

**Taiwan Semiconductor Manufacturing  
Company Limited**

**Financial Statements for the  
Three Months Ended March 31, 2011 and 2010 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2011 and 2010, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also reviewed, in accordance with the Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the three months ended March 31, 2011 on which we have issued an unqualified review report.

April 22, 2011

### Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

### BALANCE SHEETS

MARCH 31, 2011 and 2010

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

(Reviewed, Not Audited)

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 93,336,868	13	\$ 117,507,201	19	Short-term loans (Note 14)	\$ 34,176,368	5	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	11,605	-	81,703	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	15,028	-	11,410	-
Available-for-sale financial assets (Notes 2, 6 and 23)	4,069,307	-	-	-	Accounts payable	10,328,555	1	8,945,670	1
Held-to-maturity financial assets (Notes 2, 7 and 23)	4,792,967	1	7,944,656	1	Payables to related parties (Note 24)	3,071,311	-	2,758,431	-
Receivables from related parties (Notes 3 and 24)	27,778,241	4	22,260,749	4	Income tax payable (Notes 2 and 18)	9,702,596	1	10,990,083	2
Notes and accounts receivable (Note 3)	24,160,358	3	22,614,938	4	Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)	13,415,809	2	9,046,820	1
Allowance for doubtful receivables (Notes 2, 3 and 8)	(488,000)	-	(453,000)	-	Payables to contractors and equipment suppliers	32,410,632	4	28,369,183	5
Allowance for sales returns and others (Notes 2 and 8)	(6,771,655)	(1)	(7,003,204)	(1)	Accrued expenses and other current liabilities (Notes 16 and 23)	11,677,636	2	11,281,871	2
Other receivables from related parties (Notes 3 and 24)	1,852,676	-	295,654	-	Current portion of bonds payable (Notes 15 and 23)	4,500,000	1	-	-
Other financial assets (Note 25)	375,679	-	1,129,976	-	Total current liabilities	119,297,935	16	71,403,468	11
Inventories (Notes 2 and 9)	28,893,528	4	20,309,253	4	<b>LONG-TERM LIABILITIES</b>				
Deferred income tax assets (Notes 2 and 18)	4,864,903	1	6,072,089	1	Bonds payable (Notes 15 and 23)	-	-	4,500,000	1
Prepaid expenses and other current assets	1,102,143	-	1,387,580	-	Other long-term payables (Notes 16 and 23)	-	-	413,647	-
Total current assets	183,978,620	25	192,147,595	32	Total long-term liabilities	-	-	4,913,647	1
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>					<b>OTHER LIABILITIES</b>				
Investments accounted for using equity method	113,973,080	16	110,955,652	18	Accrued pension cost (Notes 2 and 17)	3,830,337	1	3,808,052	1
Available-for-sale financial assets	1,036,044	-	1,043,306	-	Guarantee deposits (Note 27)	695,472	-	912,151	-
Held-to-maturity financial assets	1,405,140	-	6,214,948	1	Deferred credits (Notes 2 and 24)	-	-	23,936	-
Financial assets carried at cost	497,835	-	497,835	-	Total other liabilities	4,525,809	1	4,744,139	1
Total long-term investments	116,912,099	16	118,711,741	19	Total liabilities	123,823,744	17	81,061,254	13
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>					<b>CAPITAL STOCK - NTS\$10 PAR VALUE (Note 20)</b>				
Cost					Authorized: 28,050,000 thousand shares				
Buildings	144,102,555	20	125,872,902	21	Issued: 25,914,193 thousand shares in 2011				
Machinery and equipment	919,031,062	125	757,039,382	124	25,903,769 thousand shares in 2010	259,141,933	35	259,037,692	43
Office equipment	12,397,508	2	11,275,851	2	<b>CAPITAL SURPLUS (Notes 2 and 20)</b>	55,781,482	8	55,530,845	9
	1,075,531,125	147	894,188,135	147	<b>RETAINED EARNINGS (Note 20)</b>				
Accumulated depreciation	(729,610,275)	(100)	(646,763,515)	(106)	Appropriated as legal capital reserve	86,239,494	12	77,317,710	13
Advance payments and construction in progress	65,400,509	9	34,006,978	5	Appropriated as special capital reserve	1,313,047	-	-	-
Net property, plant and equipment	411,321,359	56	281,431,598	46	Unappropriated earnings	214,504,803	29	138,228,089	22
<b>INTANGIBLE ASSETS</b>					Total retained earnings	302,057,344	41	215,545,799	35
Goodwill (Note 2)	1,567,756	-	1,567,756	-	<b>OTHERS (Notes 2 and 23)</b>				
Deferred charges, net (Notes 2 and 13)	5,116,739	1	5,779,842	1	Cumulative translation adjustments	(9,351,749)	(1)	(2,378,010)	-
Total intangible assets	6,684,495	1	7,347,598	1	Unrealized gain on financial instruments	44,873	-	401,390	-
<b>OTHER ASSETS</b>					Total others	(9,306,876)	(1)	(1,976,620)	-
Deferred income tax assets (Notes 2 and 18)	6,386,238	1	6,555,961	1	Total shareholders' equity	607,673,883	83	528,137,716	87
Refundable deposits	4,793,553	1	2,525,862	1	<b>TOTAL</b>	\$ 731,497,627	100	\$ 609,198,970	100
Others (Notes 2 and 24)	1,421,263	-	478,615	-					
Total other assets	12,601,054	2	9,560,438	2					
<b>TOTAL</b>	<b>\$ 731,497,627</b>	<b>100</b>	<b>\$ 609,198,970</b>	<b>100</b>					

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

# Taiwan Semiconductor Manufacturing Company Limited

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

	2011		2010	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 103,940,307		\$ 91,922,386	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>1,391,829</u>		<u>2,747,878</u>	
NET SALES	102,548,478	100	89,174,508	100
COST OF SALES (Notes 9, 19 and 24)	<u>53,489,888</u>	<u>52</u>	<u>46,657,769</u>	<u>52</u>
GROSS PROFIT	49,058,590	48	42,516,739	48
REALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>56,207</u>	<u>-</u>	<u>14,015</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>49,114,797</u>	<u>48</u>	<u>42,530,754</u>	<u>48</u>
OPERATING EXPENSES (Notes 19 and 24)				
Research and development	7,314,458	7	5,908,449	7
General and administrative	2,985,064	3	2,206,107	2
Marketing	<u>664,712</u>	<u>1</u>	<u>630,103</u>	<u>1</u>
Total operating expenses	<u>10,964,234</u>	<u>11</u>	<u>8,744,659</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>38,150,563</u>	<u>37</u>	<u>33,786,095</u>	<u>38</u>
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	1,577,135	2	559,908	1
Foreign exchange gain, net (Note 2)	380,003	-	-	-
Interest income	149,283	-	178,667	-
Settlement income (Note 27)	-	-	637,580	1
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	-	-	304,292	-
Others (Notes 2 and 24)	<u>353,387</u>	<u>-</u>	<u>176,336</u>	<u>-</u>
Total non-operating income and gains	<u>2,459,808</u>	<u>2</u>	<u>1,856,783</u>	<u>2</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	\$ 256,988	-	\$ -	-
Loss on disposal of property, plant and equipment (Note 2)	164,502	-	-	-
Interest expense	71,582	-	33,750	-
Foreign exchange loss, net (Note 2)	-	-	286,109	1
Casualty loss (Note 9)	-	-	194,137	-
Others (Note 2)	34,083	-	37,799	-
Total non-operating expenses and losses	527,155	-	551,795	1
INCOME BEFORE INCOME TAX	40,083,216	39	35,091,083	39
INCOME TAX EXPENSE (Notes 2 and 18)	3,805,443	4	1,427,966	1
NET INCOME	\$ 36,277,773	35	\$ 33,663,117	38
	<b>2011</b>		<b>2010</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	\$ 1.55	\$ 1.40	\$ 1.35	\$ 1.30
Diluted earnings per share	\$ 1.55	\$ 1.40	\$ 1.35	\$ 1.30

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

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited

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

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 36,277,773	\$ 33,663,117
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,872,606	19,697,427
Realized gross profit from affiliates	(56,207)	(14,015)
Amortization of premium/discount of financial assets	4,180	4,294
Loss on disposal of financial assets carried at cost	-	1,263
Equity in earnings of equity method investees, net	(1,577,135)	(559,908)
Loss (gain) on disposal of property, plant and equipment, net	68,332	(17,461)
Deferred income tax	1,011,225	(800,997)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(4,411)	111,450
Receivables from related parties	(2,044,267)	281,024
Notes and accounts receivable	(1,909,453)	(2,730,418)
Allowance for doubtful receivables	-	22,000
Allowance for sales returns and others	(569,789)	(1,580,428)
Other receivables from related parties	(66,347)	(49,651)
Other financial assets	42,527	(25,904)
Inventories	(3,247,180)	(1,479,037)
Prepaid expenses and other current assets	250,101	(483,601)
Increase (decrease) in:		
Accounts payable	(1,521,635)	(1,064,746)
Payables to related parties	496,861	719,089
Income tax payable	2,593,727	2,228,963
Accrued profit sharing to employees and bonus to directors	2,456,340	2,275,482
Accrued expenses and other current liabilities	(2,177,677)	(5,270,419)
Accrued pension cost	5,736	876
Deferred credits	-	(23,937)
Net cash provided by operating activities	<u>53,905,307</u>	<u>44,904,463</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(77,193,490)	(45,824,671)
Investments accounted for using equity method	(423,220)	(6,377,184)
Financial assets carried at cost	-	(480)
Proceeds from disposal or redemption of:		
Held-to-maturity financial assets	-	8,000,000
Financial assets carried at cost	-	3,370
Property, plant and equipment	553,698	11,224

