8,800  | US\$                                  | 8,982  |                                       |  | 8,800   | US\$   | 8,937                                 | US\$   | 9,125  | US\$  | (188)  |      |        |
|         |                          | Swedbank<br>Hypotek AB          |   |   |                                       | 4,000  | US\$                                  | 3,993  |                                       |  | 4,000   | US\$   | 3,998                                 | US\$   | 4,002  | US\$  | (4)    |      |        |
|         |                          | Swedbank<br>Hypotek AB          |   |   |                                       |  |                                       | 4,100  | US\$                                  | 4,100  | 4,100   | US\$   | 4,086                                 | US\$   | 4,100  | US\$  | (14)   |      |        |
|         |                          | Teva Pharm Fin<br>III           |   |   |                                       |  |                                       | 4,000  | US\$                                  | 4,000  | 4,000   | US\$   | 4,019                                 | US\$   | 4,000  | US\$  | 19     |      |        |
|         |                          | Teva Pharma Fin<br>III LLC      |   |   |                                       | 4,000  | US\$                                  | 4,016  |                                       |  | 4,000   | US\$   | 4,011                                 | US\$   | 4,000  | US\$  | 11     |      |        |
|         |                          | Total Capital<br>Canada Ltd.    |   |   |                                       |  |                                       | 4,000  | US\$                                  | 4,000  | 4,000   | US\$   | 4,013                                 | US\$   | 4,000  | US\$  | 13     |      |        |
|         |                          | United<br>Technologies<br>Corp. |   |   |                                       |  |                                       | 4,000  | US\$                                  | 4,265  | 4,000   | US\$   | 4,244                                 | US\$   | 4,266  | US\$  | (22)   |      |        |
|         |                          | US Central<br>Federal Cred      |   |   |                                       | 4,000  | US\$                                  | 4,084  | 4,500                                 | US\$   | 4,599   | 8,500  | US\$                                  | 8,664  | US\$   | 8,692 | US\$   | (28) |        |
|         |                          | Verizon<br>Communications       |   |   |                                       |  |                                       | 7,725  | US\$                                  | 7,725  | 7,725   | US\$   | 7,785                                 | US\$   | 7,725  | US\$  | 60     |      |        |
|         |                          | Virginia Elec +<br>Pwr Co.      |   |   |                                       |  |                                       | 3,250  | US\$                                  | 3,489  | 3,250   | US\$   | 3,461                                 | US\$   | 3,489  | US\$  | (28)   |      |        |
|         |                          | Volkswagen Intl<br>Fin NV       |   |   |                                       |  |                                       | 4,000  | US\$                                  | 4,000  | 4,000   | US\$   | 4,010                                 | US\$   | 4,000  | US\$  | 10     |      |        |
|         |                          | Wachovia Corp.<br>Global Medium |   |   |                                       | 5,000  | US\$                                  | 5,141  |                                       |  | 5,000   | US\$   | 5,142                                 | US\$   | 5,138  | US\$  | 4      |      |        |
|         |                          | Wal Mart Stores<br>Inc.         |   |   |                                       | 4,000  | US\$                                  | 3,964  |                                       |  | 4,000   | US\$   | 3,968                                 | US\$   | 3,986  | US\$  | (18)   |      |        |
|         |                          | Wal Mart Stores<br>Inc.         |   |   |                                       | 3,770  | US\$                                  | 4,325  |                                       |  | 3,770   | US\$   | 4,261                                 | US\$   | 4,383  | US\$  | (122)  |      |        |
|         |                          | Westpac Banking<br>Corp.        |   |   |                                       | 3,500  | US\$                                  | 3,514  |                                       |  | 3,500   | US\$   | 3,511                                 | US\$   | 3,500  | US\$  | 11     |      |        |
|         |                          | Westpac Banking<br>Corp.        |   |   |                                       | 4,000  | US\$                                  | 4,005  |                                       |  | 4,000   | US\$   | 4,022                                 | US\$   | 4,044  | US\$  | (22)   |      |        |
|         |                          | Wyeth                           |   |   |                                       | 3,345  | US\$                                  | 3,657  | 638                                   | US\$   | 697   | 3,983  | US\$                                  | 4,325  | US\$   | 4,397 | US\$   | (72) |        |
|         |                          | Deutsche Bank<br>AG London      | Held-to-maturity<br>financial assets      |   |                                       |  |                                       | 20,000   | US\$                                  | 19,884   |   |  |                                       |  |        |       | 20,000 | US\$ | 19,884 |
|         |                          | <u>Government<br/>bond</u>      |   |   |                                       |  |                                       |  |                                       |  |   |  |                                       |  |        |       |        |      |        |
|         |                          | US Treasury N/B                 | Available-for-sale<br>financial assets    |   |                                       | 41,700   | US\$                                  | 42,042   |                                       |  | 41,700  | US\$   | 42,042                                | US\$   | 41,729 | US\$  | 313    |      |        |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                 |        |             |        |             |        |             |             |            |
|-----------------|--------|-------------|--------|-------------|--------|-------------|-------------|------------|
| US Treasury N/B | 11,100 | US\$ 10,976 |        |             | 11,100 | US\$ 10,941 | US\$ 11,084 | US\$ (143) |
| US Treasury N/B | 7,000  | US\$ 7,079  |        |             | 7,000  | US\$ 7,077  | US\$ 7,078  | US\$ (1)   |
| US Treasury N/B | 5,250  | US\$ 5,212  | 30,175 | US\$ 29,906 | 35,425 | US\$ 35,154 | US\$ 35,101 | US\$ 53    |
| US Treasury N/B |        |             | 19,900 | US\$ 19,872 | 19,900 | US\$ 19,888 | US\$ 19,872 | US\$ 16    |
| US Treasury N/B |        |             | 10,000 | US\$ 10,084 | 10,000 | US\$ 10,073 | US\$ 10,084 | US\$ (11)  |
| US Treasury N/B |        |             | 10,000 | US\$ 10,042 | 10,000 | US\$ 10,046 | US\$ 10,042 | US\$ 4     |
| US Treasury N/B |        |             | 10,000 | US\$ 10,024 | 10,000 | US\$ 10,035 | US\$ 10,024 | US\$ 11    |
| US Treasury N/B |        |             | 10,000 | US\$ 9,988  | 10,000 | US\$ 9,990  | US\$ 9,988  | US\$ 2     |
| US Treasury N/B |        |             | 3,300  | US\$ 3,301  | 3,300  | US\$ 3,298  | US\$ 3,301  | US\$ (3)   |

