

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

---

**2012 ANNUAL GENERAL SHAREHOLDERS' MEETING**

**MEETING AGENDA**  
(Translation)

**June 12, 2012**

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Note:

- 2011 Form 20-F is available at [http://www.tsmc.com/english/investorRelations/sec\\_filings.htm](http://www.tsmc.com/english/investorRelations/sec_filings.htm)
- Minutes of 2012 Annual General Shareholders' Meeting will be available on TSMC's website ([http://www.tsmc.com/english/investorRelations/shareholders\\_meeting.htm](http://www.tsmc.com/english/investorRelations/shareholders_meeting.htm)) within 20 days after the Meeting.

## **I. MEETING PROCEDURE**

# **TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

## **2012 ANNUAL GENERAL SHAREHOLDERS' MEETING PROCEDURE**

I. Call Meeting to Order

II. Meeting Agenda

## **II. MEETING AGENDA**

# TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

## 2012 ANNUAL GENERAL SHAREHOLDERS' MEETING AGENDA

(Translation)

Time: 9:00 a.m., June 12, 2012

Place: 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan  
(TSMC's Fab 12, Phase 1 Headquarters)

Attendants: All shareholders or their proxy holders

Chairman: Dr. Morris Chang, Chairman of the Board of Directors

1. Chairman's Address
2. Report Items:
  - (1) To report the business of 2011
  - (2) Audit Committee's review report
  - (3) To report the issuance of unsecured straight corporate bond of NT\$35 billion
3. Proposed Resolutions
  - (1) To accept 2011 Business Report and Financial Statements
  - (2) To approve the proposal for distribution of 2011 profits
  - (3) To revise the Articles of Incorporation
  - (4) To revise the Rules for Election of Directors
4. Directors Election  
To elect nine Directors (including five independent directors)  
  
Voting by Poll
5. Other Business and Special Motion
6. Meeting Adjourned

## Report Items

1. To report the business of 2011

Explanatory Notes: The 2011 business report is attached hereto as Attachment I.

2. Audit Committee's review report

Explanatory Notes: The Audit Committee's review report is attached hereto as Attachment II.

3. To report the issuance of unsecured straight corporate bond of NT\$35 billion

Explanatory Notes: (1) The Board of Directors of TSMC approved the issuance of unsecured straight corporate bond in the domestic market for an amount not to exceed NT\$35 billion to secure long-term, low fixed-cost funding for general corporate purposes on August 9, 2011.

TSMC has completed two corporate bond offerings totaling NT\$35 billion. Major terms of the offerings are as follows:

(2) 1<sup>st</sup> Offering:

1. Total Issue Amount: NT\$18 billion (NT\$10.5 billion for Tranche A and NT\$7.5 billion for Tranche B)
2. Tenor and Maturity Date:  
Tranche A: 5 years; issued on September 28, 2011 and will mature on September 28, 2016;  
Tranche B: 7 years; issued on September 28, 2011 and will mature on September 28, 2018
3. Coupon: 1.40% p.a. for Tranche A and 1.63% p.a. for Tranche B
4. Coupon Frequency: Annual
5. Principal Repayment: Bullet at maturity

(3) 2<sup>nd</sup> Offering:

1. Total Issue Amount: NT\$17 billion (NT\$10 billion for Tranche A and NT\$7 billion for Tranche B)
2. Tenor and Maturity Date:  
Tranche A: 5 years; issued on January 11, 2012 and will mature on

January 11, 2017;

Tranche B: 7 years; issued on January 11, 2012 and will mature on January 11, 2019

3. Coupon: 1.29% p.a. for Tranche A and 1.46% p.a. for Tranche B

4. Coupon Frequency: Annual

5. Principal Repayment: Bullet at maturity

## **Proposed Resolutions**

1. To accept 2011 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's 2011 Financial Statements, including Balance Sheets, Income Statements, Statements of Changes in Shareholders' Equity, and Cash Flow Statements, were audited by independent auditors, Mr. Hung-Peng Lin and Mr. Shu-Chieh Huang, of Deloitte & Touche.

(2) The 2011 Business Report, independent auditors' report, and the above-mentioned Financial Statements are attached hereto as Attachments I, III and IV.

(3) Please accept the above-mentioned Business Report and Financial Statements.

2. To approve the proposal for distribution of 2011 profits (Proposed by the Board of Directors)

Explanatory Notes: (1) The proposed profits distribution is allocated from 2011 Retained Earnings Available for Distribution. Each common share holder will be entitled to receive a cash dividend of NT\$3 per share (based on the total outstanding shares as of Dec. 31, 2011).

The total amount of common shares outstanding may change and the ultimate cash dividend to be distributed to each common share may need to be adjusted accordingly should TSMC subsequently repurchase its common shares or issue new common shares to its employees as a result of their exercise of stock options. It is proposed that the Chairman of Board of Directors of TSMC be authorized to adjust the cash dividend to be distributed to each common share based on the



total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

- (2) The 2011 Profit Allocation Proposal is attached hereto as Attachment V.

3. To revise the Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Notes: (1) To conform to the amendments to the Company Law and the Securities and Exchanges Act relating to the use of legal reserves and capital reserves to distribute stock or cash to shareholders, allowing shareholders to vote via electronic voting at shareholders' meeting, and the reporting deadline for quarterly financial statements, the Articles of Incorporation should be amended accordingly. Other amendments are proposed to meet future operational and managerial needs, as well as to reflect TSMC's current status.

- (2) The proposed amendments to the Articles of Incorporation is attached hereto as Attachment VI.

4. To revise the Rules for Election of Directors (Proposed by the Board of Directors)

Explanatory Notes: (1) To conform to the amendments to the Company Law relating to allowing shareholders to vote via electronic voting at shareholders' meetings, in addition to the Articles of Incorporation, the Rules for Election of Directors will be amended to adopt the "candidate nomination system" for the election of directors.

- (2) The proposed amendments to the Rules for Election of Directors is attached hereto as Attachment VII.

## **Directors Election**

To elect nine Directors (including five independent directors) (Proposed by the Board of Directors)

Explanatory Notes: (1) The tenure of all TSMC Directors (including independent directors) expired

on June 9, 2012. The Board of Directors resolved that nine Directors (including five independent directors) will be elected at this Annual General Shareholders' Meeting. The tenure of newly elected directors shall commence on June 12, 2012 and expire on June 11, 2015.

- (2) According to the relevant regulations, the election of independent directors is conducted under the "candidate nomination system". The independent directors shall be elected from the nominated candidates. The independent director candidates' academic background, experiences and relevant information are attached hereto as Attachment VIII.

### **Voting by Poll:**

### **Other Business and Special Motion**

### **Meeting Adjourned**

### **III. ATTACHMENT**

## **Business Report**

2011 was a challenging year as the global semiconductor market growth was close to zero, and the outlook for the year continuously worsened as the year progressed. TSMC achieved revenue growth of 9.2 percent in US dollars and gained market share from the 2010 level. Our growth was mainly fueled by our technology leadership and the wide adoption of our advanced technologies, which became more critical in the face of the high growth of mobile computing products. Despite the challenging operating environment, the Company successfully enlarged its business offerings, rapidly grew our share of 40-nanometer, achieved volume production in 28-nanometer, and developed 20-nanometer capability. More specifically,

- Our total wafer shipments reached 12.55 million 8”-equivalent wafers.
- Our advanced technologies (65-nanometer and beyond) reached 55 percent of total wafer revenue.
- We became the first foundry to offer volume production of 28-nanometer, with the first-to-market 28-nanometer high-k/metal gate (HKMG) technology portfolio.