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# Taiwan Semiconductor Manufacturing Company Limited

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

	2011	2010
Increase in deferred charges	\$ (181,158)	\$ (372,884)
Decrease in refundable deposits	3,845,196	172,254
Increase in other assets	<u>(23,199)</u>	<u>-</u>
Net cash used in investing activities	<u>(73,422,173)</u>	<u>(44,388,371)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	3,267,731	-
Decrease in guarantee deposits	(52,415)	(89,225)
Proceeds from exercise of employee stock options	<u>127,288</u>	<u>36,791</u>
Net cash provided by (used in) financing activities	<u>3,342,604</u>	<u>(52,434)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(16,174,262)	463,658
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>109,511,130</u>	<u>117,043,543</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 93,336,868</u>	<u>\$ 117,507,201</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 181,409</u>	<u>\$ 135,000</u>
Income tax paid	<u>\$ 213,963</u>	<u>\$ 8,891</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 68,902,831	\$ 45,891,338
Decrease in payables to contractors and equipment suppliers	8,290,659	56,134
Nonmonetary exchange trade-out price	<u>-</u>	<u>(122,801)</u>
Cash paid	<u>\$ 77,193,490</u>	<u>\$ 45,824,671</u>
Disposal of property, plant and equipment	\$ 1,037,746	\$ 134,025
Increase in other receivables from related parties	(484,048)	-
Nonmonetary exchange trade-out price	<u>-</u>	<u>(122,801)</u>
Cash received	<u>\$ 553,698</u>	<u>\$ 11,224</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	<u>\$ 4,500,000</u>	<u>\$ -</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 912,591</u>	<u>\$ 737,350</u>

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

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited

## NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010

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

(Reviewed, Not Audited)

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### 1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (the “Company” or “TSMC”), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. The Company is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. Beginning in 2010, the Company also engages in the researching, developing, designing, manufacturing and selling of LED lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

#### Use of Estimates

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

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

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

#### Cash Equivalents

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



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

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

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

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

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

### **Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Intangible Assets**

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

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

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

## **Pension Costs**

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

## **Income Tax**

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

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

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

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

### Stock-based Compensation

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

### Foreign-currency Transactions

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

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

## 3. ACCOUNTING CHANGES

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

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

## 4. CASH AND CASH EQUIVALENTS

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

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

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

The Company entered into derivative contracts during the three months ended March 31, 2011 and 2010 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts consisted of the following:

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

Outstanding cross currency swap contracts consisted of the following:

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

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

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

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

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

Movements of the allowance for doubtful receivables were as follows:

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

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

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

## 9. INVENTORIES

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

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

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>March 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying Amount</b>	<b>% of Owner-ship</b>	<b>Carrying Amount</b>	<b>% of Owner-ship</b>
TSMC Global Ltd. (TSMC Global)	\$ 42,523,518	100	\$ 45,245,474	100
TSMC Partners, Ltd. (TSMC Partners)	32,779,954	100	32,637,828	100
Vanguard International Semiconductor Corporation (VIS)	9,456,221	38	9,359,350	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	7,256,841	39	6,308,810	39
Motech Industries Inc. (Motech)	6,770,069	20	6,210,916	20
TSMC China Company Limited (TSMC China)	4,721,701	100	2,787,558	100
TSMC North America	2,843,416	100	2,726,868	100
VentureTech Alliance Fund III, L.P. (VTAF III)	2,672,382	99	1,351,399	98
Xintec Inc. (Xintec)	1,678,379	41	1,532,384	41
Global UniChip Corporation (GUC)	1,164,288	35	1,039,348	35
VentureTech Alliance Fund II, L.P. (VTAF II)	1,041,270	98	1,140,879	98
TSMC Solar Europe B.V. (TSMC Solar Europe)	406,305	100	-	-
Emerging Alliance Fund, L.P. (Emerging Alliance)	290,203	99	303,768	99

(Continued)



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

(Concluded)

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

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

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

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

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

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

	<b>Three Months Ended March 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 2,504,496	\$ 1,429,118
Additions	-	2,055,660
Amortization	<u>(238,356)</u>	<u>(218,611)</u>
Balance, end of period	<u>\$ 2,266,140</u>	<u>\$ 3,266,167</u>

Movements of the difference allocated to goodwill were as follows:

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

## 11. FINANCIAL ASSETS CARRIED AT COST

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

	<b>Three Months Ended March 31, 2010</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 124,522,047	\$ 1,350,855	\$ -	\$ -	\$ 125,872,902
Machinery and equipment	713,426,126	43,804,758	(191,945)	443	757,039,382
Office equipment	<u>10,781,099</u>	<u>515,324</u>	<u>(20,129)</u>	<u>(443)</u>	<u>11,275,851</u>
	<u>848,729,272</u>	<u>\$ 45,670,937</u>	<u>\$ (212,074)</u>	<u>\$ -</u>	<u>894,188,135</u>
Accumulated depreciation					
Buildings	73,525,160	\$ 2,077,831	\$ -	\$ -	75,602,991
Machinery and equipment	545,693,910	16,918,504	(191,945)	443	562,420,912
Office equipment	<u>8,545,253</u>	<u>214,931</u>	<u>(20,129)</u>	<u>(443)</u>	<u>8,739,612</u>
	<u>627,764,323</u>	<u>\$ 19,211,266</u>	<u>\$ (212,074)</u>	<u>\$ -</u>	<u>646,763,515</u>
Advance payments and construction in progress	<u>33,786,577</u>	<u>\$ 220,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>34,006,978</u>
	<u>\$ 254,751,526</u>				<u>\$ 281,431,598</u>

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

### 13. DEFERRED CHARGES, NET

	<b>Three Months Ended March 31, 2011</b>			
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 2,277,832	\$ -	\$ (167,493)	\$ 2,110,339
Software and system design costs	2,075,935	36,691	(252,004)	1,860,622
Patent and others	<u>1,102,660</u>	<u>144,467</u>	<u>(101,349)</u>	<u>1,145,778</u>
	<u>\$ 5,456,427</u>	<u>\$ 181,158</u>	<u>\$ (520,846)</u>	<u>\$ 5,116,739</u>

  

	<b>Three Months Ended March 31, 2010</b>			
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 2,979,801	\$ -	\$ (191,491)	\$ 2,788,310
Software and system design costs	1,646,973	372,884	(203,007)	1,816,850
Patent and others	<u>1,264,911</u>	<u>-</u>	<u>(90,229)</u>	<u>1,174,682</u>
	<u>\$ 5,891,685</u>	<u>\$ 372,884</u>	<u>\$ (484,727)</u>	<u>\$ 5,779,842</u>

### 14. SHORT-TERM LOANS

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

### 15. BONDS PAYABLE

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

### 16. OTHER LONG-TERM PAYABLES

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

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

## 17. PENSION PLANS

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

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

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

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

## 18. INCOME TAX

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

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

b. Income tax expense consisted of the following:

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

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

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

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

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

d. Integrated income tax information:

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

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

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

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

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

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

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

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

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

## 19. LABOR COST, DEPRECIATION AND AMORTIZATION

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

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

## 20. SHAREHOLDERS' EQUITY

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

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of the Company's paid-in capital. In addition, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus consisted of the following:

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

## 21. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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

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

Assumptions:

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

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

## 22. EARNINGS PER SHARE

EPS is computed as follows:

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

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 three months ended March 31, 2010 to remain at NT\$1.30.

## 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

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

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

d. As of March 31, 2011 and 2010, financial assets exposed to fair value interest rate risk were NT\$7,245,756 thousand and NT\$15,284,613 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$38,691,396 thousand and NT\$4,511,410 thousand, respectively.

