

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2010 and 2009 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2010, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

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MORRIS CHANG  
Chairman

January 24, 2011

## **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)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 147,886,955	20	\$ 171,276,341	29	Short-term loans (Note 15)	\$ 31,213,944	4	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	6,886	-	186,081	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	19,002	-	25	-
Available-for-sale financial assets (Notes 2, 6 and 25)	28,883,728	4	14,389,946	2	Hedging derivative financial liabilities (Notes 2, 11 and 25)	814	-	-	-
Held-to-maturity financial assets (Notes 2, 7 and 25)	4,796,589	1	9,944,843	2	Accounts payable	12,104,173	2	10,905,884	2
Receivables from related parties	2,722	-	12,524	-	Payables to related parties (Note 26)	867,085	-	783,007	-
Notes and accounts receivable	51,029,885	7	44,637,642	7	Income tax payable (Notes 2 and 20)	7,184,697	1	8,800,249	1
Allowance for doubtful receivables (Notes 2 and 8)	(504,029)	-	(543,325)	-	Salary and bonus payable	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)	Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	11,096,147	2	6,818,343	1
Other receivables from related parties (Note 26)	124,586	-	121,292	-	Payables to contractors and equipment suppliers	43,259,857	6	28,924,265	5
Other financial assets (Note 27)	1,021,552	-	1,849,987	-	Accrued expenses and other current liabilities (Notes 18, 25 and 29)	10,779,923	1	12,635,182	2
Inventories (Notes 2, 3 and 9)	28,405,984	4	20,913,751	4	Current portion of long-term bank loans (Notes 17, 25 and 27)	241,407	-	949,298	-
Deferred income tax assets (Notes 2 and 20)	5,373,076	1	4,370,309	1					
Prepaid expenses and other current assets	2,037,647	-	1,368,838	-					
<b>Total current assets</b>	<b>261,519,317</b>	<b>36</b>	<b>259,803,748</b>	<b>44</b>	<b>Total current liabilities</b>	<b>123,191,113</b>	<b>17</b>	<b>79,133,288</b>	<b>13</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)</b>					<b>LONG-TERM LIABILITIES</b>				
Investments accounted for using equity method	25,815,385	4	17,871,208	3	Bonds payable (Notes 16 and 25)	4,500,000	1	4,500,000	1
Available-for-sale financial assets	1,033,049	-	1,358,049	-	Long-term bank loans (Notes 17, 25 and 27)	301,561	-	578,560	-
Held-to-maturity financial assets	8,502,887	1	15,553,242	3	Other long-term payables (Notes 18, 25 and 29)	6,554,208	1	5,602,420	1
Financial assets carried at cost	4,424,207	1	3,063,004	1	Obligations under capital leases (Notes 2, 13 and 25)	694,986	-	707,499	-
<b>Total long-term investments</b>	<b>39,775,528</b>	<b>6</b>	<b>37,845,503</b>	<b>7</b>	<b>Total long-term liabilities</b>	<b>12,050,755</b>	<b>2</b>	<b>11,388,479</b>	<b>2</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)</b>					<b>OTHER LIABILITIES</b>				
Cost					Accrued pension cost (Notes 2 and 19)	3,812,351	1	3,797,032	1
Land and land improvements	891,197	-	934,090	-	Guarantee deposits (Note 29)	789,098	-	1,006,023	-
Buildings	145,966,024	20	142,294,558	24	Deferred credits	126,539	-	185,689	-
Machinery and equipment	913,155,252	127	775,653,489	130	Others	254,643	-	137,161	-
Office equipment	14,856,582	2	13,667,747	2	<b>Total other liabilities</b>	<b>4,982,631</b>	<b>1</b>	<b>5,125,905</b>	<b>1</b>
Leased assets	701,552	-	714,424	-	<b>Total liabilities</b>	<b>140,224,499</b>	<b>20</b>	<b>95,647,672</b>	<b>16</b>
	1,075,570,607	149	933,264,308	156	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Accumulated depreciation	(773,278,157)	(107)	(693,743,886)	(117)	Capital stock - NTS10 par value (Note 22)				
Advance payments and construction in progress	86,151,573	12	34,154,365	6	Authorized: 28,050,000 thousand shares				
<b>Net property, plant and equipment</b>	<b>388,444,023</b>	<b>54</b>	<b>273,674,787</b>	<b>45</b>	Issued: 25,910,078 thousand shares in 2010	259,100,787	36	259,027,066	43
					25,902,706 thousand shares in 2009	55,698,434	8	55,486,010	9
<b>INTANGIBLE ASSETS</b>					Capital surplus (Notes 2 and 22)				
Goodwill (Note 2)	5,704,897	1	5,931,318	1	Retained earnings (Note 22)				
Deferred charges, net (Notes 2 and 14)	6,027,085	1	6,458,554	1	Appropriated as legal capital reserve	86,239,494	12	77,317,710	13
<b>Total intangible assets</b>	<b>11,731,982</b>	<b>2</b>	<b>12,389,872</b>	<b>2</b>	Appropriated as special capital reserve	1,313,047	-	-	-
					Unappropriated earnings	178,227,030	24	104,564,972	18
					Others (Notes 2, 11 and 25)	265,779,571	36	181,882,682	31
<b>OTHER ASSETS</b>					Cumulative translation adjustments	(6,543,163)	(1)	(1,766,667)	-
Deferred income tax assets (Notes 2 and 20)	7,362,784	1	7,988,303	1	Unrealized gain on financial instruments	109,289	-	453,621	-
Refundable deposits	8,677,970	1	2,733,143	1		(6,433,874)	(1)	(1,313,046)	-
Others (Notes 2 and 27)	1,417,300	-	260,864	-	<b>Equity attributable to shareholders of the parent</b>	<b>574,144,918</b>	<b>79</b>	<b>495,082,712</b>	<b>83</b>
<b>Total other assets</b>	<b>17,458,054</b>	<b>2</b>	<b>10,982,310</b>	<b>2</b>	<b>MINORITY INTERESTS (Note 2)</b>	<b>4,559,487</b>	<b>1</b>	<b>3,965,836</b>	<b>1</b>
					<b>Total shareholders' equity</b>	<b>578,704,405</b>	<b>80</b>	<b>499,048,548</b>	<b>84</b>
<b>TOTAL</b>	<b>\$ 718,928,904</b>	<b>100</b>	<b>\$ 594,696,220</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 718,928,904</b>	<b>100</b>	<b>\$ 594,696,220</b>	<b>100</b>

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	%																				
<b>NON-OPERATING EXPENSES AND LOSSES</b>																								
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			Retained Earnings				Others			Minority Interests	Total Shareholders' Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total		
BALANCE, JANUARY 1, 2009	25,625,437	\$ 256,254,373	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 170,053,667	\$ 481,158	\$ (287,342)	\$ 476,377,111	\$ 3,995,356	\$ 480,372,467
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	9,993,317	-	(9,993,317)	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(391,857)	391,857	-	-	-	-	-	-
Cash dividends to shareholders - NTS\$3.00 per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	(76,876,312)	-	(76,876,312)
Stock dividends to shareholders - NTS\$0.02 per share	51,251	512,509	-	-	-	(512,509)	(512,509)	-	-	-	-	-
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	-	-	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	6,047	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	181,882,682	(1,766,667)	453,621	495,082,712	3,965,836	499,048,548
Appropriations of prior year's earnings												
Legal capital reserve	-	-	-	8,921,784	-	(8,921,784)	-	-	-	-	-	-
Special capital reserve	-	-	-	-	1,313,047	(1,313,047)	-	-	-	-	-	-
Cash dividends to shareholders - NTS\$3.00 per share	-	-	-	-	-	(77,708,120)	(77,708,120)	-	-	(77,708,120)	-	(77,708,120)
Net income in 2010	-	-	-	-	-	161,605,009	161,605,009	-	-	161,605,009	676,921	162,281,930
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(17,885)	-	-	-	-	-	-	(17,885)	4,387	(13,498)
Translation adjustments	-	-	-	-	-	-	-	(4,776,496)	-	(4,776,496)	7,258	(4,769,238)
Issuance of stock from exercising employee stock options	7,372	73,721	171,103	-	-	-	-	-	-	244,824	-	244,824
Valuation gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(337,970)	(337,970)	3,949	(334,021)
Net change in shareholders' equity from equity method investees	-	-	59,206	-	-	-	-	-	(6,031)	53,175	31,702	84,877
Net change in unrealized loss on hedging derivative financial instruments	-	-	-	-	-	-	-	-	(331)	(331)	(483)	(814)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(130,083)	(130,083)
BALANCE, DECEMBER 31, 2010	<u>25,910,078</u>	<u>\$ 259,100,787</u>	<u>\$ 55,698,434</u>	<u>\$ 86,239,494</u>	<u>\$ 1,313,047</u>	<u>\$ 178,227,030</u>	<u>\$ 265,779,571</u>	<u>\$ (6,543,163)</u>	<u>\$ 109,289</u>	<u>\$ 574,144,918</u>	<u>\$ 4,559,487</u>	<u>\$ 578,704,405</u>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>229,475,766</u>	<u>159,966,465</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)

	2010	2009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)

	2010	2009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 392,805</u>	<u>\$ 580,376</u>
Income tax paid	<u>\$ 9,818,418</u>	<u>\$ 8,088,124</u>
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	<u>-</u>	<u>(4,171)</u>
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	<u>(65,541)</u>	<u>-</u>
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	<u>(124,746)</u>	<u>(809)</u>
Cash received	<u>\$ 115,524</u>	<u>\$ 24,241</u>
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	<u>\$ 241,407</u>	<u>\$ 949,298</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,406,601</u>	<u>\$ 4,005,307</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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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#### 1. GENERAL

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

As of December 31, 2010 and 2009, TSMC and its subsidiaries had 38,393 and 26,390 employees, respectively.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

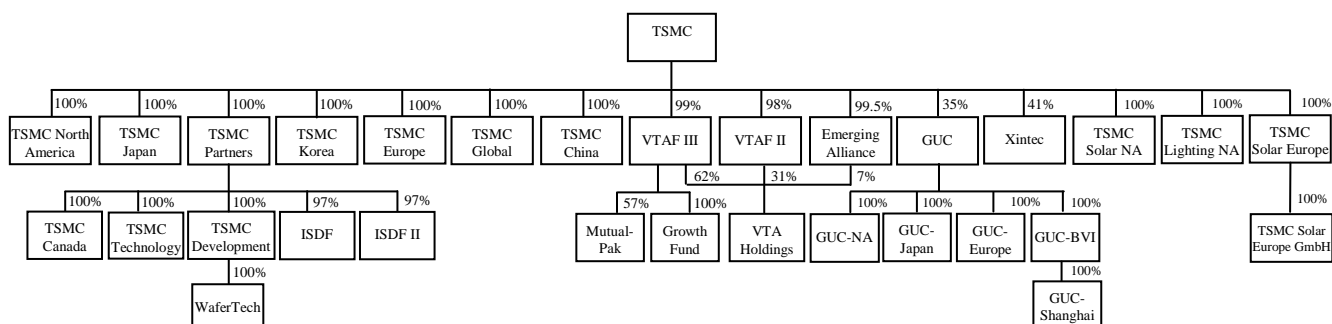
##### **Principles of Consolidation**

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

The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		2010	2009	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	TSMC Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	99%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	35%	35 %	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	41%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
	TSMC Solar North America, Inc. (TSMC Solar NA)	100%	-	Established in September 2010
TSMC Lighting North America, Inc. (TSMC Lighting NA)	100%	-	Established in September 2010	
TSMC Solar Europe B.V. (TSMC Solar Europe)	100%	-	Established in September 2010	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
	TSMC Technology, Inc. (TSMC Technology)	100%	100%	-
	TSMC Development, Inc. (TSMC Development)	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	-
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	-
TSMC Development	WaferTech, LLC (WaferTech)	100%	99.9%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	57%	59%	-
	Growth Fund Limited (Growth Fund)	100%	100%	-
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-
GUC	Global Unichip Corp.-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	100%	-
	Global Unichip (BVI) Corp. (GUC-BVI)	100%	100%	-
GUC-BVI	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	100%	-	Established in January 2010
TSMC Solar Europe	TSMC Solar Europe GmbH	100%	-	Established in December 2010

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of December 31, 2010:



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

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

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

### Use of Estimates

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

### Classification of Current and Noncurrent Assets and Liabilities

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

## **Cash Equivalents**

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

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

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

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

## **Hedging Derivative Financial Instruments**

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

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The amount of the allowance for doubtful receivables is determined based on the account aging analysis and current trends in the credit quality of the customers. TSMC's provision is set at 1% of the amount of outstanding receivables.

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

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

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

### **Inventories**

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

Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods.

As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.