### **Financial Performance**

Consolidated revenue for 2011 totaled NT\$427.08 billion, an increase of 1.8 percent over NT\$419.54 billion in 2010. Net income was NT\$134.20 billion and diluted earnings per share were NT\$5.18, both of which were 17 percent below the previous year level of NT\$161.61 billion net income and NT\$6.23 diluted earnings per share registered in 2010.

In US dollars, TSMC generated net income of US\$4.57 billion on consolidated revenue of US\$14.54 billion, compared with net income of US\$5.13 billion on consolidated revenue of US\$13.32 billion for 2010.

Gross profit margin was 45.4 percent compared with 49.4 percent in 2010, with an Operating Profit Margin of 33.1 percent compared with 37.9 percent a year earlier. Net Profit Margin reached 31.4 percent, a decrease of 7.1 percentage points from the 2010 level.

## **Technological Developments**

Based on a record number of customer product tape-outs, TSMC entered volume production of superior 28-nanometer Gate-Last HKMG logic technology. Revenue from the 28-nanometer node contributed 2% of fourth quarter 2011 wafer revenue, and is expected to contribute approximately 10% wafer revenue in 2012. Our 20-nanometer SOC technology development is on track for risk production in the second half of 2012. In third quarter 2011, we completed the world's first tape-out of 20-nanometer ARM-Cortex A15 MP core processor which is high performance for future mobile computing products. In second half of 2011, we also started full scale 14-nanometer development, after completing three years of path-finding and demonstrated excellent 3D FinFET transistor capabilities in 28-nanometer and 20-nanometer.

As we forge ahead in IC development, we are also trying to realize the potential of sub-system integration by 3D chip stacking that will enable future mobile applications. In 2011, we demonstrated a fully functional sub-system, having logic chip with built-in passive components, and bumps, all manufactured and assembled at TSMC, using our proprietary Chip on Wafer on Substrate (CoWoS™) technology. Our CoWoS™ scheme is fundamentally better than other 3D chip stacking schemes in terms of cost, yield, reliability, and end-to-end sub-system integration. We have been collaborating with early development partners to enable CoWoS™ products for qualification in 2012 and initial production in 2013. We expect CoWoS™ to start at 28-nanometer and become a significant factor at 20-nanometer and below.

## **Corporate Developments**

In August 2011, we formed two wholly owned subsidiaries of TSMC: TSMC Solar Ltd. and TSMC Solid State Lighting Ltd., in order to encourage entrepreneurialism in these new businesses. Both Solar and Solid State Lighting are making very good progress in technology development and pilot production.

## **Honors and Awards**

During 2011, TSMC was the recipient of numerous honors and awards for our efforts in corporate governance, investor relations, sustainability, innovation, and overall corporate excellence. TSMC received awards from Corporate Governance Asia, Institutional Investors, the IR Magazine, and IR Global Ranking. TSMC was also honored with the Top Corporate Citizen Award, and Most Admired Company Award, from CommonWealth Magazine, and the National Industrial Innovation Award, and the Green Classic Awards for corporate social responsibilities, from Taiwan government. 2011 also marked the 11th consecutive year that TSMC was included in the Dow Jones Sustainability Index.

In an honor that reflects the efforts of all TSMC employees over many years, I was grateful to accept the 2011 IEEE Medal of Honor in August 2011 for pioneering the concepts of dedicated IC foundry, “fabless” IC design and virtual fabrication services in the semiconductor industry.

## **Outlook**

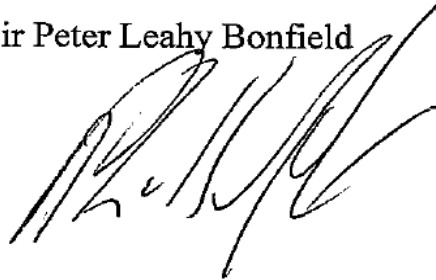
We believe that mobile computing products, such as smartphones and tablets, will continue to be the killer app for semiconductor industry in the forthcoming decade. These new devices, along with the communication infrastructure that enables their wide-spread usage, will require the development of more sophisticated semiconductor technologies. We believe we are well positioned to enjoy continued success and business growth with our customers in these markets because we have the right technology and manufacturing capacity. Our trinity of strengths: technology leadership, manufacturing excellence and customer trust, will continue to enable TSMC to be the most advanced, innovative, and largest provider of foundry services for years to come.

**Audit Committee's Report**

The Board of Directors has prepared the Company's 2011 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

**Taiwan Semiconductor Manufacturing Company Limited**

Chairman of the Audit Committee: Sir Peter Leahy Bonfield

A handwritten signature in black ink, appearing to read 'P. Leahy Bonfield', is written over the printed name of the Chairman of the Audit Committee.

February 14, 2012

## ATTACHMENT III

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

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

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

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



We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the year ended December 31, 2011 and 2010 on which we have issued an unqualified opinion.

