

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

2011 ANNUAL GENERAL SHAREHOLDERS' MEETING

MEETING AGENDA
(Translation)

June 9, 2011

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Note:

- 2010 Form 20-F is available at http://www.tsmc.com/english/investorRelations/sec_filings.htm
- Minutes of 2011 Annual General Shareholders' Meeting will be available on TSMC's website (http://www.tsmc.com/english/investorRelations/shareholders_meeting.htm) within 20 days after the Meeting.

I. MEETING PROCEDURE

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

2011 ANNUAL GENERAL SHAREHOLDERS' MEETING PROCEDURE

I. Call Meeting to Order

II. Meeting Agenda

II. MEETING AGENDA

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

2011 ANNUAL GENERAL SHAREHOLDERS' MEETING AGENDA

(Translation)

Time: 9:00 a.m., June 9, 2011

Place: TSMC Fab 12 (No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan)

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 2010
 - (2) Audit Committee's review report
3. Proposed Resolutions
 - (1) To accept 2010 Business Report and Financial Statements
 - (2) To approve the proposal for distribution of 2010 profits
 - (3) To revise internal rules as follows:
 - (a) Procedures for Lending Funds to Other Parties
 - (b) Procedures for Endorsement and Guarantee
 - (4) To approve the transfer of TSMC's solar business and solid state lighting business into two new TSMC wholly owned companies respectively, and to further approve the "Solar Business Transfer Plan" and "Solid State Lighting Business Transfer Plan".
4. Directors Election
To elect two additional Independent Directors

Voting by Poll
5. Other Business and Special Motion
6. Meeting Adjourned

Report Items

1. To report the business of 2010

Explanatory Notes: The 2010 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.

Proposed Resolutions

1. To accept 2010 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's 2010 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 2010 Business Report, independent auditors' audit 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 2010 profits (Proposed by the Board of Directors)

Explanatory Notes: (1) The proposed profits distribution is allocated from 2010 Retained Earnings Available for Distribution. Each common share holder will be entitled to receive a cash dividend of NT\$3 per share.
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 2010 Profit Allocation Proposal is attached hereto as Attachment V.

3. To revise internal rules as follows:
 - (a) Procedures for Lending Funds to Other Parties
 - (b) Procedures for Endorsement and Guarantee(Proposed by the Board of Directors)

Explanatory Notes: (1) The Financial Supervisory Commission of the Executive Yuan amended its "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies". Therefore, TSMC's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" should be amended to reflect the regulatory changes. In addition, other changes were made for clarification purposes and to suit TSMC's business needs.

- (2) Comparison tables for the above-mentioned internal rules before and after revisions are attached hereto as Attachment VI and VII .
4. To approve the transfer of TSMC's solar business and solid state lighting business into two new TSMC wholly owned companies respectively, and to further approve the "Solar Business Transfer Plan" and "Solid State Lighting Business Transfer Plan". (Proposed by the Board of Directors)

- Explanatory Notes:
- (1) To foster a stronger sense of corporate entrepreneurship and facilitate business specializations in order to strengthen overall profitability and operational efficiency, it is proposed to approve the transfer of TSMC's solar business (including all operations, assets and liabilities) and solid state lighting business (including all operations, assets and liabilities) into two new TSMC wholly owned companies, "TSMC Solar Ltd." and "TSMC Solid State Lighting Ltd." respectively (the "Transfers"). In return, TSMC will receive equivalent value of new shares to be issued by the two companies.
 - (2) TSMC prepared the Business Transfer Plans, and the relevant attachments, in accordance with the Taiwan Business Merger and Acquisition Law, the Company Law and other relevant laws and regulations. Please refer to Attachment VIII.
 - (3) After TSMC shareholders' approval, the Board of Directors shall be authorized to make any required adjustments or modifications to the Business Transfer Plans allowed under relevant laws and regulations (including, but not limited to, the specific items and the amount of assets and liabilities to be transferred, the transfer record date and time schedule, the number of shares to be issued by the new companies, etc.).

- (4) The Chairman and his designee(s) shall have authority to sign on behalf of TSMC all agreements and documents in connection with the Transfers (including but not limited to the Business Transfer Plans).

Directors Election

To elect two additional Independent Directors (Proposed by the Board of Directors)

Explanatory Notes: (1) Article 19 of TSMC's Articles of Incorporation requires TSMC to have between seven to nine directors, and the Board of Directors must have at least three independent directors. The Board of Directors is authorized to determine the actual number of directors.

TSMC currently has seven directors, three of whom are independent directors. The Board of Directors has approved to increase the number of TSMC directors to nine and to elect two additional independent directors at this Shareholders' Meeting. The term of office of the two independent directors to be elected shall expire on the same date as the term of the existing directors, from June 9, 2011 to June 9, 2012.

- (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, experience and relevant information are attached hereto as Attachment IX.

Voting by Poll:

Other Business and Special Motion

Meeting Adjourned

III. ATTACHMENT

Business Report

2010 was a year of record high revenue and profit for TSMC. Amid gradual recovery of the global economy, semiconductor industry revenue grew 31% in 2010. Meanwhile, TSMC's revenue grew 48% in US dollars compared with 43% for the overall foundry segment. Our growth momentum was fueled by both timely addition and fast ramp-up of capacity, wide customer adoption of our advanced technologies, and a strong growth in specialty technology revenue.

TSMC's strong performance delivered in 2010 reflected our trinity of strengths: technology leadership, manufacturing excellence, and customer partnership. Significant achievements included:

- We operated at full production utilization rate averaged across all fabs throughout the year, and have installed 14 percent more capacity overall, with an increase of 37 percent in capacities at 12" wafer fabs.
- We deployed over 157 technologies, and manufactured more than 8,300 products for more than 450 customers over the course of 2010.
- In 2010, we fast ramped-up to full production of our 40/45-nanometer technology, which generated 17 percent of total wafer revenue, with considerable market share, and margins that approached the corporate average by year's end.
- Following on the success of our 65- and 40-nanometer process technology productions, development of our 28-nanometer products -- three high-k metal gate processes and one conventional silicon oxynitride (SiON) process -- proceeded as planned with record customer engagements.

Financial Performance

Consolidated revenue for 2010 totaled NT\$419.54 billion, an increase of 41.9 percent over NT\$295.74 billion in 2009. Net income was NT\$161.61 billion or 81.1 percent above NT\$89.22 billion the previous year. Diluted earnings per share were NT\$6.23, up 81.1 percent compared with NT\$3.44 in 2009.

In US dollars, TSMC generated net income of US\$5.13 billion on consolidated revenue of US\$13.32 billion, compared with net income of US\$2.71 billion on consolidated revenue of US\$9.0 billion for 2009.

Gross profit margin was 49.4 percent compared with 43.7 percent in 2009, with Operating Profit Margin of 37.9 percent compared with 31.1 percent a year earlier. Net profit margin reached 38.5 percent, an increase of 8.3 percentage points from the 2009's level. TSMC shipped 11.86 million eight-inch equivalent wafers compared with 7.74 million wafers a year ago.

Expanding Growth

In 2010, TSMC took important steps to further our development of advanced technologies and to accelerate capacity expansion.

In expanding our technology leadership we have spent considerable resources for R&D. 2010 R&D capital expenditure was US\$355 million, 85% higher than 2009, while regular R&D budget also increased by about 40% to US\$940 million. The major focus of these investments is further development of 28-, 20-, and 14-nanometer technologies and exploratory work on 10- and 7-nanometer technologies.

In 2010, TSMC spent a record of US\$5.94 billion on capital expenditures to meet the capacity needs of our customers. Although we exerted our utmost efforts to accelerate capacity expansion, we still had sizeable unfilled requests for capacity from customers by the end of 2010.

Having already invested additional capital to expand capacity at our two existing 12-inch GIGAFAB™ facilities, Fab 12 in Hsinchu and Fab 14 in Tainan, we began construction last July on our third GIGAFAB™, Fab 15, in Taichung's Central Taiwan Science Park. Meanwhile, we also obtained a new site in the Hsinchu Science Park for sub-14-nanometer R&D.

TSMC also is actively pursuing new revenue opportunities that leverage our technological strengths, engineering capabilities, and experiences in large-scale manufacturing. During the year, construction was begun on TSMC's first solid-state

lighting facility in Hsinchu to pursue opportunities in the lighting industry. We also began construction on our first Thin Film Solar R&D Center and Fab in Taichung, laying the foundation for TSMC's entry into the thin-film solar photovoltaic market serving the solar energy market. Each of these initiatives represents an opportunity for TSMC to establish a significant foothold in the emerging green energy industries.

Technological Developments

At this time, TSMC's 28-nanometer technology is industry leading and production ready. We have achieved, in the R&D phase, superior performance, reliability and density, which is 2 times over that of 40-nanometer, using our gate-last high-k metal-gate process. A few customer products have already taped out and are in prototyping. Meanwhile, our 28-nanometer lead-free bumping is eco-friendly and compatible with superior low-resistance ELK interconnect.

In addition to our efforts in pushing Moore's Law with advanced geometries, we have also spent considerable resources in developing specialty technologies to capture both the market trend of integrating more specialty features with CMOS logic, and the trend of continuing scaling down the geometries for cost and form factor advantages.

TSMC's technology leadership in these specialty technologies includes both feature improvement and the ability to further shrink the geometries. We have already achieved some industry leading results. For example: we plan to use 65- and 90-nanometer processes to deliver engine control processes for automotive ICs, and we use 65-nanometer and back-side illumination (BSI) technology to achieve the best quantum efficiency for CMOS image sensors. For embedded DRAM, we use 40-nanometer to deliver the fastest network processors; and for embedded Flash, we use 0.11-micron to enable ultra low leakage micro controller unit (MCU) of one pico amp per micron (1pA/um). For MEMS, we use 0.18-micron to complete three-dimensional CMOS-MEMS integration; and for power IC, we use 0.18-micron to achieve the lowest turn-on resistance (Ron) in the industry.

Our efforts in both Moore's Law progression and specialty technologies have encouraged many customers to expand their engagements with TSMC.

Honors and Awards

In 2010, TSMC continued to garner recognition and awards from around the world as a corporate role model. Our commitment to creating shareholder value and to corporate social responsibilities have won top honors from AsiaMoney, FinanceAsia, IR Magazine, Corporate Governance Asia, CommonWealth Magazine, and GlobalView Magazine in the areas of corporate governance, management, investor relations and corporate social responsibilities. We received again the Corporate Social Responsibility (CSR) "Gold Award," the highest honor bestowed by the Taiwan Institute for Sustainable Energy, and were chosen the Semiconductor Sector Leader in Dow Jones Sustainability Index (DJSI) 2010 Survey. TSMC has been a DJSI component for 10 consecutive years.

Citing "outstanding leadership in the semiconductor industry", Institute of Electrical and Electronics Engineers (IEEE) has named me the recipient of the 2011 IEEE Medal of Honor. I believe the honor belongs to the entire TSMC.

Outlook

Recovery of the global economic condition is likely to continue into 2011. Global semiconductor revenue growth is forecast to be about 5 percent, while the foundry segment is forecast to outpace the overall semiconductor industry at a growth rate of about 15 percent in 2011. Because TSMC possesses the right technologies, effective capacity, and we continue to earn the trust of our customers, we are well positioned to capture greater share within the dedicated foundry segment and to continually deliver growth and profitability for our shareholders.

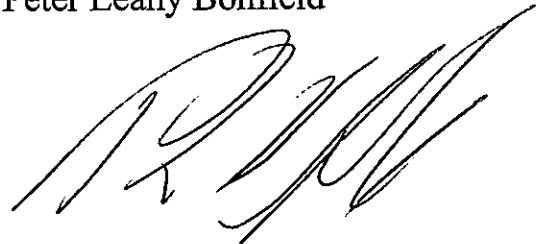
February 15, 2011

Audit Committee's Report

The Board of Directors has prepared the Company's 2010 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



February 15, 2011

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, 2010 and 2009, 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, 2010 and 2009, 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.

As discussed in Note 3 to the financial statements, effective January 1, 2009, Taiwan Semiconductor Manufacturing Company Limited adopted the newly revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories."

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, 2010 on which we have issued an unqualified opinion and as of and for the year ended December 31, 2009 on which we have issued an unqualified opinion with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories."