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

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

  

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

- f. Information about financial risks

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

## 24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America  
TSMC China  
TSMC Europe  
TSMC Japan

b. Investees

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

c. Indirect subsidiaries

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

d. Indirect investee

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

e. Others

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

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

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

	2011		2010	
	Amount	%	Amount	%
<b>Manufacturing expenses</b>				
Xintec (rent and outsourcing)	\$ 84,600	-	\$ 45,546	-
VIS (rent)	7,104	-	-	-
VisEra (outsourcing)	5,937	-	4,460	-
Others	<u>770</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 98,411</u>	<u>-</u>	<u>\$ 50,006</u>	<u>-</u>
<b>Marketing expenses - commission</b>				
TSMC Europe	\$ 90,915	14	\$ 98,913	16
TSMC Japan	66,614	10	59,644	9
TSMC China	16,320	2	11,446	2
Others	<u>5,375</u>	<u>1</u>	<u>4,285</u>	<u>1</u>
	<u>\$ 179,224</u>	<u>27</u>	<u>\$ 174,288</u>	<u>28</u>
<b>Research and development expenses</b>				
TSMC Technology (primarily consulting fee)	\$ 113,013	2	\$ 131,169	2
TSMC Canada (primarily consulting fee)	42,489	-	45,209	1
VIS (primarily rent)	1,999	-	2,274	-
Others	<u>22,250</u>	<u>-</u>	<u>7,989</u>	<u>-</u>
	<u>\$ 179,751</u>	<u>2</u>	<u>\$ 186,641</u>	<u>3</u>
<b>Sales of property, plant and equipment</b>				
TSMC China	\$ 592,339	57	\$ 11,224	8
WaferTech	64,255	6	-	-
VIS	<u>35,208</u>	<u>4</u>	<u>15,940</u>	<u>12</u>
	<u>\$ 691,802</u>	<u>67</u>	<u>\$ 27,164</u>	<u>20</u>
<b>Purchase of property, plant and equipment</b>				
VIS	\$ -	-	\$ 15,865	-
TSMC China	-	-	14,498	-
WaferTech	<u>-</u>	<u>-</u>	<u>9,624</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 39,987</u>	<u>-</u>
<b>Non-operating income and gains</b>				
VIS (primarily technical service income)	\$ 68,905	3	\$ 86,868	5
SSMC (primarily technical service income)	44,817	2	44,503	2
TSMC China	<u>6,801</u>	<u>-</u>	<u>25,426</u>	<u>1</u>
	<u>\$ 120,523</u>	<u>5</u>	<u>\$ 156,797</u>	<u>8</u>

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

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

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

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

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

## 25. PLEDGED OR MORTGAGED ASSETS

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



## 26 SIGNIFICANT LONG-TERM LEASES

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

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

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

## 27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- 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 March 31, 2011, the Company had a total of US\$21,583 thousand of guarantee deposits.
- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. 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 International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation's total shares outstanding, and recognized settlement income amounting to NT\$4,434,364 thousand.

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

## 28. OTHERS

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

	March 31			
	2011		2010	
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>				
Monetary items				
USD	\$ 1,919,150	29.468	\$ 1,481,960	31.819
EUR	127,036	41.81	55,447	42.80
JPY	29,399,539	0.3541	29,995,717	0.3430
Non-monetary items				
HKD	1,073,696	3.79	-	-
Investments accounted for using equity method				
USD	3,022,391	29.468	2,802,271	31.819
EUR	14,318	41.81	3,696	42.80
JPY	407,297	0.3541	388,979	0.3430
RMB	1,049,606	4.50	599,071	4.66

(Continued)

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

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

## 29. ADDITIONAL DISCLOSURES

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

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

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

Not meet the criteria for hedge accounting

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

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

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

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

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

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

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

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

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

Meet the criteria for hedge accounting

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

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

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

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

k. Information on investment in Mainland China

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

### 30. OPERATING SEGMENTS INFORMATION

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

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

**FINANCINGS PROVIDED**

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

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

No.	Financing Name	Financial statement Account	Counter-party	Financing Limit for Each Borrowing Company	Maximum Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Interest Rate	Reason for Financing	Allowance for Bad Debt	Collateral		Transaction Amounts	Financing Company's Financing Amount Limits (Note 2)
										Item	Value		
1	TSMC Partners	Long-term receivables from related parties	TSMC China	(Note 1)	\$ 7,367,000 (US\$ 250,000)	\$ 7,367,000 (US\$ 250,000)	0.25%-0.26%	Purchase equipment	\$ -	-	\$ -	\$ -	\$ 32,779,954

Note 1: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of TSMC Partners. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth. While offshore subsidiaries whose voting shares are 100% owned, directly or indirectly, by TSMC will not be subjected to this restriction.

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

## Taiwan Semiconductor Manufacturing Company Limited and Investees

## MARKETABLE SECURITIES HELD

MARCH 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	March 31, 2011				Note	
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)		
TSMC	<u>Corporate bond</u>								
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	\$ 1,036,044	N/A	\$ 1,036,044		
	China Steel Corporation	-	Held-to-maturity financial assets	-	1,506,225	N/A	1,510,410		
	Formosa Petrochemical Corporation	-	"	-	1,463,363	N/A	1,467,160		
	Taiwan Power Company	-	"	-	1,349,634	N/A	1,354,196		
	Nan Ya Plastics Corporation	-	"	-	1,303,390	N/A	1,342,455		
	Formosa Plastics Corporation	-	"	-	575,495	N/A	579,531		
	<u>Stock</u>								
	Semiconductor Manufacturing International Corporation	-		Available-for-sale financial assets	1,789,493	4,069,307	7	4,069,307	
	TSMC Global	Subsidiary		Investments accounted for using equity method	1	42,523,518	100	42,523,518	
	TSMC Partners	Subsidiary		"	988,268	32,779,954	100	32,779,954	
	VIS	Investee accounted for using equity method		"	628,223	9,456,221	38	8,795,129	
	SSMC	Investee accounted for using equity method		"	314	7,256,841	39	6,927,941	
	Motech	Investee accounted for using equity method		"	76,069	6,770,069	20	4,799,197	
	TSMC North America	Subsidiary		"	11,000	2,843,416	100	2,843,416	
	Xintec	Investee with a controlling financial interest		"	93,081	1,678,379	41	1,672,027	
	GUC	Investee with a controlling financial interest		"	46,688	1,164,288	35	4,365,315	
	TSMC Solar Europe	Subsidiary		"	-	406,305	100	406,305	
	TSMC Europe	Subsidiary		"	-	192,329	100	192,329	
	TSMC Japan	Subsidiary		"	6	144,224	100	144,224	
	TSMC Korea	Subsidiary		"	80	21,093	100	21,093	
	TSMC Solar NA	Subsidiary		"	1	7,945	100	7,945	
	TSMC Lighting NA	Subsidiary		"	1	2,942	100	2,942	
	United Industrial Gases Co., Ltd.	-		Financial assets carried at cost	16,783	193,584	10	343,828	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-		"	10,500	105,000	7	365,782	
	W.K. Technology Fund IV	-		"	4,000	40,000	2	43,353	
	<u>Fund</u>								
	Horizon Ventures Fund	-		Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-		"	-	55,259	1	55,259	
	<u>Capital</u>								
	TSMC China	Subsidiary		Investments accounted for using equity method	-	4,721,701	100	4,724,278	
	VTAF III	Subsidiary		"	-	2,672,382	99	2,652,404	
VTAF II	Subsidiary		"	-	1,041,270	98	1,035,501		
Emerging Alliance	Subsidiary		"	-	290,203	99	290,203		
TSMC Partners	<u>Corporate bond</u>								
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US\$ 20,218	N/A	US\$ 20,877		
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,121	N/A	US\$ 21,183		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
TSMC Development	<u>Common stock</u> TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 417,397	100	US\$ 417,397	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 85,259	49	US\$ 85,259	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	4,088	US\$ 19,707	97	US\$ 19,707	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	16,532	US\$ 13,253	97	US\$ 13,253	
	TSMC Technology	Subsidiary	"	1	US\$ 10,083	100	US\$ 10,083	
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,892	100	US\$ 3,892	
	Mcube Inc.	Investee accounted for using equity method	"	5,333	-	84	-	
	<u>Preferred stock</u> Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	-	6	-	
	<u>Corporate bond</u> GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,185	N/A	US\$ 21,183	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,080	
Emerging Alliance	<u>Stock</u> WaferTech	Subsidiary	Investments accounted for using equity method	293,640	US\$ 179,027	100	US\$ 179,027	
	<u>Corporate bond</u> Beal Bk	-	Available-for-sale financial assets	249	US\$ 249	N/A	US\$ 249	
	Beal Bk Ssb	-	"	249	US\$ 249	N/A	US\$ 249	
	Cd Ally Bank	-	"	249	US\$ 249	N/A	US\$ 249	
	Cd Banco Popular De P R	-	"	249	US\$ 249	N/A	US\$ 249	
	H&R Block Bank	-	"	249	US\$ 249	N/A	US\$ 249	
	<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.	-	"	800	US\$ 500	1	US\$ 500	
Optichron, Inc.	-	"	1,276	US\$ 1,145	2	US\$ 1,145		
Pixim, Inc.	-	"	4,641	US\$ 1,137	2	US\$ 1,137		
QST Holdings, LLC	-	"	-	US\$ 142	4	US\$ 142		
VTAF II	<u>Capital</u> VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7	-	
	<u>Corporate bond</u> H&R Block Bank	-	Available-for-sale financial assets	249	US\$ 249	N/A	US\$ 249	
	<u>Common stock</u> Aether Systems, Inc.	-	Financial assets carried at cost	1,600	US\$ 1,503	25	US\$ 1,503	
	RichWave Technology Corp.	-	"	1,267	US\$ 1,036	3	US\$ 1,036	
Sentelic	-	"	1,806	US\$ 2,607	9	US\$ 2,607		