February 14, 2012

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

### BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

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

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)	\$ 85,262,521	11	\$ 109,511,130	15	Short-term loans (Note 14)	\$ 25,926,528	3	\$ 30,908,637	4
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	14,925	-	-	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	-	-	7,834	-
Available-for-sale financial assets (Notes 2, 6 and 24)	2,617,134	-	3,918,274	-	Accounts payable	9,522,688	1	10,559,283	2
Held-to-maturity financial assets (Notes 2, 7 and 24)	701,136	-	4,796,589	1	Payables to related parties (Note 25)	2,992,582	-	2,574,450	-
Receivables from related parties (Notes 3 and 25)	24,777,534	3	25,733,974	4	Income tax payable (Notes 2 and 18)	10,647,797	1	7,108,869	1
Notes and accounts receivable (Note 3)	19,894,386	3	22,250,905	3	Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)	9,055,704	1	10,959,469	2
Allowance for doubtful receivables (Notes 2, 3 and 8)	(485,120)	-	(488,000)	-	Payables to contractors and equipment suppliers	33,811,970	5	41,992,198	6
Allowance for sales returns and others (Notes 2 and 8)	(4,887,879)	-	(7,341,444)	(1)	Accrued expenses and other current liabilities (Notes 16, 24 and 25)	13,057,161	2	13,911,520	2
Other receivables from related parties (Notes 3 and 25)	188,028	-	1,302,281	-	Current portion of bonds payable (Notes 15 and 24)	4,500,000	1	-	-
Other financial assets (Note 26)	122,010	-	418,206	-					
Inventories (Notes 2 and 9)	22,853,397	3	25,646,348	4	Total current liabilities	109,514,430	14	118,022,260	17
Deferred income tax assets (Notes 2 and 18)	5,779,544	1	5,133,775	1					
Prepaid expenses and other current assets	1,725,736	-	1,352,244	-	<b>LONG-TERM LIABILITIES</b>				
Total current assets	158,563,352	21	192,234,282	27	Bonds payable (Notes 15 and 24)	18,000,000	2	4,500,000	-
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>					<b>OTHER LIABILITIES</b>				
Investments accounted for using equity method	128,200,718	17	114,977,174	17	Accrued pension cost (Notes 2 and 17)	3,860,898	1	3,824,601	1
Available-for-sale financial assets	-	-	1,033,049	-	Guarantee deposits (Note 28)	439,032	-	747,887	-
Held-to-maturity financial assets	702,291	-	1,405,698	-	Total other liabilities	4,299,930	1	4,572,488	1
Financial assets carried at cost	497,835	-	497,835	-	Total liabilities	131,814,360	17	127,094,748	18
Total long-term investments	129,400,844	17	117,913,756	17	<b>CAPITAL STOCK - NT\$10 PAR VALUE (Note 20)</b>				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 25)</b>					Authorized: 28,050,000 thousand shares				
Cost					Issued: 25,916,222 thousand shares in 2011				
Buildings	149,495,478	20	128,646,942	18	25,910,078 thousand shares in 2010	259,162,226	34	259,100,787	37
Machinery and equipment	984,978,666	129	852,733,592	122	<b>CAPITAL SURPLUS (Notes 2 and 20)</b>	55,846,357	8	55,698,434	8
Office equipment	13,824,434	2	11,730,537	2	<b>RETAINED EARNINGS (Note 20)</b>				
	1,148,298,578	151	993,111,071	142	Appropriated as legal capital reserve	102,399,995	13	86,239,494	12
Accumulated depreciation	(804,740,797)	(106)	(706,605,445)	(101)	Appropriated as special capital reserve	6,433,874	1	1,313,047	-
Advance payments and construction in progress	110,815,752	14	80,348,673	11	Unappropriated earnings	213,357,286	28	178,227,030	26
Net property, plant and equipment	454,373,533	59	366,854,299	52					
<b>INTANGIBLE ASSETS</b>					<b>OTHERS (Notes 2, 22 and 24)</b>				
Goodwill (Note 2)	1,567,756	-	1,567,756	-	Cumulative translation adjustments	(6,433,369)	(1)	(6,543,163)	(1)
Deferred charges, net (Notes 2 and 13)	4,719,244	1	5,456,427	1	Unrealized gain (loss) on financial instruments	(1,172,855)	-	109,289	-
Total intangible assets	6,287,000	1	7,024,183	1					
<b>OTHER ASSETS</b>					Total shareholders' equity	629,593,514	83	574,144,918	82
Deferred income tax assets (Notes 2 and 18)	7,221,824	1	7,154,266	1					
Refundable deposits	4,491,735	1	8,638,749	2	<b>TOTAL</b>	\$ 761,407,874	100	\$ 701,239,666	100
Others (Notes 2 and 25)	1,069,586	-	1,420,131	-					
Total other assets	12,783,145	2	17,213,146	3					
<b>TOTAL</b>	\$ 761,407,874	100	\$ 701,239,666	100					

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

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Foreign exchange loss, net (Note 2)	\$ 673,085	-	\$ 58,737	-
Interest expense (Note 25)	445,887	-	214,641	-
Loss on disposal of property, plant and equipment (Note 2)	202,901	-	838,750	-
Casualty loss (Note 9)	-	-	190,992	-
Others	<u>163,092</u>	<u>-</u>	<u>161,152</u>	<u>-</u>
Total non-operating expenses and losses	<u>1,484,965</u>	<u>-</u>	<u>1,464,272</u>	<u>-</u>
INCOME BEFORE INCOME TAX	144,707,844	35	169,290,204	42
INCOME TAX EXPENSE (Notes 2 and 18)	<u>10,506,565</u>	<u>3</u>	<u>7,685,195</u>	<u>2</u>
NET INCOME	<u>\$ 134,201,279</u>	<u>32</u>	<u>\$ 161,605,009</u>	<u>40</u>
	<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 23)				
Basic earnings per share	<u>\$ 5.58</u>	<u>\$ 5.18</u>	<u>\$ 6.53</u>	<u>\$ 6.24</u>
Diluted earnings per share	<u>\$ 5.58</u>	<u>\$ 5.18</u>	<u>\$ 6.53</u>	<u>\$ 6.23</u>

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock - Common Stock			Retained Earnings				Cumulative Translation Adjustments	Others		Total Shareholders' Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	
BALANCE, JANUARY 1, 2010	25,902,706	\$ 259,027,066	\$ 55,486,010	\$ 77,317,710	\$ -	\$ 104,564,972	\$ 181,882,682	\$ (1,766,667)	\$ 453,621	\$ -	\$ 495,082,712
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	8,921,784	-	(8,921,784)	-	-	-	-	-
Special capital reserve	-	-	-	-	1,313,047	(1,313,047)	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,708,120)	(77,708,120)	-	-	-	(77,708,120)
Net income in 2010	-	-	-	-	-	161,605,009	161,605,009	-	-	-	161,605,009
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(17,885)	-	-	-	-	-	-	-	(17,885)
Translation adjustments	-	-	-	-	-	-	-	(4,776,496)	-	-	(4,776,496)
Issuance of stock from exercising employee stock options	7,372	73,721	171,103	-	-	-	-	-	-	-	244,824
Net changes of valuation gain/loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(441,978)	-	(441,978)
Net change in shareholders' equity from equity method investees	-	-	59,206	-	-	-	-	-	97,646	-	156,852
BALANCE, DECEMBER 31, 2010	25,910,078	259,100,787	55,698,434	86,239,494	1,313,047	178,227,030	265,779,571	(6,543,163)	109,289	-	574,144,918
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	16,160,501	-	(16,160,501)	-	-	-	-	-
Special capital reserve	-	-	-	-	5,120,827	(5,120,827)	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,730,236)	(77,730,236)	-	-	-	(77,730,236)
Net income in 2011	-	-	-	-	-	134,201,279	134,201,279	-	-	-	134,201,279
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	59,898	-	-	-	-	-	-	-	59,898
Translation adjustments	-	-	-	-	-	-	-	(112,326)	-	-	(112,326)
Issuance of stock from exercising employee stock options	7,144	71,439	146,258	-	-	-	-	-	-	-	217,697
Net changes of valuation gain/loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,112,995)	-	(1,112,995)
Net change in shareholders' equity from equity method investees	-	-	-	-	-	-	-	-	(165,851)	-	(165,851)
Acquisition of treasury stock - shareholders executed the appraisal right	-	-	-	-	-	-	-	-	-	(71,598)	(71,598)
Retirement of treasury stock	(1,000)	(10,000)	(2,139)	-	-	(59,459)	(59,459)	-	-	71,598	-
Effect of spin-off	-	-	(56,094)	-	-	-	-	222,120	(3,298)	-	162,728
BALANCE, DECEMBER 31, 2011	25,916,222	\$ 259,162,226	\$ 55,846,357	\$ 102,399,995	\$ 6,433,874	\$ 213,357,286	\$ 322,191,155	\$ (6,433,369)	\$ (1,172,855)	\$ -	\$ 629,593,514

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

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
NON-CASH FINANCING ACTIVITIES		
Current portion of bonds payable	\$ 4,500,000	\$ -
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ -	\$ 718,637

### SUPPLEMENTAL INFORMATION FOR SPIN-OFF BUSINESSES

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

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

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

(Concluded)



### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

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

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

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

February 14, 2012

### ***Notice to Readers***

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

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

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)	\$ 143,472,277	19	\$ 147,886,955	20	Short-term loans (Note 15)	\$ 25,926,528	3	\$ 31,213,944	4
Financial assets at fair value through profit or loss (Notes 2, 5 and 26)	15,360	-	6,886	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 26)	13,742	-	19,002	-
Available-for-sale financial assets (Notes 2, 6 and 26)	3,308,770	-	28,883,728	4	Hedging derivative financial liabilities (Notes 2, 11 and 26)	232	-	814	-
Held-to-maturity financial assets (Notes 2, 7 and 26)	3,825,680	1	4,796,589	1	Accounts payable	10,530,487	1	12,104,173	2
Receivables from related parties (Notes 3 and 27)	185,764	-	2,722	-	Payables to related parties (Note 27)	1,328,521	-	867,085	-
Notes and accounts receivable (Note 3)	46,321,240	6	51,029,885	7	Income tax payable (Notes 2 and 20)	10,656,124	1	7,184,697	1
Allowance for doubtful receivables (Notes 2, 3 and 8)	(490,952)	-	(504,029)	-	Salary and bonus payable	6,148,499	1	6,424,064	1
Allowance for sales returns and others (Notes 2 and 8)	(5,068,263)	(1)	(7,546,264)	(1)	Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	9,081,293	1	11,096,147	2
Other receivables from related parties (Notes 3 and 27)	122,292	-	124,586	-	Payables to contractors and equipment suppliers	35,540,526	5	43,259,857	6
Other financial assets (Note 28)	617,142	-	1,021,552	-	Accrued expenses and other current liabilities (Notes 18, 26 and 30)	13,218,235	2	10,779,923	1
Inventories (Notes 2 and 9)	24,840,582	3	28,405,984	4	Current portion of bonds payable and long-term bank loans (Notes 16, 17, 26 and 28)	4,562,500	1	241,407	-
Deferred income tax assets (Notes 2 and 20)	5,936,490	1	5,373,076	1	Total current liabilities	117,006,687	15	123,191,113	17
Prepaid expenses and other current assets	2,174,014	-	2,037,647	-					
Total current assets	225,260,396	29	261,519,317	36	<b>LONG-TERM LIABILITIES</b>				
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 26)</b>					Bonds payable (Notes 16 and 26)	18,000,000	3	4,500,000	1
Investments accounted for using equity method	24,900,332	3	25,815,385	4	Long-term bank loans (Notes 17, 26 and 28)	1,587,500	-	301,561	-
Available-for-sale financial assets	-	-	1,033,049	-	Other long-term payables (Notes 18, 26 and 30)	-	-	6,554,208	1
Held-to-maturity financial assets	5,243,167	1	8,502,887	1	Obligations under capital leases (Notes 2, 13 and 26)	870,993	-	694,986	-
Financial assets carried at cost	4,315,005	1	4,424,207	1	Total long-term liabilities	20,458,493	3	12,050,755	2
Total long-term investments	34,458,504	5	39,775,528	6	<b>OTHER LIABILITIES</b>				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 27 and 28)</b>					Accrued pension cost (Notes 2 and 19)	3,908,508	-	3,812,351	1
Cost					Guarantee deposits (Note 30)	443,983	-	789,098	-
Land and land improvements	1,541,128	-	891,197	-	Deferred credits	26,533	-	126,539	-
Buildings	172,872,550	22	145,966,024	20	Others	377,187	-	254,643	-
Machinery and equipment	1,057,588,736	137	913,155,252	127	Total other liabilities	4,756,211	-	4,982,631	1
Office equipment	16,969,266	2	14,856,582	2	Total liabilities	142,221,391	18	140,224,499	20
Leased assets	791,480	-	701,552	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
	1,249,763,160	161	1,075,570,607	149	Capital stock - NT\$10 par value (Note 22)				
Accumulated depreciation	(876,252,220)	(113)	(773,278,157)	(107)	Authorized: 28,050,000 thousand shares				
Advance payments and construction in progress	116,863,976	15	86,151,573	12	Issued: 25,916,222 thousand shares in 2011				
Net property, plant and equipment	490,374,916	63	388,444,023	54	25,910,078 thousand shares in 2010	259,162,226	33	259,100,787	36
<b>INTANGIBLE ASSETS</b>					Capital surplus (Notes 2 and 22)	55,846,357	7	55,698,434	8
Goodwill (Note 2)	5,693,999	1	5,704,897	1	Retained earnings (Note 22)				
Deferred charges, net (Notes 2 and 14)	5,167,564	-	6,027,085	1	Appropriated as legal capital reserve	102,399,995	13	86,239,494	12
Total intangible assets	10,861,563	1	11,731,982	2	Appropriated as special capital reserve	6,433,874	1	1,313,047	-
<b>OTHER ASSETS</b>					Unappropriated earnings	213,357,286	28	178,227,030	24
Deferred income tax assets (Notes 2 and 20)	7,436,717	1	7,362,784	1	Others (Notes 2, 11, 24 and 26)	322,191,155	42	265,779,571	36
Refundable deposits	4,518,863	1	8,677,970	1	Cumulative translation adjustments	(6,433,369)	(1)	(6,543,163)	(1)
Others (Notes 2 and 28)	1,353,983	-	1,417,300	-	Unrealized gain (loss) on financial instruments	(1,172,855)	-	109,289	-
Total other assets	13,309,563	2	17,458,054	2	(7,606,224)	(1)	(6,433,874)	(1)	
<b>TOTAL</b>	<b>\$ 774,264,942</b>	<b>100</b>	<b>\$ 718,928,904</b>	<b>100</b>	Equity attributable to shareholders of the parent	629,593,514	81	574,144,918	79
					<b>MINORITY INTERESTS (Note 2)</b>	<b>2,450,037</b>	<b>1</b>	<b>4,559,487</b>	<b>1</b>
					Total shareholders' equity	632,043,551	82	578,704,405	80
					<b>TOTAL</b>	<b>\$ 774,264,942</b>	<b>100</b>	<b>\$ 718,928,904</b>	<b>100</b>

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010																													
	Amount	%	Amount	%																												
<b>NON-OPERATING EXPENSES AND LOSSES</b>																																
Interest expense	\$ 626,725	-	\$ 425,356	-																												
Impairment of financial assets (Notes 2, 12 and 26)	265,515	-	159,798	-																												
Loss on disposal of property, plant and equipment (Note 2)	200,673	-	849,254	-																												
Foreign exchange loss, net (Note 2)	185,555	-	99,130	-																												
Impairment loss on idle assets (Note 2)	98,009	-	319	-																												
Casualty loss (Note 9)	-	-	190,992	-																												
Others (Note 2)	391,791	-	316,163	-																												
Total non-operating expenses and losses	1,768,268	-	2,041,012	-																												
INCOME BEFORE INCOME TAX	145,147,677	34	170,270,395	41																												
INCOME TAX EXPENSE (Notes 2 and 20)	10,694,417	3	7,988,465	2																												
NET INCOME	\$ 134,453,260	31	\$ 162,281,930	39																												
ATTRIBUTABLE TO:																																
Shareholders of the parent	\$ 134,201,279	31	\$ 161,605,009	39																												
Minority interests	251,981	-	676,921	-																												
	\$ 134,453,260	31	\$ 162,281,930	39																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="2">2011</th> <th colspan="2">2010</th> </tr> <tr> <th colspan="2">Income Attributable to Shareholders of the Parent</th> <th colspan="2">Income Attributable to Shareholders of the Parent</th> </tr> <tr> <th>Before Income Tax</th> <th>After Income Tax</th> <th>Before Income Tax</th> <th>After Income Tax</th> </tr> </thead> <tbody> <tr> <td>EARNINGS PER SHARE (NT\$, Note 25)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Basic earnings per share</td> <td>\$ 5.59</td> <td>\$ 5.18</td> <td>\$ 6.54</td> <td>\$ 6.24</td> </tr> <tr> <td>Diluted earnings per share</td> <td>\$ 5.59</td> <td>\$ 5.18</td> <td>\$ 6.54</td> <td>\$ 6.23</td> </tr> </tbody> </table>						2011		2010		Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	EARNINGS PER SHARE (NT\$, Note 25)					Basic earnings per share	\$ 5.59	\$ 5.18	\$ 6.54	\$ 6.24	Diluted earnings per share	\$ 5.59	\$ 5.18	\$ 6.54	\$ 6.23
	2011		2010																													
	Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent																													
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax																												
EARNINGS PER SHARE (NT\$, Note 25)																																
Basic earnings per share	\$ 5.59	\$ 5.18	\$ 6.54	\$ 6.24																												
Diluted earnings per share	\$ 5.59	\$ 5.18	\$ 6.54	\$ 6.23																												