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

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

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

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

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

## **Financial Assets Carried at Cost**

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

### **Stock-based Compensation**

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

### **Profit Sharing to Employees and Bonus to Directors and Supervisors**

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," which requires companies to record profit sharing to employees and bonus to directors and supervisors as an expense rather than as an appropriation of earnings.

### **Foreign-currency Transactions**

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

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

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

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

## **3. ACCOUNTING CHANGES**

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standard (SFAS) No. 10, "Accounting for Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the year in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the year. Such changes in accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2009.

#### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2010</b>	<b>2009</b>
Cash and deposits in banks	\$ 146,622,854	\$ 167,448,973
Repurchase agreements collateralized by government bonds	960,432	3,359,754
Corporate bonds	151,840	54,451
Agency bonds	151,829	253,013
Corporate issued notes	<u>-</u>	<u>160,150</u>
	<u>\$ 147,886,955</u>	<u>\$ 171,276,341</u>

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

	<u>December 31</u>	
	<b>2010</b>	<b>2009</b>
<u>Trading financial assets</u>		
Forward exchange contracts	\$ 6,886	\$ 4,338
Cross currency swap contracts	<u>-</u>	<u>181,743</u>
	<u>\$ 6,886</u>	<u>\$ 186,081</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	<u>\$ 19,002</u>	<u>\$ 25</u>

The Company entered into derivative contracts during the years ended December 31, 2010 and 2009 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2010</u>		
Sell NT\$/Buy JPY	January 2011 to February 2011	NT\$814,882/JPY2,278,420
Sell EUR/Buy US\$	February 2011	EUR3,067/US\$4,093
Sell RMB/Buy US\$	May 2011 to June 2011	RMB529,190/US\$80,000
Sell US\$/Buy NT\$	January 2011 to March 2011	US\$11,800/NT\$353,076
<u>December 31, 2009</u>		
Sell US\$/Buy NT\$	February 2010	US\$21,300/NT\$686,788

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>December 31, 2009</u>			
January 2010 to February 2010	US\$750,000/NT\$24,201,706	0.24%-0.70%	0.00%-0.38%

For the years ended December 31, 2010 and 2009, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$320,730 thousand and NT\$594,660 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 14,871,120	\$ 7,042,219
Agency bonds	8,021,192	5,032,037
Publicly traded stocks	4,634,170	574,865
Government bonds	2,014,127	2,341,780
Money market funds	376,168	283,713
Corporate issued notes	-	303,367
Open-end mutual funds	-	170,014
	<u>29,916,777</u>	<u>15,747,995</u>
Current portion	<u>(28,883,728)</u>	<u>(14,389,946)</u>
	<u>\$ 1,033,049</u>	<u>\$ 1,358,049</u>

For the year ended December 31, 2009, the Company recognized impairment on available-for-sale financial assets of NT\$201,346 thousand.

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 12,843,956	\$ 15,120,048
Government bonds	455,520	3,378,037
Structured time deposits	-	7,000,000
	<u>13,299,476</u>	<u>25,498,085</u>
Current portion	<u>(4,796,589)</u>	<u>(9,944,843)</u>
	<u>\$ 8,502,887</u>	<u>\$ 15,553,242</u>

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>December 31, 2009</u>				
Callable domestic deposits	<u>\$ 7,000,000</u>	<u>\$ 4,308</u>	0.36%-0.95%	July 2010 to August 2011 (redeemed by the issuer from February 2010 to July 2010)

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Years Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of year	\$ 543,325	\$ 455,751
Provision (reversal)	(37,028)	331,485
Write-off	<u>(2,268)</u>	<u>(243,911)</u>
Balance, end of year	<u>\$ 504,029</u>	<u>\$ 543,325</u>

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

	<b>Years Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of year	\$ 8,724,481	\$ 6,071,026
Provision	12,092,947	13,913,375
Write-off	<u>(13,271,164)</u>	<u>(11,259,920)</u>
Balance, end of year	<u>\$ 7,546,264</u>	<u>\$ 8,724,481</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Finished goods	\$ 5,118,060	\$ 2,743,450
Work in process	19,376,372	15,302,010
Raw materials	1,947,396	1,541,599
Supplies and spare parts	<u>1,964,156</u>	<u>1,326,692</u>
	<u>\$ 28,405,984</u>	<u>\$ 20,913,751</u>

Write-down of inventories to net realizable value in the amount of NT\$900,221 thousand were included in the cost of sales for the year ended December 31, 2010. The reversal of previously recognized inventory write-downs amounting to NT\$428,162 thousand was recorded for the year ended December 31, 2009. Inventory losses related to earthquake damage in the amount of NT\$190,992 thousand were classified under non-operating expenses and losses for the year ended December 31, 2010.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,422,452	38	\$ 9,365,232	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	7,120,714	39	6,157,141	39
Motech Industries Inc. (Motech)	6,733,369	20	-	-
VisEra Holding Company (VisEra Holding)	2,522,267	49	2,273,065	49
Aiconn Technology Corporation (Aiconn)	16,583	43	18,116	42
Mcube Inc. (Mcube)	-	70	25,624	70
Preferred stock				
Mcube	-	10	32,030	10
	<u>\$ 25,815,385</u>		<u>\$ 17,871,208</u>	

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

In September 2009, the Company acquired common stock and preferred stock of Mcube for NT\$57,960 thousand. The Company took both ownership of stock and controlling power into consideration and concluded that the Company did not have controlling interest over Mcube. Accordingly, the Company applied equity method to account for this investment and the related equity in earnings/losses.

For the years ended December 31, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT\$2,298,159 thousand and NT\$45,994 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except for Aiconn and Mcube. The Company believes that, had Aiconn and Mcube's financial statements been audited, any adjustments arising would have had no material effect on the Company's consolidated financial statements.

As of December 31, 2010 and 2009, the quoted market price of publicly traded stocks in unrestricted investments accounted for using the equity method (VIS) was NT\$9,297,707 thousand and NT\$10,114,398 thousand, respectively.

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

	Years Ended December 31	
	2010	2009
Balance, beginning of year	\$ 1,391,500	\$ 1,990,621
Additions	2,055,660	-
Amortization	<u>(955,269)</u>	<u>(599,121)</u>
Balance, end of year	<u>\$ 2,491,891</u>	<u>\$ 1,391,500</u>

Movements of the difference allocated to goodwill were as follows:

	<b>Years Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of year	\$ 1,061,885	\$ 1,061,885
Additions	<u>353,680</u>	<u>-</u>
Balance, end of year	<u>\$ 1,415,565</u>	<u>\$ 1,061,885</u>

## 11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

**December 31,  
2010**

### Hedging derivative financial liabilities

Interest rate swap contract \$ 814

The Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates. As of December 31, 2010, the outstanding interest rate swap contract consisted of the following:

<b>Contract Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
NT\$128,000	August 31, 2012	1.38%	0.56%-0.63%

The adjustment to shareholders' equity and the amount removed from shareholders' equity and recognized a loss as a result of the above interest rate swap contract amounted to NT\$814 thousand and NT\$352 thousand, respectively.

## 12. FINANCIAL ASSETS CARRIED AT COST

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Non-publicly traded stocks	\$ 4,264,956	\$ 2,899,600
Mutual funds	<u>159,251</u>	<u>163,404</u>
	<u>\$ 4,424,207</u>	<u>\$ 3,063,004</u>

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





## 14. DEFERRED CHARGES, NET

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

	Year Ended December 31, 2009						Balance, End of Year
	Balance, Beginning of Year	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	
Technology license fees	\$ 4,125,212	\$ 2,000	\$ (902,061)	\$ -	\$ 378	\$ 5,095	\$ 3,230,624
Software and system design costs	1,801,831	965,230	(928,583)	-	(3,864)	(86)	1,834,528
Patent and others	<u>1,198,785</u>	<u>502,601</u>	<u>(299,731)</u>	<u>-</u>	<u>(5,502)</u>	<u>(2,751)</u>	<u>1,393,402</u>
	<u>\$ 7,125,828</u>	<u>\$ 1,469,831</u>	<u>\$ (2,130,375)</u>	<u>\$ -</u>	<u>\$ (8,988)</u>	<u>\$ 2,258</u>	<u>\$ 6,458,554</u>

## 15. SHORT-TERM LOANS

**December 31,  
2010**

Unsecured loans:

US\$874,000 thousand and EUR114,900 thousand, due from January 2011 to February 2011, annual interest at 0.38%-1.84%

\$ 31,213,944

## 16. BONDS PAYABLE

**December 31**

**2010**

**2009**

Domestic unsecured bonds:

Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually

\$ 4,500,000

\$ 4,500,000

## 17. LONG-TERM BANK LOANS

**December 31**

**2010**

**2009**

Secured loans:

Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.24% in 2010 and 0.67%-2.70% in 2009

\$ 542,968

\$ 788,263

US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68%-0.97% in 2009

-

640,895

Repayable from December 2007 in 8 semi-annual installments, fully repaid in June 2010, annual interest at 1.10%-2.42%

-

98,700

542,968

1,527,858

Current portion

(241,407)

(949,298)

\$ 301,561

\$ 578,560

Pursuant to the loan agreements, financial ratios calculated based on semi-annual and annual audited financial statements of Xintec must comply with predetermined financial covenants. As of December 31, 2010, Xintec was in compliance with all such financial covenants.

As of December 31, 2010, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2011	\$ 241,407
2012	241,407
2013	<u>60,154</u>
	<u>\$ 542,968</u>

## 18. OTHER LONG-TERM PAYABLES

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Payables for acquisition of property, plant and equipment (Note 29j)	\$ 7,112,172	\$ 8,355,395
Payables for royalties	<u>848,637</u>	<u>1,252,332</u>
	7,960,809	9,607,727
Current portion (classified under accrued expenses and other current liabilities)	<u>(1,406,601)</u>	<u>(4,005,307)</u>
	<u>\$ 6,554,208</u>	<u>\$ 5,602,420</u>

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

As of December 31, 2010, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2011	\$ 1,406,601
2012	675,672
2013	569,659
2014	<u>5,308,877</u>
	<u>\$ 7,960,809</u>

## 19. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe, TSMC Canada and TSMC Solar NA are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$1,121,650 thousand and NT\$748,071 thousand for the years ended December 31, 2010 and 2009, respectively.

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

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

a. Components of net periodic pension cost for the year

	<b>2010</b>	<b>2009</b>
Service cost	\$ 129,722	\$ 166,480
Interest cost	146,625	150,647
Projected return on plan assets	(40,967)	(57,382)
Amortization	<u>2,196</u>	<u>29,924</u>
Net periodic pension cost	<u>\$ 237,576</u>	<u>\$ 289,669</u>

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
Benefit obligation		
Vested benefit obligation	\$ 189,047	\$ 123,524
Nonvested benefit obligation	<u>5,432,624</u>	<u>3,790,560</u>
Accumulated benefit obligation	5,621,671	3,914,084
Additional benefits based on future salaries	<u>3,667,087</u>	<u>2,643,695</u>
Projected benefit obligation	9,288,758	6,557,779
Fair value of plan assets	<u>(2,907,156)</u>	<u>(2,661,566)</u>
Funded status	6,381,602	3,896,213
Unrecognized net transition obligation	(84,230)	(92,777)
Prior service cost	154,738	161,977
Unrecognized net loss	<u>(2,639,759)</u>	<u>(168,381)</u>
Accrued pension cost	<u>\$ 3,812,351</u>	<u>\$ 3,797,032</u>
Vested benefit	<u>\$ 208,176</u>	<u>\$ 135,501</u>

c. Actuarial assumptions at December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
Discount rate used in determining present values	1.75%-2.25%	2.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	2.00%-2.50%	1.50%-2.00%

d. Contributions to the Funds for the year

<u>\$ 212,248</u>	<u>\$ 194,221</u>
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e. Payments from the Funds for the year

<u>\$ 19,991</u>	<u>\$ 37,801</u>
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## 20. INCOME TAX

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

	<b>Years Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Income tax expense based on “income before income tax” at statutory rates	\$ 30,456,361	\$ 24,182,953
Tax effect of the following:		
Tax-exempt income	(17,410,223)	(8,652,030)
Temporary and permanent differences	(827,033)	3,136,013
Others	-	247,050
Additional tax at 10% on unappropriated earnings	138,243	30,707
Net operating loss carryforwards used	(529,347)	(66,135)
Income tax credits used	<u>(4,887,947)</u>	<u>(9,984,616)</u>
Income tax currently payable	<u>\$ 6,940,054</u>	<u>\$ 8,893,942</u>

- b. Income tax expense consisted of the following:

	<b>Years Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Income tax currently payable	\$ 6,940,054	\$ 8,893,942
Income tax adjustments on prior years	977,876	(1,159,353)
Other income tax adjustments	373,051	23,023
Net change in deferred income tax assets		
Investment tax credits	(7,129,517)	(1,291,102)
Net operating loss carryforwards	546,234	59,940
Temporary differences	(78,187)	(1,042,295)
Valuation allowance	<u>6,358,954</u>	<u>512,269</u>
Income tax expense	<u>\$ 7,988,465</u>	<u>\$ 5,996,424</u>

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

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Current deferred income tax assets		
Investment tax credits	\$ 4,282,132	\$ 3,304,092
Temporary differences		
Allowance for sales returns and others	653,452	814,557
Unrealized gain/loss on financial instruments	87,735	-
Others	488,806	394,890
Valuation allowance	<u>(139,049)</u>	<u>(143,230)</u>
	<u>\$ 5,373,076</u>	<u>\$ 4,370,309</u>

(Continued)

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 18,336,101	\$ 12,184,624
Net operating loss carryforwards	2,735,278	3,440,825
Temporary differences		
Depreciation	2,160,248	1,986,421
Others	414,830	481,866
Valuation allowance	<u>(16,283,673)</u>	<u>(10,105,433)</u>
	<u>\$ 7,362,784</u>	<u>\$ 7,988,303</u>
		(Concluded)

Effective in May 2009 and June 2010, the Article 5 of the Income Tax Law of the Republic of China was amended, in which the income tax rate of profit-seeking enterprises would be reduced from 25% to 20% and from 20% to 17%, respectively. The last amended income tax rate of 17% is retroactively applied on January 1, 2010. TSMC and its domestic subsidiaries which are subject to the Income Tax Law of the Republic of China recalculated their deferred tax assets in accordance with the new amended Article and adjusted the resulting difference as an income tax expense in 2010 and 2009, respectively.