Agency bond

|                             |  |        |             |        |             |        |             |             |           |
|-----------------------------|--|--------|-------------|--------|-------------|--------|-------------|-------------|-----------|
| Fannie Mae                  | Available-for-sale<br>financial assets | 16,104 | US\$ 16,102 |        |             | 16,104 | US\$ 16,116 | US\$ 16,098 | US\$ 18   |
| Fannie Mae                  |  | 11,100 | US\$ 11,096 |        |             | 11,100 | US\$ 11,109 | US\$ 11,096 | US\$ 13   |
| Fannie Mae                  |  | 8,765  | US\$ 8,763  | 11,500 | US\$ 11,503 | 20,265 | US\$ 20,280 | US\$ 20,262 | US\$ 18   |
| Fannie Mae                  |  | 4,600  | US\$ 4,589  |        |             | 4,600  | US\$ 4,606  | US\$ 4,598  | US\$ 8    |
| Fannie Mae                  |  | 3,900  | US\$ 3,861  |        |             | 3,900  | US\$ 3,851  | US\$ 3,899  | US\$ (48) |
| Fannie Mae                  |  | 3,000  | US\$ 2,994  |        |             | 3,000  | US\$ 3,000  | US\$ 3,009  | US\$ (9)  |
| Fannie Mae                  |  |        |             | 20,300 | US\$ 20,269 | 20,300 | US\$ 20,301 | US\$ 20,269 | US\$ 32   |
| Fannie Mae                  |  |        |             | 11,045 | US\$ 12,104 | 11,045 | US\$ 12,044 | US\$ 12,104 | US\$ (60) |
| Fannie Mae                  |  |        |             | 7,500  | US\$ 7,500  | 7,500  | US\$ 7,508  | US\$ 7,500  | US\$ 8    |
| Fannie Mae                  |  |        |             | 3,000  | US\$ 3,000  | 3,000  | US\$ 3,008  | US\$ 3,000  | US\$ 8    |
| Federal Farm<br>Credit Bank |  | 4,000  | US\$ 3,994  |        |             | 4,000  | US\$ 4,002  | US\$ 3,995  | US\$ 7    |

(Continued)