January 24, 2011

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. 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, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS										
Cash and cash equivalents (Notes 2 and 4)	\$ 109,511,130	15	\$ 117,043,543	20	Short-term loans (Note 14)		\$ 30,908,637	4	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	-	-	181,743	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)		7,834	-	-	-
Available-for-sale financial assets (Notes 2, 6 and 23)	3,918,274	-	-	-	Accounts payable		10,559,283	2	9,678,849	2
Held-to-maturity financial assets (Notes 2, 7 and 23)	4,796,589	1	9,944,843	2	Payables to related parties (Note 24)		2,574,450	-	2,039,342	-
Receivables from related parties (Note 24)	25,733,974	4	22,541,773	4	Income tax payable (Notes 2 and 18)		7,108,869	1	8,761,120	2
Notes and accounts receivable	22,250,905	3	19,884,520	3	Salary and bonus payable		5,287,751	1	8,677,299	1
Allowance for doubtful receivables (Notes 2 and 8)	(488,000)	-	(431,000)	-	Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)		10,959,469	2	6,771,338	1
Allowance for sales returns and others (Notes 2 and 8)	(7,341,444)	(1)	(8,583,632)	(1)	Payables to contractors and equipment suppliers		41,992,198	6	28,756,884	5
Other receivables from related parties (Note 24)	1,302,281	-	246,003	-	Accrued expenses and other current liabilities (Notes 16 and 23)		8,623,769	1	7,886,263	1
Other financial assets (Note 25)	418,206	-	1,104,072	-	Total current liabilities		118,022,260	17	72,571,095	12
Inventories (Notes 2, 3 and 9)	25,646,348	4	18,830,216	3	LONG-TERM LIABILITIES					
Deferred income tax assets (Notes 2 and 18)	5,133,775	1	4,063,410	1	Bonds payable (Notes 15 and 23)		4,500,000	-	4,500,000	1
Prepaid expenses and other current assets	1,352,244	-	1,006,046	-	Other long-term payables (Notes 16 and 23)		-	-	416,390	-
Total current assets	192,234,282	27	185,831,537	32	Total long-term liabilities		4,500,000	-	4,916,390	1
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)					OTHER LIABILITIES					
Investments accounted for using equity method	114,977,174	17	104,660,098	18	Accrued pension cost (Notes 2 and 17)		3,824,601	1	3,807,176	1
Available-for-sale financial assets	1,033,049	-	1,046,672	1	Guarantee deposits (Note 27)		747,887	-	1,001,376	-
Held-to-maturity financial assets	1,405,698	-	12,219,055	2	Deferred credits (Notes 2 and 24)		-	-	47,873	-
Financial assets carried at cost	497,835	-	501,988	-	Total other liabilities		4,572,488	1	4,856,425	1
Total long-term investments	117,913,756	17	118,427,813	21	Total liabilities		127,094,748	18	82,343,910	14
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)					CAPITAL STOCK - NT\$10 PAR VALUE (Note 20)					
Cost					Authorized: 28,050,000 thousand shares					
Buildings	128,646,942	18	124,522,047	22	Issued: 25,910,078 thousand shares in 2010		259,100,787	37	259,027,066	45
Machinery and equipment	852,733,592	122	713,426,126	123	Unappropriated earnings		55,698,434	8	55,486,010	10
Office equipment	11,730,537	2	10,781,099	2	RETAINED EARNINGS (Note 20)					
Accumulated depreciation	993,111,071	142	848,729,272	147	Appropriated as legal capital reserve		86,239,494	12	77,317,710	13
Advance payments and construction in progress	(706,605,445)	(101)	(627,764,323)	(109)	Appropriated as special capital reserve		1,313,047	-	-	-
Net property, plant and equipment	80,348,673	11	33,786,577	6	Unappropriated earnings		178,227,030	26	104,564,972	18
INTANGIBLE ASSETS					OTHERS (Notes 2 and 23)					
Goodwill (Note 2)	1,567,756	-	1,567,756	-	Cumulative translation adjustments		(6,543,163)	(1)	(1,766,667)	-
Deferred charges, net (Notes 2 and 13)	5,456,427	1	5,891,685	1	Unrealized gain on financial instruments		109,289	-	453,621	-
Total intangible assets	7,024,183	1	7,459,441	1	Total shareholders' equity		574,144,918	82	495,082,712	86
OTHER ASSETS					TOTAL		\$ 701,239,666	100	\$ 577,426,622	100
Deferred income tax assets (Notes 2 and 18)	7,154,266	1	7,763,643	1						
Refundable deposits	8,638,749	2	2,698,116	1						
Others (Notes 2 and 24)	1,420,131	-	494,546	-						
Total other assets	17,213,146	3	10,956,305	2						

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

(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 418,666,448		\$ 299,471,214	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>11,703,136</u>		<u>13,728,346</u>	
NET SALES	406,963,312	100	285,742,868	100
COST OF SALES (Notes 3, 9, 19 and 24)	<u>209,921,268</u>	<u>52</u>	<u>159,106,619</u>	<u>56</u>
GROSS PROFIT	197,042,044	48	126,636,249	44
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>52,742</u>	<u>-</u>	<u>160,279</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>196,989,302</u>	<u>48</u>	<u>126,475,970</u>	<u>44</u>
OPERATING EXPENSES (Notes 19 and 24)				
Research and development	27,623,299	7	19,688,032	7
General and administrative	11,681,756	3	10,238,131	3
Marketing	<u>2,837,739</u>	<u>-</u>	<u>2,027,454</u>	<u>1</u>
Total operating expenses	<u>42,142,794</u>	<u>10</u>	<u>31,953,617</u>	<u>11</u>
INCOME FROM OPERATIONS	<u>154,846,508</u>	<u>38</u>	<u>94,522,353</u>	<u>33</u>
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	7,111,443	2	-	-
Settlement income (Note 27)	6,939,764	2	1,464,915	1
Interest income	764,027	-	1,117,374	-
Technical service income (Notes 24 and 27)	446,746	-	375,118	-
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	312,862	-	587,151	-
Others (Notes 2 and 24)	<u>333,126</u>	<u>-</u>	<u>576,951</u>	<u>-</u>
Total non-operating income and gains	<u>15,907,968</u>	<u>4</u>	<u>4,121,509</u>	<u>1</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal of property, plant and equipment (Note 2)	\$ 838,750	-	\$ 58,242	-
Interest expense	214,641	-	142,026	-
Casualty loss (Note 9)	190,992	-	-	-
Foreign exchange loss, net (Note 2)	58,737	-	630,455	-
Equity in losses of equity method investees, net (Notes 2 and 10)	-	-	2,695,720	1
Others (Note 2)	161,152	-	136,397	-
Total non-operating expenses and losses	1,464,272	-	3,662,840	1
INCOME BEFORE INCOME TAX	169,290,204	42	94,981,022	33
INCOME TAX EXPENSE (Notes 2 and 18)	7,685,195	2	5,763,186	2
NET INCOME	\$ 161,605,009	40	\$ 89,217,836	31
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	\$ 6.53	\$ 6.24	\$ 3.68	\$ 3.45
Diluted earnings per share	\$ 6.53	\$ 6.23	\$ 3.67	\$ 3.44

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

(With Deloitte & Touche audit report dated January 24, 2011)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock - Common Stock		Capital Surplus	Legal Capital Reserve	Retained Earnings		Cumulative Translation Adjustments	Others		Total Shareholders' Equity
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings		Gain (Loss) on Financial Instruments	Unrealized	
BALANCE, JANUARY 1, 2009	25,625,437	\$ 256,254,373	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 481,158	\$ (287,342)	\$ 476,377,111	
Appropriations of prior year's earnings	-	-	-	-	-	(9,993,317)	-	-	-	
Legal capital reserve	-	-	-	9,993,317	-	391,857	-	-	-	
Reversal of special capital reserve	-	-	-	-	(391,857)	391,857	-	-	-	
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(76,876,312)	-	-	(76,876,312)	
Stock dividends to shareholders - NT\$0.02 per share	51,251	512,509	-	-	-	(512,509)	-	-	-	
Profit sharing to employees - in stock	141,870	1,418,699	6,076,289	-	-	-	-	-	7,494,988	
Capital surplus transferred to capital stock	76,876	768,763	(768,763)	-	-	-	-	-	-	
Net income in 2009	-	-	-	-	-	89,217,836	-	-	89,217,836	
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	115,418	
Translation adjustments	-	-	-	-	-	-	(2,247,825)	-	(2,247,825)	
Issuance of stock from exercising employee stock options	7,272	72,722	187,811	-	-	-	-	-	260,533	
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	14,014	14,014	
Net change in shareholders' equity from equity method investees	-	-	-	-	-	-	-	726,949	726,949	
BALANCE, DECEMBER 31, 2009	25,902,706	259,027,066	55,486,010	77,317,710	-	104,564,972	(1,766,667)	453,621	495,082,712	
Appropriations of prior year's earnings	-	-	-	-	-	(8,921,784)	-	-	-	
Legal capital reserve	-	-	-	8,921,784	-	1,313,047	-	-	-	
Special capital reserve	-	-	-	-	1,313,047	(1,313,047)	-	-	-	
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,708,120)	-	-	(77,708,120)	
Net income in 2010	-	-	-	-	-	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	
Valuation 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	\$ (6,543,163)	\$ 109,289	\$ 574,144,918	

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

(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 161,605,009	\$ 89,217,836
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,366,121	74,327,868
Unrealized gross profit from affiliates	52,742	160,279
Amortization of premium/discount of financial assets	18,611	6,322
Gain on disposal of available-for-sale financial assets, net	-	(37,370)
Gain on held-to-maturity financial assets redeemed by the issuer	-	(16,091)
Loss on disposal of financial assets carried at cost	1,263	97
Equity in losses (earnings) of equity method investees, net	(7,111,443)	2,695,720
Cash dividends received from equity method investees	422,490	1,402,592
Loss (gain) on disposal of property, plant and equipment and other assets, net	761,298	(138,613)
Settlement income from receiving equity securities	(4,434,364)	-
Deferred income tax	(373,253)	(1,678,381)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	189,577	(222,901)
Receivables from related parties	(3,192,201)	(10,813,569)
Notes and accounts receivable	(2,366,385)	(8,443,344)
Allowance for doubtful receivables	57,000	(5,746)
Allowance for sales returns and others	(1,242,188)	2,715,050
Other receivables from related parties	85,830	235,470
Other financial assets	904,157	(392,317)
Inventories	(6,816,132)	(6,022,280)
Prepaid expenses and other current assets	(445,797)	290,470
Increase (decrease) in:		
Accounts payable	624,608	4,925,758
Payables to related parties	535,108	836,992
Income tax payable	(1,652,251)	(461,691)
Salary and bonus payable	(3,389,548)	7,075,402
Accrued profit sharing to employees and bonus to directors	4,188,131	(881,731)
Accrued expenses and other current liabilities	265,241	1,259,544
Accrued pension cost	17,425	97,167
Deferred credits	(47,873)	(230,487)
Net cash provided by operating activities	<u>222,023,176</u>	<u>155,902,046</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	\$(182,335,032)	\$ (86,970,843)
Held-to-maturity financial assets	-	(10,803,805)
Investments accounted for using equity method	(8,262,519)	(320,443)
Financial assets carried at cost	(480)	(1,411)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	-	1,037,370
Held-to-maturity financial assets	15,943,000	6,293,000
Financial assets carried at cost	3,370	18,828
Property, plant and equipment and other assets	387,735	71,850
Proceeds from return of capital by investees	-	27,753
Increase in deferred charges	(1,538,301)	(1,347,228)
Decrease (increase) in refundable deposits	(5,940,633)	21,621
Increase in other assets	<u>(1,004,581)</u>	<u>-</u>
Net cash used in investing activities	<u>(182,747,441)</u>	<u>(91,973,308)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	30,908,637	-
Repayment of bonds payable	-	(8,000,000)
Decrease in guarantee deposits	(253,489)	(477,776)
Proceeds from exercise of employee stock options	244,824	260,533
Cash dividends	<u>(77,708,120)</u>	<u>(76,876,312)</u>
Net cash used in financing activities	<u>(46,808,148)</u>	<u>(85,093,555)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,532,413)	(21,164,817)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>117,043,543</u>	<u>138,208,360</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 109,511,130</u>	<u>\$ 117,043,543</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 200,892</u>	<u>\$ 351,803</u>
Income tax paid	<u>\$ 9,640,396</u>	<u>\$ 7,791,196</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 195,950,918	\$ 108,592,471
Increase in payables to contractors and equipment suppliers	(13,491,140)	(21,620,819)
Nonmonetary exchange trade-out price	<u>(124,746)</u>	<u>(809)</u>
Cash paid	<u>\$ 182,335,032</u>	<u>\$ 86,970,843</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
Disposal of property, plant and equipment and other assets	\$ 1,872,880	\$ 64,390
Decrease (increase) in other receivables from related parties	(1,142,108)	8,269
Increase in other financial assets	(218,291)	-
Nonmonetary exchange trade-out price	<u>(124,746)</u>	<u>(809)</u>
Cash received	<u>\$ 387,735</u>	<u>\$ 71,850</u>
NON-CASH FINANCING ACTIVITIES		
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 718,637</u>	<u>\$ 769,144</u>

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

(With Deloitte & Touche audit report dated January 24, 2011)

(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, 2010 and 2009, 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, 2010 and 2009, 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.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2009, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories."