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

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

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of December 31, 2010 and 2009 was NT\$1,669,533 thousand and NT\$369,265 thousand, respectively.

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

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

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

- f. As of December 31, 2010, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 114,677	\$ -	2010
		66,368	66,368	2011
		3,220,393	2,519,887	2012
		6,052,758	6,052,758	2013
		<u>6,369,512</u>	<u>6,369,512</u>	2014
		<u>\$ 15,823,708</u>	<u>\$ 15,008,525</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,020,212	\$ -	2010
		1,192,759	114,431	2011
		2,921,041	2,921,041	2012
		<u>4,523,367</u>	<u>4,523,367</u>	2013
				<u>\$ 9,657,379</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 759	\$ -	2010
		20,081	788	2011
		32,286	32,286	2012
		<u>17,795</u>	<u>17,795</u>	2013
				<u>\$ 70,921</u>
Statute for Industrial Innovation	Research and development expenditures	<u>\$ 2,049,996</u>	<u>\$ -</u>	2010

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

	Tax-Exemption Period
Construction and expansion of 2001 by TSMC	2006 to 2010
Construction and expansion of 2003 by TSMC	2007 to 2011
Construction and expansion of 2004 by TSMC	2008 to 2012
Construction and expansion of 2005 by TSMC	2010 to 2014
Construction and expansion of 2003 by GUC	2007 to 2011
Construction and expansion of 2005 and 2006 by GUC	To be determined
Construction and expansion of 2003 by Xintec	2007 to 2011
Construction and expansion of 2002, 2003 and 2006 by Xintec	2010 to 2014

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

## 21. LABOR COST, DEPRECIATION AND AMORTIZATION

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

	<b>Year Ended December 31, 2009</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 18,122,593	\$ 15,798,756	\$ 33,921,349
Labor and health insurance	698,566	579,231	1,277,797
Pension	603,765	433,910	1,037,675
Meal	442,328	195,758	638,086
Welfare	527,662	201,487	729,149
Others	<u>134,334</u>	<u>233,258</u>	<u>367,592</u>
	<u>\$ 20,529,248</u>	<u>\$ 17,442,400</u>	<u>\$ 37,971,648</u>
Depreciation	<u>\$ 74,482,133</u>	<u>\$ 4,180,237</u>	<u>\$ 78,662,370</u>
Amortization	<u>\$ 1,259,949</u>	<u>\$ 870,426</u>	<u>\$ 2,130,375</u>

## 22. SHAREHOLDERS' EQUITY

As of December 31, 2010, 1,096,448 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,482,242 thousand (one ADS represents five common shares).

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



Capital surplus consisted of the following:

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Additional paid-in capital	\$ 23,628,908	\$ 23,457,805
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	370,891	329,570
Donations	<u>55</u>	<u>55</u>
	<u>\$ 55,698,434</u>	<u>\$ 55,486,010</u>

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

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

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

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

TSMC accrued profit sharing to employees as a charge to earnings of certain percentage of net income during the year amounted to NT\$10,908,338 thousand and NT\$6,691,338 thousand for the years ended December 2010 and 2009, respectively; bonuses to directors were accrued with an estimate based on historical experience. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2009 and 2008 had been approved in the TSMC's shareholders meetings held on June 15, 2010 and June 10, 2009, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2008</b>	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2008</b>
Legal capital reserve	\$ 8,921,784	\$ 9,993,317		
Special capital reserve	1,313,047	(391,857)		
Cash dividends to shareholders	77,708,120	76,876,312	\$ 3.00	\$ 3.00
Stock dividends to shareholders	-	512,509	-	0.02
	<u>\$ 87,942,951</u>	<u>\$ 86,990,281</u>		

TSMC's profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT\$6,691,338 thousand and NT\$67,692 thousand for 2009, respectively, and profit sharing to employees to be paid in cash and in stock as well as bonus to directors in the amounts of NT\$7,494,988 thousand, NT\$7,494,988 thousand and NT\$158,080 thousand for 2008, respectively, had been approved in the shareholders' meeting held on June 15, 2010 and June 10, 2009, respectively. The profit sharing to employees in stock of 141,870 thousand shares for 2008 was determined by the closing price of the TSMC's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting, which was NT\$52.83. The resolved amounts of the profit sharing to employees and bonus to directors were consistent with the resolutions of meeting of the Board of Directors held on February 9, 2010 and February 10, 2009 and same amount had been charged against earnings of 2009 and 2008, respectively.

The shareholders' meeting held on June 10, 2009 also resolved to distribute stock dividends out of capital surplus, and stock dividends to shareholders as well as profit sharing to employees to be paid in stock in the amount of NT\$768,763 thousand, NT\$512,509 thousand and NT\$7,494,988 thousand, respectively.

As of January 24 2011, the Board of Directors of TSMC has not resolved the appropriation for earnings of 2010.

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

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

## 23. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of December 31, 2010.

Information about TSMC's outstanding options for the years ended December 31, 2010 and 2009 was as follows:

	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Year ended December 31, 2010</u>		
Balance, beginning of year	28,810	\$ 32.4
Options exercised	(7,372)	33.2
Options canceled	<u>(1)</u>	50.1
Balance, end of year	<u>21,437</u>	32.3
<u>Year ended December 31, 2009</u>		
Balance, beginning of year	36,234	34.0
Options granted	175	34.0
Options exercised	(7,272)	35.8
Options canceled	<u>(327)</u>	46.5
Balance, end of year	<u>28,810</u>	33.5

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

As of December 31, 2010, information about TSMC's outstanding options was as follows:

Range of Exercise Price (NT\$)	Number of Options (In Thousands)	Options Outstanding	
		Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)
\$21.7-\$30.5	16,438	2.20	\$ 28.2
38.0- 50.1	<u>4,999</u>	3.91	45.6
	<u>21,437</u>	2.60	32.3

As of December 31, 2010, all of the above outstanding options were exercisable.

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

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

Information about GUC's outstanding options for the years ended December 31, 2010 and 2009 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Prices (NT\$)</b>
<u>Year ended December 31, 2010</u>		
Balance, beginning of year	3,810	\$ 83.4
Options exercised	(1,592)	13.7
Options canceled	<u>(431)</u>	143.3
Balance, end of year	<u><u>1,787</u></u>	130.9
<u>Year ended December 31, 2009</u>		
Balance, beginning of year	5,557	\$ 63.8
Options granted	87	13.6
Options exercised	(1,475)	10.5
Options canceled	<u>(359)</u>	62.2
Balance, end of year	<u><u>3,810</u></u>	83.4

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

As of December 31, 2010, information about GUC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
\$ 15.3	493	0.67	\$ 15.3	493	\$ 15.3
175.0	<u>1,294</u>	3.00	175.0	<u>646</u>	175.0
	<u>1,787</u>	2.36	130.9	<u>1,139</u>	105.9

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

Information about Xintec's outstanding options for the years ended December 31, 2010 and 2009 was as follows:

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>Year ended December 31, 2010</u>		
Balance, beginning of year	3,960	\$ 14.7
Options exercised	(1,856)	13.9
Options canceled	<u>(272)</u>	17.3
Balance, end of year	<u>1,832</u>	15.1
<u>Year ended December 31, 2009</u>		
Balance, beginning of year	7,442	14.8
Options exercised	(2,552)	13.9
Options canceled	<u>(930)</u>	16.6
Balance, end of year	<u>3,960</u>	14.7

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

As of December 31, 2010, information about Xintec's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (In Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
\$12.1-\$14.0	793	5.75-6.04	\$ 12.5	664	\$ 12.5
15.2- 19.1	<u>1,039</u>	6.50-6.69	17.0	<u>497</u>	17.0
	<u>1,832</u>		15.1	<u>1,161</u>	14.4

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2010 and 2009. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions at the various grant dates and pro forma results of the Company for the years ended December 31, 2010 and 2009 would have been as follows:

Assumptions:

TSMC	Expected dividend yield	1.00%-3.44%
	Expected volatility	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%
	Expected life	5 years
GUC	Expected dividend yield	0.00%-0.60%
	Expected volatility	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%
	Expected life	3-6 years
Xintec	Expected dividend yield	0.80%
	Expected volatility	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%
	Expected life	3 years

	Years Ended December 31	
	2010	2009
Net income attributable to shareholders of the parent:		
As reported	\$ 161,605,009	\$ 89,217,836
Pro forma	161,470,030	88,838,182
Earnings per share (EPS) - after income tax (NT\$):		
Basic EPS as reported	\$6.24	\$3.45
Pro forma basic EPS	6.23	3.44
Diluted EPS as reported	6.23	3.44
Pro forma diluted EPS	6.23	3.43

## 24. EARNINGS PER SHARE

EPS is computed as follows:

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (In Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Year ended December 31, 2010</u>					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 169,520,145	\$ 161,605,009	25,905,832	<u>\$ 6.54</u>	<u>\$ 6.24</u>
Effect of dilutive potential common shares	<u>-</u>	<u>-</u>	<u>14,262</u>		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 169,520,145</u>	<u>\$ 161,605,009</u>	<u>25,920,094</u>	<u>\$ 6.54</u>	<u>\$ 6.23</u>
<u>Year ended December 31, 2009</u>					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 95,189,766	\$ 89,217,836	25,835,802	<u>\$ 3.68</u>	<u>\$ 3.45</u>
Effect of dilutive potential common shares	<u>-</u>	<u>-</u>	<u>77,319</u>		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 95,189,766</u>	<u>\$ 89,217,836</u>	<u>25,913,121</u>	<u>\$ 3.67</u>	<u>\$ 3.44</u>

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation has been considered for the effect of retroactive adjustments. This adjustment caused each the basic and diluted after income tax EPS for the year ended December 31, 2009 to remain at NT\$3.45 and NT\$3.44, respectively.

## 25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 6,886	\$ 6,886	\$ 186,081	\$ 186,081
Available-for-sale financial assets	29,916,777	29,916,777	15,747,995	15,747,995
Held-to-maturity financial assets	13,299,476	13,457,742	25,498,085	25,671,664
Financial assets carried at cost	4,424,207	-	3,063,004	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	19,002	19,002	25	25
Hedging derivative financial liabilities	814	814	-	-
Bonds payable	4,500,000	4,538,660	4,500,000	4,574,979
Long-term bank loans (including current portion)	542,968	542,968	1,527,858	1,527,858
Other long-term payables (including current portion)	7,960,809	7,960,809	9,607,727	9,607,727
Obligations under capital leases	694,986	694,986	707,499	707,499

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) Except for derivatives and structured time deposits, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
  - 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
  - 5) Fair value of the bonds payable was based on their quoted market price.
  - 6) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2010 and 2009 estimated using valuation techniques were recognized as a net loss of NT\$12,116 thousand and a net gain of NT\$186,056 thousand, respectively.
- d. As of December 31, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$38,588,969 thousand and NT\$40,857,296 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$43,235,611 thousand and NT\$13,542,919 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$848,275 thousand and NT\$1,527,858 thousand, respectively.