| Company Name | Marketable Securities       | Financial Statement Account         | Counter-party | Nature of Investment | Beginning Balance           |  | Acquisition                 |  |                             | Disposal (Note 2)                        |  |   | Ending Balance (Note 3)     |  |
|--------------|-----------------------------|-------------------------------------|---------------|----------------------|-----------------------------|--|-----------------------------|--|-----------------------------|--|--|---|-----------------------------|--|
|              |                             |                                     |               |                      | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) | Carrying Value (Foreign Currencies in Thousands) | Gain (Loss) on Disposal (Foreign Currencies in Thousands) | Shares/Units (In Thousands) | Amount (Foreign Currencies in Thousands) |
|              | Federal Farm Credit Bank    | Available-for-sale financial assets |               |                      | 4,000                       | US\$ 3,984                               |                             | US\$                                     | 4,000                       | US\$ 3,986                               | US\$ 3,998                                       | US\$ (12)   |                             | US\$                                     |
|              | Federal Farm Credit Bank    |                                     |               |                      |                             |  | 4,000                       | US\$ 4,002                               | 4,000                       | US\$ 4,003                               | US\$ 4,002                                       | US\$ 1  |                             |  |
|              | Federal Home Loan Bank      |                                     |               |                      | 5,000                       | US\$ 5,007                               |                             |  | 5,000                       | US\$ 5,007                               | US\$ 5,009                                       | US\$ (2)  |                             |  |
|              | Federal Home Loan Bank      |                                     |               |                      | 6,800                       | US\$ 6,817                               |                             |  | 6,800                       | US\$ 6,817                               | US\$ 6,811                                       | US\$ 6  |                             |  |
|              | Federal Home Loan Bank      |                                     |               |                      | 8,000                       | US\$ 8,040                               |                             |  | 8,000                       | US\$ 8,033                               | US\$ 7,990                                       | US\$ 43   |                             |  |
|              | Federal Home Loan Bank      |                                     |               |                      | 10,000                      | US\$ 9,998                               |                             |  | 10,000                      | US\$ 10,001                              | US\$ 9,985                                       | US\$ 16   |                             |  |
|              | Federal Home Loan Bank      |                                     |               |                      | 8,400                       | US\$ 8,397                               |                             |  | 8,400                       | US\$ 8,400                               | US\$ 8,399                                       | US\$ 1  |                             |  |
|              | Federal Home Ln Bks         |                                     |               |                      | 5,000                       | US\$ 5,046                               |                             |  | 5,000                       | US\$ 5,043                               | US\$ 5,098                                       | US\$ (55)   |                             |  |
|              | Federal Home Ln Mtg Corp.   |                                     |               |                      | 3,732                       | US\$ 3,727                               |                             |  | 3,340                       | US\$ 3,340                               | US\$ 3,341                                       | US\$ (1)  |                             |  |
|              | Federal Home Ln Mtg Corp.   |                                     |               |                      | 3,324                       | US\$ 3,453                               |                             |  | 3,161                       | US\$ 3,288                               | US\$ 3,360                                       | US\$ (72)   |                             |  |
|              | Federal Home Loan Mtg Corp. |                                     |               |                      | 5,183                       | US\$ 5,168                               |                             |  | 4,634                       | US\$ 4,634                               | US\$ 4,632                                       | US\$ 2  |                             |  |
|              | Fhr 2953 Da                 |                                     |               |                      | 3,284                       | US\$ 3,466                               |                             |  | 2,846                       | US\$ 3,028                               | US\$ 2,993                                       | US\$ 35   |                             |  |
|              | Fhr 3184 Fa                 |                                     |               |                      | 4,096                       | US\$ 4,084                               |                             |  | 3,810                       | US\$ 3,807                               | US\$ 3,806                                       | US\$ 1  |                             |  |
|              | Fnma Tba Jan 15 Single Fam  |                                     |               |                      |                             |  | 3,000                       | US\$ 3,147                               | 3,000                       | US\$ 3,142                               | US\$ 3,147                                       | US\$ (5)  |                             |  |
|              | Fnma Tba Feb 15 Single Fam  |                                     |               |                      |                             |  | 3,000                       | US\$ 3,138                               | 3,000                       | US\$ 3,117                               | US\$ 3,138                                       | US\$ (21)   |                             |  |
|              | Fnma Tba Mar 15 Single Fam  |                                     |               |                      |                             |  | 3,000                       | US\$ 3,110                               | 3,000                       | US\$ 3,140                               | US\$ 3,110                                       | US\$ 30   |                             |  |
|              | Fnma Tba Apr 15 Single Fam  |                                     |               |                      |                             |  | 3,000                       | US\$ 3,131                               | 3,000                       | US\$ 3,164                               | US\$ 3,131                                       | US\$ 33   |                             |  |
|              | Fnr 2006 60 CO              |                                     |               |                      | 3,485                       | US\$ 3,483                               |                             |  | 3,274                       | US\$ 3,274                               | US\$ 3,272                                       | US\$ 2  |                             |  |
|              | Fnr 2009 116 A              |                                     |               |                      | 4,271                       | US\$ 4,640                               |                             |  | 3,841                       | US\$ 4,137                               | US\$ 4,122                                       | US\$ 15   |                             |  |
|              | Freddie Mac                 |                                     |               |                      | 5,750                       | US\$ 5,764                               |                             |  | 5,750                       | US\$ 5,761                               | US\$ 5,771                                       | US\$ (10)   |                             |  |
|              | Freddie Mac                 |                                     |               |                      | 4,300                       | US\$ 4,316                               |                             |  | 4,300                       | US\$ 4,312                               | US\$ 4,308                                       | US\$ 4  |                             |  |
|              | Freddie Mac                 |                                     |               |                      | 10,420                      | US\$ 10,411                              |                             |  | 10,420                      | US\$ 10,414                              | US\$ 10,412                                      | US\$ 2  |                             |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                                |                                     |            |             |         |              |             |              |              |    |         |
|--------------------------------|-------------------------------------|------------|-------------|---------|--------------|-------------|--------------|--------------|----|---------|
| Freddie Mac                    |                                     | 19,000     | US\$ 18,981 | 19,000  | US\$ 18,986  | US\$ 18,981 | US\$ 5       |              |    |         |
| Freddie Mac                    |                                     | 3,550      | US\$ 3,549  | 3,550   | US\$ 3,553   | US\$ 3,549  | US\$ 4       |              |    |         |
| Freddie Mac                    |                                     | 14,200     | US\$ 14,196 | 14,200  | US\$ 14,204  | US\$ 14,196 | US\$ 8       |              |    |         |
| Gnr 2009 45 AB                 | 4,417                               | US\$ 4,496 |             | 3,082   | US\$ 3,129   | US\$ 3,215  | US\$ (86)    |              |    |         |
| Government Natl Mtg Assn       | 3,050                               | US\$ 3,285 |             | 3,050   | US\$ 3,202   | US\$ 3,278  | US\$ (76)    |              |    |         |
| Ngn 2010 R2 1A                 | 3,732                               | US\$ 3,731 |             | 3,490   | US\$ 3,492   | US\$ 3,490  | US\$ 2       |              |    |         |
| Ngn 2011 R4 1A                 |                                     | 4,000      | US\$ 4,000  | 3,914   | US\$ 3,914   | US\$ 3,914  |              |              |    |         |
| <u>Money market fund</u>       |                                     |            |             |         |              |             |              |              |    |         |
| Ssga Cash Mgmt Global Offshore | Available-for-sale financial assets | 12,387     | US\$ 12,387 | 764,155 | US\$ 764,155 | 776,459     | US\$ 776,459 | US\$ 776,459 | 83 | US\$ 83 |

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, other adjustments to long-term investment using equity method and amounts transferred from spin-off.