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent							Others			Total Shareholders' Equity		
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Cumulative Translation Adjustments	Unrealized Gain (Loss) On Financial Instruments	Treasury Stock	Total		Minority Interests	
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings							Total
BALANCE, JANUARY 1, 2010	25,902,706	\$ 259,027,066	\$ 55,486,010	\$ 77,317,710	\$ -	\$ 104,564,972	\$ 181,882,682	\$ (1,766,667)	\$ 453,621	\$ -	\$ 495,082,712	\$ 3,965,836	\$ 499,048,548
Appropriations of prior year's earnings													
Legal capital reserve	-	-	-	8,921,784	-	(8,921,784)	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	1,313,047	(1,313,047)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,708,120)	(77,708,120)	-	-	-	(77,708,120)	-	(77,708,120)
Net income in 2010	-	-	-	-	-	161,605,009	161,605,009	-	-	-	161,605,009	676,921	162,281,930
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(17,885)	-	-	-	-	-	-	-	(17,885)	4,387	(13,498)
Translation adjustments	-	-	-	-	-	-	-	(4,776,496)	-	-	(4,776,496)	7,258	(4,769,238)
Issuance of stock from exercising employee stock options	7,372	73,721	171,103	-	-	-	-	-	-	-	244,824	-	244,824
Net changes of valuation gain/loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(337,970)	-	(337,970)	3,949	(334,021)
Net change in shareholders' equity from equity method investees	-	-	59,206	-	-	-	-	-	(6,031)	-	53,175	31,702	84,877
Net change in unrealized gain/loss on hedging derivative financial instruments	-	-	-	-	-	-	-	-	(331)	-	(331)	(483)	(814)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	(130,083)	(130,083)
BALANCE, DECEMBER 31, 2010	25,910,078	259,100,787	55,698,434	86,239,494	1,313,047	178,227,030	265,779,571	(6,543,163)	109,289	-	574,144,918	4,559,487	578,704,405
Appropriations of prior year's earnings													
Legal capital reserve	-	-	-	16,160,501	-	(16,160,501)	-	-	-	-	-	-	-
Special capital reserve	-	-	-	-	5,120,827	(5,120,827)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,730,236)	(77,730,236)	-	-	-	(77,730,236)	-	(77,730,236)
Net income in 2011	-	-	-	-	-	134,201,279	134,201,279	-	-	-	134,201,279	251,981	134,453,260
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	59,898	-	-	-	-	-	-	-	59,898	1,152	61,050
Translation adjustments	-	-	-	-	-	-	-	109,794	-	-	109,794	7,587	117,381
Issuance of stock from exercising employee stock options	7,144	71,439	146,258	-	-	-	-	-	-	-	217,697	-	217,697
Net changes of valuation gain/loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,241,249)	-	(1,241,249)	(3,325)	(1,244,574)
Net change in shareholders' equity from equity method investees	-	-	(56,094)	-	-	-	-	-	(41,133)	-	(97,227)	-	(97,227)
Net change in unrealized gain/loss on hedging derivative financial instruments	-	-	-	-	-	-	-	-	238	-	238	344	582
Acquisition of treasury stock - shareholders executed the appraisal right	-	-	-	-	-	-	-	-	-	(71,598)	(71,598)	-	(71,598)
Retirement of treasury stock	(1,000)	(10,000)	(2,139)	-	-	(59,459)	(59,459)	-	-	71,598	-	-	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	(379,334)	(379,334)
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	(1,987,855)	(1,987,855)
BALANCE, DECEMBER 31, 2011	25,916,222	\$ 259,162,226	\$ 55,846,357	\$ 102,399,995	\$ 6,433,874	\$ 213,357,286	\$ 322,191,155	\$ (6,433,369)	\$ (1,172,855)	\$ -	\$ 629,593,514	\$ 2,450,037	\$ 632,043,551

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

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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

(Continued)



# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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

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

(Concluded)

## ATTACHMENT V

### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED PROFIT ALLOCATION PROPOSAL

December 31, 2011

	Unit: NT\$
<b>Net Income of 2011</b> (Note)	<b>134,201,278,713</b>
Subtract:	
- 10% Legal Reserve	13,420,127,871
- Special Reserve	1,172,349,926
<b>Retained Earnings in 2011 Available for Distribution</b>	<b>119,608,800,916</b>
Add:	
- Unappropriated Retained Earnings of Previous Years	79,156,007,343
<b>Retained Earnings Available for Distribution as of December 31, 2011</b>	<b>198,764,808,259</b>
<b>Distribution Item:</b>	
- Cash Dividends to Common Share Holders (NT\$3.0 per share)	77,748,667,725
<b>Unappropriated Retained Earnings</b>	<b>121,016,140,534</b>

(Note) :

After expensing the following:

- Employees' cash bonus and profit sharing of NT\$17,980,052,950, including
  - NT\$8,990,026,475 distributed cash bonus; and
  - NT\$8,990,026,475 cash profit sharing to be distributed after 2012 Annual Shareholders' Meeting
- Directors' compensation of NT\$62,323,764

**Revisions to the Articles of Incorporation  
Mark-up and Clean Revisions**

MARK-UP VERSION	CLEAN VERSION
<p><b>Article 14</b></p> <p>Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. <u>According to regulatory requirements, shareholders may also vote via an electronic voting system, and those who do shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.</u></p>	<p><b>Article 14</b></p> <p>Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting. According to regulatory requirements, shareholders may also vote via an electronic voting system, and those who do shall be deemed as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.</p>

<p><b>Article 19-1</b></p> <p>For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors.</p> <p><del>Except those elected in 2006 in accordance with the letter of March 28, 2006 Chin Kuan Cheng one Tze No. 0950001617 issued by the relevant regulatory authority, independent</del></p> <p>Directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of <del>independent</del> directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.</p>	<p><b>Article 19-1</b></p> <p>For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors.</p> <p>Directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, the number of independent directors and non-independent directors elected shall be calculated separately.</p>
<p><b>Article 19-2</b></p> <p>In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. <del>Effective from January 1, 2007, †</del>The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.</p>	<p><b>Article 19-2</b></p> <p>In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.</p>

**Article 29**

The Corporation may, by resolution of the Board of Directors, appoint ~~one or more~~ Chief Executive Officer(s), ~~a~~ President(s), ~~and one or more~~ Vice President(s) or such other officers to meet the Corporation's operational or managerial needs. ~~The President may also be a Director and/or the Chief Executive Officer of the Corporation.~~

~~The Chief Executive Officer shall have the overall responsibilities for the business of the Corporation and all the affiliated companies.~~ The Chief Executive Officer(s) shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. ~~Monthly and~~ Quarterly statements shall be furnished no more than ~~sixty (60)~~ forty-five (45) days after the end of each ~~month and~~ quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the ~~President~~ officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, ~~and.~~ ~~The President~~ shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

**Article 29**

The Corporation may, by resolution of the Board of Directors, appoint one or more Chief Executive Officer(s), President(s), Vice President(s) or such other officers to meet the Corporation's operational or managerial needs.