- e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2010 and 2009 were as follows:

	<b>Year Ended December 31, 2010</b>			
	<b>From Available- for-sale Financial Assets</b>	<b>Equity Method Investments</b>	<b>Gain (Loss) on Cash Flow Hedges</b>	<b>Total</b>
Balance, beginning of year	\$ 424,128	\$ 29,493	\$ -	\$ 453,621
Recognized directly in shareholders' equity	250,475	(6,031)	(331)	244,113
Removed from shareholders' equity and recognized in earnings	<u>(588,445)</u>	<u>-</u>	<u>-</u>	<u>(588,445)</u>
Balance, end of year	<u>\$ 86,158</u>	<u>\$ 23,462</u>	<u>\$ (331)</u>	<u>\$ 109,289</u>

	<b>Year Ended December 31, 2009</b>			
	<b>From Available- for-sale Financial Assets</b>	<b>Equity Method Investments</b>	<b>Gain (Loss) on Cash Flow Hedges</b>	<b>Total</b>
Balance, beginning of year	\$ (198,413)	\$ (88,929)	\$ -	\$ (287,342)
Recognized directly in shareholders' equity	391,801	118,422	-	510,223
Removed from shareholders' equity and recognized in earnings	<u>230,740</u>	<u>-</u>	<u>-</u>	<u>230,740</u>
Balance, end of year	<u>\$ 424,128</u>	<u>\$ 29,493</u>	<u>\$ -</u>	<u>\$ 453,621</u>

- f. Information about financial risk

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

- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates. A portion of the short-term loans and the long-term bank loans were floating-rate loans. Therefore, changes in the market interest rates will result in changes in the interest rate of the long-term bank loans, which will affect future cash flows.
- g. The Company seeks to reduce the effects of future cash flow related interest rate changes by primarily using derivative financial instruments.

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

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

## 26. RELATED PARTY TRANSACTIONS

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

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

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

	2010		2009	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
VIS	\$ 223,584	-	\$ 139,496	-
VisEra	82,595	-	15,569	-
Others	<u>11,397</u>	<u>-</u>	<u>240</u>	<u>-</u>
	<u>\$ 317,576</u>	<u>-</u>	<u>\$ 155,305</u>	<u>-</u>

	2010		2009	
	Amount	%	Amount	%
Purchases				
VIS	\$ 4,959,050	2	\$ 3,330,288	2
SSMC	4,521,046	2	3,537,659	2
Others	<u>39,099</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,519,195</u>	<u>4</u>	<u>\$ 6,867,947</u>	<u>4</u>
Manufacturing expenses				
VisEra (primarily outsourcing and rent)	\$ 102,188	-	\$ 82,586	-
VIS (primarily rent)	<u>10,161</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 112,349</u>	<u>-</u>	<u>\$ 82,586</u>	<u>-</u>
Research and development expenses				
VisEra	\$ 12,053	-	\$ 388	-
VIS (primarily rent)	12,017	-	1,264	-
Others	<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,203</u>	<u>-</u>	<u>\$ 1,652</u>	<u>-</u>
Sales of property, plant and equipment				
VIS	\$ 37,011	11	\$ -	-
VisEra	4,418	1	1,050	4
SSMC	<u>2,401</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 43,830</u>	<u>13</u>	<u>\$ 1,050</u>	<u>4</u>
Purchase of property, plant and equipment and intangible assets				
VIS	<u>\$ 109,855</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Non-operating income and gains				
VIS (primarily technical service income; see Note 29e)	\$ 267,370	2	\$ 224,740	4
SSMC (primarily technical service income; see Note 29d)	198,218	2	141,488	2
Others	<u>-</u>	<u>-</u>	<u>129</u>	<u>-</u>
	<u>\$ 465,588</u>	<u>4</u>	<u>\$ 366,357</u>	<u>6</u>
<u>As of December 31</u>				
Other receivables				
VIS	\$ 70,798	57	\$ 81,663	67
SSMC	<u>53,788</u>	<u>43</u>	<u>39,629</u>	<u>33</u>
	<u>\$ 124,586</u>	<u>100</u>	<u>\$ 121,292</u>	<u>100</u>

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Payables				
SSMC	\$ 430,235	50	\$ 238,741	31
VIS	428,797	49	531,459	68
Others	<u>8,053</u>	<u>1</u>	<u>12,807</u>	<u>1</u>
	<u>\$ 867,085</u>	<u>100</u>	<u>\$ 783,007</u>	<u>100</u>

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

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

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

Compensation of directors and management personnel:

	<b>Years Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
Salaries, incentives and special compensation	\$ 883,119	\$ 657,234
Bonus	<u>578,343</u>	<u>395,313</u>
	<u>\$ 1,461,462</u>	<u>\$ 1,052,547</u>

The information about the compensation of directors and management personnel is available in the annual report for the shareholders' meeting. Total compensation expense for the year ended December 31, 2010 includes estimated profit sharing to employees and bonus to directors of the Company that relate to 2010 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders' meeting in 2011. The total compensation for the year ended December 31, 2009 included the bonuses appropriated from earnings of 2009 which was approved by the shareholders' meeting held in 2010.

## 27. PLEDGED OR MORTGAGED ASSETS

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

	<b>December 31</b>	
	<b>2010</b>	<b>2009</b>
Other financial assets	\$ 163,531	\$ 949,368
Property, plant and equipment, net	1,109,249	2,808,057
Others assets	<u>40,000</u>	<u>20,000</u>
	<u>\$ 1,312,780</u>	<u>\$ 3,777,425</u>

## 28. SIGNIFICANT LONG-TERM LEASES

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

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

As of December 31, 2010, future lease payments were as follows:

Year	Amount
2011	\$ 612,361
2012	568,683
2013	537,150
2014	515,335
2015	483,034
2016 and thereafter	<u>3,422,460</u>
	<u>\$ 6,139,023</u>

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2010, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2010 TSMC had a total of US\$22,653 thousand of guarantee deposits.
- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referred to as "SMIC") in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People's High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People's High Court ruled in favor of TSMC and dismissed SMIC's lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC's trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation's total shares outstanding, and recognized settlement income amounting to NT\$4,434,364 thousand.
- g. In June 2010, STC.UNM, the technology transfer arm of the University of New Mexico, filed a complaint in the U.S. International Trade Commission ("USITC") accusing TSMC and one other company of allegedly infringing a single U.S. patent. Based on this complaint, the USITC initiated an investigation in July 2010. TSMC and STC.UNM have subsequently reached a settlement agreement and, on November 15, 2010, filed a joint motion to terminate the investigation based on the settlement agreement. As a result, the Administrative Law Judge ("ALJ") assigned to the investigation has made an initial determination to terminate the investigation based on the settlement agreement. The USITC, on December 21, 2010, decided not to review the ALJ's initial determination, which officially terminates this investigation.
- h. In June 2010, Keranos, LLC. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. The outcome of this litigation cannot be determined at this time.

- i. In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC North America and one other company of allegedly infringing six U.S. patents. This litigation is in its very early stages and therefore the outcome of the case cannot be determined at this time.
- j. The Company entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$7,112,172 thousand and NT\$8,355,395 thousand as of December 31, 2010 and 2009, respectively, which is included in other long-term payables.
- k. Amounts available under unused letters of credit as of December 31, 2010 were NT\$94,764 thousand.

### 30. OTHERS

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

	December 31			
	2010		2009	
	Foreign Currency (In Thousands)	Exchange Rate (Note)	Foreign Currency (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>				
Monetary assets				
USD	\$ 3,944,765	29.13-30.368	\$ 3,649,645	31.99-32.03
EUR	233,213	38.92-40.65	62,667	46.10-46.25
JPY	29,779,663	0.3582-0.3735	32,431,007	0.3472-0.3484
RMB	251,319	4.3985-4.61	207,901	4.693
Non-monetary assets				
USD	189,327	30.368	133,238	32.03
HKD	1,002,116	3.91	-	-
Investments accounted for using equity method				
USD	306,102	30.368	249,227	32.03
<u>Financial liabilities</u>				
Monetary liabilities				
USD	2,021,729	29.13-30.368	886,730	31.99-32.03
EUR	265,360	38.92-40.65	74,595	46.10-46.25
JPY	31,561,576	0.3582-0.3735	34,661,538	0.3472-0.3484
RMB	566,778	4.3985-4.61	772,935	4.693

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

### 31. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 2 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 7 attached;
- j. Information on investment in Mainland China
  - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 9 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 9 attached.

### 32. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.



b. Geographic information:

	<b>North America and Others</b>	<b>Taiwan</b>	<b>Adjustments and Elimination</b>	<b>Consolidated</b>
<u>2010</u>				
Sales to other than consolidated entities	\$ 222,048,091	\$ 197,489,820	\$ -	\$ 419,537,911
Sales among consolidated entities	<u>19,158,150</u>	<u>223,707,136</u>	<u>(242,865,286)</u>	<u>-</u>
Total sales	<u>\$ 241,206,241</u>	<u>\$ 421,196,956</u>	<u>\$(242,865,286)</u>	<u>\$ 419,537,911</u>
Gross profit	<u>\$ 8,776,155</u>	<u>\$ 199,903,278</u>	<u>\$ (1,625,842)</u>	\$ 207,053,591
Operating expenses				(47,878,256)
Non-operating income and gains				13,136,072
Non-operating expenses and losses				<u>(2,041,012)</u>
Income before income tax				<u>\$ 170,270,395</u>
Identifiable assets	<u>\$ 118,440,175</u>	<u>\$ 593,558,520</u>	<u>\$ (32,845,319)</u>	\$ 679,153,376
Long-term investments				<u>39,775,528</u>
Total assets				<u>\$ 718,928,904</u>
<u>2009</u>				
Sales to other than consolidated entities	\$ 162,783,488	\$ 132,958,751	\$ -	\$ 295,742,239
Sales among consolidated entities	<u>11,891,274</u>	<u>163,407,355</u>	<u>(175,298,629)</u>	<u>-</u>
Total sales	<u>\$ 174,674,762</u>	<u>\$ 296,366,106</u>	<u>\$(175,298,629)</u>	<u>\$ 295,742,239</u>
Gross profit	<u>\$ 2,004,734</u>	<u>\$ 128,456,453</u>	<u>\$ (1,132,576)</u>	\$ 129,328,611
Operating expenses				(37,366,725)
Non-operating income and gains				5,653,548
Non-operating expenses and losses				<u>(2,152,787)</u>
Income before income tax				<u>\$ 95,462,647</u>
Identifiable assets	<u>\$ 113,023,501</u>	<u>\$ 468,112,330</u>	<u>\$ (24,285,114)</u>	\$ 556,850,717
Long-term investments				<u>37,845,503</u>
Total assets				<u>\$ 594,696,220</u>

c. Export sales

Area	Years Ended December 31	
	2010	2009
Asia	\$ 164,650,948	\$ 65,491,264
Europe and others	<u>65,879,672</u>	<u>44,602,706</u>
	<u>\$ 230,530,620</u>	<u>\$ 110,093,970</u>

The export sales information is based on the amounts billed to customers within the areas.

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

	Years Ended December 31			
	2010		2009	
	Amount	%	Amount	%
Customer A	\$ 41,022,200	10	\$ 33,025,488	11
Customer B	37,962,026	9	31,994,983	10

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**FINANCINGS PROVIDED**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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

No.	Financing Name	Financial statement Account	Counter-party	Financing Limit for Each Borrowing Company	Maximum Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)	Interest Rate	Reason for Financing	Allowance for Bad Debt	Collateral		Transaction Amounts	Financing Company's Financing Amount Limits (US\$ in Thousands) (Note 2)
										Item	Value		
1	TSMC Partners	Long-term receivables from related parties	TSMC China	(Note 1)	\$ 3,644,160 (US\$ 120,000)	\$ 3,644,160 (US\$ 120,000)	0.25%-0.26%	Purchase equipment	\$ -	-	\$ -	\$ -	\$ 33,565,775