(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 YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Types of Property | Transaction Date                       | Transaction Amount | Payment Term                 | Counter-party                     | Prior Transaction of Related Counter-party |                     | Transfer Date | Transfer Amount | Price Reference | Purpose of Acquisition | Other Terms |
|--------------|-------------------|--|--------------------|------------------------------|-----------------------------------|--|---------------------|---------------|-----------------|-----------------|------------------------|-------------|
|              |                   |  |                    |                              |                                   | Nature of Relationship                     | Owner Relationships |               |                 |                 |                        |             |
| TSMC         | Fab               | January 5, 2011 to November 10, 2011   | \$ 1,018,438       | By the construction progress | China Steel Structure Co., Ltd.   | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 7, 2011 to December 27, 2011   | 152,099            | By the construction progress | Lead Fu Industrials Corp.         | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 26, 2011 to December 27, 2011  | 222,928            | By the construction progress | MandarTech Interiors Inc.         | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 26, 2011 to December 27, 2011  | 173,899            | By the construction progress | I Domain Industrial Co., Ltd.     | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 27, 2011 to December 27, 2011  | 2,425,769          | By the construction progress | Da Cin Construction Co., Ltd.     | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 27, 2011 to December 27, 2011  | 2,036,095          | By the construction progress | Fu Tsu Construction Co., Ltd.     | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 27, 2011 to July 24, 2011      | 480,672            | By the construction progress | Tasa Construction Corporation     | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | January 27, 2011 to December 28, 2011  | 219,004            | By the construction progress | Edg Corporation Ltd.              | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
|              | Fab               | February 24, 2011 to December 27, 2011 | 229,992            | By the construction progress | Yankey Engineering Co., Ltd.      | N/A  | N/A                 | N/A           | N/A             | Public bidding  | Manufacturing purpose  | None        |
| Xintec       | Fab               | February 17, 2011                      | 1,050,000          | Based on the agreement       | Vertex Precision Electronics Inc. | N/A  | N/A                 | N/A           | N/A             | Pricing report  | Manufacturing purpose  | None        |

**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 YEAR ENDED DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party          | Nature of Relationships                                 | Transaction Details |                |            | Payment Terms                     | Abnormal Transaction Payment |              | Notes/Accounts Payable or Receivable |            | Note |
|--------------|------------------------|---|---------------------|----------------|------------|-----------------------------------|------------------------------|--------------|--------------------------------------|------------|------|
|              |                        |   | Purchases/Sales     | Amount         | % to Total |                                   | Unit Price (Note)            | Terms (Note) | Ending Balance                       | % to Total |      |
| TSMC         | TSMC North America     | Subsidiary  | Sales               | \$ 234,902,043 | 56         | Net 30 days after invoice date    |                              |              | \$ 24,661,104                        | 55         |      |
|              | GUC                    | Investee accounted for using equity method              | Sales               | 3,388,912      | 1          | Net 30 days after monthly closing |                              |              | 116,218                              |            |      |
|              | VIS                    | Investee accounted for using equity method              | Sales               | 302,844        |            | Net 30 days after monthly closing |                              |              |                                      |            |      |
|              | TSMC Solar Europe GmbH | Indirect subsidiary                                     | Sales               | 148,898        |            | Net 60 days after invoice date    |                              |              |                                      |            |      |
|              | TSMC China             | Subsidiary  | Purchases           | 10,392,189     | 21         | Net 30 days after monthly closing |                              |              | (946,826)                            | 8          |      |
|              | WaferTech              | Indirect subsidiary                                     | Purchases           | 7,305,879      | 15         | Net 30 days after monthly closing |                              |              | (420,459)                            | 3          |      |
|              | VIS                    | Investee accounted for using equity method              | Purchases           | 5,577,762      | 12         | Net 30 days after monthly closing |                              |              | (987,937)                            | 8          |      |
|              | SSMC                   | Investee accounted for using equity method              | Purchases           | 3,949,176      | 8          | Net 30 days after monthly closing |                              |              | (336,037)                            | 3          |      |
|              | Motech                 | Indirect investee accounted for using the equity method | Purchases           | 124,673        |            | Net 30 days after monthly closing |                              |              |                                      |            |      |
| Xintec       | OmniVision             | Parent company of director (represented for Xintec)     | Sales               | 1,829,969      | 47         | Net 30 days after monthly closing |                              |              | 241,333                              | 51         |      |
|              | TSMC                   | Parent company  | Sales               | 267,841        | 7          | Net 30 days after monthly closing |                              |              | 17,326                               | 4          |      |

**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****DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars)**

| <b>Company Name</b> | <b>Related Party</b> | <b>Nature of Relationships</b>  | <b>Ending Balance</b> | <b>Turnover Days (Note 1)</b> | <b>Overdue Amount</b> | <b>Action Taken</b> | <b>Amounts Received in Subsequent Period</b> | <b>Allowance for Bad Debts</b> |
|---------------------|----------------------|---|-----------------------|-------------------------------|-----------------------|---------------------|--|--------------------------------|
| TSMC                | TSMC North America   | Subsidiary  | \$ 24,684,991         | 39                            | \$ 9,115,109          |                     | \$ 14,946,365                                | \$                             |
| Xintec              | GUC OmniVision       | Investee accounted for using equity method<br>Parent company of director (represented for Xintec) | 116,218<br>241,333    | 15<br>36                      |                       |                     |  |                                |