January 24, 2011

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to 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, 2010 AND 2009**

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

	2010		2009		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Notes 2 and 4)	\$ 147,886,955	20	\$ 171,276,341	29	\$ 31,213,944	4	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	6,886	-	186,081	-	19,002	-	25	-
Available-for-sale financial assets (Notes 2, 6 and 25)	28,883,728	4	14,389,946	2	814	-	-	-
Held-to-maturity financial assets (Notes 2, 7 and 25)	4,796,589	1	9,944,843	2	12,104,173	2	10,905,884	2
Receivables from related parties	2,722	-	12,524	-	867,085	-	783,007	-
Notes and accounts receivable	51,029,885	7	44,637,642	7	7,184,697	1	8,800,249	1
Allowance for doubtful receivables (Notes 2 and 8)	(504,029)	-	(543,325)	-	6,424,064	1	9,317,035	2
Allowance for sales returns and others (Notes 2 and 8)	(7,546,264)	(1)	(8,724,481)	(1)	11,096,147	2	6,818,343	1
Other receivables from related parties (Note 26)	124,586	-	121,292	-	43,259,857	6	28,924,265	5
Other financial assets (Note 27)	1,021,552	-	1,849,987	-	10,779,923	1	12,635,182	2
Inventories (Notes 2, 3 and 9)	28,405,984	4	20,913,751	4	241,407	-	949,298	-
Deferred income tax assets (Notes 2 and 20)	5,373,076	1	4,370,309	1	123,191,113	17	79,133,288	13
Prepaid expenses and other current assets	2,037,647	-	1,368,838	-				
Total current assets	261,519,317	36	259,803,748	44				
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)								
Investments accounted for using equity method	25,815,385	4	17,871,208	3	4,500,000	1	4,500,000	1
Available-for-sale financial assets	1,033,049	-	1,358,049	-	301,561	-	578,560	-
Held-to-maturity financial assets	8,502,887	1	15,553,242	3	6,554,208	1	5,602,420	1
Financial assets carried at cost	4,424,207	1	3,063,004	1	694,986	-	707,499	-
Total long-term investments	39,775,528	6	37,845,503	7	12,050,755	2	11,388,479	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)								
Cost								
Land and land improvements	891,197	-	934,090	-	3,812,351	1	3,797,032	1
Buildings	145,966,024	20	142,294,558	24	789,098	-	1,006,023	-
Machinery and equipment	913,155,252	127	775,653,489	130	126,539	-	185,689	-
Office equipment	14,856,582	2	13,667,747	2	254,643	-	137,161	-
Leased assets	701,552	-	714,424	-	4,982,631	1	5,125,905	1
Accumulated depreciation	(1,075,570,607)	(149)	(933,264,308)	(156)	140,224,499	20	95,647,672	16
Advance payments and construction in progress	(773,278,157)	(107)	(693,743,886)	(117)				
Net property, plant and equipment	86,151,573	12	34,154,365	6				
INTANGIBLE ASSETS								
Goodwill (Note 2)	388,444,023	54	273,674,787	45	259,100,787	36	259,027,066	43
Deferred charges, net (Notes 2 and 14)	5,704,897	1	5,931,318	1	55,698,434	8	55,486,010	9
Total intangible assets	6,027,085	1	6,458,554	1	86,239,494	12	77,317,710	13
OTHER ASSETS								
Deferred income tax assets (Notes 2 and 20)	11,731,982	2	12,389,872	2	1,313,047	-	-	-
Refundable deposits	7,362,784	1	7,988,303	1	178,227,030	24	104,564,972	18
Others (Notes 2 and 27)	8,677,970	1	2,733,143	1	265,779,571	36	181,882,682	31
Total other assets	1,417,300	-	260,864	-	(6,543,163)	(1)	(1,766,667)	-
Equity attributable to shareholders of the parent	17,458,054	2	10,982,310	2	109,289	-	453,621	-
MINORITY INTERESTS (Note 2)								
Total shareholders' equity					(6,433,874)	(1)	(1,313,046)	-
TOTAL	\$ 718,928,904	100	\$ 594,696,220	100	\$ 718,928,904	100	\$ 594,696,220	100

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

(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 26)	\$ 431,630,858		\$ 309,655,614	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>12,092,947</u>		<u>13,913,375</u>	
NET SALES	419,537,911	100	295,742,239	100
COST OF SALES (Notes 3, 9, 21 and 26)	<u>212,484,320</u>	<u>51</u>	<u>166,413,628</u>	<u>56</u>
GROSS PROFIT	<u>207,053,591</u>	<u>49</u>	<u>129,328,611</u>	<u>44</u>
OPERATING EXPENSES (Notes 21 and 26)				
Research and development	29,706,662	7	21,593,398	7
General and administrative	12,803,997	3	11,285,478	4
Marketing	<u>5,367,597</u>	<u>1</u>	<u>4,487,849</u>	<u>2</u>
Total operating expenses	<u>47,878,256</u>	<u>11</u>	<u>37,366,725</u>	<u>13</u>
INCOME FROM OPERATIONS	<u>159,175,335</u>	<u>38</u>	<u>91,961,886</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 29)	6,939,764	2	1,464,915	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	2,298,159	1	45,994	-
Interest income	1,665,193	-	2,600,925	1
Gain on settlement and disposal of financial assets, net (Notes 2 and 25)	736,843	-	15,999	-
Technical service income (Notes 26 and 29)	450,503	-	367,013	-
Valuation gain on financial instruments, net (Notes 2, 5 and 25)	320,730	-	594,660	-
Others (Notes 2 and 26)	<u>724,880</u>	<u>-</u>	<u>564,042</u>	<u>-</u>
Total non-operating income and gains	<u>13,136,072</u>	<u>3</u>	<u>5,653,548</u>	<u>2</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009																					
	Amount	%	Amount	%																				
NON-OPERATING EXPENSES AND LOSSES																								
Loss on disposal of property, plant and equipment (Note 2)	\$ 849,254	-	\$ -	-																				
Interest expense	425,356	-	391,479	-																				
Casualty loss (Note 9)	190,992	-	-	-																				
Impairment of financial assets (Notes 2, 6, 12 and 25)	159,798	-	913,230	1																				
Foreign exchange loss, net (Note 2)	99,130	-	626,971	-																				
Others (Note 2)	316,482	-	221,107	-																				
Total non-operating expenses and losses	<u>2,041,012</u>	<u>-</u>	<u>2,152,787</u>	<u>1</u>																				
INCOME BEFORE INCOME TAX	170,270,395	41	95,462,647	32																				
INCOME TAX EXPENSE (Notes 2 and 20)	<u>7,988,465</u>	<u>2</u>	<u>5,996,424</u>	<u>2</u>																				
NET INCOME	<u>\$ 162,281,930</u>	<u>39</u>	<u>\$ 89,466,223</u>	<u>30</u>																				
ATTRIBUTABLE TO:																								
Shareholders of the parent	\$ 161,605,009	39	\$ 89,217,836	30																				
Minority interests	<u>676,921</u>	<u>-</u>	<u>248,387</u>	<u>-</u>																				
	<u>\$ 162,281,930</u>	<u>39</u>	<u>\$ 89,466,223</u>	<u>30</u>																				
	<table border="1"> <thead> <tr> <th colspan="2">2010</th> <th colspan="2">2009</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>\$ 6.54</td> <td>\$ 6.24</td> <td>\$ 3.68</td> <td>\$ 3.45</td> </tr> <tr> <td>\$ 6.54</td> <td>\$ 6.23</td> <td>\$ 3.67</td> <td>\$ 3.44</td> </tr> </tbody> </table>		2010		2009		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	\$ 6.54	\$ 6.24	\$ 3.68	\$ 3.45	\$ 6.54	\$ 6.23	\$ 3.67	\$ 3.44		
2010		2009																						
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																					
\$ 6.54	\$ 6.24	\$ 3.68	\$ 3.45																					
\$ 6.54	\$ 6.23	\$ 3.67	\$ 3.44																					
EARNINGS PER SHARE (NT\$, Note 24)																								
Basic earnings per share	<u>\$ 6.54</u>	<u>\$ 6.24</u>	<u>\$ 3.68</u>	<u>\$ 3.45</u>																				
Diluted earnings per share	<u>\$ 6.54</u>	<u>\$ 6.23</u>	<u>\$ 3.67</u>	<u>\$ 3.44</u>																				

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

(With Deloitte & Touche audit report dated January 24, 2011)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent										
	Capital Stock - Common Stock		Capital Surplus	Legal Capital Reserve	Retained Earnings		Cumulative Translation Adjustments	Others		Minority Interests	Total Shareholders' Equity
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings		Total	Unrealized Gain (Loss) on Financial Instruments		
BALANCE, JANUARY 1, 2009	25,625,437	\$ 256,254,373	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 481,158	\$ (287,342)	\$ 476,377,111	\$ 3,995,356	\$ 480,372,467
Appropriations of prior year's earnings	-	-	-	-	-	(9,993,317)	-	-	-	-	-
Legal capital reserve	-	-	-	9,993,317	-	391,857	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(391,857)	391,857	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(76,876,312)	-	-	(76,876,312)	-	(76,876,312)
Stock dividends to shareholders - NT\$0.02 per share	51,251	512,509	-	-	-	(512,509)	-	-	-	-	(76,876,312)
Profit sharing to employees - in stock	141,870	1,418,699	6,076,289	-	-	-	-	-	7,494,988	-	7,494,988
Capital surplus transferred to capital stock	76,876	768,763	(768,763)	-	-	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	89,217,836	-	-	89,217,836	248,387	89,466,223
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	115,418	(38,966)	76,452
Translation adjustments	-	-	-	-	-	-	(2,247,825)	-	(2,247,825)	39,786	(2,208,039)
Issuance of stock from exercising employee stock options	7,272	72,722	187,811	-	-	-	-	-	260,533	-	260,533
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	622,541	622,541	-	628,588
Net change in shareholders' equity from equity method investees	-	-	-	-	-	-	-	118,422	118,422	-	118,422
Decrease in minority interests	-	-	-	-	-	-	-	-	(284,774)	-	(284,774)
BALANCE, DECEMBER 31, 2009	25,902,706	259,027,066	55,486,010	77,317,710	-	104,564,972	(1,766,667)	453,621	495,082,712	3,965,836	499,048,548
Appropriations of prior year's earnings	-	-	-	-	-	(8,921,784)	-	-	-	-	-
Legal capital reserve	-	-	-	8,921,784	-	(1,313,047)	-	-	-	-	-
Special capital reserve	-	-	-	-	1,313,047	(1,313,047)	-	-	(77,708,120)	-	(77,708,120)
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	676,921	162,281,930
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	-	-	-	-	-	-	(17,885)	(13,498)	(13,498)
Translation adjustments	-	-	(17,885)	-	-	-	-	-	(4,776,496)	7,258	(4,769,238)
Issuance of stock from exercising employee stock options	-	-	-	-	-	-	(4,776,496)	-	244,824	-	244,824
Valuation gain (loss) on available-for-sale financial assets	7,372	73,721	171,103	-	-	-	-	(337,970)	(337,970)	3,949	(334,021)
Net change in shareholders' equity from equity method investees	-	-	-	-	-	-	-	(6,031)	53,175	31,702	84,877
Net change in unrealized 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	\$ (6,543,163)	\$ 109,289	\$ 574,144,918	\$ 4,559,487	\$ 578,704,405

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

(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 161,605,009	\$ 89,217,836
Net income attributable to minority interests	676,921	248,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	87,810,103	80,814,748
Amortization of premium/discount of financial assets	34,142	21,483
Impairment of financial assets	159,798	913,230
Loss (gain) on disposal of available-for-sale financial assets, net	(603,368)	20,337
Gain on held-to-maturity financial assets redeemed by the issuer	-	(16,091)
Gain on disposal of financial assets carried at cost, net	(133,475)	(20,245)
Equity in earnings of equity method investees, net	(2,298,159)	(45,994)
Cash dividends received from equity method investees	320,002	1,239,490
Loss (gain) on disposal of property, plant and equipment and other assets, net	633,230	(45,475)
Settlement income from receiving equity securities	(4,434,364)	-
Loss on idle assets	319	-
Deferred income tax	(377,248)	(1,752,409)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	198,172	(215,513)
Receivables from related parties	9,802	(12,117)
Notes and accounts receivable	(6,392,243)	(19,614,321)
Allowance for doubtful receivables	(39,296)	87,574
Allowance for sales returns and others	(1,178,217)	2,653,455
Other receivables from related parties	(3,294)	(21,374)
Other financial assets	740,959	7,834
Inventories	(7,492,233)	(6,037,106)
Prepaid expenses and other current assets	(752,408)	585,430
Increase (decrease) in:		
Accounts payable	933,894	4,916,885
Payables to related parties	84,078	293,150
Income tax payable	(1,615,552)	(531,576)
Salary and bonus payable	(2,892,971)	7,101,255
Accrued profit sharing to employees and bonus to directors and supervisors	4,277,804	(1,056,399)
Accrued expenses and other current liabilities	248,192	1,356,269
Accrued pension cost	15,319	95,448
Deferred credits	(59,150)	(237,726)
Net cash provided by operating activities	229,475,766	159,966,465