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC	<u>Corporate bond</u>							
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	\$ 1,033,049	N/A	\$ 1,033,049	
	China Steel Corporation	-	Held-to-maturity financial assets	-	1,507,400	N/A	1,516,479	
	Formosa Petrochemical Corporation	-	"	-	1,463,791	N/A	1,472,381	
	Taiwan Power Company	-	"	-	1,352,022	N/A	1,360,403	
	Nan Ya Plastics Corporation	-	"	-	1,303,298	N/A	1,347,296	
	Formosa Plastics Corporation	-	"	-	575,776	N/A	581,495	
	<u>Stock</u>							
	Semiconductor Manufacturing International Corporation	-	Available-for-sale financial assets	1,789,493	3,918,274	7	3,918,274	
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	43,710,543	100	43,710,543	
	TSMC Partners	Subsidiary	"	988,268	33,565,775	100	33,565,775	
	VIS	Investee accounted for using equity method	"	628,223	9,422,452	38	9,297,707	
	SSMC	Investee accounted for using equity method	"	314	7,120,714	39	6,742,565	
	Motech	Investee accounted for using equity method	"	76,069	6,733,369	20	4,685,200	
	TSMC North America	Subsidiary	"	11,000	2,873,888	100	2,873,888	
	Xintec	Investee with a controlling financial interest	"	93,081	1,645,201	41	1,632,596	
	GUC	Investee with a controlling financial interest	"	46,688	1,113,516	35	5,695,919	
	TSMC Europe	Subsidiary	"	-	177,784	100	177,784	
	TSMC Japan	Subsidiary	"	6	150,312	100	150,312	
	TSMC Solar NA	Subsidiary	"	1	26,527	100	26,527	
	TSMC Solar Europe	Subsidiary	"	-	23,971	100	23,971	
	TSMC Korea	Subsidiary	"	80	20,929	100	20,929	
	TSMC Lighting NA	Subsidiary	"	1	3,133	100	3,133	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	321,548	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	356,893	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	43,977	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	"	-	55,259	1	55,259	
	<u>Capital</u>							
	TSMC China	Subsidiary	Investments accounted for using equity method	-	4,252,270	100	4,278,014	
	VTAF III	Subsidiary	"	-	2,769,423	99	2,749,807	
	VTAF II	Subsidiary	"	-	1,063,057	98	1,057,288	
Emerging Alliance	Subsidiary	"	-	304,310	99	304,310		
TSMC Partners	<u>Corporate bond</u>							
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US\$ 20,283	N/A	US\$ 21,065	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,141	N/A	US\$ 21,391	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Development	<u>Common stock</u> TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 403,257	100	US\$ 403,257	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 83,057	49	US\$ 83,057	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	4,088	US\$ 21,523	97	US\$ 21,523	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	16,532	US\$ 13,660	97	US\$ 13,660	
	TSMC Technology	Subsidiary	"	1	US\$ 9,878	100	US\$ 9,878	
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,714	100	US\$ 3,714	
	Mcube Inc.	Investee accounted for using equity method	"	5,333	-	70	-	
	<u>Preferred stock</u> Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	-	10	-	
	<u>Corporate bond</u> GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,215	N/A	US\$ 21,391	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,075	
Emerging Alliance	<u>Stock</u> WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 165,211	100	US\$ 165,211	
	<u>Corporate bond</u> Beal Bk	-	Available-for-sale financial assets	249	US\$ 249	N/A	US\$ 249	
	Beal Bk Ssb	-	"	249	US\$ 249	N/A	US\$ 249	
	Cd Ally Bank	-	"	249	US\$ 249	N/A	US\$ 249	
	Cd Banco Popular De P R	-	"	249	US\$ 249	N/A	US\$ 249	
	H&R Block Bank	-	"	249	US\$ 249	N/A	US\$ 249	
	<u>Common stock</u> RichWave Technology Corp.	-	Financial assets carried at cost	4,074	US\$ 1,545	10	US\$ 1,545	
	Global Investment Holding Inc.	-	"	11,124	US\$ 3,065	6	US\$ 3,065	
	<u>Preferred stock</u> Audience, Inc.	-	Financial assets carried at cost	1,654	US\$ 250	-	US\$ 250	
	Next IO, Inc.	-	"	800	US\$ 500	1	US\$ 500	
VTAF II	Optichron, Inc.	-	"	1,276	US\$ 1,145	2	US\$ 1,145	
	Pixim, Inc.	-	"	4,641	US\$ 1,137	2	US\$ 1,137	
	QST Holdings, LLC	-	"	-	US\$ 142	4	US\$ 142	
	<u>Capital</u> VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7	-	
	<u>Corporate bond</u> Beal Bk	-	Available-for-sale financial assets	249	US\$ 249	N/A	US\$ 249	
	Beal Bk Ssb	-	"	249	US\$ 249	N/A	US\$ 249	
	Cd Ally Bank	-	"	249	US\$ 249	N/A	US\$ 249	
	Cd Banco Popular De P R	-	"	249	US\$ 249	N/A	US\$ 249	
	H&R Block Bank	-	"	249	US\$ 249	N/A	US\$ 249	
	<u>Common stock</u> Leadtrend	-	Available-for-sale financial assets	738	US\$ 3,159	2	US\$ 3,159	
Aether Systems, Inc.	-	Financial assets carried at cost	1,600	US\$ 1,503	25	US\$ 1,503		
RichWave Technology Corp.	-	"	1,267	US\$ 1,036	3	US\$ 1,036		
Sentelic	-	"	1,806	US\$ 2,607	9	US\$ 2,607		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	
	Aquantia	-	"	3,974	US\$ 3,816	3	US\$ 3,816	
	Audience, Inc.	-	"	12,378	US\$ 2,378	3	US\$ 2,378	
	Beceem Communications	-	"	797	US\$ 1,701	1	US\$ 1,701	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Next IO, Inc.	-	"	3,795	US\$ 953	2	US\$ 953	
	Optichron, Inc.	-	"	2,847	US\$ 2,825	4	US\$ 2,825	
	Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878	
	Power Analog Microelectronics	-	"	7,027	US\$ 3,383	19	US\$ 3,383	
	QST Holdings, LLC	-	"	-	US\$ 593	13	US\$ 593	
	Xceive	-	"	4,210	US\$ 1,554	3	US\$ 1,554	
		<u>Capital</u>						
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
	<u>Common stock</u>							
	Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	11,868	US\$ 2,058	57	US\$ 2,058	
	Aiconn Technology Corporation	Investee accounted for using equity method	"	5,623	US\$ 546	43	US\$ 546	
Growth Fund	<u>Preferred stock</u>							
	Auramicro, Inc.	-	Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408	
	BridgeLux, Inc.	-	"	6,113	US\$ 7,781	4	US\$ 7,781	
	Exclara, Inc.	-	"	59,695	US\$ 5,897	15	US\$ 5,897	
	GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	InvenSense, Inc.	-	"	816	US\$ 1,000	1	US\$ 1,000	
	LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800	
	Neoconix, Inc.	-	"	3,686	US\$ 4,717	4	US\$ 4,717	
	Powervation, Ltd.	-	"	380	US\$ 5,797	16	US\$ 5,797	
	Quellan, Inc.	-	"	3,106	US\$ 369	N/A	US\$ 369	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	-	US\$ 1,208	
	Stion Corp.	-	"	7,347	US\$ 50,000	23	US\$ 50,000	
	Tilera, Inc.	-	"	3,890	US\$ 3,025	2	US\$ 3,025	
Validity Sensors, Inc.	-	"	9,340	US\$ 3,456	4	US\$ 3,456		
	<u>Capital</u>							
	Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 846	100	US\$ 846	
	VTA Holdings	Subsidiary	"	-	-	62	-	
	<u>Common stock</u>							
	SiliconBlue Technologies, Inc.	-	Financial assets carried at cost	5,107	US\$ 762	1	US\$ 762	
	Veebeam	-	"	10	US\$ 25	-	US\$ 25	
ISDF	<u>Common stock</u>							
	Integrated Memory Logic, Inc.	-	Available-for-sale financial assets	3,541	US\$ 12,400	5	US\$ 12,400	
	Memsic, Inc.	-	"	1,286	US\$ 4,371	5	US\$ 4,371	
ISDF II	<u>Preferred stock</u>							
	IP Unity, Inc.	-	Financial assets carried at cost	1,008	US\$ 290	1	US\$ 290	
	Sonics, Inc.	-	"	230	US\$ 497	2	US\$ 497	
	<u>Common stock</u>							
	Memsic, Inc.	-	Available-for-sale financial assets	1,072	US\$ 3,645	5	US\$ 3,645	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
GUC	Alchip Technologies Limited	-	Financial assets carried at cost	7,520	US\$ 3,664	14	US\$ 3,664	
	Sonics, Inc.	-	"	278	US\$ 10	3	US\$ 10	
	Goyatek Technology, Corp.	-	"	932	US\$ 545	6	US\$ 545	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u>							
	FangTek, Inc.	-	Financial assets carried at cost	1,032	US\$ 686	6	US\$ 686	
	Sonics, Inc.	-	"	264	US\$ 456	3	US\$ 456	
	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	\$ 58,045	100	\$ 58,045	
	GUC-Japan	Subsidiary	"	1	14,706	100	14,706	
GUC-BVI	Subsidiary	"	550	8,761	100	8,761		
GUC-Europe	Subsidiary	"	-	3,747	100	3,747		
GUC-BVI	<u>Capital</u>							
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method	-	7,468	100	7,468	
Xintec	<u>Capital</u>							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Solar Europe	<u>Stock</u>							
	TSMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1	3,658	100	3,658	
TSMC Global	<u>Corporate bond</u>							
	African Development Bank	-	Available-for-sale financial assets	2,600	US\$ 2,622	N/A	US\$ 2,622	
	Allstate Life Gbl Fdg Secd	-	"	4,430	US\$ 4,824	N/A	US\$ 4,824	
	Alltel Corp.	-	"	100	US\$ 108	N/A	US\$ 108	
	American Honda Fin Corp. Mtn	-	"	4,000	US\$ 3,995	N/A	US\$ 3,995	
	Anz National Intl Ltd.	-	"	3,500	US\$ 3,554	N/A	US\$ 3,554	
	Asian Development Bank	-	"	2,500	US\$ 2,501	N/A	US\$ 2,501	
	Astrazeneca Plc	-	"	3,150	US\$ 3,397	N/A	US\$ 3,397	
	AT+T Wireless	-	"	3,500	US\$ 3,823	N/A	US\$ 3,823	
	Australia + New Zealand Bkg	-	"	2,000	US\$ 2,047	N/A	US\$ 2,047	
	Banco Bilbao Vizcaya P R	-	"	3,250	US\$ 3,249	N/A	US\$ 3,249	
	Bank New York Inc.	-	"	1,615	US\$ 1,613	N/A	US\$ 1,613	
	Bank New York Inc. Medium	-	"	2,100	US\$ 2,253	N/A	US\$ 2,253	
	Bank of America Corp.	-	"	2,100	US\$ 2,154	N/A	US\$ 2,154	
	Bank of New York Mellon	-	"	2,200	US\$ 2,206	N/A	US\$ 2,206	
	Bank of Nova Scotia	-	"	5,000	US\$ 5,000	N/A	US\$ 5,000	
	Barclays Bank Plc	-	"	12,000	US\$ 11,997	N/A	US\$ 11,997	
	Barclays Bank Plc NY	-	"	400	US\$ 400	N/A	US\$ 400	
	Bbva US Senior SA Uniper	-	"	2,645	US\$ 2,638	N/A	US\$ 2,638	
	Bear Stearns Cos Inc.	-	"	2,200	US\$ 2,199	N/A	US\$ 2,199	
	Bear Stearns Cos Inc.	-	"	3,500	US\$ 3,494	N/A	US\$ 3,494	
	Bear Stearns Cos Inc. Med Term	-	"	2,400	US\$ 2,618	N/A	US\$ 2,618	
	Berkshire Hathaway Inc. Del	-	"	3,500	US\$ 3,517	N/A	US\$ 3,517	
	Bhp Billiton Fin USA Ltd.	-	"	2,000	US\$ 2,104	N/A	US\$ 2,104	
	Bk Tokyo Mitsubishi Ufj	-	"	2,000	US\$ 2,042	N/A	US\$ 2,042	
	Bmw US Capital LLC	-	"	1,600	US\$ 1,602	N/A	US\$ 1,602	
	Bnp Paribas SA	-	"	3,810	US\$ 3,844	N/A	US\$ 3,844	
	Boeing Cap Corp.	-	"	2,925	US\$ 3,192	N/A	US\$ 3,192	
	Boeing Co.	-	"	450	US\$ 458	N/A	US\$ 458	
	Bp Captial Markets Plc	-	"	3,900	US\$ 3,988	N/A	US\$ 3,988	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Caterpillar Financial Se	-	Available-for-sale financial assets	900	US\$ 901	N/A	US\$ 901	
	Cellco Part/Veri Wireless	-	"	1,000	US\$ 1,159	N/A	US\$ 1,159	
	Cello Part/Veri Wirelss	-	"	2,000	US\$ 2,020	N/A	US\$ 2,020	
	Cie Financement Foncier	-	"	200	US\$ 200	N/A	US\$ 200	
	Cie Financement Foncier	-	"	4,000	US\$ 4,019	N/A	US\$ 4,019	
	Citigroup Funding Inc.	-	"	16,000	US\$ 16,323	N/A	US\$ 16,323	
	Citigroup Funding Inc.	-	"	7,300	US\$ 7,446	N/A	US\$ 7,446	
	Citigroup Inc.	-	"	1,400	US\$ 1,390	N/A	US\$ 1,390	
	Citigroup Inc.	-	"	800	US\$ 814	N/A	US\$ 814	
	Citigroup Inc.	-	"	400	US\$ 426	N/A	US\$ 426	
	Citigroup Inc.	-	"	5,000	US\$ 5,490	N/A	US\$ 5,490	
	Coca Cola Co.	-	"	4,000	US\$ 4,002	N/A	US\$ 4,002	
	Commonwealth Bank Aust	-	"	2,800	US\$ 2,806	N/A	US\$ 2,806	
	Countrywide Finl Corp.	-	"	4,000	US\$ 4,208	N/A	US\$ 4,208	
	Credit Suisse First Boston USA	-	"	2,150	US\$ 2,253	N/A	US\$ 2,253	
	Credit Suisse New York	-	"	3,945	US\$ 4,090	N/A	US\$ 4,090	
	Deutsche Bank AG NY	-	"	2,500	US\$ 2,487	N/A	US\$ 2,487	
	Dexia Credit Local	-	"	6,000	US\$ 5,976	N/A	US\$ 5,976	
	Dexia Credit Local	-	"	4,000	US\$ 3,984	N/A	US\$ 3,984	
	Dexia Credit Local S.A	-	"	4,000	US\$ 3,992	N/A	US\$ 3,992	
	Dexia Credit Local SA NY	-	"	5,000	US\$ 4,983	N/A	US\$ 4,983	
	Du Pont E I De Nemours + Co.	-	"	825	US\$ 886	N/A	US\$ 886	
	Ebay Inc.	-	"	1,375	US\$ 1,361	N/A	US\$ 1,361	
	Eog Resources Inc.	-	"	1,500	US\$ 1,501	N/A	US\$ 1,501	
	Finance for Danish Ind	-	"	3,800	US\$ 3,799	N/A	US\$ 3,799	
	General Elec Cap Corp.	-	"	1,000	US\$ 999	N/A	US\$ 999	
	General Elec Cap Corp.	-	"	7,000	US\$ 7,002	N/A	US\$ 7,002	
	General Elec Cap Corp.	-	"	1,000	US\$ 1,001	N/A	US\$ 1,001	
	General Elec Cap Corp.	-	"	4,000	US\$ 4,110	N/A	US\$ 4,110	
	General Electric Capital Corp.	-	"	2,000	US\$ 1,967	N/A	US\$ 1,967	
	Georgia Pwr Co.	-	"	1,000	US\$ 1,005	N/A	US\$ 1,005	
	Georgia Pwr Co.	-	"	4,000	US\$ 4,006	N/A	US\$ 4,006	
	Gmac LLC	-	"	4,600	US\$ 4,731	N/A	US\$ 4,731	
	Goldman Sachs Group Inc.	-	"	2,000	US\$ 1,956	N/A	US\$ 1,956	
	Groupe Bpce	-	"	1,150	US\$ 1,140	N/A	US\$ 1,140	
	Hewlett Packard Co.	-	"	3,000	US\$ 3,003	N/A	US\$ 3,003	
	Hewlett Packard Co.	-	"	2,030	US\$ 2,032	N/A	US\$ 2,032	
	Household Fin Corp.	-	"	4,330	US\$ 4,694	N/A	US\$ 4,694	
	HSBC Bank Plc	-	"	3,400	US\$ 3,405	N/A	US\$ 3,405	
	HSBC Fin Corp.	-	"	2,315	US\$ 2,304	N/A	US\$ 2,304	
	HSBC Fin Corp.	-	"	2,900	US\$ 3,074	N/A	US\$ 3,074	
	IBM Corp.	-	"	2,300	US\$ 2,301	N/A	US\$ 2,301	
	IBM Corp.	-	"	6,800	US\$ 6,775	N/A	US\$ 6,775	
	IBM Corp.	-	"	1,500	US\$ 1,500	N/A	US\$ 1,500	
	Intl Bk Recon + Develop	-	"	5,000	US\$ 5,002	N/A	US\$ 5,002	
	Intl Bk Recon + Develop	-	"	2,000	US\$ 2,046	N/A	US\$ 2,046	
	John Deer Capital Corp. Fdic GT	-	"	3,500	US\$ 3,616	N/A	US\$ 3,616	
	JP Morgan Chase + Co.	-	"	2,500	US\$ 2,513	N/A	US\$ 2,513	
	JP Morgan Chase + Co.	-	"	5,000	US\$ 5,021	N/A	US\$ 5,021	
	Kfw Medium Term Nts Book Entry	-	"	1,950	US\$ 1,950	N/A	US\$ 1,950	
	Kreditanstalt Fur Wiederaufbau	-	"	650	US\$ 664	N/A	US\$ 664	
	Lilly Eli + Co.	-	"	1,500	US\$ 1,548	N/A	US\$ 1,548	
	Lloyds Tsb Bank Plc Ser 144A	-	"	4,850	US\$ 4,857	N/A	US\$ 4,857	
	Lloyds Tsb Bank Plc Ser 144A	-	"	5,950	US\$ 6,009	N/A	US\$ 6,009	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Macquarie Bk Ltd. Sr	-	Available-for-sale financial assets	3,900	US\$ 3,975	N/A	US\$ 3,975	
	Massmutual Global Fdg II Mediu	-	"	4,000	US\$ 3,955	N/A	US\$ 3,955	
	Mellon Fdg Corp.	-	"	3,500	US\$ 3,475	N/A	US\$ 3,475	
	Merck + Co. Inc.	-	"	4,000	US\$ 4,032	N/A	US\$ 4,032	
	Merck + Co. Inc.	-	"	2,000	US\$ 2,077	N/A	US\$ 2,077	
	Merrill Lynch + Co. Inc.	-	"	4,691	US\$ 4,647	N/A	US\$ 4,647	
	Met Life Glob Funding I	-	"	500	US\$ 508	N/A	US\$ 508	
	Metlife Inc.	-	"	6,500	US\$ 6,600	N/A	US\$ 6,600	
	Metlife Inc.	-	"	2,000	US\$ 2,013	N/A	US\$ 2,013	
	Microsoft Corp.	-	"	3,250	US\$ 3,232	N/A	US\$ 3,232	
	Monumental Global Fdg II	-	"	1,500	US\$ 1,446	N/A	US\$ 1,446	
	Monumental Global Fdg III	-	"	750	US\$ 729	N/A	US\$ 729	
	Morgan Stanley	-	"	1,000	US\$ 1,036	N/A	US\$ 1,036	
	Morgan Stanley Dean Witter	-	"	8,000	US\$ 8,524	N/A	US\$ 8,524	
	Morgan Stanley for Equity	-	"	2,000	US\$ 1,996	N/A	US\$ 1,996	
	National Australia Bank	-	"	1,000	US\$ 1,019	N/A	US\$ 1,019	
	New York Life Global Fdg	-	"	2,000	US\$ 2,049	N/A	US\$ 2,049	
	Nordea Bank Fld Plc	-	"	2,250	US\$ 2,241	N/A	US\$ 2,241	
	Occidental Pete Corp.	-	"	3,200	US\$ 3,700	N/A	US\$ 3,700	
	Occidental Petroleum Cor	-	"	1,000	US\$ 1,004	N/A	US\$ 1,004	
	Ontario (Province of)	-	"	2,000	US\$ 2,038	N/A	US\$ 2,038	
	Pacific Gas + Electric	-	"	2,000	US\$ 1,999	N/A	US\$ 1,999	
	Pnc Funding Corp.	-	"	2,000	US\$ 2,000	N/A	US\$ 2,000	
	Pricoa Global Fdg I Med Term	-	"	1,750	US\$ 1,724	N/A	US\$ 1,724	
	Principal Life Income Fundings	-	"	1,500	US\$ 1,483	N/A	US\$ 1,483	
	Princoa Global Fdg I Medium	-	"	5,050	US\$ 5,011	N/A	US\$ 5,011	
	Rabobank Nederland	-	"	5,000	US\$ 5,000	N/A	US\$ 5,000	
	Royal Bk of Scotland Plc	-	"	4,000	US\$ 4,002	N/A	US\$ 4,002	
	Royal Bk of Scotland Plc	-	"	5,000	US\$ 5,052	N/A	US\$ 5,052	
	Royal Bk Scotland Plc	-	"	2,550	US\$ 2,589	N/A	US\$ 2,589	
	Royal Bk Scotlnd Grp Plc 144A	-	"	9,450	US\$ 9,516	N/A	US\$ 9,516	
	Sbc Communications Inc.	-	"	2,000	US\$ 2,106	N/A	US\$ 2,106	
	Shell International Fin	-	"	4,515	US\$ 4,536	N/A	US\$ 4,536	
	Shell International Fin	-	"	3,200	US\$ 3,248	N/A	US\$ 3,248	
	Sovereign Bancorp Fdic Gtd Tlg	-	"	2,200	US\$ 2,260	N/A	US\$ 2,260	
	State Str Corp.	-	"	6,420	US\$ 6,417	N/A	US\$ 6,417	
	Sun Life Finl Global	-	"	4,400	US\$ 4,332	N/A	US\$ 4,332	
	Sun Life Finl Global Fdg II Lp	-	"	1,500	US\$ 1,496	N/A	US\$ 1,496	
	Suncorp Metway Ltd.	-	"	8,800	US\$ 8,982	N/A	US\$ 8,982	
	Svenska Handelsbanken AB	-	"	2,200	US\$ 2,253	N/A	US\$ 2,253	
	Swedbank AB	-	"	2,000	US\$ 1,998	N/A	US\$ 1,998	
	Swedbank Foreningssparbanken A	-	"	1,500	US\$ 1,536	N/A	US\$ 1,536	
	Swedbank Hypotek AB	-	"	4,000	US\$ 3,993	N/A	US\$ 3,993	
	Teva Pharma Fin III LLC	-	"	4,000	US\$ 4,016	N/A	US\$ 4,016	
	Tiaa Global Mkts Inc.	-	"	2,000	US\$ 2,141	N/A	US\$ 2,141	
	Tiaa Global Mkts Inc. Mtn	-	"	1,500	US\$ 1,631	N/A	US\$ 1,631	
	Ubs Ag Stamford CT	-	"	2,200	US\$ 2,199	N/A	US\$ 2,199	
	Ubs Ag Stamford CT	-	"	800	US\$ 807	N/A	US\$ 807	
	US Central Federal Cred	-	"	4,000	US\$ 4,084	N/A	US\$ 4,084	
	Verizon Communications Inc.	-	"	1,500	US\$ 1,631	N/A	US\$ 1,631	
	Wachovia Corp.	-	"	550	US\$ 545	N/A	US\$ 545	
	Wachovia Corp. Global Medium	-	"	5,000	US\$ 5,141	N/A	US\$ 5,141	
	Wachovia Corp. New	-	"	1,400	US\$ 1,398	N/A	US\$ 1,398	
	Wal Mart Stores Inc.	-	"	4,000	US\$ 3,964	N/A	US\$ 3,964	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Wal Mart Stores Inc.	-	Available-for-sale financial assets	3,770	US\$ 4,325	N/A	US\$ 4,325	
	Wells Fargo + Company	-	"	2,000	US\$ 2,007	N/A	US\$ 2,007	
	Westpac Banking Corp.	-	"	3,500	US\$ 3,514	N/A	US\$ 3,514	
	Westpac Banking Corp.	-	"	2,100	US\$ 2,110	N/A	US\$ 2,110	
	Westpac Banking Corp.	-	"	4,000	US\$ 4,005	N/A	US\$ 4,005	
	Wyeth	-	"	3,345	US\$ 3,657	N/A	US\$ 3,657	
	Aust + Nz Banking Group	-	Held-to-maturity financial assets	20,000	US\$ 20,000	N/A	US\$ 20,146	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 24,888	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 24,730	
	JP Morgan Chase + Co.	-	"	35,000	US\$ 35,067	N/A	US\$ 35,148	
	Nationwide Building Society-UK Government Guarantee	-	"	8,000	US\$ 8,000	N/A	US\$ 7,996	
	Westpac Banking Corp.	-	"	25,000	US\$ 25,000	N/A	US\$ 24,555	
	Westpac Banking Corp. 12/12 Frn	-	"	5,000	US\$ 5,000	N/A	US\$ 5,009	
	<u>Agency bond</u>							
	Fannie Mae	-	Available-for-sale financial assets	11,100	US\$ 11,096	N/A	US\$ 11,096	
	Fannie Mae	-	"	3,900	US\$ 3,861	N/A	US\$ 3,861	
	Fannie Mae	-	"	16,104	US\$ 16,102	N/A	US\$ 16,102	
	Fannie Mae	-	"	8,765	US\$ 8,763	N/A	US\$ 8,763	
	Fannie Mae	-	"	4,600	US\$ 4,589	N/A	US\$ 4,589	
	Fannie Mae	-	"	3,000	US\$ 2,994	N/A	US\$ 2,994	
	Fannie Mae	-	"	4,000	US\$ 4,003	N/A	US\$ 4,003	
	Fed Hm Ln Pc Pool 1b2830	-	"	1,836	US\$ 1,922	N/A	US\$ 1,922	
	Fed Hm Ln Pc Pool 1g0115	-	"	2,023	US\$ 2,086	N/A	US\$ 2,086	
	Fed Hm Ln Pc Pool 1g1114	-	"	799	US\$ 837	N/A	US\$ 837	
	Fed Hm Ln Pc Pool 1k1210	-	"	1,550	US\$ 1,613	N/A	US\$ 1,613	
	Fed Hm Ln Pc Pool 780741	-	"	1,800	US\$ 1,879	N/A	US\$ 1,879	
	Federal Farm Credit Bank	-	"	4,000	US\$ 3,984	N/A	US\$ 3,984	
	Federal Farm Credit Bank	-	"	4,000	US\$ 3,994	N/A	US\$ 3,994	
	Federal Farm Credit Bank	-	"	5,000	US\$ 5,004	N/A	US\$ 5,004	
	Federal Farm Credit Bank	-	"	5,000	US\$ 5,008	N/A	US\$ 5,008	
	Federal Home Ln Bks	-	"	5,000	US\$ 5,046	N/A	US\$ 5,046	
	Federal Home Ln Mtg Assn	-	"	2,768	US\$ 2,810	N/A	US\$ 2,810	
	Federal Home Ln Mtg Corp.	-	"	3,732	US\$ 3,727	N/A	US\$ 3,727	
	Federal Home Ln Mtg Corp.	-	"	1,443	US\$ 1,505	N/A	US\$ 1,505	
	Federal Home Ln Mtg Corp.	-	"	2,664	US\$ 2,793	N/A	US\$ 2,793	
	Federal Home Ln Mtg Corp.	-	"	1,915	US\$ 1,969	N/A	US\$ 1,969	
	Federal Home Ln Mtg Corp.	-	"	1,778	US\$ 1,849	N/A	US\$ 1,849	
	Federal Home Ln Mtg Corp.	-	"	422	US\$ 423	N/A	US\$ 423	
	Federal Home Ln Mtg Corp.	-	"	246	US\$ 247	N/A	US\$ 247	
	Federal Home Ln Mtg Corp.	-	"	1,298	US\$ 1,341	N/A	US\$ 1,341	
	Federal Home Ln Mtg Corp.	-	"	3,324	US\$ 3,453	N/A	US\$ 3,453	
	Federal Home Ln Mtg Corp.	-	"	2,450	US\$ 2,491	N/A	US\$ 2,491	
	Federal Home Loan Bank	-	"	5,000	US\$ 5,007	N/A	US\$ 5,007	
	Federal Home Loan Bank	-	"	6,800	US\$ 6,817	N/A	US\$ 6,817	
	Federal Home Loan Bank	-	"	8,000	US\$ 8,040	N/A	US\$ 8,040	
	Federal Home Loan Bank	-	"	1,400	US\$ 1,399	N/A	US\$ 1,399	
	Federal Home Loan Bank	-	"	1,400	US\$ 1,399	N/A	US\$ 1,399	
	Federal Home Loan Bank	-	"	10,000	US\$ 9,998	N/A	US\$ 9,998	
	Federal Home Loan Bank	-	"	8,400	US\$ 8,397	N/A	US\$ 8,397	
	Federal Home Loan Bank	-	"	5,000	US\$ 4,998	N/A	US\$ 4,998	
	Federal Home Loan Mtg Corp.	-	"	5,183	US\$ 5,168	N/A	US\$ 5,168	
	Federal Home Loan Mtg Corp.	-	"	710	US\$ 718	N/A	US\$ 718	
	Federal National Mort Assoc	-	"	535	US\$ 539	N/A	US\$ 539	
	Federal Natl Mtg Assn	-	"	471	US\$ 471	N/A	US\$ 471	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Federal Natl Mtg Assn Gtd	-	Available-for-sale financial assets	2,346	US\$ 2,425	N/A	US\$ 2,425	
	Federal Natl Mtg Assn Gtd Remi	-	"	1,917	US\$ 1,988	N/A	US\$ 1,988	
	Federal Natl Mtg Assn Gtd Remi	-	"	436	US\$ 437	N/A	US\$ 437	
	Federal Natl Mtg Assn Mtn	-	"	1,276	US\$ 1,304	N/A	US\$ 1,304	
	Federal Natl Mtg Assn Remic	-	"	1,080	US\$ 1,094	N/A	US\$ 1,094	
	Federal Natl Mtge Assn	-	"	1,428	US\$ 1,506	N/A	US\$ 1,506	
	Fhr 2647 Pb	-	"	2,561	US\$ 2,595	N/A	US\$ 2,595	
	Fhr 2953 Da	-	"	3,284	US\$ 3,466	N/A	US\$ 3,466	
	Fhr 3087 Jb	-	"	1,520	US\$ 1,602	N/A	US\$ 1,602	
	Fhr 3184 Fa	-	"	4,096	US\$ 4,084	N/A	US\$ 4,084	
	Fnma Pool 745131	-	"	1,743	US\$ 1,803	N/A	US\$ 1,803	
	Fnma Pool 745688	-	"	1,384	US\$ 1,440	N/A	US\$ 1,440	
	Fnma Pool 775852	-	"	340	US\$ 343	N/A	US\$ 343	
	Fnma Pool 790772	-	"	1,162	US\$ 1,215	N/A	US\$ 1,215	
	Fnma Pool 819649	-	"	1,876	US\$ 1,950	N/A	US\$ 1,950	
	Fnma Pool 829989	-	"	1,626	US\$ 1,695	N/A	US\$ 1,695	
	Fnma Pool 841068	-	"	482	US\$ 505	N/A	US\$ 505	
	Fnma Pool 846233	-	"	1,729	US\$ 1,800	N/A	US\$ 1,800	
	Fnma Pool 870884	-	"	1,609	US\$ 1,684	N/A	US\$ 1,684	
	Fnma Pool 879908	-	"	1,349	US\$ 1,417	N/A	US\$ 1,417	
	Fnma Pool AB0035	-	"	2,000	US\$ 2,055	N/A	US\$ 2,055	
	Fnma Pool AC9580	-	"	100	US\$ 103	N/A	US\$ 103	
	Fnr 2005 47 HA	-	"	1,785	US\$ 1,875	N/A	US\$ 1,875	
	Fnr 2006 60 CO	-	"	3,485	US\$ 3,483	N/A	US\$ 3,483	
	Fnr 2006 60 CO	-	"	1,009	US\$ 1,016	N/A	US\$ 1,016	
	Fnr 2009 116 A	-	"	4,271	US\$ 4,640	N/A	US\$ 4,640	
	Fnr 2009 70 NT	-	"	1,890	US\$ 1,965	N/A	US\$ 1,965	
	Freddie Mac	-	"	10,420	US\$ 10,411	N/A	US\$ 10,411	
	Freddie Mac	-	"	4,500	US\$ 4,502	N/A	US\$ 4,502	
	Freddie Mac	-	"	5,750	US\$ 5,764	N/A	US\$ 5,764	
	Freddie Mac	-	"	7,855	US\$ 7,859	N/A	US\$ 7,859	
	Freddie Mac	-	"	4,300	US\$ 4,316	N/A	US\$ 4,316	
	Freddie Mac	-	"	4,010	US\$ 4,014	N/A	US\$ 4,014	
	Gnma II Pool 082431	-	"	1,897	US\$ 1,943	N/A	US\$ 1,943	
	Gnr 2008 9 SA	-	"	2,259	US\$ 2,274	N/A	US\$ 2,274	
	Gnr 2009 45 AB	-	"	4,417	US\$ 4,496	N/A	US\$ 4,496	
	Government Natl Mtg Assn	-	"	3,050	US\$ 3,285	N/A	US\$ 3,285	
	Government Natl Mtg Assn Gtd	-	"	1,692	US\$ 1,780	N/A	US\$ 1,780	
	Ngn 2010 C1 A1	-	"	1,968	US\$ 1,928	N/A	US\$ 1,928	
	Ngn 2010 R2 1A	-	"	3,732	US\$ 3,731	N/A	US\$ 3,731	
	<u>Government bond</u>							
	US Treasury N/B	-	Available-for-sale financial assets	41,700	US\$ 42,042	N/A	US\$ 42,042	
	US Treasury N/B	-	"	7,000	US\$ 7,079	N/A	US\$ 7,079	
	US Treasury N/B	-	"	1,000	US\$ 1,015	N/A	US\$ 1,015	
	Wi Treasury N/B	-	"	5,250	US\$ 5,212	N/A	US\$ 5,212	
	Wi Treasury Sec	-	"	11,100	US\$ 10,976	N/A	US\$ 10,976	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US\$ 15,000	N/A	US\$ 15,030	
	<u>Money market fund</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	12,387	US\$ 12,387	N/A	US\$ 12,387	