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



**TABLE 7****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE****DECEMBER 31, 2011****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Investor Company | Investee Company | Location                        | Main Businesses and Products   | Original Investment Amount                          |   | Balance as of December 31, 2011 |                         |  | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands) | Note                                       |
|------------------|------------------|---------------------------------|--|---|---|---------------------------------|-------------------------|--|---|--|--|
|                  |                  |                                 |  | December 31, 2011 (Foreign Currencies in Thousands) | December 31, 2010 (Foreign Currencies in Thousands) | Shares (In Thousands)           | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) |   |  |  |
| TSMC             | TSMC Global      | Tortola, British Virgin Islands | Investment activities  | \$ 42,327,245                                       | \$ 42,327,245                                       | 1                               | 100                     | \$ 44,071,845                                    | \$ 431,368  | \$ 431,368   | Subsidiary                                 |
|                  | TSMC Partners    | Tortola, British Virgin Islands | Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry                   | 31,456,130  | 31,456,130  | 988,268                         | 100                     | 34,986,964                                       | 1,745,799   | 1,745,799  | Subsidiary                                 |
|                  | TSMC China       | Shanghai, China                 | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers   | 18,939,667  | 12,180,367  |                                 | 100                     | 13,542,181                                       | 2,113,521   | 2,098,233  | Subsidiary                                 |
|                  | TSMC Solar       | Tai-Chung, Taiwan               | Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products | 11,180,000  |   | 1,118,000                       | 100                     | 10,153,244                                       | (982,868)   | (982,868)  | Subsidiary                                 |
|                  | VIS              | Hsin-Chu, Taiwan                | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI,                            | 13,232,288  | 13,232,288  | 628,223                         | 39                      | 8,988,007  | 882,183   | (10,337)   | Investee accounted for using equity method |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                    |                              |  |   |           |           |         |     |           |             |           |  |
|--------------------|------------------------------|--|---|-----------|-----------|---------|-----|-----------|-------------|-----------|--|
|                    |                              |  | VLSI and related parts  |           |           |         |     |           |             |           |  |
| SSMC               | Singapore                    |  | Fabrication and supply of integrated circuits   | 5,120,028 | 5,120,028 | 314     | 39  | 6,289,429 | 3,370,241   | 1,143,147 | Investee accounted for using equity method     |
| TSMC North America | San Jose, California, U.S.A. |  | Selling and marketing of integrated circuits and semiconductor devices  | 333,718   | 333,718   | 11,000  | 100 | 2,981,639 | 197,493     | 197,493   | Subsidiary                                     |
| TSMC SSL           | Hsin-Chu, Taiwan             |  | Engaged in researching, developing, designing, manufacturing and selling solid state lighting devices and related applications products and systems             | 2,270,000 |           | 227,000 | 100 | 1,746,893 | (523,002)   | (523,002) | Subsidiary                                     |
| Xintec             | Taoyuan, Taiwan              |  | Wafer level chip size packaging service   | 1,357,890 | 1,357,890 | 94,011  | 40  | 1,606,694 | 166,603     | 54,449    | Investee with a controlling financial interest |
| VTAF III           | Cayman Islands               |  | Investing in new start-up technology companies  | 2,074,155 | 3,565,441 |         | 53  | 1,311,044 | (280,045)   | (273,038) | Subsidiary                                     |
|                    |                              |  |   | (Note 4)  | (Note 4)  |         |     |           |             |           |  |
| GUC                | Hsin-Chu, Taiwan             |  | Researching, developing, manufacturing, testing and marketing of integrated circuits  | 386,568   | 386,568   | 46,688  | 35  | 1,157,188 | 527,406     | 183,843   | Investee accounted for using equity method     |
| VTAF II            | Cayman Islands               |  | Investing in new start-up technology companies  | 949,267   | 1,166,470 |         | 98  | 762,135   | 32,275      | 31,629    | Subsidiary                                     |
| Emerging Alliance  | Cayman Islands               |  | Investing in new start-up technology companies  | 892,855   | 971,785   |         | 99  | 213,235   | (11,185)    | (11,129)  | Subsidiary (Note 3)                            |
| TSMC Europe        | Amsterdam, the Netherlands   |  | Marketing and engineering supporting activities   | 15,749    | 15,749    |         | 100 | 205,171   | 34,937      | 34,937    | Subsidiary (Note 3)                            |
| TSMC Japan         | Yokohama, Japan              |  | Marketing activities  | 83,760    | 83,760    | 6       | 100 | 161,601   | 4,523       | 4,523     | Subsidiary (Note 3)                            |
| TSMC Korea         | Seoul, Korea                 |  | Customer service and technical supporting activities  | 13,656    | 13,656    | 80      | 100 | 23,448    | 3,263       | 3,263     | Subsidiary (Note 3)                            |
| TSMC Solar         | Motech Taipei, Taiwan        |  | Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems | 6,228,661 | 6,228,661 | 87,480  | 20  | 5,612,344 | (2,193,504) | Note 2    | Investee accounted for using equity method     |
|                    |                              |  |   | (Note 4)  | (Note 4)  |         |     |           |             |           |  |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|          |                   |                            |  |                       |                       |     |           |           |          |  |            |
|----------|-------------------|----------------------------|--|-----------------------|-----------------------|-----|-----------|-----------|----------|--|------------|
|          | VTAF III          | Cayman Islands             | Investing in new start-up technology companies                 | 1,795,131<br>(Note 4) | 3,565,441<br>(Note 4) | 46  | 1,681,719 | (280,045) | Note 2   | Investee accounted for using equity method |            |
|          | TSMC Solar Europe | Amsterdam, the Netherlands | Investing in solar related business                            | 411,032<br>(Note 4)   | 25,350<br>(Note 4)    | 100 | 204,163   | (196,659) | Note 2   | Subsidiary                                 |            |
|          | TSMC Solar NA     | Delaware, U.S.A.           | Selling and marketing of solar related products                | 147,686<br>(Note 4)   | 60,962<br>(Note 4)    | 1   | 100       | 52,187    | (63,192) | Note 2                                     | Subsidiary |
| TSMC SSL | TSMC Lighting NA  | Delaware, U.S.A.           | Selling and marketing of solid state lighting related products | 3,133<br>(Note 4)     | 3,133<br>(Note 4)     | 1   | 100       | 2,994     | (34)     | Note 2                                     | Subsidiary |