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	\$(186,944,203)	\$ (87,784,906)
Available-for-sale financial assets	(48,340,334)	(38,800,577)
Held-to-maturity financial assets	(4,101,501)	(12,224,353)
Investments accounted for using equity method	(6,242,350)	(42,947)
Financial assets carried at cost	(1,812,928)	(321,195)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	37,816,288	36,039,978
Held-to-maturity financial assets	15,943,000	7,944,800
Financial assets carried at cost	242,335	131,075
Property, plant and equipment and other assets	115,524	24,241
Increase in deferred charges	(1,801,728)	(1,469,831)
Decrease (increase) in refundable deposits	(5,944,827)	34,056
Decrease (increase) in other assets	<u>(1,015,458)</u>	<u>1,176</u>
Net cash used in investing activities	<u>(202,086,182)</u>	<u>(96,468,483)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	31,213,944	-
Proceeds from long-term bank loans	-	286,574
Repayments of:		
Long-term bank loans	(967,034)	(378,673)
Bonds payable	-	(8,000,000)
Decrease in other long-term payables	(1,107,333)	-
Decrease in guarantee deposits	(232,925)	(478,472)
Proceeds from donation	49,021	-
Proceeds from exercise of employee stock options	244,824	260,533
Cash dividends	(77,708,120)	(76,876,312)
Decrease in minority interests	<u>(130,083)</u>	<u>(284,774)</u>
Net cash used in financing activities	<u>(48,637,706)</u>	<u>(85,471,124)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,248,122)	(21,973,142)
EFFECT OF EXCHANGE RATE CHANGES	(2,141,264)	(1,364,269)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>171,276,341</u>	<u>194,613,752</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 147,886,955</u>	<u>\$ 171,276,341</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 392,805	\$ 580,376
Income tax paid	\$ 9,818,418	\$ 8,088,124
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 201,696,476	\$ 109,151,226
Increase in payables to contractors and equipment suppliers	(14,599,987)	(21,361,340)
Nonmonetary exchange trade-out price	(124,746)	(809)
Increase in other liabilities	(27,540)	-
Increase in obligations under capital leases	-	(4,171)
Cash paid	<u>\$ 186,944,203</u>	<u>\$ 87,784,906</u>
Acquisition of available-for-sale financial assets	\$ 48,405,875	\$ 38,800,577
Increase in accrued expenses and other current liabilities	(65,541)	-
Cash paid	<u>\$ 48,340,334</u>	<u>\$ 38,800,577</u>
Disposal of property, plant and equipment and other assets	\$ 458,561	\$ 25,050
Increase in other financial assets	(218,291)	-
Nonmonetary exchange trade-out price	(124,746)	(809)
Cash received	<u>\$ 115,524</u>	<u>\$ 24,241</u>
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	\$ 241,407	\$ 949,298
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,406,601	\$ 4,005,307

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

(With Deloitte & Touche audit report dated January 24, 2011)

(Concluded)

ATTACHMENT V

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED PROFIT ALLOCATION PROPOSAL

December 31, 2010

	Unit: NT\$
Net Income of 2010 <small>(Note)</small>	161,605,008,798
Subtract:	
- 10% Legal Reserve	16,160,500,880
- Special Reserve	5,120,827,612
Retained Earnings in 2010 Available for Distribution	140,323,680,306
Add:	
- Unappropriated Retained Earnings of Previous Years	16,622,021,999
Retained Earnings Available for Distribution as of December 31, 2010	156,945,702,305
Distribution Item:	
- Cash Dividends to Common Share Holders (NT\$3.0 per share)	77,730,235,992
Unappropriated Retained Earnings	79,215,466,313

(Note) :

After expensing the following:

- Employees' cash bonus and profit sharing of NT\$21,816,676,188, including
 - NT\$10,908,338,094 distributed cash bonus; and
 - NT\$10,908,338,094 cash profit sharing to be distributed after 2011 regular Shareholders' Meeting
- Directors' bonus of NT\$51,131,000

Comparison Table for the
 "Procedures for Lending Funds to Other Parties"
 Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 3</p> <p>The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.</p> <p>The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company. The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. In addition, the total amount lendable to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth, provided that this restriction will not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.</p>	<p>Article 3</p> <p>The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.</p> <p><u>The lending limits for any borrower are set forth below:</u></p> <p><u>1.</u> The total amount for lending to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher), and shall not exceed ten percent (10%) of the net worth of the Company.</p> <p><u>2.</u> The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company.</p> <p>In addition, <u>†</u>The total amount lendable <u>available</u> to any one borrower shall be no more than thirty percent (30%) of the borrower's net worth, provided that this restriction will not apply to</p>

<p>The total amount for fund-lending between the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company will not be subject to the limit of twenty percent (20%) of the net worth of the lending subsidiary.</p>	<p>subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.</p> <p>The total amount for fund-lending <u>When there is a lending for funding needs</u> between the<u>offshore</u> subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, will<u>the total amount for such lending shall</u> not be subject to the limit of twenty percent (20%) of the net worth of the lending subsidiary <u>and the lending will not be subject to the restrictions under Article 4.</u></p>
<p>Article 9</p> <p>Any lending of the Company's funds shall be evaluated with and subject to the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority and the Procedures, and then submitted, together with the result of the evaluation made as described in the second paragraph of Article 5, to the Board of Directors for its approval and no delegation shall be made to any person in this regard. However, material lending of funds shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.</p>	<p>Article 9</p> <p>Any lending of the Company's funds shall be evaluated with and subject to the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority and the Procedures, and then submitted, together with the result of the evaluation made as described in the second paragraph of Article 5, to the Board of Directors for its approval and no delegation shall be made to any person in this regard. However, material lending of funds shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.</p> <p><u>Fund-lending between the Company and its subsidiaries, or among the subsidiaries, shall be approved by the board of directors</u></p>

	<p><u>of the lending company, which board may authorize its chairman to lend funds to a specific borrowing counterparty, within a certain pre-approved monetary amount and within a period not exceeding one year, in one or several drawdowns or via a revolving credit line. However, the above authorized lending amount to be approved by the board shall not exceed 10% of the net worth as disclosed by the lending company's most recent audited financial statements.</u></p>
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ATTACHMENT VII

Comparison Table for the
"Procedures for Endorsement & Guarantee"
Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
<p>Article 2</p> <p>The party to whom the Company may provide endorsement and/or guarantee include the following:</p> <ol style="list-style-type: none"> 1. Any company who has business relationship with the Company. 2. Any subsidiary whose voting shares are fifty percent (50%) or more owned directly by the Company. 3. Any company in which the Company invests and whose voting shares are fifty percent (50%) or more owned collectively by the Company and its subsidiaries. 4. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares. <p>Subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other.</p>	<p>Article 2</p> <p>The party to whom the Company may provide endorsement and/or guarantee include the following:</p> <ol style="list-style-type: none"> 1. Any company who has business relationship with the Company. 2. Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly <u>or indirectly</u>, by the Company. 3. Any company in which the Company invests and whose voting shares are fifty percent (50%) or more owned collectively by the Company and its subsidiaries. <u>3.4.</u> Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's voting shares. <p>Subsidiaries whose voting shares are 100<u>at least 90</u>% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other, <u>and the total amount of such endorsement/guarantee shall not exceed 10% of the Company's net worth. The limit restriction shall not apply to endorsement/guarantee when such subsidiaries' voting shares are 100% owned, directly or indirectly, by the Company.</u></p>
<p>Article 4</p> <p>The amount of endorsement/guarantee provided by the Company is subject to the</p>	<p>Article 4</p> <p>The <u>total</u> amount of endorsement/guarantee provided by the</p>

<p>following limits:</p> <p>1. The total amount of endorsement/guarantee provided by the Company is limited to twenty-five percent (25%) of its net worth. For any one endorsee/guarantee company, the limit shall not exceed ten percent (10%) of the Company's net worth, nor the net worth of the endorsee/guarantee company, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned limit for any one endorsee/guarantee company and the limit of total net worth of the endorsee/guarantee company may be lifted for endorsement/guarantee provided to the subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company.</p> <p>2. In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If</p>	<p>Company <u>or by the Company and its subsidiaries</u> is subject to the following limits:</p> <p>1. The total amount of endorsement/guarantee provided by the Company is limited to <u>shall not exceed</u> twenty-five percent (25%) of its <u>the Company's</u> net worth.</p> <p><u>2. For any one endorsee/guarantee company, the limit total amount of the endorsement/guarantee provided by the Company to any individual entity</u> shall not exceed ten percent (10%) of the Company's net worth, nor the net worth of the <u>endorsee/guarantee company such entity</u>, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned <u>10%</u> limit for any one endorsee/guarantee company and the limit of total net worth of the <u>endorsee/guarantee company for any individual entity</u> may be lifted for endorsement/guarantee provided to <u>by the Company for the benefit of</u> the subsidiaries whose voting shares are one hundred percent (100%) directly or indirectly owned by the Company.</p> <p><u>The total endorsement/guarantee amount for the Company and its subsidiaries and the amount for any single entity should follow the paragraph set forth herein.</u></p> <p><u>2.</u> In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If</p>
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<p>the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p>	<p>the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p> <p><u>The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).</u></p>
<p>Article 6</p> <p>The procedures and authority level for providing endorsement and/or guarantee are defined as follows:</p> <p>Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority, and the Procedures. Finance Department shall then evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming</p>	<p>Article 6</p> <p>The procedures and authority level for providing endorsement and/or guarantee are defined as follows:</p> <p>Any endorsement and/or guarantee to be provided by the Company shall be evaluated with the "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" announced by the securities regulatory authority, and the Procedures. Finance Department shall then evaluate the necessity and rationality of the endorsement/guarantee, the credibility and risk of involved parties, the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral and appraisal of collateral. Such evaluation results, along with comments and opinions provided by other related departments, shall be submitted to the Board of Directors for approval. A pre-determined limit may be delegated to the Chairman by the Board of Directors to facilitate execution and such endorsement/guarantee shall be reported to the most upcoming</p>

<p>Board of Directors' Meeting for ratification.</p> <p>Material endorsements and/or guarantees shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.</p> <p>For endorsement/guarantee deriving from business relations, the amount provided to any single party shall not exceed the total business amount between the party and the Company over the twelve-month period before the extension of endorsement/guarantee (business amount refers to the higher one of goods sold and goods procured between the party and the Company).</p> <p>The Finance Department shall establish and maintain a reference book to record all endorsement/guarantee-related information in accordance with the relevant regulations.</p> <p>The Accounting Department shall follow the Generally Accepted Accounting Principles to assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing and issuing auditing report.</p>	<p>Board of Directors' Meeting for ratification.</p> <p>Material endorsements and/or guarantees shall be approved by the Audit Committee in accordance with relevant regulations and submitted to the Board of Directors for a resolution.</p> <p>For endorsement/guarantee deriving from business relations, the amount provided to any single party shall not exceed the total business amount between the party and the Company over the twelve-month period before the extension of endorsement/guarantee (business amount refers to the higher one of goods sold and goods procured between the party and the Company).</p> <p><u>In case the Company or its subsidiary desires to provide endorsement/guarantee for the benefit of a subsidiary whose net worth is lower than half of its paid-in capital, Finance and related Departments shall evaluate the relevant risks, establish risk control measures and exercise implementation review, as well as regularly report the same to the Audit Committee.</u></p> <p>The Finance Department shall establish and maintain a reference book to record all endorsement/guarantee-related information in accordance with the relevant regulations.</p> <p>The Accounting Department shall follow the Generally Accepted Accounting Principles to assess and recognize, if any, contingent losses brought about by the endorsement/guarantee, to adequately disclose information in the financial statements, and to provide external auditors with necessary information for conducting due auditing and issuing auditing report.</p>
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<p>Article 10</p> <p>When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for endorsement/guarantee. Such procedures shall be approved by the Audit Committee and/or the Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. Relevant information of the endorsement/guarantee extended by the Company's subsidiary should be provided regularly to the Company for inspection. The Company should also mandate the subsidiary to handle endorsement/guarantee in accordance with its procedures.</p>	<p>Article 10</p> <p>When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall mandate the subsidiary to establish relevant procedures for endorsement/guarantee. Such procedures shall be approved by the Audit Committee and/or the Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. Relevant information of the endorsement/guarantee extended by the Company's subsidiary should be provided regularly to the Company for inspection. The Company should also mandate the subsidiary to handle endorsement/guarantee in accordance with its procedures.</p> <p><u>The endorsement/guarantee made between the subsidiaries, whose voting shares are at least 90% owned, directly or indirectly, by the Company, shall be submitted to the Board of Directors for approval in advance, provided, however, this approval requirement shall not apply to endorsement/guarantee made between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.</u></p>
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Taiwan Semiconductor Manufacturing Company, Ltd.