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
VTAF III	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	
	Aquantia	-	"	3,974	US\$ 3,816	3	US\$ 3,816	
	Audience, Inc.	-	"	12,378	US\$ 2,378	3	US\$ 2,378	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Next IO, Inc.	-	"	3,795	US\$ 953	2	US\$ 953	
	Optichron, Inc.	-	"	2,847	US\$ 2,825	4	US\$ 2,825	
	Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878	
	Power Analog Microelectronics	-	"	7,027	US\$ 3,383	19	US\$ 3,383	
	QST Holdings, LLC	-	"	-	US\$ 593	13	US\$ 593	
	Xceive	-	"	4,615	US\$ 1,611	3	US\$ 1,611	
	<u>Capital</u>							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
Growth Fund	<u>Common stock</u>							
	Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	11,868	US\$ 1,862	57	US\$ 1,862	
	Accton Wireless Broadband Corp.	-	Financial assets carried at cost	2,249	US\$ 315	6	US\$ 315	
ISDF	<u>Preferred stock</u>							
	Auramicro, Inc.	-	Financial assets carried at cost	4,694	US\$ 422	20	US\$ 422	
	BridgeLux, Inc.	-	"	6,113	US\$ 7,781	4	US\$ 7,781	
	Exclara, Inc.	-	"	59,695	US\$ 5,897	15	US\$ 5,897	
	GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	InvenSense, Inc.	-	"	816	US\$ 1,000	1	US\$ 1,000	
	LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800	
	Neoconix, Inc.	-	"	3,686	US\$ 4,717	4	US\$ 4,717	
	Powervation, Ltd.	-	"	380	US\$ 5,790	16	US\$ 5,790	
	Quellan, Inc.	-	"	3,106	US\$ 369	N/A	US\$ 369	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	-	US\$ 1,208	
	Stion Corp.	-	"	7,347	US\$ 50,000	23	US\$ 50,000	
	Tilera, Inc.	-	"	3,890	US\$ 3,025	2	US\$ 3,025	
Validity Sensors, Inc.	-	"	9,340	US\$ 3,456	4	US\$ 3,456		
ISDF II	<u>Capital</u>							
	Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 854	100	US\$ 854	
	VTA Holdings	Subsidiary	"	-	-	62	-	
ISDF	<u>Common stock</u>							
	SiliconBlue Technologies, Inc.	-	Financial assets carried at cost	5,107	US\$ 762	1	US\$ 762	
	Veebeam	-	"	10	US\$ 25	-	US\$ 25	
ISDF	<u>Common stock</u>							
	Integrated Memory Logic, Inc.	-	Available-for-sale financial assets	2,989	US\$ 8,287	4	US\$ 8,287	
	Memsic, Inc.	-	"	1,286	US\$ 4,692	5	US\$ 4,692	
ISDF II	<u>Preferred stock</u>							
	Sonics, Inc.	-	Financial assets carried at cost	230	US\$ 497	2	US\$ 497	
	<u>Common stock</u>							
	Memsic, Inc.	-	Available-for-sale financial assets	1,072	US\$ 3,913	5	US\$ 3,913	
	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	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
GUC	Goyatek Technology, Corp.	-	Financial assets carried at cost	932	US\$ 361	6	US\$ 361	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u>							
	FangTek, Inc.	-	Financial assets carried at cost	1,032	US\$ 148	6	US\$ 148	
	Sonics, Inc.	-	"	264	US\$ 455	3	US\$ 455	
	<u>Open-end mutual fund</u>							
	Jhi Sun Money Market Fund	-	Available-for-sale financial assets	9,875	\$ 140,097	-	\$ 140,097	
	Mega Diamond Money Market Fund	-	"	10,009	120,110	-	120,110	
	PCA Well Pool Money Market Fund	-	"	6,141	80,088	-	80,088	
	Fuh Hwa Money Market Fund	-	"	3,606	50,056	-	50,056	
GUC-BVI	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	60,915	100	60,915	
	GUC-Japan	Subsidiary	"	1	14,881	100	14,881	
	GUC-BVI	Subsidiary	"	550	8,846	100	8,846	
Xintec	GUC-Europe	Subsidiary	"	-	3,916	100	3,916	
	<u>Capital</u>							
TSMC Solar Europe	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method	-	7,551	100	7,551	
	<u>Capital</u>							
TSMC Global	Compositeltd.	-	Financial assets carried at cost	587	-	3	-	
	TSMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1	EUR 9,618	100	EUR 9,618	
TSMC Global	<u>Corporate bond</u>							
	African Development Bank	-	Available-for-sale financial assets	2,600	US\$ 2,620	N/A	US\$ 2,620	
	Allstate Life Gbl Fdg Secd	-	"	4,430	US\$ 4,779	N/A	US\$ 4,779	
	Alltel Corp.	-	"	100	US\$ 107	N/A	US\$ 107	
	Archer Daniels Midland Co.	-	"	7,000	US\$ 7,010	N/A	US\$ 7,010	
	Astrazeneca Plc	-	"	3,150	US\$ 3,357	N/A	US\$ 3,357	
	AT+T Wireless	-	"	3,500	US\$ 3,767	N/A	US\$ 3,767	
	Banco Bilbao Vizcaya P R	-	"	3,250	US\$ 3,249	N/A	US\$ 3,249	
	Bank of America Corp.	-	"	2,000	US\$ 2,033	N/A	US\$ 2,033	
	Bank of America Corp.	-	"	2,100	US\$ 2,148	N/A	US\$ 2,148	
	Bank of New York Mellon	-	"	2,200	US\$ 2,203	N/A	US\$ 2,203	
	Barclays Bank Plc NY	-	"	400	US\$ 400	N/A	US\$ 400	
	Barclays Bk Plc UK Govt Cr	-	"	5,000	US\$ 5,101	N/A	US\$ 5,101	
	Bb+T Corporation	-	"	3,840	US\$ 3,976	N/A	US\$ 3,976	
	Bbva US Senior SA Uniper	-	"	2,645	US\$ 2,645	N/A	US\$ 2,645	
	Bear Stearns Cos Inc.	-	"	3,500	US\$ 3,514	N/A	US\$ 3,514	
	Bear Stearns Cos Inc. Med Term	-	"	2,400	US\$ 2,584	N/A	US\$ 2,584	
	Berkshire Hathaway Inc. Del	-	"	3,500	US\$ 3,522	N/A	US\$ 3,522	
	Bhp Billiton Fin USA Ltd.	-	"	2,000	US\$ 2,090	N/A	US\$ 2,090	
	Bhp Billiton Fin USA Ltd.	-	"	3,500	US\$ 3,881	N/A	US\$ 3,881	
	Bk Tokyo Mitsubishi Ufj	-	"	2,000	US\$ 2,033	N/A	US\$ 2,033	
	Bmw US Capital LLC	-	"	1,600	US\$ 1,601	N/A	US\$ 1,601	
	Bnp Paribas SA	-	"	3,810	US\$ 3,838	N/A	US\$ 3,838	
	Boeing Co.	-	"	1,000	US\$ 1,017	N/A	US\$ 1,017	
	Boeing Co.	-	"	2,200	US\$ 2,362	N/A	US\$ 2,362	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 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 (%)		
	Bp Capital Markets Plc	-	Available-for-sale financial assets	7,160	US\$ 7,191	N/A	US\$ 7,191	
	Caterpillar Financial Se	-	"	100	US\$ 100	N/A	US\$ 100	
	Caterpillar Financial Se	-	"	900	US\$ 902	N/A	US\$ 902	
	Cellco Part/Veri Wireless	-	"	1,000	US\$ 1,141	N/A	US\$ 1,141	
	Cellco Part/Veri Wirelss	-	"	1,100	US\$ 1,208	N/A	US\$ 1,208	
	Cello Part/Veri Wirelss	-	"	2,000	US\$ 2,007	N/A	US\$ 2,007	
	Chevron Corp.	-	"	4,000	US\$ 4,278	N/A	US\$ 4,278	
	Cie Financement Foncier	-	"	200	US\$ 200	N/A	US\$ 200	
	Cie Financement Foncier	-	"	4,000	US\$ 4,009	N/A	US\$ 4,009	
	Cisco Systems Inc.	-	"	7,050	US\$ 7,073	N/A	US\$ 7,073	
	Citigroup Funding Inc.	-	"	6,000	US\$ 6,114	N/A	US\$ 6,114	
	Citigroup Funding Inc.	-	"	7,300	US\$ 7,438	N/A	US\$ 7,438	
	Citigroup Inc.	-	"	600	US\$ 609	N/A	US\$ 609	
	Citigroup Inc.	-	"	800	US\$ 824	N/A	US\$ 824	
	Citigroup Inc.	-	"	2,000	US\$ 2,110	N/A	US\$ 2,110	
	Citigroup Inc.	-	"	400	US\$ 428	N/A	US\$ 428	
	Citigroup Inc.	-	"	2,550	US\$ 2,773	N/A	US\$ 2,773	
	Citigroup Inc.	-	"	5,000	US\$ 5,467	N/A	US\$ 5,467	
	Citigroup Inc. Fdic Gtd Tlgp	-	"	2,000	US\$ 2,012	N/A	US\$ 2,012	
	Coca Cola Co.	-	"	4,000	US\$ 4,029	N/A	US\$ 4,029	
	Commonwealth Bank Aust	-	"	2,000	US\$ 1,997	N/A	US\$ 1,997	