(Continued)

| Investor Company | Investee Company                | Location           | Main Businesses and Products   | Original Investment Amount                          |   | Balance as of December 31, 2011 |                         |  |   | Equity in the Earnings                              |   | Note |
|------------------|---------------------------------|--------------------|--|---|---|---------------------------------|-------------------------|--|---|---|---|------|
|                  |                                 |                    |  | December 31, 2011 (Foreign Currencies in Thousands) | December 31, 2010 (Foreign Currencies in Thousands) | Shares (In Thousands)           | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | (Losses) (Note 1) (Foreign Currencies in Thousands) |   |      |
| TSMC Partners    | TSMC Development                | Delaware, U.S.A.   | Investment activities  | US\$ 0.001  | US\$ 0.001  | 1                               | 100                     | US\$ 460,034                                     | US\$ 56,777   | Note 2  | Subsidiary  |      |
|                  | VisEra Holding Company          | 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\$ 94,208                                      | US\$ 29,054   | Note 2  | Investee accounted for using equity method          |      |
|                  | ISDF                            | Cayman Islands     | Investing in new start-up technology companies   | US\$ 787  | US\$ 4,088  | 787                             | 97                      | US\$ 11,112                                      | US\$ 3,656  | Note 2  | Subsidiary  |      |
|                  | TSMC Technology                 | Delaware, U.S.A.   | Engineering support activities   | US\$ 0.001  | US\$ 0.001  | 1                               | 100                     | US\$ 10,615                                      | US\$ 737  | Note 2  | Subsidiary (Note 3)                                 |      |
|                  | ISDF II                         | Cayman Islands     | Investing in new start-up technology companies   | US\$ 14,153   | US\$ 16,532   | 14,153                          | 97                      | US\$ 9,994                                       | US\$ (642)  | Note 2  | Subsidiary  |      |
|                  | TSMC Canada                     | Ontario, Canada    | Engineering support activities   | US\$ 2,300  | US\$ 2,300  | 2,300                           | 100                     | US\$ 4,059                                       | US\$ 435  | Note 2  | Subsidiary (Note 3)                                 |      |
|                  | Mcube Inc. (Common Stock)       | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device  | US\$ 800  | US\$ 800  | 5,333                           | 80                      |  | US\$ (13,586)   | Note 2  | Investee accounted for using equity method (Note 3) |      |
|                  | Mcube Inc. (Preferred Stock)    | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device  | US\$ 1,000  | US\$ 1,000  | 1,000                           | 5                       |  | US\$ (13,586)   | Note 2  | Investee accounted for using equity method (Note 3) |      |
| TSMC Development | WaferTech                       | 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\$ 220,119                                     | US\$ 54,908   | Note 2  | Subsidiary  |      |
| VTAF III         | Mutual-Pak Technology Co., Ltd. | Taipei, Taiwan     | Manufacturing and selling of electronic parts and researching, developing, and testing                                   | US\$ 3,937  | US\$ 3,937  | 11,868                          | 57                      | US\$ 1,204                                       | US\$ (1,458)  | Note 2  | Subsidiary (Note 3)                                 |      |

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

|                   |                        |                  |  |      |       |      |       |   |     |      |       |      |         |        |                     |
|-------------------|------------------------|------------------|--|------|-------|------|-------|---|-----|------|-------|------|---------|--------|---------------------|
|                   | Growth Fund            | Cayman Islands   | of RFID<br>Investing in new start-up technology companies        | US\$ | 1,830 | US\$ | 1,700 |   | 100 | US\$ | 510   | US\$ | (466)   | Note 2 | Subsidiary (Note 3) |
|                   | VTA Holdings           | Delaware, U.S.A. | Investing in new start-up technology companies                   |      |       |      |       |   | 62  |      |       |      |         | Note 2 | Subsidiary (Note 3) |
| VTAF II           | VTA Holdings           | Delaware, U.S.A. | Investing in new start-up technology companies                   |      |       |      |       |   | 31  |      |       |      |         | Note 2 | Subsidiary (Note 3) |
| Emerging Alliance | VTA Holdings           | Delaware, U.S.A. | Investing in new start-up technology companies                   |      |       |      |       |   | 7   |      |       |      |         | Note 2 | Subsidiary (Note 3) |
| TSMC Solar Europe | TSMC Solar Europe GmbH | Hamburg, Germany | Selling of solar related products and providing customer service | EUR  | 9,900 | EUR  | 100   | 1 | 100 | EUR  | 5,103 | EUR  | (4,787) | Note 2 | Subsidiary          |

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 unaudited financial statements.

Note 4: In August 2011, the Company adjusted its investment structure by transferring TSMC Lighting NA to TSMC SSL and transferring Motech, TSMC Solar Europe, TSMC Solar NA and part of VTAF III to TSMC Solar.

(Concluded)

**TABLE 8****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION OF INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2011**

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

| Investee Company                          | Main Businesses and Products   | Total Amount of Paid-in Capital (Foreign Currencies in Thousands) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2011 (US\$ in Thousand) | Investment Flows               |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2011 (US\$ in Thousands) | Percentage of Ownership | Equity in the Earnings (Losses) | Carrying Value as of December 31, 2011 (US\$ in Thousands) | Accumulated Inward Remittance as of December 31, 2011 (US\$ in Thousands) |
|---|--|---|----------------------|--|--------------------------------|--------|---|-------------------------|---------------------------------|--|---|
|   |  |   |                      | (US\$ 371,000)   | Outflow                        | Inflow | (US\$ 596,000)  |                         |                                 |  |   |
| TSMC China                                | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$ 18,939,667<br>(RMB 4,502,080)                                  | (Note 1)             | \$ 12,180,367<br>(US\$ 371,000)  | \$ 6,759,300<br>(US\$ 225,000) | \$     | \$ 18,939,667<br>(US\$ 596,000)   | 100%                    | \$ 2,098,233<br>(Note 3)        | \$ 13,542,181  | \$  |
| Shanghai Walden VentureCapital Enterprise | Investing in new start-up technology companies   | 953,709<br>(US\$ 31,488)  | (Note 2)             |  | 147,485<br>(US\$ 5,000)        |        | 147,485<br>(US\$ 5,000)   | 8%                      | (Note 4)                        | 151,440<br>(US\$ 5,000)                                    |   |

**Investment Amounts Authorized by****Accumulated Investment in Mainland China as of December 31, 2011****Investment Commission, MOEA****Upper Limit on Investment**(US\$ in Thousand)  
\$ 19,087,152(US\$ in Thousand)  
\$ 19,087,152(US\$ in Thousand)  
\$ 19,087,152

(US\$ 601,000)

(US\$ 601,000)

(US\$ 601,000)

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

Note 2: TSMC indirectly invested in China company through third region, TSMC Partners.