Solar Business Transfer Plan

(translation)

Taiwan Semiconductor Manufacturing Company, Ltd. (“TSMC”) intends to transfer its existing solar business (including assets, liabilities and operations) (“Solar Business” or the “Transferred Business”) to its wholly owned, newly incorporated subsidiary, TSMC Solar Ltd. (“TSMC Solar”), in exchange for the new shares to be issued by TSMC Solar to TSMC (the “Transfer”). Pursuant to the Business Merger and Acquisition Law (“BMAL”), the Company Act and other relevant laws and regulations, the plan for the Transfer (this “Transfer Plan”) is as set out below:

Article 1: Transfer Method and Participating Companies

The Transfer adopts the method of transferring the existing Solar Business to a newly incorporated company, *i.e.*, TSMC transfers the relevant business (including assets, liabilities and operations) of its Solar Business to TSMC Solar, a company to be incorporated after the record date of the Transfer (“Transfer Record Date”), in consideration for TSMC Solar’s issuance of new shares to TSMC. The companies that will participate in the Transfer are as follows:

Parent company: Taiwan Semiconductor Manufacturing Company, Ltd.

Newly-incorporated company to assume the Transferred Business: TSMC Solar Ltd.

Article 2: Articles of Incorporation of the Newly-Incorporated Company

The Articles of Incorporation of TSMC Solar are as set out in Schedule 1.

Article 3: Business Scope, Business Value, and Assets & Liabilities to be Transferred by TSMC

1. Business Scope of the Transferred Business:
 - (1) TSMC’s Solar Business.
 - (2) Factory(ies), machineries, equipment, inventory, bank deposits, long-term equity investments, accounts receivable, accounts payable, and other relevant assets and liabilities (including tangible and intangible assets) required for TSMC’s Solar Business.
 - (3) Agreements (including, but not limited to, sales agreements, technology licensing agreements, technical services agreements, supply agreements, lease agreements, loan agreements and other relevant agreements), legal actions, legal relationships, legal status, licenses, permits, rights and interests relevant to TSMC’s Solar Business. If the transfer of the aforementioned agreements, legal actions, legal relationships, legal status, licenses, permits and relevant rights and interests requires consent of the counter party or a third party in accordance with such

agreements or relevant laws or regulations, the transfer shall become effective only after consent of the counter party or third party is obtained.

- (4) TSMC shall provide TSMC Solar the necessary rights under all technologies, software, know-how, trade secrets and other intellectual property rights owned by TSMC prior to the Transfer Record Date. TSMC and TSMC Solar shall cooperate with each other in carrying out the procedures to transfer relevant rights, transfer relevant technologies, and maintain relevant rights, and in providing relevant information, documentation, and programs, all in relation to the aforementioned intellectual property rights, such that the other party may exercise the relevant rights. The transfer of such intellectual property rights under this Paragraph shall not affect any rights licensed to others and the confidentiality obligations in existence prior to the Transfer.
 - (5) Other assets, liabilities, rights and obligations, interests, entitlement to tax incentives that are unexpired or undeducted in relation to the Transferred Business, licenses, permits, and relevant legal relationships, factual relationships and status in relation to TSMC's Solar Business.
2. **Business Value of the Transferred Business and Relevant Adjustment on Shareholders' Equity:** The business value of the Transferred Business shall be calculated by deducting the liabilities of the Transferred Business from the assets of the Transferred Business, which is expected to be NT\$11,897,382,000; further, after taking into account the adjustment on shareholders' equity transferred along with the Transferred Business (i.e., NT\$132,618,000), the business value of the Transferred Business shall turn out to be NT\$12,030,000,000.
 3. **Assets of the Transferred Business:** Assets to be transferred are as set out in Schedule 2, the value of which is expected to be NT\$12,227,973,000.
 4. **Liabilities of the Transferred Business:** Liabilities to be transferred are as set out in Schedule 2, the value of which is expected to be NT\$330,591,000.
 5. The aforementioned amounts of the business value, and assets and liabilities to be transferred from TSMC are tentatively based on the book value in TSMC's audited financial statements as of December 31, 2010, as well as taking into account the depreciations, the capital expenditure plan, and the forecasted changes in related accounts up until the Transfer Record Date. The actual amounts, however, shall still be based on the book value as at the Transfer Record Date.
 6. In the event that it is necessary to adjust the aforementioned assets and liabilities to be transferred, TSMC's board of directors will be authorized by TSMC's shareholders at a shareholders' meeting to make adjustments. The same shall apply if it is necessary to adjust the business value of the Transferred Business and the number of shares to be issued by TSMC Solar.

Article 4: Number and Type of Shares to be Issued by TSMC Solar, and the Number and Type of Shares to be Acquired by TSMC in exchange for the Transfer, and the Method of Calculation

1. **Number of Shares to be Issued:** The business value of the Transferred Business, which

is to be transferred from TSMC and to be assumed by TSMC Solar, is expected to be NT\$12,030,000,000. TSMC Solar shall, based on the business value of the Transferred Business to be assumed by TSMC Solar, issue 1,203,000,000 common shares to TSMC at NT\$10 per share, whereas TSMC will, in exchange for the Transfer, acquire a total of 1,203,000,000 common shares to be issued by TSMC Solar at NT\$10 per share. Should there be any fractional shares which are less than 1 full share, TSMC Solar shall, based on the business value of the Transferred Business that is insufficient for exchanging 1 full share of TSMC Solar, pay TSMC in cash in a single installment within 30 days after TSMC Solar completes its corporate registration of incorporation.

2. Basis of calculation: The aforementioned number of shares to be issued by TSMC Solar in consideration for the Transferred Business is determined in accordance with the book value of the assets and liabilities of the Transferred Business and the fairness opinion concerning the Transfer; details of the fairness opinion are as set out in Schedule 3.
3. TSMC Solar shall complete its corporate registration of incorporation and issue common shares to TSMC after the Transfer Record Date in accordance with applicable laws and regulations. After completion of the Transfer, TSMC will directly hold 100% of the shares of TSMC Solar.

Article 5: Adjustment to the Business Value, Assets and Liabilities to be Transferred by TSMC and the Number of Shares to be Issued by TSMC Solar in exchange therefor

In the event that any of the following circumstances is applicable to the value, assets and liabilities of the Transferred Business and the number of shares to be issued by TSMC Solar, TSMC's board of directors will be authorized by TSMC's shareholders at a shareholders' meeting to make adjustments:

1. After this Transfer Plan is executed, TSMC acquires assets concerning Solar Business and plans to add such assets to the scope of assets to be transferred;
2. The items or amounts of the assets or liabilities to be transferred vary due to TSMC's operations, investment or financing activities;
3. The items or amounts of the assets or liabilities to be transferred vary due to asset revaluation, depreciation, amortization, addition or impairment; or
4. Other circumstances in which TSMC's board of directors deems adjustments necessary, or circumstances in which adjustments are necessary due to changes in laws and regulations or orders by competent authorities.

Article 6: Purchase and Cancellation of Shares held by Dissenting Shareholders

In the event that any of TSMC's shareholders expresses dissent to matters relating to the Transfer or this Transfer Plan, TSMC shall purchase the shares held by such dissenting shareholders according to applicable laws. The shares so purchased shall be disposed of or cancelled pursuant to applicable laws, and the corporate registration shall be amended accordingly.

Article 7: Issuing Notices and Posting Public Announcement to Creditors

1. Once this Transfer Plan has been approved by TSMC's shareholders meeting, TSMC shall promptly prepare a balance sheet and a list of properties, and shall issue notices and make a public announcement to its creditors in respect of this Transfer Plan. Such notices and announcement shall stipulate a period of 30 days or more for creditors to raise objections. If a creditor raises an objection within the stipulated period, TSMC shall undertake relevant measures according to applicable laws and regulations.
2. If the debts repaid by TSMC to the objecting creditors in accordance with the preceding paragraph are within the scope of this Transfer Plan, TSMC's board of directors will be authorized to amend the business scope, business value, assets and liabilities of the Transfer stated in Article 3 above; the same applies where it is necessary to adjust the number and price of shares to be issued by TSMC Solar.

Article 8: Assumption of Rights and Obligations after the Transfer and the Related Matters

1. All assets, liabilities and all rights and obligations that are effective and valid on the Transfer Record Date shall, as of the Transfer Record Date, be transferred from TSMC and be fully assumed by TSMC Solar. TSMC shall cooperate in carrying out the relevant transfer procedures.
2. Unless the liabilities arising from the Transferred Business may be separated from TSMC's liabilities existing before the Transfer, TSMC Solar shall, within the scope of capital contribution in exchange for the Transferred Business, be held jointly and severally liable with TSMC for TSMC's liabilities incurred prior to the Transfer, pursuant to Section 6, Article 32 of the BMAL. However, a creditor's right to make claims shall be extinguished if not exercised within 2 years after the Transfer Record Date.

Article 9: Transfer and Retention of Employees

In compliance with statutory procedures, TSMC and TSMC Solar shall negotiate the employees to be retained and employed by TSMC Solar, and inquire such employees of their intention to be retained. TSMC Solar shall acknowledge such retained employees' seniorities in TSMC prior to the Transfer Record Date, or negotiate with such employees, to the extent permitted by relevant laws and regulations, other measures sufficient to protect employees' rights and interests.

Article 10: Transfer Record Date

The Transfer Record Date, which is now scheduled on August 1, 2011 provided that, after this Transfer Plan is approved by TSMC's shareholders at a shareholders' meeting, in the event that it is necessary to adjust the Transfer Record Date so as to carry out legally required procedures or due to actual needs, TSMC's board of directors will be authorized to make such adjustments.

Article 11: Implementation of this Transfer Plan, Expected Completion Date and Solutions for Delays

1. This Transfer Plan will be adopted by TSMC's shareholders' meeting on June 9, 2011.
2. In the event that there is any delay or unfinished event of this Transfer Plan and its expected implementation schedule, TSMC's board of directors will be authorized, based on the actual circumstances and needs, to schedule the date of a shareholders' meeting or a board meeting pursuant to relevant laws and regulations, and/or to take other actions as necessary.

Article 12: Allocation of Taxes and Expenses

1. Unless otherwise provided in this Transfer Plan, all taxes or expenses arising out of the execution or performance of this Transfer Plan shall be borne by TSMC except where relevant tax exemptions or exclusions apply; however, if other laws and regulations provide otherwise, such laws and regulations shall prevail. In the event that this Transfer Plan fails to become effective, by virtue of failing to obtain the approval of TSMC's shareholders or the competent authorities or any other reason, TSMC shall bear the attorneys' and accountants' fees and other related expenses already incurred.
2. TSMC and TSMC Solar shall cooperate in applying for any tax benefits and incentives applicable to the Transfer.

Article 13: Change of Paid-In capital of TSMC

The paid-in capital of TSMC, unless otherwise decreased by cancellation of shares pursuant to Article 6 of this Transfer Plan or other laws and regulations, shall be maintained and shall not be decreased upon completion of the Transfer.

Article 14: Governing Law

1. This Transfer Plan shall be implemented in accordance with the BMAL. In the event of promulgation and enforcement of new laws that are more favorable to the Transfer, such laws that are more favorable may apply.
2. This Transfer Plan shall be governed and construed in accordance with the laws of ROC. In the event of any dispute arising from this Transfer Plan, the Hsinchu District Court of Taiwan shall be the competent forum.

Article 15: Miscellaneous

1. If any provision of this Transfer Plan shall be held invalid due to any conflict with any relevant laws and regulations, only the provision held invalid shall be invalidated, without affecting the validity of any other provisions. The provision which is held invalid due to conflict with relevant laws and regulations shall be modified as permitted by law, by TSMC's board of directors based on authorization by TSMC's shareholders.
2. If it is necessary to amend any provision of this Transfer Plan in response to any order by the competent authorities, such provision shall be amended according to the decision of TSMC's board of directors pursuant to the instruction of the competent authorities.

3. This Transfer Plan shall only become valid and enforceable after it has been approved by the shareholders' meeting of TSMC.
4. Any matters not provided under this Transfer Plan shall be governed by relevant laws and regulations and rulings by the competent authorities. In the event of absence of relevant laws and regulations and rulings by the competent authorities, the board of directors of TSMC will be fully authorized by TSMC's shareholders at a shareholders' meeting to handle the relevant matters.
5. An English translation of this Transfer Plan is also prepared for reference; provided, however, that the interpretation of this Transfer Plan shall be governed by the Chinese version.
6. The Schedules hereto shall constitute an integral part of this Transfer Plan.