The Chief Executive Officer(s) shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Quarterly statements shall be furnished no more than forty-five (45) days after the end of each quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the officers as stated in the previous paragraph shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors, and shall also supervise and control day-to-day business and operation of the Corporation in accordance with the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

<p><b>Article 30</b></p> <p>The Chief Executive Officer(s) reports to the Chairman of the Board of Directors. The President(s), <del>and Vice President(s) and other officers</del> shall perform such duties as designated by the Chairman or the Board of Directors.</p>	<p><b>Article 30</b></p> <p>The Chief Executive Officer(s) reports to the Chairman of the Board of Directors. The President(s), Vice President(s) and other officers shall perform such duties as designated by the Chairman or the Board of Directors.</p>
<p><b>Article 33</b></p> <p><u>This Corporation shall not pay dividends or bonuses when there is no profit.</u> When allocating the net profits for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; and then set aside not more than 0.3% of the balance as bonus to directors and not less than 1% as bonus to employees of this Corporation. Directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. This Corporation may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors. Any balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting:</p> <p><del>1. Except distribution of reserve in accordance with item (2) below, this Corporation shall not pay dividends or bonuses when there is no profit; however, where the legal capital reserve reaches over 50% of the paid in capital, this Corporation may distribute the amount in excess as dividends and bonuses.</del> Profits may be distributed in total after taking into consideration financial, business and operational factors. Profits of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a</p>	<p><b>Article 33</b></p> <p>This Corporation shall not pay dividends or bonuses when there is no profit. When allocating the net profits for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; and then set aside not more than 0.3% of the balance as bonus to directors and not less than 1% as bonus to employees of this Corporation. Directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. This Corporation may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors. Any balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting:</p> <p>Profits may be distributed in total after taking into consideration financial, business and operational factors. Profits of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a capital-intensive industry at the steady growth stage of its business, 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 however, the ratio for stock dividend shall not exceed 50% of total distribution.</p>

<p>capital-intensive industry at the steady growth stage of its business, 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 however, the ratio for stock dividend shall not exceed 50% of total distribution.</p> <p><del>2.</del>In case there is no profit for distribution in a certain year, or the profit of a certain year is far less than the profit actually distributed by this Corporation in the previous year, or considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.</p>	<p>In case there is no profit for distribution in a certain year, or the profit of a certain year is far less than the profit actually distributed by this Corporation in the previous year, or considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.</p>
<p><b>Article 36</b></p> <p>These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, <del>and</del> the twentieth Amendment on June 15, 2010, <u>and the twenty-first Amendment on June 12, 2012.</u></p>	<p><b>Article 36</b></p> <p>These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, the twentieth Amendment on June 15, 2010, and the twenty-first Amendment on June 12, 2012.</p>

**Revisions to the Rules for Election of Directors**

**Mark-up and Clean Revisions**

<b>MARK-UP VERSION</b>	<b>CLEAN VERSION</b>
<p><b>Article 4</b> This Company's <del>independent</del> directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.</p>	<p><b>Article 4</b> This Company's directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.</p>



## LIST OF INDEPENDENT DIRECTOR CANDIDATES

Name	Shareholdings	Education & Professional Qualifications	Major Past Positions	Current Positions
<b>Sir Peter Leahy Bonfield</b>	—	<ul style="list-style-type: none"> <li>● Bachelor Degree in Engineering, Loughborough University</li> <li>● Honours Degree in Engineering, Loughborough University</li> <li>● Fellow of The Royal Academy of Engineering</li> <li>● Knighted, 1996</li> <li>● Awarded Commander of the Order of the British Empire (CBE), 1989</li> <li>● Awarded the Order of the Lion of Finland</li> <li>● Awarded the Gold Medal from the Institute of Management</li> <li>● Awarded the Mountbatten Medal from the National Electronics Council</li> </ul>	<ul style="list-style-type: none"> <li>● CEO and Chairman of the Executive Committee, British Telecommunications Plc</li> <li>● Chairman and CEO, ICL Plc</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman of the Board, NXP Semiconductors N.V.</li> <li>● Director of: <ul style="list-style-type: none"> <li>- Sony Corporation, Japan</li> <li>- L.M. Ericsson, Sweden</li> <li>- Mentor Graphics Corporation Inc., Oregon, USA</li> <li>- Actis Capital LLP, London</li> </ul> </li> <li>● Member of: <ul style="list-style-type: none"> <li>- The Longreach Group Advisory Board</li> <li>- The Sony Corporation Advisory Board</li> <li>- New Venture Partners LLP Advisory Board</li> </ul> </li> <li>● Advisor to Apax Partners LLP</li> <li>● Board Mentor, CMi</li> <li>● Senior Advisor, Rothschild, London</li> </ul>

Name	Shareholdings	Education & Professional Qualifications	Major Past Positions	Current Positions
<b>Stan Shih</b>	<b>1,480,286 shares</b>	<ul style="list-style-type: none"> <li>• BSEE, National Chiao Tung University, Taiwan</li> <li>• MSEE, National Chiao Tung University, Taiwan</li> <li>• Honorary EE Ph.D., National Chiao Tung University, Taiwan</li> <li>• Honorary Doctor of Technology, The Hong Kong Polytechnic University</li> <li>• Honorary Fellowship, University of Wales, Cardiff, UK</li> <li>• Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, USA</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, CEO and Co-Founder, Acer Group</li> </ul>	<ul style="list-style-type: none"> <li>• Group Chairman, iD SoftCapital</li> <li>• Chairman, National Culture and Arts Foundation, R.O.C.</li> <li>• Director of: <ul style="list-style-type: none"> <li>- Acer Incorporated</li> <li>- Qisda Corporation</li> <li>- Wistron Corporation</li> <li>- Nan Shan Life Insurance Company, Ltd.</li> </ul> </li> </ul>

Name	Shareholdings	Education & Professional Qualifications	Major Past Positions	Current Positions
<b>Thomas J. Engibous</b>	–	<ul style="list-style-type: none"> <li>• Bachelor Degree in Electrical Engineering, Purdue University, 1975</li> <li>• Master Degree in Electrical Engineering, Purdue University, 1976</li> <li>• Honorary Doctorate in Engineering, Purdue University</li> <li>• Member of National Academy of Engineering</li> <li>• Honorary Director of Catalyst</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Board, Texas Instrument Inc., 1998-2008</li> <li>• President and CEO, Texas Instrument Inc., 1996-2004</li> <li>• Executive Vice President and President of the Semiconductor Group, Texas Instruments Inc., 1993-1996</li> <li>• Chairman of the Board of Catalyst</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, J. C. Penney Company Inc.</li> <li>• Trustee, Southwestern Medical Foundation</li> <li>• Member, The Business Council</li> </ul>