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

Note 4: TSMC Partners invested in financial assets carried at cost, equity in the earnings from which was not recognized.

**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 year ended December 31, 2011

| No.                         | Company Name | Counter Party                                     | Nature of Relationship<br>(Note 1) | Intercompany Transactions                         |                | Percentage of Consolidated Total Gross Sales or Total Assets |
|-----------------------------|--------------|---|------------------------------------|---|----------------|--|
|                             |              |   |                                    | Financial Statements Item                         | Amount         |  |
| 0                           | TSMC         | TSMC North America                                | 1                                  | Sales   | \$ 234,902,043 | 55%  |
|                             |              |   |                                    | Receivables from related parties                  | 24,661,104     | 3%   |
|                             |              |   |                                    | Other receivables from related parties            | 23,887         |  |
|                             |              |   |                                    | Payables to related parties                       | 26,536         |  |
|                             |              |   |                                    | Sales   | 9,834          |  |
|                             |              |   |                                    | Purchases   | 10,392,189     | 2%   |
|                             |              |   |                                    | Marketing expenses - commission                   | 64,907         |  |
|                             |              |   |                                    | Sales of property, plant and equipment            | 2,885,847      | 1%   |
|                             |              |   |                                    | Purchases of property, plant and equipment        | 70,491         |  |
|                             |              |   |                                    | Gain on disposal of property, plant and equipment | 94,987         |  |
|                             |              | Technical service income                          | 1,063                              |   |                |  |
|                             |              | Other receivables from related parties            | 23,688                             |   |                |  |
|                             |              | Payables to related parties                       | 946,826                            |   |                |  |
|                             |              | Other assets                                      | 1,493                              |   |                |  |
|                             |              | Marketing expenses - commission                   | 284,644                            |   |                |  |
|                             |              | Payables to related parties                       | 68,873                             |   |                |  |
|                             |              | Marketing expenses - commission                   | 357,582                            |   |                |  |
|                             |              | Research and development expenses                 | 45,489                             |   |                |  |
|                             |              | Payables to related parties                       | 29,957                             |   |                |  |
|                             |              | Marketing expenses - commission                   | 22,049                             |   |                |  |
| Payables to related parties | 3,146        |   |                                    |   |                |  |
| GUC (Note 3)                | 1            | Sales   | 1,158,302                          |   |                |  |
|                             |              | Research and development expenses                 | 5,718                              |   |                |  |
|                             |              | Research and development expenses                 | 534,804                            |   |                |  |
|                             |              | Payables to related parties                       | 112,926                            |   |                |  |
|                             |              | Sales   | 27,049                             |   |                |  |
|                             |              | Purchases   | 7,305,879                          | 2%  |                |  |
|                             |              | Sales of property, plant and equipment            | 72,880                             |   |                |  |
|                             |              | Gain on disposal of property, plant and equipment | 1,463                              |   |                |  |
|                             |              | Other receivables from related parties            | 14,196                             |   |                |  |
|                             |              | Payables to related parties                       | 420,459                            |   |                |  |
|                             |              | Research and development expenses                 | 192,616                            |   |                |  |
|                             |              | Payables to related parties                       | 18,887                             |   |                |  |
|                             |              | Manufacturing overhead                            | 260,250                            |   |                |  |
|                             |              | Research and development expenses                 | 7,313                              |   |                |  |
|                             |              | Settlement loss                                   | 19,686                             |   |                |  |
|                             |              | Payables to related parties                       | 37,013                             |   |                |  |
|                             |              | TSMC Solar Europe GmbH                            | 1                                  | Sales   | 148,898        |  |

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                    | Terms (Note 2)                         |  |
| 0            | TSMC          | TSMC SSL           | 1                               | Miscellaneous revenue                      | \$ 2,625                  |  |  |
|              |               |                    |                                 | Other receivables from related parties     | 1,947                     |  |  |
|              |               | TSMC Solar         | 1                               | Miscellaneous revenue                      | 2,625                     |  |  |
|              |               |                    |                                 | Other receivables from related parties     | 1,857                     |  |  |
| 1            | GUC (Note 3)  | TSMC Global        | 1                               | Interest payable                           | 22,293                    |  |  |
|              |               | TSMC North America | 3                               | Purchases                                  | 296,462                   |  |  |
|              |               | GUC-NA             | 3                               | Manufacturing overhead                     | 120,408                   |  |  |
|              |               |                    |                                 | Operating expenses                         | 61,369                    |  |  |
|              |               | GUC-Japan          | 3                               | Manufacturing overhead                     | 30,583                    |  |  |
|              |               |                    |                                 | Operating expenses                         | 21,826                    |  |  |
| GUC-Shanghai | 3             | Operating expenses | 8,568                           |  |                           |  |  |
| 2            | TSMC Partners | TSMC China         | 3                               | Long-term receivables from related parties | 7,591,420                 |  | 1%   |
|              |               |                    |                                 | Interest income                            | 17,773                    |  |  |
|              |               | TSMC SSL           | 3                               | Other receivables from related parties     | 348,369                   |  |  |
|              |               |                    |                                 | TSMC Solar                                 | 3                         | Other receivables from related parties | 454,634  |

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.

Note 3: The Company has no controlling interest over the financial, operating and personnel hiring policy decisions of GUC and its subsidiaries since July 2011. As a result, GUC and its subsidiaries are no longer consolidated and are accounted for using the equity method.