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Investees and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
TSMC	<u>Stock</u> Motech	Investments accounted for using equity method	-	Investee accounted for using equity method	-	\$ -	75,316	\$ 6,228,661	-	\$ -	\$ -	\$ -	76,069	\$ 6,733,369
	<u>Capital</u> VTAF III	Investments accounted for using equity method	-	Investee accounted for using equity method	-	1,309,615	-	1,862,278	-	-	-	-	-	2,769,423
VTAF III	<u>Preferred stock</u> Stion Corp.	Financial assets carried at cost	-	-	-	-	7,347	US\$ 50,000	-	-	-	-	7,347	US\$ 50,000
GUC	<u>Open-end mutual fund</u> Jih Sun Bond Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	5,668	80,008	7,072	100,000	12,740	180,192	180,000	192	-	-
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	7,692	100,000	7,692	100,075	100,000	75	-	-
TSMC Global	<u>Corporate bond</u> Allstate Life Gbl Fdg Secd	Available-for-sale financial assets	-	-	-	-	4,430	US\$ 4,834	-	-	-	-	4,430	US\$ 4,824
	American Honda Fin Corp. Mtn	"	-	-	-	-	4,000	US\$ 3,985	-	-	-	-	4,000	US\$ 3,995
	Anz National Intl Ltd.	"	-	-	-	-	3,500	US\$ 3,515	-	-	-	-	3,500	US\$ 3,554
	AT+T Wireless	"	-	-	-	-	3,500	US\$ 3,979	-	-	-	-	3,500	US\$ 3,823
	Bank of America	"	-	-	-	-	2,900	US\$ 3,121	2,900	US\$ 3,086	US\$ 3,121	US\$ (35)	-	-
	Bank of America Corp. Fdic Gtd	"	-	-	-	-	3,400	US\$ 3,548	3,400	US\$ 3,539	US\$ 3,548	US\$ (9)	-	-
	Bank of Nova Scotia	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,000
	Bank of Scotland Plc	"	-	-	-	-	4,000	US\$ 3,984	-	-	-	-	-	-
	Barclays Bank Plc	"	-	-	-	-	12,000	US\$ 12,035	-	-	-	-	12,000	US\$ 11,997
	Barclays Bank Plc NY	"	-	-	-	-	5,000	US\$ 5,000	5,000	US\$ 5,036	US\$ 5,000	US\$ 36	-	-
	Bbva US Senior SA Uniper	"	-	-	-	-	4,745	US\$ 4,744	2,100	US\$ 2,084	US\$ 2,100	US\$ (16)	2,645	US\$ 2,638
	Berkshire Hathaway Inc. Del	"	-	-	-	-	3,500	US\$ 3,500	-	-	-	-	3,500	US\$ 3,517
	Boeing Cap Corp.	"	-	-	-	-	2,925	US\$ 3,235	-	-	-	-	2,925	US\$ 3,192
	Bp Capital Markets Plc	"	-	-	-	-	3,900	US\$ 3,969	-	-	-	-	3,900	US\$ 3,988
	Cie Financement Foncier	"	-	-	-	-	4,000	US\$ 4,029	-	-	-	-	4,000	US\$ 4,019
	Citibank NA	"	-	-	-	-	4,020	US\$ 4,021	4,020	US\$ 4,016	US\$ 4,021	US\$ (5)	-	-
	Citibank NA	"	-	-	-	-	5,000	US\$ 4,996	5,000	US\$ 5,023	US\$ 4,995	US\$ 28	-	-
	Citibank NA	"	-	-	-	-	10,000	US\$ 10,094	10,000	US\$ 10,104	US\$ 10,094	US\$ 10	-	-
	Citigroup Funding Inc.	"	-	-	-	-	16,000	US\$ 16,262	-	-	-	-	16,000	US\$ 16,323
	Citigroup Funding Inc.	"	-	-	-	-	7,300	US\$ 7,448	-	-	-	-	7,300	US\$ 7,446
	Citigroup Inc.	"	-	-	-	-	4,165	US\$ 4,167	4,165	US\$ 4,167	US\$ 4,167	-	-	-
	Citigroup Inc.	"	-	-	-	-	4,800	US\$ 4,768	4,800	US\$ 4,761	US\$ 4,768	US\$ (7)	-	-
	Citigroup Inc.	"	-	-	-	-	5,000	US\$ 5,360	-	-	-	-	5,000	US\$ 5,490
	Coca Cola Co.	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 4,002
	Countrywide Finl Corp.	"	-	-	-	-	4,000	US\$ 4,291	-	-	-	-	4,000	US\$ 4,208
	Dexia Credit Local	"	-	-	-	-	6,000	US\$ 6,000	-	-	-	-	6,000	US\$ 5,976