Name	Shareholdings	Education & Professional Qualifications	Major Past Positions	Current Positions
<b>Gregory C. Chow</b>	–	<ul style="list-style-type: none"> <li>● Bachelor Degree in Economics, Cornell University, 1951</li> <li>● Master Degree in Economics, Chicago University, 1952</li> <li>● Ph.D. in Economics, Chicago University, 1955</li> <li>● Academician, Academia Sinica, R.O.C., 1970</li> <li>● Member, American Philosophical Society</li> <li>● Fellow of the American Statistical Association</li> <li>● Fellow of the Econometric Society</li> <li>● President, Society of Economic Dynamics and Control, 1979</li> <li>● Honorary Doctor's, Zhongshan University, 1986</li> <li>● L L D, Lingnan University, 1994</li> <li>● Hon. Dr. of Business Adm, Hong Kong University of Science and Technology</li> <li>● Honorary Professor at Fudan, Guangxi, Hainan, Nankai, Shandong, Remin, Huazhong U of Science and Tech, Graduate School of Management of Chinese Academy of Sciences, Zhongshan Universities and the City University of Hong Kong</li> <li>● Publications include fourteen books and over 200 articles</li> </ul>	<ul style="list-style-type: none"> <li>● Assistant Professor, Sloan School of Management of M.I.T., 1955-1959</li> <li>● Associate Professor, Cornell University, 1959-1962</li> <li>● Staff Member, Manager of Economics Research, IBM Thomas Watson Research Center, 1962-1970</li> <li>● Adjunct Professor, Columbia University, 1965-1970</li> <li>● Professor of Economics, Princeton University, 1970-2001</li> <li>● Director, Econometric Research Program, Princeton University (In 2001 Princeton University renamed the Program the Gregory C. Chow Econometric Research Program in his honor.), 1970-1997</li> <li>● Class of 1913 Professor of Political Economy, Princeton University, 1997-2001</li> <li>● Chairman of the American Economic Association's Committee on Exchanges in Economics with the People's Republic of China, 1981-1994</li> <li>● Co-chairman of the U.S. Committee on Economics Education and Research in China, 1985-1994</li> <li>● Advisor to Prime Ministers and Chairmen of the Economic Planning and Development Council of the Executive Yuan in Taiwan on economic policy from the mid 1960's to the early 1980's</li> <li>● Advisor to the Prime Minister and the State Commission for Restructuring the Economic System on economic reform in China, 1985-1989</li> </ul>	<ul style="list-style-type: none"> <li>● Professor of Economics and Class of 1913 Professor of Political Economy, Emeritus, Princeton University</li> <li>● Lecturer with the Rank of Professor, Princeton University</li> </ul>

Name	Shareholdings	Education & Professional Qualifications	Major Past Positions	Current Positions
<b>Kok-Choo Chen</b>	–	<ul style="list-style-type: none"> <li>● Inns of Court School of Law, England</li> <li>● Barrister-at-law, England</li> <li>● Advocate &amp; Solicitor, Singapore</li> <li>● Attorney-at-law, California, U.S.A.</li> </ul>	<p><b>Professional Experience:</b></p> <ul style="list-style-type: none"> <li>● Senior Vice-President &amp; General Counsel, TSMC, 1997-2001</li> <li>● President, National Culture &amp; Arts Foundation, R.O.C., 1995-1997</li> <li>● Vice-President, Echo Publishing, Taiwan, 1992-1995</li> <li>● Partner, Chen &amp; Associates Law Offices, Taiwan, 1988-1992</li> <li>● Partner, Ding &amp; Ding Law Offices, Taiwan, 1975-1988</li> <li>● Lawyer, Heller, Erhman, White &amp; McAuliffe, San Francisco, California, U.S.A., 1974-1975</li> <li>● Lawyer, Sullivan &amp; Cromwell, New York, U.S.A., 1971-1974</li> <li>● Lawyer, Tan, Rajah &amp; Cheah, Singapore, 1969-1970</li> </ul> <p><b>Academic Experience:</b></p> <ul style="list-style-type: none"> <li>● Professor, Soochow University, 2001-2008</li> <li>● Professor, National Chengchi University, 2001-2004</li> <li>● Chair Professor, National Tsing Hua University, 1999-2002</li> <li>● Associate Professor, Soochow University, 1981-1998</li> <li>● Lecturer, Nanyang University, Singapore, 1970-1971</li> </ul>	<ul style="list-style-type: none"> <li>● Sponsor and Founder, two Taiwan heritage site museums (Taipei Story House and Futai Street Mansion)</li> <li>● Advisor, Executive Yuan, R.O.C.</li> <li>● Advisor, Taipei City Government</li> <li>● Director of:               <ul style="list-style-type: none"> <li>- TSMC Education and Culture Foundation</li> <li>- National Culture and Arts Foundation, R.O.C.</li> <li>- Republic of China Female Cancer Foundation</li> </ul> </li> </ul>

## **IV. APPENDIX**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

**RULES AND PROCEDURES OF SHAREHOLDERS' MEETING**

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.
2. Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.

The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards or badges.

5. The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.
6. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting in accordance with Article 208 of the Company Law of the Republic of China.

If the Meeting is convened by any other person entitled to convene the Meeting, such person

shall be the chairman to preside at the Meeting.

7. Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

8. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

9. Shareholders attending the Meeting shall have the obligation to observe Meeting rules, obey resolutions and maintain order at Meeting place.



10. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.
11. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

12. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
13. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
14. Except otherwise specified in the Company Law of the Republic of China or the Articles of

Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.

15. During the Meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation, when the Meeting will resume or, by resolution of the shareholders present at the Meeting, the chairman may resume the Meeting within five days without further notice or public announcement.
16. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
17. The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
18. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**ARTICLES OF INCORPORATION**  
**OF**  
**TAIWAN SEMICONDUCTOR MANUFACTURING**  
**COMPANY LIMITED**

## Section I - General Provisions

### Article 1

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 台灣積體電路製造股份有限公司 in the Chinese language, and Taiwan Semiconductor Manufacturing Company Limited in the English language.

### Article 2

The scope of business of the Corporation shall be as follows:

1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.  
Provision of packaging and testing services related to the above services.  
Providing computer assisted design services and technology for integrated circuits.  
Providing mask making and mask design services.  
(CC01080 Electronic Parts and Components Manufacturing)
2. Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems.  
(CC01080 Electronic Parts and Components Manufacturing)  
(CC01040 Electric Wires and Cables Manufacturing)
3. Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic modules and their related systems and applications.  
(CC01080 Electronic Parts and Components Manufacturing)  
(IG03010 Energy Technical Services)  
(CC01090 Batteries Manufacturing)

### Article 3

The Corporation shall have its head office in Science Based Industrial Park, Hsin Chu, Taiwan, Republic of China, and shall be free, upon approval of government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

#### **Article 4**

Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations of the Republic of China.

#### **Article 5**

The Corporation may provide endorsement and guarantee and act as a guarantor.

#### **Article 6**

The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

### **Section II - Capital Stock**

#### **Article 7**

The total capital stock of the Corporation shall be in the amount of 280,500,000,000 New Taiwan Dollars, divided into 28,050,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

The Corporation may issue employee stock options from time to time. A total of 500,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

#### **Article 8**

The Corporation may issue shares without printing share certificate(s). If the Corporation decides to print share certificates for shares issued, the Corporation shall

comply with relevant provisions of the Company Law and relevant rules and regulations of the Republic of China.

#### **Article 9**

The share certificates of the Corporation shall all be name-bearing share certificates, and issued in accordance with the Company Law and relevant rules and regulations of the Republic of China.