(Continued)

B. For the year ended December 31, 2010

| No.             | Company Name | Counter Party                     | Nature of Relationship<br>(Note 1) | Intercompany Transactions                         |                | Percentage of Consolidated Total Gross Sales or Total Assets |         |  |
|-----------------|--------------|-----------------------------------|------------------------------------|---|----------------|--|---------|--|
|                 |              |                                   |                                    | Financial Statements Item                         | Amount         |  |         |  |
| 0               | TSMC         | TSMC North America                | 1                                  | Sales   | \$ 220,529,792 | 51%  |         |  |
|                 |              |                                   |                                    | Receivables from related parties                  | 25,579,259     | 6%   |         |  |
|                 |              |                                   |                                    | Other receivables from related parties            | 3,673          |  |         |  |
|                 |              |                                   |                                    | Payables to related parties                       | 11,475         |  |         |  |
|                 |              |                                   |                                    | Sales   | 17,631         |  |         |  |
|                 |              |                                   |                                    | Purchases   | 8,748,101      | 2%   |         |  |
|                 |              |                                   |                                    | Marketing expenses -commission                    | 59,180         |  |         |  |
|                 |              |                                   |                                    | Gain on disposal of property, plant and equipment | 45,251         |  |         |  |
|                 |              |                                   |                                    | Acquisition of property, plant and equipment      | 66,337         |  |         |  |
|                 |              |                                   |                                    | Disposal of property, plant and equipment         | 1,409,862      |  |         |  |
|                 |              | TSMC China                        | 1                                  | Technical service income                          | 4,487          |  |         |  |
|                 |              |                                   |                                    | Other receivables from related parties            | 1,170,407      |  |         |  |
|                 |              |                                   |                                    | Payables to related parties                       | 895,193        |  |         |  |
|                 |              |                                   |                                    | Deferred debits                                   | 27,327         |  |         |  |
|                 |              |                                   |                                    | TSMC Japan  | 1              | Marketing expenses - commission                              | 266,194 |  |
|                 |              |                                   |                                    |   |                | Payables to related parties                                  | 26,115  |  |
|                 |              |                                   |                                    | TSMC Europe                                       | 1              | Marketing expenses - commission                              | 415,765 |  |
|                 |              |                                   |                                    |   |                | Research and development expenses                            | 33,907  |  |
|                 |              |                                   |                                    | TSMC Korea  | 1              | Payables to related parties                                  | 35,530  |  |
|                 |              |                                   |                                    |   |                | Marketing expenses - commission                              | 19,318  |  |
| GUC             | 1            | Payables to related parties       | 2,466                              |   |                |  |         |  |
|                 |              | Sales                             | 2,818,499                          | 1%  |                |  |         |  |
| TSMC Technology | 1            | Research and development expenses | 8,390                              |   |                |  |         |  |
|                 |              | Receivables from related parties  | 154,589                            |   |                |  |         |  |
| WaferTech       | 1            | Payables to related parties       | 2,271                              |   |                |  |         |  |
|                 |              | Research and development expenses | 547,838                            |   |                |  |         |  |
| WaferTech       | 1            | Payables to related parties       | 88,292                             |   |                |  |         |  |
|                 |              | Sales                             | 9,918                              |   |                |  |         |  |
|                 |              | Purchases                         | 7,878,260                          | 2%  |                |  |         |  |
| WaferTech       | 1            | Gain on disposal of other assets  | 9,655                              |   |                |  |         |  |
|                 |              |                                   |                                    |   |                |  |         |  |

|             |   |   |         |
|-------------|---|---|---------|
|             |   | Acquisition of property,<br>plant and equipment | 9,624   |
|             |   | Disposal of property, plant<br>and equipment    | 27,010  |
|             |   | Disposal of other assets                        | 9,655   |
|             |   | Other receivables from<br>related parties       | 3,543   |
|             |   | Payables to related parties                     | 568,685 |
| TSMC Canada | 1 | Research and development<br>expenses            | 181,943 |
|             |   | Payables to related parties                     | 13,495  |

(Continued)

| No.                | Company Name  | Counter Party               | Nature of Relationship (Note 1) | Intercompany Transactions                    |            | Percentage of Consolidated Total Gross Sales or Total Assets |
|--------------------|---------------|-----------------------------|---------------------------------|--|------------|--|
|                    |               |                             |                                 | Financial Statements Item                    | Amount     |  |
| 0                  | TSMC          | Xintec                      | 1                               | Manufacturing overhead                       | \$ 313,397 |  |
|                    |               |                             |                                 | Research and development expenses            | 12,652     |  |
|                    |               |                             |                                 | Disposal of property, plant and equipment    | 3,841      |  |
|                    |               | TSMC North America          | 3                               | Payables to related parties                  | 69,083     |  |
|                    |               |                             |                                 | Purchases                                    | 780,070    |  |
|                    |               |                             |                                 | Manufacturing overhead                       | 196,572    |  |
| TSMC Korea         | 3             | Payables to related parties | 102,302                         |  |            |  |
|                    |               | Operating expenses          | 1,156                           |  |            |  |
| 1                  | GUC           | GUC-NA                      | 3                               | Operating expenses                           | 155,643    |  |
|                    |               |                             |                                 | Manufacturing overhead                       | 54,029     |  |
|                    |               |                             |                                 | Accrued expenses                             | 14,353     |  |
|                    |               | GUC-Japan                   | 3                               | Operating expenses                           | 45,927     |  |
|                    |               |                             |                                 | Accrued expenses                             | 9,706      |  |
|                    |               | GUC-Europe                  | 3                               | Operating expenses                           | 1,778      |  |
| Operating expenses | 22,146        |                             |                                 |  |            |  |
| 2                  | TSMC Partners | TSMC China                  | 3                               | Accrued expenses                             | 1,945      |  |
|                    |               |                             |                                 | Other long-term receivables                  | 3,644,160  |  |
| 3                  | TSMC China    | TSMC Partners               | 3                               | Other long-term payables                     | 3,663,678  | 1%   |
|                    |               | WaferTech                   | 3                               | Acquisition of property, plant and equipment | 27,104     |  |

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)