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Dexia Credit Local	Available-for-sale financial assets	-	-	-	US\$ -	4,000	US\$ 4,000	-	US\$ -	US\$ -	US\$ -	4,000	US\$ 3,984
	Dexia Credit Local S.A	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 3,992
	Dexia Credit Local SA NY	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 4,983
	General Elec Cap Corp.	"	-	-	-	-	4,000	US\$ 4,117	-	-	-	-	4,000	US\$ 4,110
	Georgia Pwr Co.	"	-	-	-	-	6,000	US\$ 6,000	5,000	US\$ 5,015	US\$ 5,000	US\$ 15	1,000	US\$ 1,005
	Georgia Pwr Co.	"	-	-	-	-	4,000	US\$ 4,024	-	-	-	-	4,000	US\$ 4,006
	Gmac LLC	"	-	-	-	-	4,600	US\$ 4,727	-	-	-	-	4,600	US\$ 4,731
	Goldman Sachs Group Incesr 2	"	-	-	3,000	US\$ 3,012	-	-	3,000	US\$ 3,012	US\$ 3,016	US\$ (4)	-	-
	Household Fin Corp.	"	-	-	-	-	4,330	US\$ 4,781	-	-	-	-	4,330	US\$ 4,694
	HSBC Bank Plc	"	-	-	-	-	3,400	US\$ 3,407	-	-	-	-	3,400	US\$ 3,405
	HSBC Fin Corp.	"	-	-	-	-	2,900	US\$ 3,142	-	-	-	-	2,900	US\$ 3,074
	IBM Corp.	"	-	-	1,800	US\$ 1,796	4,300	US\$ 4,302	3,800	US\$ 3,804	US\$ 3,801	US\$ 3	2,300	US\$ 2,301
	IBM Corp.	"	-	-	3,000	US\$ 3,027	-	-	3,000	US\$ 3,020	US\$ 3,029	US\$ (9)	-	-
	IBM Corp.	"	-	-	-	-	6,800	US\$ 6,772	-	-	-	-	6,800	US\$ 6,775
	Intl Bk Recon + Develop	"	-	-	-	-	5,000	US\$ 5,014	-	-	-	-	5,000	US\$ 5,002
	John Deer Capital Corp. Fdic GT	"	-	-	-	-	3,500	US\$ 3,634	-	-	-	-	3,500	US\$ 3,616
	JP Morgan Chase + Co.	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,021
	JP Morgan Chase + Co. Fdic Gtd Tlg	"	-	-	3,000	US\$ 3,030	-	-	3,000	US\$ 3,028	US\$ 3,030	US\$ (2)	-	-
	Landwirtsch Rentenbank	"	-	-	-	-	3,800	US\$ 3,800	3,800	US\$ 3,801	US\$ 3,800	US\$ 1	-	-
	Lloyds Tsb Bank Plc Ser 144A	"	-	-	-	-	4,850	US\$ 4,895	-	-	-	-	4,850	US\$ 4,857
	Macquarie Bk Ltd. Sr	"	-	-	-	-	3,900	US\$ 3,984	-	-	-	-	3,900	US\$ 3,975
	Massmutual Global Fdg II Mediu	"	-	-	-	-	4,000	US\$ 3,926	-	-	-	-	4,000	US\$ 3,955
	Merck + Co. Inc.	"	-	-	-	-	4,000	US\$ 4,066	-	-	-	-	4,000	US\$ 4,032
	Merrill Lynch + Co. Inc.	"	-	-	-	-	4,691	US\$ 4,603	-	-	-	-	4,691	US\$ 4,647
	Met Life Glob Funding I	"	-	-	-	-	5,000	US\$ 5,004	5,000	US\$ 5,003	US\$ 5,004	US\$ (1)	-	-
	Met Life Glob Funding I	"	-	-	2,100	US\$ 2,142	2,575	US\$ 2,623	4,675	US\$ 4,757	US\$ 4,755	US\$ 2	-	-
	Metlife Inc.	"	-	-	-	-	6,500	US\$ 6,527	-	-	-	-	6,500	US\$ 6,600
	Metropolitan Life Global Fdg I	"	-	-	3,340	US\$ 3,278	-	-	3,340	US\$ 3,327	US\$ 3,245	US\$ 82	-	-
	Microsoft Corp.	"	-	-	-	-	3,250	US\$ 3,249	-	-	-	-	3,250	US\$ 3,232
	Morgan Stanley Dean Witter	"	-	-	-	-	8,000	US\$ 8,796	-	-	-	-	8,000	US\$ 8,524
	Occidental Pete Corp.	"	-	-	-	-	3,200	US\$ 3,752	-	-	-	-	3,200	US\$ 3,700
	Pepsico Inc.	"	-	-	-	-	3,000	US\$ 3,000	3,000	US\$ 3,001	US\$ 3,000	US\$ 1	-	-
	Rabobank Nederland	"	-	-	-	-	5,000	US\$ 4,997	-	-	-	-	5,000	US\$ 5,000
	Regions Bank Fdic Gtd Tlgp	"	-	-	-	-	10,000	US\$ 10,372	10,000	US\$ 10,347	US\$ 10,372	US\$ (25)	-	-
	Royal Bk of Scotland Plc	"	-	-	-	-	4,000	US\$ 4,015	-	-	-	-	4,000	US\$ 4,002
	Shell International Fin	"	-	-	-	-	4,515	US\$ 4,528	-	-	-	-	4,515	US\$ 4,536
	Shell International Fin	"	-	-	-	-	3,200	US\$ 3,227	-	-	-	-	3,200	US\$ 3,248
	State Str Corp.	"	-	-	1,940	US\$ 1,920	5,080	US\$ 5,065	600	US\$ 597	US\$ 596	US\$ 1	6,420	US\$ 6,417
	State Street Corp.	"	-	-	-	-	5,500	US\$ 5,585	5,500	US\$ 5,559	US\$ 5,585	US\$ (26)	-	-
	Sun Life Finl Global	"	-	-	-	-	4,400	US\$ 4,304	-	-	-	-	4,400	US\$ 4,332
	Suncorp Metway Ltd.	"	-	-	5,000	US\$ 5,170	3,800	US\$ 3,933	-	-	-	-	8,800	US\$ 8,982
	Swedbank Hypotek AB	"	-	-	-	-	4,000	US\$ 4,002	-	-	-	-	4,000	US\$ 3,993
	Teva Pharma Fin III LLC	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 4,016
	US Central Federal Cred	"	-	-	4,800	US\$ 4,799	8,000	US\$ 8,074	12,800	US\$ 12,899	US\$ 12,873	US\$ 26	-	-
	US Central Federal Cred	"	-	-	-	-	4,000	US\$ 4,093	-	-	-	-	4,000	US\$ 4,084
	Wachovia Corp. Global Medium	"	-	-	-	-	5,000	US\$ 5,138	-	-	-	-	5,000	US\$ 5,141
	Wachovia Corp. New	"	-	-	4,000	US\$ 4,246	-	-	4,000	US\$ 4,205	US\$ 4,239	US\$ (34)	-	-
	Wal Mart Stores Inc.	"	-	-	-	-	4,000	US\$ 3,986	-	-	-	-	4,000	US\$ 3,964
	Wal Mart Stores Inc.	"	-	-	-	-	3,770	US\$ 4,383	-	-	-	-	3,770	US\$ 4,325
	Westpac Banking Corp.	"	-	-	-	-	3,500	US\$ 3,500	-	-	-	-	3,500	US\$ 3,514
	Westpac Banking Corp.	"	-	-	-	-	4,000	US\$ 4,044	-	-	-	-	4,000	US\$ 4,005
	Wyeth	"	-	-	-	-	3,345	US\$ 3,699	-	-	-	-	3,345	US\$ 3,657