	Commonwealth Bank Aust	-	"	2,800	US\$ 2,805	N/A	US\$ 2,805	
	Conocophillips	-	"	2,000	US\$ 2,129	N/A	US\$ 2,129	
	Credit Suisse New York	-	"	3,200	US\$ 3,239	N/A	US\$ 3,239	
	Credit Suisse New York	-	"	3,945	US\$ 4,065	N/A	US\$ 4,065	
	Deutsche Bank AG NY	-	"	2,500	US\$ 2,497	N/A	US\$ 2,497	
	Dexia Credit Local	-	"	6,000	US\$ 5,971	N/A	US\$ 5,971	
	Dexia Credit Local	-	"	4,000	US\$ 3,977	N/A	US\$ 3,977	
	Dexia Credit Local S.A	-	"	4,000	US\$ 3,994	N/A	US\$ 3,994	
	Dexia Credit Local SA NY	-	"	5,000	US\$ 4,966	N/A	US\$ 4,966	
	Du Pont E I De Nemours + Co.	-	"	2,850	US\$ 2,856	N/A	US\$ 2,856	
	Du Pont E I De Nemours + Co.	-	"	825	US\$ 882	N/A	US\$ 882	
	Ebay Inc.	-	"	1,375	US\$ 1,360	N/A	US\$ 1,360	
	Eog Res Inc.	-	"	2,200	US\$ 2,436	N/A	US\$ 2,436	
	Eog Resources Inc.	-	"	1,500	US\$ 1,513	N/A	US\$ 1,513	
	Finance for Danish Ind	-	"	3,800	US\$ 3,799	N/A	US\$ 3,799	
	General Elec Cap Corp.	-	"	5,000	US\$ 5,041	N/A	US\$ 5,041	
	General Elec Cap Corp.	-	"	7,000	US\$ 7,005	N/A	US\$ 7,005	
	General Elec Cap Corp.	-	"	1,000	US\$ 1,000	N/A	US\$ 1,000	
	General Elec Cap Corp.	-	"	4,000	US\$ 4,094	N/A	US\$ 4,094	
	General Electric Capital Corp.	-	"	2,000	US\$ 2,012	N/A	US\$ 2,012	
	Georgia Pwr Co.	-	"	1,000	US\$ 1,001	N/A	US\$ 1,001	
	Georgia Pwr Co.	-	"	4,000	US\$ 4,000	N/A	US\$ 4,000	
	Gmac LLC	-	"	4,600	US\$ 4,712	N/A	US\$ 4,712	
	Goldman Sachs Group Inc.	-	"	3,400	US\$ 3,425	N/A	US\$ 3,425	
	Goldman Sachs Group Inc.	-	"	2,000	US\$ 1,987	N/A	US\$ 1,987	
	Groupe Bpce	-	"	1,150	US\$ 1,149	N/A	US\$ 1,149	
	Hewlett Packard Co.	-	"	3,000	US\$ 3,004	N/A	US\$ 3,004	
	Hewlett Packard Co.	-	"	2,030	US\$ 2,032	N/A	US\$ 2,032	
	Household Fin Corp.	-	"	4,330	US\$ 4,660	N/A	US\$ 4,660	
	HSBC Bank Plc	-	"	1,315	US\$ 1,315	N/A	US\$ 1,315	
	HSBC Bank Plc	-	"	3,400	US\$ 3,397	N/A	US\$ 3,397	
	HSBC Fin Corp.	-	"	2,900	US\$ 2,857	N/A	US\$ 2,857	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 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 (%)		
	Hutchison Whamoa Intl 03 13 L	-	Available-for-sale financial assets	1,900	US\$ 2,066	N/A	US\$ 2,066	
	IBM Corp.	-	"	2,300	US\$ 2,301	N/A	US\$ 2,301	
	IBM Corp.	-	"	6,800	US\$ 6,759	N/A	US\$ 6,759	
	IBM Corp.	-	"	1,500	US\$ 1,501	N/A	US\$ 1,501	
	Intl Bk Nv Neth St Cr Gtee	-	"	8,500	US\$ 8,643	N/A	US\$ 8,643	
	Intl Bk Recon + Develop	-	"	2,000	US\$ 2,035	N/A	US\$ 2,035	
	John Deer Capital Corp. Fdic GT	-	"	3,500	US\$ 3,601	N/A	US\$ 3,601	
	JP Morgan Chase + Co.	-	"	2,500	US\$ 2,514	N/A	US\$ 2,514	
	JP Morgan Chase + Co.	-	"	5,000	US\$ 5,033	N/A	US\$ 5,033	
	JP Morgan Chase + Co. Fdic Gtd Tlg	-	"	1,625	US\$ 1,634	N/A	US\$ 1,634	
	Kreditanstalt Fur Wiederaufbau	-	"	650	US\$ 660	N/A	US\$ 660	
	Lilly Eli + Co.	-	"	1,531	US\$ 1,641	N/A	US\$ 1,641	
	Lloyds Tsb Bank Plc Ser 144A	-	"	4,850	US\$ 4,850	N/A	US\$ 4,850	
	Lloyds Tsb Bank Plc Ser 144A	-	"	2,950	US\$ 2,976	N/A	US\$ 2,976	
	Macquarie Bk Ltd. Sr	-	"	13,200	US\$ 13,423	N/A	US\$ 13,423	
	Massmutual Global Fdg II Mediu	-	"	4,000	US\$ 3,959	N/A	US\$ 3,959	
	Mellon Fdg Corp.	-	"	3,500	US\$ 3,481	N/A	US\$ 3,481	
	Merck + Co. Inc.	-	"	4,000	US\$ 4,015	N/A	US\$ 4,015	
	Merck + Co. Inc.	-	"	2,000	US\$ 2,058	N/A	US\$ 2,058	
	Merrill Lynch + Co. Inc.	-	"	4,691	US\$ 4,671	N/A	US\$ 4,671	
	Merrill Lynch + Co. Inc.	-	"	4,000	US\$ 4,309	N/A	US\$ 4,309	
	Met Life Glob Funding I	-	"	3,000	US\$ 3,016	N/A	US\$ 3,016	
	Metlife Inc.	-	"	6,500	US\$ 6,570	N/A	US\$ 6,570	
	Metlife Inc.	-	"	2,000	US\$ 2,010	N/A	US\$ 2,010	
	Monsanto Co. New	-	"	250	US\$ 271	N/A	US\$ 271	
	Monumental Global Fdg II	-	"	1,500	US\$ 1,450	N/A	US\$ 1,450	
	Monumental Global Fdg III	-	"	750	US\$ 741	N/A	US\$ 741	
	Morgan Stanley	-	"	9,000	US\$ 9,178	N/A	US\$ 9,178	
	Morgan Stanley for Equity	-	"	2,000	US\$ 2,001	N/A	US\$ 2,001	
	National Australia Bank	-	"	3,000	US\$ 3,030	N/A	US\$ 3,030	
	National Australia Bank	-	"	1,000	US\$ 1,015	N/A	US\$ 1,015	
	National Bank of Canada	-	"	600	US\$ 601	N/A	US\$ 601	
	New York Life Global Fdg	-	"	2,000	US\$ 2,041	N/A	US\$ 2,041	
	Occidental Petroleum Cor	-	"	1,000	US\$ 1,000	N/A	US\$ 1,000	
	Pacific Gas + Electric	-	"	2,000	US\$ 1,999	N/A	US\$ 1,999	
	Pepsiamericas Inc.	-	"	4,000	US\$ 4,290	N/A	US\$ 4,290	
	Philip Morris Intl Inc.	-	"	130	US\$ 139	N/A	US\$ 139	
	Philip Morris Intl Inc.	-	"	4,000	US\$ 4,591	N/A	US\$ 4,591	
	Pnc Funding Corp.	-	"	2,000	US\$ 2,001	N/A	US\$ 2,001	
	Pricoa Global Fdg I Med Term	-	"	1,750	US\$ 1,726	N/A	US\$ 1,726	
	Principal Life Income Fundings	-	"	2,250	US\$ 2,229	N/A	US\$ 2,229	
	Princoa Global Fdg I Medium	-	"	2,200	US\$ 2,186	N/A	US\$ 2,186	
	Public Svc Co. Colo	-	"	1,380	US\$ 1,515	N/A	US\$ 1,515	
	Rabobank Nederland	-	"	5,000	US\$ 5,000	N/A	US\$ 5,000	
	Royal Bk of Scotland Plc	-	"	4,000	US\$ 4,000	N/A	US\$ 4,000	
	Royal Bk of Scotland Plc	-	"	5,000	US\$ 5,044	N/A	US\$ 5,044	
	Royal Bk Scotland Plc	-	"	2,550	US\$ 2,619	N/A	US\$ 2,619	
	Royal Bk Scotland Plc	-	"	2,825	US\$ 2,876	N/A	US\$ 2,876	
	Royal Bk Scotlnd Grp Plc 144A	-	"	9,450	US\$ 9,504	N/A	US\$ 9,504	
	Sanofi Aventis	-	"	4,000	US\$ 3,999	N/A	US\$ 3,999	
	Sanofi Aventis	-	"	3,870	US\$ 3,880	N/A	US\$ 3,880	
	Sbc Communications Inc.	-	"	2,000	US\$ 2,085	N/A	US\$ 2,085	
	Shell International Fin	-	"	4,515	US\$ 4,533	N/A	US\$ 4,533	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
	Shell International Fin	-	Available-for-sale financial assets	3,200	US\$ 3,257	N/A	US\$ 3,257	
	Sovereign Bancorp Fdic Gtd Tlg	-	"	2,200	US\$ 2,248	N/A	US\$ 2,248	
	Standard Chartered BK NY	-	"	3,000	US\$ 2,998	N/A	US\$ 2,998	
	Sun Life Finl Global	-	"	4,400	US\$ 4,362	N/A	US\$ 4,362	
	Sun Life Finl Global Fdg II Lp	-	"	1,500	US\$ 1,500	N/A	US\$ 1,500	
	Suncorp Metway Ltd.	-	"	8,800	US\$ 8,964	N/A	US\$ 8,964	
	Svenska Handelsbanken AB	-	"	2,200	US\$ 2,253	N/A	US\$ 2,253	
	Swedbank AB	-	"	2,000	US\$ 1,998	N/A	US\$ 1,998	
	Swedbank Foreningssparbanken A	-	"	1,500	US\$ 1,527	N/A	US\$ 1,527	
	Swedbank Hypotek AB	-	"	4,000	US\$ 4,000	N/A	US\$ 4,000	
	Swedbank Hypotek AB	-	"	4,100	US\$ 4,101	N/A	US\$ 4,101	
	Teva Pharm Fin III	-	"	4,000	US\$ 4,014	N/A	US\$ 4,014	
	Teva Pharma Fin III LLC	-	"	4,000	US\$ 4,011	N/A	US\$ 4,011	
	Thermo Fisher Scientific	-	"	2,050	US\$ 2,072	N/A	US\$ 2,072	
	Tiaa Global Mkts Inc.	-	"	2,000	US\$ 2,118	N/A	US\$ 2,118	
	Tiaa Global Mkts Inc. Mtn	-	"	1,500	US\$ 1,610	N/A	US\$ 1,610	
	Total Capital Canada Ltd.	-	"	4,000	US\$ 4,012	N/A	US\$ 4,012	
	Transcanada Pipelines Ltd.	-	"	1,000	US\$ 1,084	N/A	US\$ 1,084	