#### **Article 10**

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

#### **Article 11**

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

#### **Article 12**

Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

#### **Article 13**

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders. Notices shall be written in Chinese, and English when necessary.

#### **Article 14**

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

#### **Article 15**

Each share of stock shall be entitled to one vote.

#### **Article 16**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. A representative does not need to be a shareholder of the Corporation.

#### **Article 17**

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, either the Vice Chairman of the Board of Directors, or one of the Directors shall preside in accordance with Article 208 of the Company Law of the Republic of China.

#### **Article 18**

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Corporation. The minutes shall be drafted in both the Chinese language and the English language.

### **Section III - Directors**

#### **Article 19**

The Corporation shall have seven to nine Directors. The Board of Directors is authorized to determine

the number of Directors.

The aforesaid Board of Directors must have at least three independent directors.

#### **Article 19-1**

For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors. Except those elected in 2006 in accordance with the letter of March 28, 2006 Chin-Kuan Cheng one Tze No. 0950001617 issued by the relevant regulatory authority, independent directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of independent directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, that in order to ensure the election of at least three independent directors after each election, the number of independent directors and non-independent directors elected shall be calculated separately.

#### **Article 19-2**

In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. Effective from January 1, 2007, the Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.



## **Article 20**

The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.

## **Article 21**

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

## **Article 22**

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall not have a second or casting vote at any meeting of the Board of Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

## **Article 23**

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least fourteen days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The meeting of the Board of Directors shall be held at least once every quarter. Such prescribed notices may be waived in writing by any Director, either before or after the meeting. The meetings of the Board of Directors may be convened, at any time, without such prescribed notice in case of urgent circumstances. Notices shall be written in both the Chinese language and the English language. Personal attendance at a meeting will represent a waiver of the notice. Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

#### **Article 24**

The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. In addition, the Chairman shall have the right to execute documents in accordance with the resolutions of the Board of Directors in the name and on behalf of the Corporation as well as acting on behalf of the Board pursuant to Board resolutions and the Corporation's objectives when the Board is not in session. In his absence, the Vice Chairman of the Board of Directors, or any one of the Directors shall be acting for him according to Article 208 of the Company Law of the Republic of China.

#### **Article 25**

A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

#### **Article 26**

The Directors shall exercise their functions by resolutions adopted at meetings of Shareholders and the Board of Directors.

#### **Article 27**

In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors shall serve the remaining term of the predecessors.

#### **Article 28**

The Board of Directors is authorized to determine the compensation for the Chairman, Vice-Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

## **Section IV - Management of the Corporation**

### **Article 29**

The Corporation may, by resolution of the Board of Directors, appoint a Chief Executive Officer, a President and one or more Vice Presidents. The President may also be a Director and/or the Chief Executive Officer of the Corporation.

The Chief Executive Officer shall have the overall responsibilities for the business of the Corporation and all the affiliated companies. The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Monthly and quarterly statements shall be furnished no more than sixty (60) days after the end of each month and quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the President shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors. The President shall supervise and control day-to-day business and operation of the Corporation, subject to the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

### **Article 30**

The Chief Executive Officer reports to the Chairman of the Board of Directors. The President and Vice Presidents shall perform such duties as designated by the Chairman or the Board of Directors.

### **Article 31**

Subject to the provisions of the Company Law of the Republic of China and these Articles of Incorporation, all actions of the Corporation's officers shall be in conformance with, and in furtherance of, the directions of the Board of Directors.

## **Section V - Financial Reports**

### **Article 32**

The fiscal year for the Corporation shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.

### **Article 33**

When allocating the net profits for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; and then set aside not more than 0.3% of the balance as bonus to directors and not less than 1% as bonus to employees of this Corporation. Directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. This Corporation may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors. Any balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting:

1. Except distribution of reserve in accordance with item (2) below, this Corporation shall not pay dividends or bonuses when there is no profit; however, where the legal capital reserve reaches over 50% of the paid-in capital, this Corporation may distribute the amount in excess as dividends and bonuses. Profits may be distributed in total after taking into consideration financial, business and operational factors. Profits of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a capital-intensive industry at the steady growth stage of its business, 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 however, the ratio for stock dividend shall not exceed 50% of total distribution.
2. In case there is no profit for distribution in a certain year, or the profit of a certain year is far less than the profit actually distributed by this Corporation in the previous year, or

considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

## **Section VI - Supplementary Provisions**

### **Article 34**

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

### Article 35

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

### **Article 36**

These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, the nineteenth Amendment on May 7, 2007, and the twentieth Amendment on June 15, 2010.

**Taiwan Semiconductor Manufacturing Company Limited**  
**Rules For Election of Directors**

**Article 1**

Unless otherwise provided in the Company Law or the Articles of Incorporation of this Company, the directors of this Company shall be elected in accordance with the rules specified herein.

**Article 2**

Election of directors of this Company shall be held at the shareholders' meeting. This Company shall prepare ballots and note the number of voting rights.

**Article 3**

In the election of directors of this Company, the names of voters may be represented by shareholders' numbers.

**Article 4**

This Company's independent directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

**Article 5**

In the election of directors of this Company, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

## **Article 6**

In the election of directors of this Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

## **Article 7**

At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from among the shareholders present.

## **Article 8**

The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

## **Article 9**

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

## **Article 10**

Ballots shall be deemed void under the following conditions:

- (1) Ballots not placed in the ballot box;
- (2) Ballots not prepared by this Company;
- (3) Blank ballots not completed by the voter;
- (4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is

incorrect;

- (5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (6) Illegible writing;
- (7) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;
- (8) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;
- (9) The total votes cast by the voter exceeding the total voting rights of such voter; or
- (10) The number of candidates filled in the ballot exceeding the number of the seats to be elected.

#### **Article 11**

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

#### **Article 12**

This Company shall issue notifications to the directors elected.

#### **Article 13**

These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.



**Directors' Compensation and Employees' Profit Sharing**

The Board adopted a proposal for 2011 compensation to Directors and employees' cash profit sharing at its Meeting on February 14, 2012. The proposal will be effected upon the approval of shareholders at the Annual Shareholders' Meeting on June 12, 2012.

1. Employees' cash profit sharing: NT\$8,990,026,475.
2. Directors' compensation: NT\$62,323,764.
3. The amounts of the above-mentioned items, which have been expensed under the Company's 2011 income statements, do not differ materially from the amounts proposed by the Board.

**APPENDIX V**

**Taiwan Semiconductor Manufacturing Company Limited**

SHAREHOLDINGS OF ALL DIRECTORS

Record Date: April 14, 2012

Title	Name	Current Shareholding (Shares)
Chairman	Morris Chang	123,137,914
Vice Chairman	F.C. Tseng	34,662,675
Director	National Development Fund, Executive Yuan Representative: Johnsee Lee	1,653,709,980
Director	Rick Tsai	33,665,046
Independent Director	Sir Peter Leahy Bonfield	-
Independent Director	Stan Shih	1,480,286
Independent Director	Thomas J. Engibous	-
Independent Director	Gregory C. Chow	-
Independent Director	Kok-Choo Chen	-
	<b>Total</b>	<b>1,846,655,901</b>

Note 1: Total shares issued as of 4/14/2012: 25,920,709,359 Common Shares.

Note 2: As TSMC has a majority of independent directors, and has established the audit committee that satisfies the requirements of the Securities and Exchange Act, the minimum shareholding requirements for directors and supervisors shall not apply.