Taiwan Semiconductor Manufacturing Company, Ltd.
Morris Chang
Chairman & CEO

DATE: April 27, 2011

**ARTICLES OF INCORPORATION
OF
TSMC SOLAR LTD.**

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 台積太陽能股份有限公司 in the Chinese language, and TSMC Solar Ltd. in the English language.

Article 2

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

1. CC01080 Electronic Parts and Components Manufacturing
2. IG03010 Energy Technical Services
3. 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.

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 13,500,000,000 New Taiwan Dollars, divided into 1,350,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

Article 8

The Corporation shall print share certificates for shares issued in compliance with relevant provisions of the Company Law and relevant rules and regulations. 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.

Article 9

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 relevant law and securities regulations.

Article 10

Registration for transfer of shares shall be suspended thirty (30) days immediately before the date of regular meeting of shareholders, and fifteen (15) 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 11

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.

Article 12

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 twenty (20) days in advance, in case of regular meetings; and at least ten (10) 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 13

Except as provided in the Company Law, 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 14

Each share of stock shall be entitled to one vote.

Article 15

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. A representative does not need to be a shareholder of the Corporation.

Article 16

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

Article 17

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.

Article 17-1

When there is only one corporate shareholder holding the Corporation, the functions and powers of the shareholders' meeting shall be carried out by the board of the directors, and the provisions in respect of the shareholders' meeting in these Articles of Incorporation shall not apply.

Section III – Directors and Supervisor(s)

Article 18

The Corporation shall have three Directors and one Supervisor.

Article 19

For the election of Directors, each share has the same voting rights equal to the numbers 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. The same applies to the election of Supervisor(s).

Article 19-1

When there is only one corporate shareholder holding the Corporation, Directors and Supervisor(s) shall be appointed by such corporate shareholder.

Article 20

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

Article 21

Except as otherwise provided in the Company Law, 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 by a majority in a meeting attended by over two-thirds of the 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 seven (7) 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. 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 his absence, any one of the Directors shall be acting for him according to Article 208 of the Company Law.

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. Supervisor(s) may attend the meetings of the Board of Directors without voting rights, unless when performing duties in accordance

with relevant laws and regulations.

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.

In case all Supervisor(s) are discharged, the Board of Directors shall convene a shareholders' meeting to elect new Supervisor(s) in accordance with relevant laws, rules and regulations.

Article 28

The Board of Directors is authorized to determine the compensation for the Chairman, Directors and Supervisor(s), 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 Chairman of the Board of Directors is also the Chief Executive Officer(s) of the Corporation. The Corporation may, by resolution of the Board of Directors, appoint one President and one or more Vice President(s). The aforementioned managers shall perform such duties as designated by the Chairman or the Board of Directors.

Article 30

Subject to the provisions of the Company Law 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 31

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 32

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 less than 1% as bonus to employees of this Corporation. 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.
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 33

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

Article 34

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

Article 35

These Articles of Incorporation are agreed to and signed on June 9, 2011 by all the promoters of the Corporation.

Book Values of the Assets and Liabilities of the Transferred Business

In Thousand NTD	
Item	August 1, 2011
Amount	Amount
Assets	
Current Assets	\$ 947,592
Long-term Investments	8,438,896
Fixed Assets	2,634,831
Other Assets	206,654
Total Assets (1)	12,227,973
Liabilities	
Current Liabilities	295,721
Other Liabilities	34,870
Total Liabilities (2)	330,591
Investee's Equity Adjustments	
Attributable to TSMC (3)	132,618
Business Value (1)-(2)+(3)	\$ 12,030,000

(Translation-In case of any inconsistencies between the Chinese and English version, the Chinese version shall prevail.)

Taiwan Semiconductor Manufacturing Company, Ltd.

Expert Opinion on the Fairness of the Solar Business Transfer Plan

Taiwan Semiconductor Manufacturing Company, Ltd. (“TSMC”) intends to transfer its existing solar business (including assets, liabilities and operations) (“Solar Business” or the “Transferred Business”) to its wholly owned, newly incorporated subsidiary, TSMC Solar Ltd. (“TSMC Solar”). TSMC Solar will fully assume the Solar Business and, in exchange, issue new shares to TSMC as consideration (the “Transfer”).

I. Calculation of the Value of the Transferred Business and the Share Value Exchanged

1. The business value of the Transferred Business (including assets and liabilities) for which TSMC proposes to transfer, is based on the book value of such assets and liabilities as stated in TSMC’s audited financial statements as of December 31, 2010, as well as taking into account the depreciations thereof, the capital expenditure plan and the forecasted changes in the related accounts up to the record date of the Transfer (“Transfer Record Date”).
2. The book value of the assets of the Transferred Business is NT\$12,227,973,000 and the book value of the liabilities of the Transferred Business is NT\$330,591,000. In this regard, the business value of the Transferred Business is NT\$11,897,382,000; further, after taking into account the adjustment on shareholders’ equity transferred along with the assets of the Transferred Business (i.e., NT\$132,618,000), the business value of the Transferred Business shall turn out to be NT\$12,030,000,000. The forecasted book values of the assets and liabilities of the Transferred Business as of the Transfer Record Date are as indicated below:

(In Thousand NTD)

Item	August 1, 2011	
	Amount	
Assets		
Current Assets	\$	947,592
Long-term Investments		8,438,896
Fixed Assets		2,634,831
Other Assets		206,654
Total Assets (1)		12,227,973
Liabilities		
Current Liabilities		295,721
Other Liabilities		34,870

Total Liabilities (2)		330,591
Investee's Equity Adjustments Attributable to TSMC (3)		132,618
Business Value (1)-(2)+(3)	\$	12,030,000

Data Source : TSMC

3. TSMC Solar will issue to TSMC a total of 1,203,000,000 common shares, at a per share price of NT\$10, as the consideration for its assumption of the Transferred Business value from TSMC.

II. Fairness of the Value of the Transferred Business and the Share Value Exchanged

TSMC, through the Transfer, transfers its existing Solar Business (including assets and liabilities) to TSMC Solar, its wholly-owned, newly incorporated subsidiary, and TSMC Solar in turn issues 1,203,000,000 common shares to TSMC as the consideration for its assumption of the net assets of the Transferred Business from TSMC. In this regard, the number of shares to be issued by TSMC Solar in exchange for the Transfer is determined and calculated based on the value of the Transferred Business (including assets and liabilities) of TSMC, and the value of the newly issued common shares of TSMC Solar, which are as detailed below:

1. The Transfer is an internal restructuring of TSMC's business and organization rather than an actual transaction. A letter issued by the Accounting Research and Development Foundation on June 14, 2002 (Ref. No. Gi-Mi-Tze-128) (the "ARDF Letter"), provides that, "with respect to the accounting treatments involved in a transfer transaction, if a company (transferor) transfers its businesses to another company (transferee) and obtains such other company's shares in return, and the transferor and the transferee are affiliates, the transaction thereunder is in the nature of an organizational restructuring. In that regard, the accounting treatments shall be adopted by using net amount of the book value of the assets (if there is any asset impairment, then using the amount after recognition of relevant losses) less the liabilities as the cost for obtaining the equity, and as a result, no gain will be recognized from such exchange by the transferor. The transferee shall use the net amount of transferor's book value of the assets (if there is any asset impairment, then using the amount after recognition of relevant losses) less the liabilities as a basis to calculate the cost for obtaining the assets and liabilities. The net amount shall also be used as the value of the newly issued common shares, among which, the par value shall be recorded as share capital, and any amount exceeding the par value shall be recorded as capital surplus." Since TSMC Solar will in turn issue new shares to TSMC as consideration, TSMC's proposal to transfer based on the net asset book value amount of NT\$12,030,000,000 is in accordance with the accounting principles.
2. TSMC Solar issues 1,203,000,000 new shares at a per share price of NT\$10 as the consideration for its assumption of the Transfer and acquires assets with a net value of NT\$12,030,000,000, which is equivalent to the book value of

NT\$12,030,000,000 of the Transferred Business of TSMC. As TSMC Solar is a wholly-owned, newly established subsidiary of TSMC, and the value of the Transferred Business is equivalent to the net value of the new shares issued by TSMC Solar, the Transfer value to the share value exchanged shall be deemed reasonable.

III. Impact on Shareholders' Interests

This Transfer Plan in essence is an internal restructuring of TSMC's business and organization, where TSMC transfers its existing Solar Business to TSMC Solar. As TSMC Solar is a wholly-owned, newly established subsidiary of TSMC, shareholders of TSMC that own TSMC's shares would indirectly own TSMC Solar's shares. In relation to the financial statements of TSMC, since TSMC Solar will be wholly owned by TSMC, and the value of the newly issued shares of TSMC Solar and the value of the Transferred Business are equal, the interests of TSMC's shareholders would not be materially affected. Moreover, after the Transfer, the profits of TSMC Solar will be recognized as non-operating income, while there will not make any difference when analyzed as part of the consolidated financial statements. In view of the above, this Transfer Plan will have no material affect on the interests of TSMC's shareholders.

Based on the foregoing, the calculation of the Solar Business (including assets and liabilities) to be transferred by TSMC and the share value exchanged has been based on TSMC's audited financial statements as of December 31, 2010, as well as taking into account the depreciations thereof, the capital expenditure plan and the forecasted changes in the related accounts up to the Transfer Record Date, and in accordance with the ARDF Letter, wherein TSMC Solar issues 1,203,000,000 common shares to acquire net assets of NT\$12,030,000,000.

Upon review of the relevant calculation in the forecasted data as of the Transfer Record Date provided by TSMC, we believe that the calculation of the Transfer value to the share value exchanged is fair and reasonable.

This opinion is only provided to the board of directors and shareholders' meeting of TSMC for reference and for reporting to relevant authorities and may not be used for other purposes without prior written consent.

First Elite CPAs & Co.

LEE MENG-SHIOU, CPA

April 25, 2011

Taiwan Semiconductor Manufacturing Company, Ltd.

Solid State Lighting Business Transfer Plan

(translation)

Taiwan Semiconductor Manufacturing Company, Ltd. (“TSMC”) intends to transfer its existing Solid State Lighting business (including assets, liabilities and operations) (“Solid State Lighting Business” or the “Transferred Business”) to its wholly owned, newly incorporated subsidiary, TSMC Solid State Lighting Ltd. (“TSMC Solid State Lighting”), in exchange for the new shares to be issued by TSMC Solid State Lighting to TSMC (the “Transfer”). Pursuant to the Business Merger and Acquisition Law (“BMAL”), the Company Act and other relevant laws and regulations, the plan for the Transfer (this “Transfer Plan”) is as set out below:

Article 1: Transfer Method and Participating Companies

The Transfer adopts the method of transferring the existing Solid State Lighting Business to a newly incorporated company, *i.e.*, TSMC transfers the relevant business (including assets, liabilities and operations) of its Solid State Lighting Business to TSMC Solid State Lighting, a company to be incorporated after the record date of the Transfer (“Transfer Record Date”), in consideration for TSMC Solid State Lighting’s issuance of new shares to TSMC. The companies that will participate in the Transfer are as follows:

Parent company: Taiwan Semiconductor Manufacturing Company, Ltd.

Newly-incorporated company to assume the Transferred Business: TSMC Solid State Lighting Ltd.

Article 2: Articles of Incorporation of the Newly-Incorporated Company

The Articles of Incorporation of TSMC Solid State Lighting are as set out in Schedule 1.

Article 3: Business Scope, Business Value, and Assets & Liabilities to be Transferred by TSMC

1. Business Scope of the Transferred Business:

- (1) TSMC’s Solid State Lighting Business.
- (2) Factory(ies), machineries, equipment, inventory, bank deposits, long-term equity investments, accounts receivable, accounts payable, and other relevant assets and liabilities (including tangible and intangible assets) required for TSMC’s Solid State Lighting Business.
- (3) Agreements (including, but not limited to, sales agreements, technology licensing agreements, technical services agreements, supply agreements, lease agreements, loan agreements and other relevant agreements), legal actions, legal relationships, legal status, licenses, permits, rights and interests relevant to TSMC’s Solid State Lighting Business. If the transfer of the aforementioned agreements, legal actions,

legal relationships, legal status, licenses, permits and relevant rights and interests requires consent of the counter party or a third party in accordance with such agreements or relevant laws or regulations, the transfer shall become effective only after consent of the counter party or third party is obtained.