	Ubs Ag Stamford CT	-	"	2,200	US\$ 2,198	N/A	US\$ 2,198	
	Ubs Ag Stamford CT	-	"	800	US\$ 807	N/A	US\$ 807	
	Unilever Cap Corp.	-	"	1,000	US\$ 1,054	N/A	US\$ 1,054	
	United Technologies Corp.	-	"	4,000	US\$ 4,247	N/A	US\$ 4,247	
	US Central Federal Cred	-	"	8,500	US\$ 8,661	N/A	US\$ 8,661	
	Verizon Communications	-	"	7,725	US\$ 7,766	N/A	US\$ 7,766	
	Virginia Elec + Pwr Co.	-	"	3,250	US\$ 3,460	N/A	US\$ 3,460	
	Volkswagen Intl Fin NV	-	"	4,000	US\$ 4,001	N/A	US\$ 4,001	
	Wachovia Corp.	-	"	550	US\$ 547	N/A	US\$ 547	
	Wachovia Corp. Global Medium	-	"	5,000	US\$ 5,147	N/A	US\$ 5,147	
	Wal Mart Stores Inc.	-	"	4,000	US\$ 3,966	N/A	US\$ 3,966	
	Wal Mart Stores Inc.	-	"	3,770	US\$ 4,256	N/A	US\$ 4,256	
	Wells Fargo + Company	-	"	2,000	US\$ 2,007	N/A	US\$ 2,007	
	Westpac Banking Corp.	-	"	3,500	US\$ 3,508	N/A	US\$ 3,508	
	Westpac Banking Corp.	-	"	2,100	US\$ 2,109	N/A	US\$ 2,109	
	Westpac Banking Corp.	-	"	4,000	US\$ 4,004	N/A	US\$ 4,004	
	Wyeth	-	"	3,983	US\$ 4,317	N/A	US\$ 4,317	
	Aust + Nz Banking Group	-	Held-to-maturity financial assets	20,000	US\$ 20,000	N/A	US\$ 20,075	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 24,913	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 24,780	
	JP Morgan Chase + Co.	-	"	35,000	US\$ 35,059	N/A	US\$ 35,162	
	Nationwide Building Society-UK Government Guarantee	-	"	8,000	US\$ 8,000	N/A	US\$ 8,010	
	Westpac Banking Corp.	-	"	25,000	US\$ 25,000	N/A	US\$ 24,628	
	Westpac Banking Corp. 12/12 Frn	-	"	5,000	US\$ 5,000	N/A	US\$ 5,011	
	<u>Agency bond</u>							
	Emirate of Abu Dhabi 144A	-	Available-for-sale financial assets	1,800	US\$ 1,967	N/A	US\$ 1,967	
	Fannie Mae	-	"	11,100	US\$ 11,106	N/A	US\$ 11,106	
	Fannie Mae	-	"	3,900	US\$ 3,852	N/A	US\$ 3,852	
	Fannie Mae	-	"	16,104	US\$ 16,114	N/A	US\$ 16,114	
	Fannie Mae	-	"	6,100	US\$ 6,092	N/A	US\$ 6,092	
	Fannie Mae	-	"	7,500	US\$ 7,501	N/A	US\$ 7,501	
	Fannie Mae	-	"	20,265	US\$ 20,275	N/A	US\$ 20,275	
	Fannie Mae	-	"	4,600	US\$ 4,597	N/A	US\$ 4,597	
	Fannie Mae	-	"	3,000	US\$ 2,985	N/A	US\$ 2,985	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
	Fed Hm Ln Pc Pool 1b2830	-	Available-for-sale financial assets	1,750	US\$ 1,833	N/A	US\$ 1,833	
	Fed Hm Ln Pc Pool 1g0115	-	"	1,548	US\$ 1,599	N/A	US\$ 1,599	
	Fed Hm Ln Pc Pool 1g1114	-	"	762	US\$ 800	N/A	US\$ 800	
	Fed Hm Ln Pc Pool 1k1210	-	"	1,470	US\$ 1,543	N/A	US\$ 1,543	
	Fed Hm Ln Pc Pool 780741	-	"	1,740	US\$ 1,819	N/A	US\$ 1,819	
	Federal Farm Credit Bank	-	"	4,000	US\$ 3,982	N/A	US\$ 3,982	
	Federal Farm Credit Bank	-	"	4,000	US\$ 3,999	N/A	US\$ 3,999	
	Federal Farm Credit Bank	-	"	4,000	US\$ 4,002	N/A	US\$ 4,002	
	Federal Home Ln Mtg Assn	-	"	1,492	US\$ 1,507	N/A	US\$ 1,507	
	Federal Home Ln Mtg Corp.	-	"	3,417	US\$ 3,411	N/A	US\$ 3,411	
	Federal Home Ln Mtg Corp.	-	"	2,054	US\$ 2,047	N/A	US\$ 2,047	
	Federal Home Ln Mtg Corp.	-	"	1,284	US\$ 1,336	N/A	US\$ 1,336	
	Federal Home Ln Mtg Corp.	-	"	2,355	US\$ 2,463	N/A	US\$ 2,463	
	Federal Home Ln Mtg Corp.	-	"	1,488	US\$ 1,522	N/A	US\$ 1,522	
	Federal Home Ln Mtg Corp.	-	"	1,565	US\$ 1,622	N/A	US\$ 1,622	
	Federal Home Ln Mtg Corp.	-	"	1,027	US\$ 1,056	N/A	US\$ 1,056	
	Federal Home Ln Mtg Corp.	-	"	3,202	US\$ 3,321	N/A	US\$ 3,321	
	Federal Home Ln Mtg Corp.	-	"	1,632	US\$ 1,652	N/A	US\$ 1,652	
	Federal Home Loan Bank	-	"	3,350	US\$ 3,364	N/A	US\$ 3,364	
	Federal Home Loan Bank	-	"	8,400	US\$ 8,400	N/A	US\$ 8,400	
	Federal Home Loan Mtg Corp.	-	"	4,760	US\$ 4,732	N/A	US\$ 4,732	
	Federal Home Loan Mtg Corp.	-	"	218	US\$ 218	N/A	US\$ 218	
	Federal National Mort Assoc	-	"	155	US\$ 155	N/A	US\$ 155	
	Federal Natl Mtg Assn Gtd	-	"	2,093	US\$ 2,160	N/A	US\$ 2,160	
	Federal Natl Mtg Assn Gtd Remi	-	"	1,640	US\$ 1,696	N/A	US\$ 1,696	
	Federal Natl Mtg Assn Mtn	-	"	903	US\$ 921	N/A	US\$ 921	
	Federal Natl Mtg Assn Remic	-	"	699	US\$ 704	N/A	US\$ 704	
	Federal Natl Mtge Assn	-	"	1,273	US\$ 1,338	N/A	US\$ 1,338	
	Fhr 2647 Pb	-	"	967	US\$ 973	N/A	US\$ 973	
	Fhr 2953 Da	-	"	2,912	US\$ 3,074	N/A	US\$ 3,074	
	Fhr 3087 Jb	-	"	1,299	US\$ 1,366	N/A	US\$ 1,366	
	Fhr 3184 Fa	-	"	3,881	US\$ 3,865	N/A	US\$ 3,865	
	Fnma Pool 467196	-	"	1,995	US\$ 1,989	N/A	US\$ 1,989	
	Fnma Pool 745131	-	"	1,659	US\$ 1,724	N/A	US\$ 1,724	
	Fnma Pool 745688	-	"	1,218	US\$ 1,271	N/A	US\$ 1,271	
	Fnma Pool 775852	-	"	323	US\$ 329	N/A	US\$ 329	
	Fnma Pool 790772	-	"	1,153	US\$ 1,212	N/A	US\$ 1,212	
	Fnma Pool 819649	-	"	1,843	US\$ 1,921	N/A	US\$ 1,921	
	Fnma Pool 829989	-	"	1,549	US\$ 1,627	N/A	US\$ 1,627	
	Fnma Pool 841068	-	"	462	US\$ 487	N/A	US\$ 487	
	Fnma Pool 846233	-	"	1,728	US\$ 1,805	N/A	US\$ 1,805	
	Fnma Pool 870884	-	"	1,380	US\$ 1,446	N/A	US\$ 1,446	
	Fnma Pool 879908	-	"	1,259	US\$ 1,323	N/A	US\$ 1,323	
	Fnma Tba May 15 Single Fam	-	"	3,000	US\$ 3,136	N/A	US\$ 3,136	
	Fnr 2005 47 HA	-	"	1,527	US\$ 1,600	N/A	US\$ 1,600	
	Fnr 2006 60 CO	-	"	3,274	US\$ 3,259	N/A	US\$ 3,259	
	Fnr 2006 60 CO	-	"	87	US\$ 87	N/A	US\$ 87	
	Fnr 2009 116 A	-	"	3,927	US\$ 4,238	N/A	US\$ 4,238	
	Fnr 2009 70 NT	-	"	1,723	US\$ 1,787	N/A	US\$ 1,787	
	Freddie Mac	-	"	2,500	US\$ 2,502	N/A	US\$ 2,502	
	Freddie Mac	-	"	19,000	US\$ 18,982	N/A	US\$ 18,982	
	Freddie Mac	-	"	3,550	US\$ 3,552	N/A	US\$ 3,552	
	Freddie Mac	-	"	5,750	US\$ 5,743	N/A	US\$ 5,743	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2011				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
	Freddie Mac	-	Available-for-sale financial assets	4,300	US\$ 4,306	N/A	US\$ 4,306	
	Gnma II Pool 082431	-	"	1,871	US\$ 1,913	N/A	US\$ 1,913	
	Gnr 2008 9 SA	-	"	2,096	US\$ 2,098	N/A	US\$ 2,098	
	Gnr 2009 45 AB	-	"	3,431	US\$ 3,476	N/A	US\$ 3,476	
	Government Natl Mtg Assn	-	"	3,050	US\$ 3,217	N/A	US\$ 3,217	
	Government Natl Mtg Assn Gtd	-	"	1,442	US\$ 1,508	N/A	US\$ 1,508	
	Ngn 2010 R2 1A	-	"	3,540	US\$ 3,541	N/A	US\$ 3,541	
	Ngn 2011 R4 1A	-	"	4,000	US\$ 3,998	N/A	US\$ 3,998	
	Ontario(Province of)	-	"	2,000	US\$ 2,034	N/A	US\$ 2,034	
	State of Qatar	-	"	2,000	US\$ 2,143	N/A	US\$ 2,143	
	<u>Government bond</u>							
	US Treasury N/B	-	Available-for-sale financial assets	10,000	US\$ 10,026	N/A	US\$ 10,026	
	US Treasury N/B	-	"	10,000	US\$ 9,983	N/A	US\$ 9,983	
	US Treasury N/B	-	"	10,000	US\$ 10,069	N/A	US\$ 10,069	
	US Treasury N/B	-	"	1,000	US\$ 1,012	N/A	US\$ 1,012	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US\$ 15,000	N/A	US\$ 15,029	
	<u>Money market fund</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	4,921	US\$ 4,921	N/A	US\$ 4,921	