- (4) TSMC shall provide TSMC Solid State Lighting the necessary rights under all technologies, software, know-how, trade secrets and other intellectual property rights owned by TSMC prior to the Transfer Record Date. TSMC and TSMC Solid State Lighting shall cooperate with each other in carrying out the procedures to transfer relevant rights, transfer relevant technologies, and maintain relevant rights, and in providing relevant information, documentation, and programs, all in relation to the aforementioned intellectual property rights, such that the other party may exercise the relevant rights. The transfer of such intellectual property rights under this Paragraph shall not affect any rights licensed to others and the confidentiality obligations in existence prior to the Transfer.
 - (5) Other assets, liabilities, rights and obligations, interests, entitlement to tax incentives that are unexpired or undeducted in relation to the Transferred Business, licenses, permits, and relevant legal relationships, factual relationships and status in relation to TSMC's Solid State Lighting Business.
2. Business Value of the Transferred Business: The business value of the Transferred Business shall be calculated by deducting the liabilities of the Transferred Business from the assets of the Transferred Business, which is expected to be NT\$2,435,600,000.
 3. Assets of the Transferred Business: Assets to be transferred are as set out in Schedule 2, the value of which is expected to be NT\$2,563,294,000.
 4. Liabilities of the Transferred Business: Liabilities to be transferred are as set out in Schedule 2, the value of which is expected to be NT\$127,694,000.
 5. The aforementioned amounts of the business value, and assets and liabilities to be transferred from TSMC are tentatively based on the book value in TSMC's audited financial statements as of December 31, 2010, as well as taking into account the depreciations, the capital expenditure plan, and the forecasted changes in related accounts up until the Transfer Record Date. The actual amounts, however, shall still be based on the book value as at the Transfer Record Date.
 6. In the event that it is necessary to adjust the aforementioned assets and liabilities to be transferred, TSMC's board of directors will be authorized by TSMC's shareholders at a shareholders' meeting to make adjustments. The same shall apply if it is necessary to adjust the business value of the Transferred Business and the number of shares to be issued by TSMC Solid State Lighting.

Article 4: Number and Type of Shares to be Issued by TSMC Solid State Lighting, and the Number and Type of Shares to be Acquired by TSMC in exchange for the Transfer, and the Method of Calculation

1. Number of Shares to be Issued: The business value of the Transferred Business, which is to be transferred from TSMC and to be assumed by TSMC Solid State Lighting, is

expected to be NT\$2,435,600,000. TSMC Solid State Lighting shall, based on the business value of the Transferred Business to be assumed by TSMC Solid State Lighting, issue 243,560,000 common shares to TSMC at NT\$10 per share, whereas TSMC will, in exchange for the Transfer, acquire a total of 243,560,000 common shares to be issued by TSMC Solid State Lighting at NT\$10 per share. Should there be any fractional shares which are less than 1 full share, TSMC Solid State Lighting shall, based on the business value of the Transferred Business that is insufficient for exchanging 1 full share of TSMC Solid State Lighting, pay TSMC in cash in a single installment within 30 days after TSMC Solid State Lighting completes its corporate registration of incorporation.

2. Basis of calculation: The aforementioned number of shares to be issued by TSMC Solid State Lighting in consideration for the Transferred Business is determined in accordance with the book value of the assets and liabilities of the Transferred Business and the fairness opinion concerning the Transfer; details of the fairness opinion are as set out in Schedule 3.
3. TSMC Solid State Lighting shall complete its corporate registration of incorporation and issue common shares to TSMC after the Transfer Record Date in accordance with applicable laws and regulations. After completion of the Transfer, TSMC will directly hold 100% of the shares of TSMC Solid State Lighting.

Article 5: Adjustment to the Business Value, Assets and Liabilities to be Transferred by TSMC and the Number of Shares to be Issued by TSMC Solid State Lighting in exchange therefor

In the event that any of the following circumstances is applicable to the value, assets and liabilities of the Transferred Business and the number of shares to be issued by TSMC Solid State Lighting, TSMC's board of directors will be authorized by TSMC's shareholders at a shareholders' meeting to make adjustments:

1. After this Transfer Plan is executed, TSMC acquires assets concerning Solid State Lighting Business and plans to add such assets to the scope of assets to be transferred;
2. The items or amounts of the assets or liabilities to be transferred vary due to TSMC's operations, investment or financing activities;
3. The items or amounts of the assets or liabilities to be transferred vary due to asset revaluation, depreciation, amortization, addition or impairment; or
4. Other circumstances in which TSMC's board of directors deems adjustments necessary, or circumstances in which adjustments are necessary due to changes in laws and regulations or orders by competent authorities.

Article 6: Purchase and Cancellation of Shares held by Dissenting Shareholders

In the event that any of TSMC's shareholders expresses dissent to matters relating to the Transfer or this Transfer Plan, TSMC shall purchase the shares held by such dissenting shareholders according to applicable laws. The shares so purchased shall be disposed of or cancelled pursuant to applicable laws, and the corporate registration shall be amended

accordingly.

Article 7: Issuing Notices and Posting Public Announcement to Creditors

1. Once this Transfer Plan has been approved by TSMC's shareholders meeting, TSMC shall promptly prepare a balance sheet and a list of properties, and shall issue notices and make a public announcement to its creditors in respect of this Transfer Plan. Such notices and announcement shall stipulate a period of 30 days or more for creditors to raise objections. If a creditor raises an objection within the stipulated period, TSMC shall undertake relevant measures according to applicable laws and regulations.
2. If the debts repaid by TSMC to the objecting creditors in accordance with the preceding paragraph are within the scope of this Transfer Plan, TSMC's board of directors will be authorized to amend the business scope, business value, assets and liabilities of the Transfer stated in Article 3 above; the same applies where it is necessary to adjust the number and price of shares to be issued by TSMC Solid State Lighting.

Article 8: Assumption of Rights and Obligations after the Transfer and the Related Matters

1. All assets, liabilities and all rights and obligations that are effective and valid on the Transfer Record Date shall, as of the Transfer Record Date, be transferred from TSMC and be fully assumed by TSMC Solid State Lighting. TSMC shall cooperate in carrying out the relevant transfer procedures.
2. Unless the liabilities arising from the Transferred Business may be separated from TSMC's liabilities existing before the Transfer, TSMC Solid State Lighting shall, within the scope of capital contribution in exchange for the Transferred Business, be held jointly and severally liable with TSMC for TSMC's liabilities incurred prior to the Transfer, pursuant to Section 6, Article 32 of the BMAL. However, a creditor's right to make claims shall be extinguished if not exercised within 2 years after the Transfer Record Date.

Article 9: Transfer and Retention of Employees

In compliance with statutory procedures, TSMC and TSMC Solid State Lighting shall negotiate the employees to be retained and employed by TSMC Solid State Lighting, and inquire such employees of their intention to be retained. TSMC Solid State Lighting shall acknowledge such retained employees' seniorities in TSMC prior to the Transfer Record Date, or negotiate with such employees, to the extent permitted by relevant laws and regulations, other measures sufficient to protect employees' rights and interests.

Article 10: Transfer Record Date

The Transfer Record Date, which is now scheduled on August 1, 2011 provided that, after this Transfer Plan is approved by TSMC's shareholders at a shareholders' meeting, in the event that it is necessary to adjust the Transfer Record Date so as to carry out legally required procedures or due to actual needs, TSMC's board of directors will be authorized to make such adjustments.

Article 11: Implementation of this Transfer Plan, Expected Completion Date and Solutions for Delays

1. This Transfer Plan will be adopted by TSMC's shareholders' meeting on June 9, 2011.
2. In the event that there is any delay or unfinished event of this Transfer Plan and its expected implementation schedule, TSMC's board of directors will be authorized, based on the actual circumstances and needs, to schedule the date of a shareholders' meeting or a board meeting pursuant to relevant laws and regulations, and/or to take other actions as necessary.

Article 12: Allocation of Taxes and Expenses

1. Unless otherwise provided in this Transfer Plan, all taxes or expenses arising out of the execution or performance of this Transfer Plan shall be borne by TSMC except where relevant tax exemptions or exclusions apply; however, if other laws and regulations provide otherwise, such laws and regulations shall prevail. In the event that this Transfer Plan fails to become effective, by virtue of failing to obtain the approval of TSMC's shareholders or the competent authorities or any other reason, TSMC shall bear the attorneys' and accountants' fees and other related expenses already incurred.
2. TSMC and TSMC Solid State Lighting shall cooperate in applying for any tax benefits and incentives applicable to the Transfer.

Article 13: Change of Paid-In capital of TSMC

The paid-in capital of TSMC, unless otherwise decreased by cancellation of shares pursuant to Article 6 of this Transfer Plan or other laws and regulations, shall be maintained and shall not be decreased upon completion of the Transfer.

Article 14: Governing Law

1. This Transfer Plan shall be implemented in accordance with the BMAL. In the event of promulgation and enforcement of new laws that are more favorable to the Transfer, such laws that are more favorable may apply.
2. This Transfer Plan shall be governed and construed in accordance with the laws of ROC. In the event of any dispute arising from this Transfer Plan, the Hsinchu District Court of Taiwan shall be the competent forum.

Article 15: Miscellaneous

1. If any provision of this Transfer Plan shall be held invalid due to any conflict with any relevant laws and regulations, only the provision held invalid shall be invalidated, without affecting the validity of any other provisions. The provision which is held invalid due to conflict with relevant laws and regulations shall be modified as permitted by law, by TSMC's board of directors based on authorization by TSMC's shareholders.
2. If it is necessary to amend any provision of this Transfer Plan in response to any order by the competent authorities, such provision shall be amended according to the decision

of TSMC's board of directors pursuant to the instruction of the competent authorities.

3. This Transfer Plan shall only become valid and enforceable after it has been approved by the shareholders' meeting of TSMC.
4. Any matters not provided under this Transfer Plan shall be governed by relevant laws and regulations and rulings by the competent authorities. In the event of absence of relevant laws and regulations and rulings by the competent authorities, the board of directors of TSMC will be fully authorized by TSMC's shareholders at a shareholders' meeting to handle the relevant matters.
5. An English translation of this Transfer Plan is also prepared for reference; provided, however, that the interpretation of this Transfer Plan shall be governed by the Chinese version.
6. The Schedules hereto shall constitute an integral part of this Transfer Plan.

Taiwan Semiconductor Manufacturing Company, Ltd.
Morris Chang
Chairman & CEO

DATE: April 27, 2011

**ARTICLES OF INCORPORATION
OF
TSMC SOLID STATE LIGHTING LTD.**

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 台積固態照明股份有限公司 in the Chinese language, and TSMC Solid State Lighting Ltd. in the English language.

Article 2

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

1. CC01080 Electronic Parts and Components Manufacturing
2. CC01040 Lighting Facilities 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.

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 11,000,000,000 New Taiwan Dollars, divided into 1,100,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

Article 8

The Corporation shall print share certificates for shares issued in compliance with relevant provisions of the Company Law and relevant rules and regulations. 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.

Article 9

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 relevant law and securities regulations.

Article 10

Registration for transfer of shares shall be suspended thirty (30) days immediately before the date of regular meeting of shareholders, and fifteen (15) 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 11

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.

Article 12

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 twenty (20) days in advance, in case of regular meetings; and at least ten (10) 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 13

Except as provided in the Company Law, 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 14

Each share of stock shall be entitled to one vote.

Article 15

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. A representative does not need to be a shareholder of the Corporation.

Article 16

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

Article 17

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.

Article 17-1

When there is only one corporate shareholder holding the Corporation, the functions and powers of the shareholders' meeting shall be carried out by the board of the directors, and the provisions in respect of the shareholders' meeting in these Articles of Incorporation shall not apply.

Section III – Directors and Supervisor(s)

Article 18

The Corporation shall have three Directors and one Supervisor.

Article 19

For the election of Directors, each share has the same voting rights equal to the numbers 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. The same applies to the election of Supervisor(s).

Article 19-1

When there is only one corporate shareholder holding the Corporation, Directors and Supervisor(s) shall be appointed by such corporate shareholder.

Article 20

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

Article 21

Except as otherwise provided in the Company Law, 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

by a majority in a meeting attended by over two-thirds of the 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 seven (7) 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. 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 his absence, any one of the Directors shall be acting for him according to Article 208 of the Company Law.

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. Supervisor(s) may attend the meetings of the Board of Directors without voting rights, unless when performing duties in accordance with relevant laws and regulations.

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.

In case all Supervisor(s) are discharged, the Board of Directors shall convene a shareholders' meeting to elect new Supervisor(s) in accordance with relevant laws, rules and regulations.

Article 28

The Board of Directors is authorized to determine the compensation for the Chairman, Directors and Supervisor(s), 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 Chairman of the Board of Directors is also the Chief Executive Officer of the Corporation. The Corporation may, by resolution of the Board of Directors, appoint one President and one or more Vice President(s). The aforementioned managers shall perform such duties as designated by the Chairman or the Board of Directors.

Article 30

Subject to the provisions of the Company Law 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 31

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 32

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 less than 1 % as bonus to employees of this Corporation. 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.
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 33

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

Article 34

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

Article 35

These Articles of Incorporation are agreed to and signed on June 9, 2011 by all the promoters of the Corporation.