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Investees

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	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) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) or Disposal (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
TSMC	<u>Stock</u> TSMC Soalr Europe	Investments accounted for using equity method	-	Subsidiary	-	\$ 23,971	-	\$ 385,682	-	\$ -	\$ -	\$ -	-	\$ 406,305
TSMC Solar Europe	<u>Stock</u> TSMC Solar Europe GmbH	Investments accounted for using equity method	-	Subsidiary	1	EUR 90	-	EUR 9,800	-	-	-	-	1	EUR 9,618
GUC	<u>Open-end mutual fund</u> Jhi Sun Money Market Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	-	-	9,875	140,000	-	-	-	-	9,875	140,097
	Mega Diamond Money Market Fund	"	Mega Investment International Trust Co., Ltd.	-	-	-	10,009	120,000	-	-	-	-	10,009	120,110
TSMC Global	<u>Corporate bond</u> American Honda Fin Corp. Mtn	Available-for-sale financial assets	-	-	4,000	US\$ 3,995	-	-	4,000	US\$ 4,005	US\$ 3,985	US\$ 20	-	-
	Anz 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
	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 Govt Cr	"	-	-	-	-	5,000	US\$ 5,109	-	-	-	-	5,000	US\$ 5,101
	Bb+T Corporation	"	-	-	-	-	3,840	US\$ 3,990	-	-	-	-	3,840	US\$ 3,976
	Bhp Billiton Fin USA Ltd.	"	-	-	-	-	4,000	US\$ 4,443	500	US\$ 558	US\$ 555	US\$ 3	3,500	US\$ 3,881
	Boeing Cap Corp.	"	-	-	2,925	US\$ 3,192	-	-	2,925	US\$ 3,180	US\$ 3,235	US\$ (55)	-	-
	Bp Capital Markets Plc	"	-	-	-	-	7,160	US\$ 7,160	-	-	-	-	7,160	US\$ 7,191
	Bp Capital Markets Plc	"	-	-	3,900	US\$ 3,988	-	-	3,900	US\$ 3,992	US\$ 3,969	US\$ 23	-	-
	Chevron Corp.	"	-	-	-	-	4,000	US\$ 4,305	-	-	-	-	4,000	US\$ 4,278
	Cisco Systems Inc.	"	-	-	-	-	7,050	US\$ 7,050	-	-	-	-	7,050	US\$ 7,073
	Citigroup Funding Inc.	"	-	-	16,000	US\$ 16,323	-	-	10,000	US\$ 10,221	US\$ 10,222	US\$ (1)	6,000	US\$ 6,114
	Countrywide Finl Corp.	"	-	-	4,000	US\$ 4,208	-	-	4,000	US\$ 4,221	US\$ 4,291	US\$ (70)	-	-
	Credit Suisse New York	"	-	-	-	-	3,200	US\$ 3,200	-	-	-	-	3,200	US\$ 3,239
	General Elec Cap Corp.	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,041
	Goldman Sachs Group Inc.	"	-	-	-	-	3,400	US\$ 3,400	-	-	-	-	3,400	US\$ 3,425
	HSBC Fin Corp.	"	-	-	2,900	US\$ 3,074	-	-	2,900	US\$ 3,074	US\$ 3,142	US\$ (68)	-	-
	Inc Bk Nv Neth St Cr Gtee	"	-	-	-	-	8,500	US\$ 8,668	-	-	-	-	8,500	US\$ 8,643
	Lloyds Tsb Bank Plc Ser 144A	"	-	-	5,950	US\$ 6,009	-	-	3,000	US\$ 3,030	US\$ 3,065	US\$ (35)	2,950	US\$ 2,976
	Macquarie Bk Ltd. Sr	"	-	-	3,900	US\$ 3,975	-	9,300	US\$ 9,472	-	-	-	13,200	US\$ 13,423
	Merrill Lynch + Co. Inc.	"	-	-	-	-	4,000	US\$ 4,335	-	-	-	-	4,000	US\$ 4,309
	Met Life Glob Funding I	"	-	-	-	-	3,000	US\$ 3,000	-	-	-	-	3,000	US\$ 3,016
	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\$ 9,178

(Continued)



Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	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) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) or Disposal (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
	Morgan Stanley Dean Witter	Available-for-sale financial assets	-	-	8,000	US\$ 8,524	-	US\$ -	8,000	US\$ 8,513	US\$ 8,797	US\$ (284)	-	US\$ -
	National Australia Bank	"	-	-	-	-	3,000	US\$ 3,035	-	-	-	-	3,000	US\$ 3,030
	Pepsiamericas Inc.	"	-	-	-	-	4,000	US\$ 4,329	-	-	-	-	4,000	US\$ 4,290
	Philip Morris Intl Inc.	"	-	-	-	-	4,000	US\$ 4,640	-	-	-	-	4,000	US\$ 4,591
	Sanofi Aventis	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 3,999
	Sanofi Aventis	"	-	-	-	-	3,870	US\$ 3,870	-	-	-	-	3,870	US\$ 3,880
	Standard Chartered BK NY State Str Corp.	"	-	-	-	-	3,000	US\$ 3,000	-	-	-	-	3,000	US\$ 2,998
	Swedbank Hypotek AB	"	-	-	6,420	US\$ 6,417	-	-	6,420	US\$ 6,422	US\$ 6,381	US\$ 41	-	-
	Teva Pharm Fin III	"	-	-	-	-	4,100	US\$ 4,100	-	-	-	-	4,100	US\$ 4,101
	Total Capital Canada Ltd.	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 4,014
	United Technologies Corp.	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 4,012
	US Central Federal Cred	"	-	-	4,000	US\$ 4,084	4,500	US\$ 4,599	-	-	-	-	8,500	US\$ 8,661
	Verizon Communications	"	-	-	-	-	7,725	US\$ 7,725	-	-	-	-	7,725	US\$ 7,766
	Virginia Elec + Pwc Co.	"	-	-	-	-	3,250	US\$ 3,489	-	-	-	-	3,250	US\$ 3,460
	Volkswagen Intl Fin NV	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 4,001
	<u>Agency bond</u>													
	Fannie Mae	Available-for-sale financial assets	-	-	-	-	20,300	US\$ 20,269	14,200	US\$ 14,206	US\$ 14,178	US\$ 28	6,100	US\$ 6,092
	Fannie Mae	"	-	-	-	-	7,500	US\$ 7,500	-	-	-	-	7,500	US\$ 7,501
	Fannie Mae	"	-	-	8,765	US\$ 8,763	11,500	US\$ 11,503	-	-	-	-	20,265	US\$ 20,275
	Fannie Mae	"	-	-	-	-	11,045	US\$ 12,104	11,045	US\$ 12,044	US\$ 12,104	US\$ (60)	-	-
	Federal Farm Credit Bank	"	-	-	-	-	4,000	US\$ 4,002	-	-	-	-	4,000	US\$ 4,002
	Federal Home Ln Bks	"	-	-	5,000	US\$ 5,046	-	-	5,000	US\$ 5,043	US\$ 5,098	US\$ (55)	-	-
	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	-	-	4,650	US\$ 4,667	US\$ 4,644	US\$ 23	3,350	US\$ 3,364
	Federal Home Loan Bank	"	-	-	10,000	US\$ 9,998	-	-	10,000	US\$ 10,001	US\$ 9,985	US\$ 16	-	-
	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	-	-
	Fnma Tba May 15 Single Fam	"	-	-	-	-	3,000	US\$ 3,156	-	-	-	-	3,000	US\$ 3,136
	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\$ 18,982
	Freddie Mac	"	-	-	-	-	3,550	US\$ 3,549	-	-	-	-	3,550	US\$ 3,552
	Freddie Mac	"	-	-	-	-	14,200	US\$ 14,196	14,200	US\$ 14,204	US\$ 14,196	US\$ 8	-	-
	Ngn 2011 R4 1A	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 3,998
	<u>Government bond</u>													
	US Treasury N/B	Available-for-sale financial assets	-	-	-	-	10,000	US\$ 10,024	-	-	-	-	10,000	US\$ 10,026
	US Treasury N/B	"	-	-	-	-	10,000	US\$ 9,988	-	-	-	-	10,000	US\$ 9,983
	US Treasury N/B	"	-	-	-	-	10,000	US\$ 10,042	10,000	US\$ 10,046	US\$ 10,042	US\$ 4	-	-
	US Treasury N/B	"	-	-	-	-	3,300	US\$ 3,301	3,300	US\$ 3,298	US\$ 3,301	US\$ (3)	-	-
	US Treasury N/B	"	-	-	-	-	10,000	US\$ 10,084	-	-	-	-	10,000	US\$ 10,069
	US Treasury N/B	"	-	-	41,700	US\$ 42,042	-	-	41,700	US\$ 42,042	US\$ 41,729	US\$ 313	-	-
	US Treasury N/B	"	-	-	7,000	US\$ 7,079	-	-	7,000	US\$ 7,077	US\$ 7,078	US\$ (1)	-	-
	Wi Treasury N/B	"	-	-	5,250	US\$ 5,212	30,175	US\$ 29,906	35,425	US\$ 35,154	US\$ 35,101	US\$ 53	-	-
	Wi Treasury Sec	"	-	-	11,100	US\$ 10,976	-	-	11,100	US\$ 10,941	US\$ 11,084	US\$ (143)	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	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) (Note 1)	Amount (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Gain (Loss) or Disposal (Foreign Currencies in Thousands)	Shares/Units (In Thousands)	Amount (Foreign Currencies in Thousands)
	Money market fund Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	12,387	US\$ 12,387	77,883	US\$ 77,883	85,349	US\$ 85,349	US\$ 85,349	US\$ -	4,921	US\$ 4,921

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

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

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	January 5, 2011 to February 24, 2011	\$ 260,171	By the construction progress	China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 27, 2011 to March 27, 2011	842,036	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 March 27, 2011	702,998	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 February 25, 2011	188,744	By the construction progress	Tasa Construction Corporation	-	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

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 57,007,986	55	Net 30 days after invoice date	-	-	\$ 27,517,143	53	
		Investee with a controlling financial interest	Sales	455,936	-	Net 30 days after monthly closing	-	-	260,981	1	
	TSMC China WaferTech VIS	Subsidiary	Purchases	2,419,959	19	Net 30 days after monthly closing	-	-	(855,485)	6	
		Indirect subsidiary	Purchases	1,770,429	14	Net 30 days after monthly closing	-	-	(550,219)	4	
		Investee accounted for using equity method	Purchases	1,325,127	10	Net 30 days after monthly closing	-	-	(953,003)	7	
SSMC	Investee accounted for using equity method	Purchases	955,937	7	Net 30 days after monthly closing	-	-	(395,820)	3		
GUC	TSMC North America	Same parent company	Purchases	142,690	21	Net 30 days after invoice date/net 30 days after monthly closing	-	-	(87,469)	14	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	362,314	37	Net 30 days after monthly closing	-	-	211,809	42	

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.

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

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

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

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

TABLE 7

## Taiwan Semiconductor Manufacturing Company Limited and Investees

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

MARCH 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 March 31, 2011			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				March 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	\$ 42,523,518	\$ 109,495	\$ 109,495	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	32,779,954	306,970	306,970	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	38	9,456,221	396,730	50,706	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	7,256,841	986,989	333,604	Investee accounted for using equity method
	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	76,069	20	6,770,069	685,408	57,025	Investee accounted for using equity method
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	4,721,701	541,650	564,819	Subsidiary
	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	2,843,416	54,385	54,385	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	3,602,979	3,565,441	-	99	2,672,382	(56,177)	(55,083)	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,678,379	98,946	33,960	Investee with a controlling financial interest
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,164,288	150,117	52,423	Investee with a controlling financial interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,166,470	-	98	1,041,270	93,247	91,382	Subsidiary
	TSMC Solar Europe	Amsterdam, the Netherlands	Engaged in investing activities of solar related business	411,032	25,350	-	100	406,305	(10,903)	(10,903)	Subsidiary (Note 3)
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	971,785	971,785	-	99	290,203	(5,106)	(5,080)	Subsidiary (Note 3)
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	192,329	9,088	9,088	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	144,224	1,732	1,732	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	21,093	310	310	Subsidiary (Note 3)
	TSMC Solar NA	Delaware, U.S.A.	Engaged in selling and marketing of solar related products	60,962	60,962	1	100	7,945	(17,694)	(17,694)	Subsidiary (Note 3)
	TSMC Lighting NA	Delaware, U.S.A.	Engaged in selling and marketing of LED related products	3,133	3,133	1	100	2,942	(4)	(4)	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 417,397	US\$ 14,140	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\$ 85,259	US\$ 5,973	Note 2	Investee accounted for using equity method
	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 4,088	US\$ 4,088	4,088	97	US\$ 19,707	US\$ 1,241	Note 2	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 16,532	US\$ 16,532	16,532	97	US\$ 13,253	US\$ (687)	Note 2	Subsidiary (Note 3)
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 10,083	US\$ 205	Note 2	Subsidiary (Note 3)
TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,892	US\$ 69	Note 2	Subsidiary (Note 3)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2011			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				March 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)			
	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$ 800	5,333	84	US\$ -	US\$ (3,956)	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	6	-	US\$ (3,956)	Note 2	
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\$ 179,027	US\$ 13,815	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\$ 1,862	US\$ (342)	Note 2	Subsidiary (Note 3)
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	US\$ 1,740	US\$ 1,700	-	100	US\$ 854	US\$ (31)	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)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US\$ 1,253	US\$ 1,249	800	100	\$ 60,915	\$ 2,291	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,881	307	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US\$ 550	US\$ 550	550	100	8,846	(72)	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 100	-	100	3,916	(96)	Note 2	Subsidiary (Note 3)
GUC-BVI	GUC-Shanghai	Shanghai, China	Consulting services in main products	US\$ 500	US\$ 500	-	100	7,551	(61)	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	Engaged in the selling and customer service of solar cell modules and related products	EUR 9,900	EUR 100	1	100	EUR 9,618	EUR (282)	Note 2	Subsidiary (Note 3)

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

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Investees

## INFORMATION OF INVESTMENT IN MAINLAND CHINA

FOR THE THREE MONTHS ENDED MARCH 31, 2011

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

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousand)	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 March 31, 2011 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of March 31, 2011	Accumulated Inward Remittance of Earnings as of March 31, 2011
						Outflow	Inflow					
TSMC	TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$ 12,180,367 (RMB 3,070,623)	(Note 1)	\$ 12,180,367 (US\$ 371,000)	\$ -	\$ -	\$ 12,180,367 (US\$ 371,000)	100%	\$ 564,819 (Note 3)	\$ 4,721,701	\$ -
GUC	GUC-Shanghai	Consulting services in main products	16,160 (US\$ 500)	(Note 2)	16,160 (US\$ 500)	-	-	16,160 (US\$ 500)	100%	(61) (Note 4)	7,551	-

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

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

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

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

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

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