Book Values of the Assets and Liabilities of the Transferred Business

	In Thousand NTD	
	August 1, 2011	
Item	Amount	
Assets		
Current Assets	\$	311,192
Long-term Investments		3,128
Fixed Assets		2,013,493
Other Assets		235,481
Total Assets (1)		<u>2,563,294</u>
Liabilities		
Current Liabilities		58,613
Other Liabilities		69,081
Total Liabilities (2)		<u>127,694</u>
Business Value (1)-(2)	\$	<u><u>2,435,600</u></u>

(Translation-In case of any inconsistencies between the Chinese and English version, the Chinese version shall prevail.)

Taiwan Semiconductor Manufacturing Company, Ltd.

Expert Opinion on the Fairness of the Solid State Lighting Business Transfer Plan

Taiwan Semiconductor Manufacturing Company, Ltd. (“TSMC”) intends to transfer its existing Solid State Lighting business (including assets, liabilities and operations) (“Solid State Lighting Business” or the “Transferred Business”) to its wholly owned, newly incorporated subsidiary, TSMC Solid State Lighting Ltd. (“TSMC Solid State Lighting”). TSMC Solid State Lighting will fully assume the Solid State Lighting Business and, in exchange, issue new shares to TSMC as consideration (the “Transfer”).

I. Calculation of the Value of the Transferred Business and the Share Value Exchanged

1. The business value of the Transferred Business (including assets and liabilities) for which TSMC proposes to transfer, is based on the book value of such assets and liabilities as stated in TSMC’s audited financial statements as of December 31, 2010, as well as taking into account the depreciations thereof, the capital expenditure plan and the forecasted changes in the related accounts up to the record date of the Transfer (“Transfer Record Date”).
2. The book value of the assets of the Transferred Business is NT\$2,563,294,000 and the book value of the liabilities of the Transferred Business is NT\$127,694,000. In this regard, the business value of the Transferred Business is NT\$2,435,600,000. The forecasted book values of the assets and liabilities of the Transferred Business as of the Transfer Record Date are as indicated below:

(In Thousand NTD)

Item	August 1, 2011	
	Amount	
Assets		
Current Assets	\$	311,192
Long-term Investments		3,128
Fixed Assets		2,013,493
Other Assets		235,481
Total Assets (1)		2,563,294
Liabilities		
Current Liabilities		58,613
Other Liabilities		69,081

Total Liabilities (2)		127,694
Business Value (1)-(2)	\$	<u>2,435,600</u>

Data Source : TSMC

3. TSMC Solid State Lighting will issue to TSMC a total of 243,560,000 common shares, at a per share price of NT\$10, as the consideration for its assumption of the Transferred Business value from TSMC.

II. Fairness of the Value of the Transferred Business and the Share Value Exchanged

TSMC, through the Transfer, transfers its existing Solid State Lighting Business (including assets and liabilities) to TSMC Solid State Lighting, its wholly-owned, newly incorporated subsidiary, and TSMC Solid State Lighting in turn issues 243,560,000 common shares to TSMC as the consideration for its assumption of the net assets of the Transferred Business from TSMC. In this regard, the number of shares to be issued by TSMC Solid State Lighting in exchange for the Transfer is determined and calculated based on the value of the Transferred Business (including assets and liabilities) of TSMC, and the value of the newly issued common shares of TSMC Solid State Lighting, which are as detailed below:

1. The Transfer is an internal restructuring of TSMC's business and organization rather than an actual transaction. A letter issued by the Accounting Research and Development Foundation on June 14, 2002 (Ref. No. Gi-Mi-Tze-128) (the "ARDF Letter"), provides that, "with respect to the accounting treatments involved in a transfer transaction, if a company (transferor) transfers its businesses to another company (transferee) and obtains such other company's shares in return, and the transferor and the transferee are affiliates, the transaction thereunder is in the nature of an organizational restructuring. In that regard, the accounting treatments shall be adopted by using net amount of the book value of the assets (if there is any asset impairment, then using the amount after recognition of relevant losses) less the liabilities as the cost for obtaining the equity, and as a result, no gain will be recognized from such exchange by the transferor. The transferee shall use the net amount of transferor's book value of the assets (if there is any asset impairment, then using the amount after recognition of relevant losses) less the liabilities as a basis to calculate the cost for obtaining the assets and liabilities. The net amount shall also be used as the value of the newly issued common shares, among which, the par value shall be recorded as share capital, and any amount exceeding the par value shall be recorded as capital surplus." Since TSMC Solid State Lighting will in turn issue new shares to TSMC as consideration, TSMC's proposal to transfer based on the net asset book value amount of NT\$ 2,435,600,000 is in accordance with the accounting principles.
2. TSMC Solid State Lighting issues 243,560,000 new shares at a per share price of NT\$10 as the consideration for its assumption of the Transfer and acquires assets with a net value of NT\$2,435,600,000, which is equivalent to the book value of NT\$2,435,600,000 of the Transferred Business of TSMC. As TSMC Solid State Lighting is a wholly-owned, newly established subsidiary of

TSMC, and the value of the Transferred Business is equivalent to the net value of the new shares issued by TSMC Solid State Lighting, the Transfer value to the share value exchanged shall be deemed reasonable.

III. Impact on Shareholders' Interests

This Transfer Plan in essence is an internal restructuring of TSMC's business and organization, where TSMC transfers its existing Solid State Lighting Business to TSMC Solid State Lighting. As TSMC Solid State Lighting is a wholly-owned, newly established subsidiary of TSMC, shareholders of TSMC that own TSMC's shares would indirectly own TSMC Solid State Lighting's shares. In relation to the financial statements of TSMC, since TSMC Solid State Lighting will be wholly owned by TSMC, and the value of the newly issued shares of TSMC Solid State Lighting and the value of the Transferred Business are equal, the interests of TSMC's shareholders would not be materially affected. Moreover, after the Transfer, the profits of TSMC Solid State Lighting will be recognized as non-operating income, while there will not make any difference when analyzed as part of the consolidated financial statements. In view of the above, this Transfer Plan will have no material affect on the interests of TSMC's shareholders.

Based on the foregoing, the calculation of the Solid State Lighting Business (including assets and liabilities) to be transferred by TSMC and the share value exchanged has been based on TSMC's audited financial statements as of December 31, 2010, as well as taking into account the depreciations thereof, the capital expenditure plan and the forecasted changes in the related accounts up to the Transfer Record Date, and in accordance with the ARDF Letter, wherein TSMC Solid State Lighting issues 243,560,000 common shares to acquire net assets of NT\$ 2,435,600,000.

Upon review of the relevant calculation in the forecasted data as of the Transfer Record Date provided by TSMC, we believe that the calculation of the Transfer value to the share value exchanged is fair and reasonable.

This opinion is only provided to the board of directors and shareholders' meeting of TSMC for reference and for reporting to relevant authorities and may not be used for other purposes without prior written consent.

First Elite CPAs & Co.

LEE MENG-SHIU, CPA

April 25, 2011

LIST OF INDEPENDENT DIRECTOR CANDIDATES

Name	Shareholdings	Education, Professional Qualifications & Recognitions	Major Past Positions	Current Positions
Gregory C. Chow	—	<ul style="list-style-type: none"> ● Bachelor Degree in Economics, Cornell University, 1951 ● Master Degree in Economics, Chicago University, 1952 ● Ph.D. in Economics, Chicago University, 1955 ● Academician, Academia Sinica, R.O.C. (1970) ● Member, American Philosophical Society ● Fellow of the American Statistical Association ● Fellow of the Econometric Society ● President, Society of Economic Dynamics and Control (1979) ● Honorary Doctor's, Zhongshan University (1986) ● L L D, Lingnan University (1994) ● Hon. Dr. of Business Adm, Hong Kong University of Science and Technology ● Honorary Professor of Fudan, Guangxi, 	<ul style="list-style-type: none"> ● 1955-1959 Assistant Professor, Sloan School of Management of M.I.T. ● 1959-1962 Associate Professor, Cornell University ● 1962-1970 Staff Member, Manager of Economics Research, IBM Thomas Watson Research Center ● 1965-1970 Adjunct Professor, Columbia University ● 1970-2001 Professor of Economics, Princeton University ● 1970-1997 Director, Econometric Research Program, Princeton University (In 2001 Princeton University renamed the Program the Gregory C. Chow Econometric Research Program in his honor.) ● 1997-2001 Class of 1913 Professor of Political Economy, Princeton University ● 1981-1994 Chairman of the American Economic Association's Committee 	<ul style="list-style-type: none"> ● Professor of Economics and Class of 1913 Professor of Political Economy, Emeritus, Princeton University ● Lecturer with the Rank of Professor, Princeton University

Name	Shareholdings	Education, Professional Qualifications & Recognitions	Major Past Positions	Current Positions
		<p>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</p> <ul style="list-style-type: none"> Publications include fourteen books and over 200 articles 	<p>on Exchanges in Economics with the People's Republic of China</p> <ul style="list-style-type: none"> 1985-1994 Co-chairman of the U.S. Committee on Economics Education and Research in China 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 Advisor to the Prime Minister and the State Commission for Restructuring the Economic System on economic reform in China, 1985-1989 	
Kok-Choo Chen	112,000 shares	<ul style="list-style-type: none"> Inns of Court School of Law, England Barrister-at-law, England Advocate & Solicitor, Singapore Attorney-at-law, California, U.S.A. 	<p>Professional Experience:</p> <ul style="list-style-type: none"> 1997-2001 Senior Vice-President & General Counsel, TSMC 1995-1997 President, National Culture & Arts Foundation, R.O.C. 1992-1995 Vice-President, Echo Publishing, Taiwan 1988-1992 Partner, Chen & Associates Law 	<ul style="list-style-type: none"> Sponsor and Founder, two Taiwan heritage site museums (Taipei Story House and Futai Street Mansion) Advisor, Executive Yuan, R.O.C.

Name	Shareholdings	Education, Professional Qualifications & Recognitions	Major Past Positions	Current Positions
			<p>Offices, Taiwan</p> <ul style="list-style-type: none"> ● 1975-1988 Partner, Ding & Ding Law Offices, Taiwan ● 1974-1975 Lawyer, Heller, Ehrman, White & McAuliffe, San Francisco, California, U.S.A. ● 1971-1974 Lawyer, Sullivan & Cromwell, New York, U.S.A. ● 1969-1970 Lawyer, Tan, Rajah & Cheah, Singapore <p>Academic Experience:</p> <ul style="list-style-type: none"> ● 2001-2008 Professor, Soochow University ● 2001-2004 Professor, National Chengchi University ● 1999-2002 Chair Professor, National Tsing Hua University ● 1981-1998 Associate Professor, Soochow University ● 1970-1971 Lecturer, Nanyang University, Singapore 	<ul style="list-style-type: none"> ● Advisor, Taipei City Government ● Independent Director of: <ul style="list-style-type: none"> - Fubon Financial Holding Co. Ltd. - Taipei Fubon Bank - Fubon Insurance Co. Ltd. ● Director of: <ul style="list-style-type: none"> - TSMC Education and Culture Foundation - National Culture and Arts Foundation, R.O.C. - Taipei City Cultural Foundation - Republic of China Female Cancer Foundation

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' bonus and Employees' Profit Sharing

The Board adopted a proposal for 2010 bonus to Directors and employees' cash profit sharing at its Meeting on February 15, 2011. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 9, 2011.

1. Employees' cash profit sharing: NT\$10,908,338,094.
2. Directors' bonus: NT\$51,131,000.
3. The amounts of the above-mentioned items, which have been expensed under the Company's 2010 income statements, are the same as the amounts proposed by the Board.

Taiwan Semiconductor Manufacturing Company Limited

SHAREHOLDINGS OF ALL DIRECTORS

Record Date: April 11, 2011

Title Name	Date Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)	
		Shares	%	Shares	%
Chairman Morris Chang	6/10/2009	118,047,697	0.46%	121,137,914	0.47%
Vice Chairman F.C. Tseng	6/10/2009	36,144,509	0.14%	34,662,675	0.13%
National Development Fund, Executive Yuan Representative: Director Johnsee Lee	6/10/2009	1,645,482,861	6.42%	1,653,709,980	6.38%
Director Rick Tsai	6/10/2009	33,768,636	0.13%	34,371,046	0.13%
Independent Director Sir Peter Leahy Bonfield	6/10/2009	-	-	-	-
Independent Director Stan Shih	6/10/2009	1,472,922	0.01%	1,480,286	0.01%
Independent Director Thomas J. Engibous	6/10/2009	-	-	-	-
Total		1,834,916,625	7.16%	1,845,361,901	7.12%

Note 1: Total shares issued as of 6/10/2009: 25,626,311,653 Common Shares.

Note 2: Total shares issued as of 4/11/2011: 25,914,283,114 Common Shares.

Explanatory Note:

Under the relevant laws and regulations of the ROC, TSMC's Directors are required to hold in the aggregate not less than 207,314,264 TSMC shares. As of April 11, 2011, TSMC's Directors together held 1,843,881,615 TSMC shares. (Shares held by independent directors are not counted in the above calculations.)