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Aust + Nz Banking Group	Held-to-maturity financial assets	-	-	-	US\$ -	20,000	US\$ 20,000	-	US\$ -	US\$ -	US\$ -	20,000	US\$ 20,000
	Commonwealth Bank of Australia	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	Commonwealth Bank of Australia	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	JP Morgan Chase + Co.	"	-	-	-	-	35,000	US\$ 35,103	-	-	-	-	35,000	US\$ 35,067
	Westpac Banking Corp.	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	<u>Agency bond</u>													
	Fannie Mae	Available-for-sale financial assets	-	-	-	-	8,000	US\$ 7,995	8,000	US\$ 7,999	US\$ 7,995	US\$ 4	-	-
	Fannie Mae	"	-	-	-	-	8,765	US\$ 8,760	-	-	-	-	8,765	US\$ 8,763
	Fannie Mae	"	-	-	-	-	11,100	US\$ 11,096	-	-	-	-	11,100	US\$ 11,096
	Fannie Mae	"	-	-	-	-	3,900	US\$ 3,899	-	-	-	-	3,900	US\$ 3,861
	Fannie Mae	"	-	-	-	-	16,104	US\$ 16,097	-	-	-	-	16,104	US\$ 16,102
	Fannie Mae	"	-	-	-	-	4,600	US\$ 4,598	-	-	-	-	4,600	US\$ 4,589
	Fannie Mae	"	-	-	-	-	3,000	US\$ 3,009	-	-	-	-	3,000	US\$ 2,994
	Fannie Mae	"	-	-	-	-	3,770	US\$ 3,770	-	-	-	-	-	-
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,014	-	-	-	-	-	-
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,007	-	-	-	-	-	-
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,011	-	-	-	-	4,000	US\$ 4,003
	Fannie Mae	"	-	-	-	-	5,900	US\$ 5,975	-	-	-	-	-	-
	Federal Farm Credit Bank	"	-	-	-	-	4,020	US\$ 4,017	4,020	US\$ 4,023	US\$ 4,017	US\$ 6	-	-
	Federal Farm Credit Bank	"	-	-	-	-	4,000	US\$ 3,997	-	-	-	-	4,000	US\$ 3,984
	Federal Farm Credit Bank	"	-	-	-	-	4,000	US\$ 3,995	-	-	-	-	4,000	US\$ 3,994
	Federal Farm Credit Bank	"	-	-	-	-	5,000	US\$ 4,997	-	-	-	-	5,000	US\$ 5,004
	Federal Farm Credit Bank	"	-	-	-	-	3,100	US\$ 3,100	3,100	US\$ 3,100	US\$ 3,100	-	-	-
	Federal Farm Credit Bank	"	-	-	-	-	5,000	US\$ 5,049	-	-	-	-	5,000	US\$ 5,008
	Federal Home Ln Bank	"	-	-	11,000	US\$ 11,028	-	-	11,000	US\$ 11,049	US\$ 11,038	US\$ 11	-	-
	Federal Home Ln Bks	"	-	-	-	-	5,000	US\$ 5,098	-	-	-	-	5,000	US\$ 5,046
	Federal Home Ln Mtg Assn	"	-	-	-	-	4,634	US\$ 4,726	-	-	-	-	2,768	US\$ 2,810
	Federal Home Ln Mtg Corp.	"	-	-	1,350	US\$ 1,352	2,300	US\$ 2,304	3,650	US\$ 3,653	US\$ 3,656	US\$ (3)	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	-	4,289	US\$ 4,282	4,289	US\$ 4,292	US\$ 4,282	US\$ 10	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	-	4,717	US\$ 4,719	-	-	-	-	3,732	US\$ 3,727
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,840	US\$ 4,027	-	-	-	-	2,664	US\$ 2,793
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,720	US\$ 3,953	-	-	-	-	3,324	US\$ 3,453
	Federal Home Ln Mtg Corp.	"	-	-	-	-	4,121	US\$ 4,261	-	-	-	-	2,450	US\$ 2,491
	Federal Home Ln Mtg Corp. Multi	"	-	-	-	-	4,197	US\$ 4,261	-	-	-	-	-	-
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 9,985	-	-	-	-	10,000	US\$ 9,998
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 7,996	8,000	US\$ 7,996	US\$ 7,996	-	-	-
	Federal Home Loan Bank	"	-	-	-	-	5,000	US\$ 4,996	5,000	US\$ 5,001	US\$ 4,996	US\$ 5	-	-
	Federal Home Loan Bank	"	-	-	-	-	4,000	US\$ 3,999	4,000	US\$ 3,999	US\$ 3,999	-	-	-
	Federal Home Loan Bank	"	-	-	10,000	US\$ 9,987	-	-	10,000	US\$ 10,007	US\$ 9,996	US\$ 11	-	-
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 9,998	10,000	US\$ 10,010	US\$ 9,998	US\$ 12	-	-
	Federal Home Loan Bank	"	-	-	8,000	US\$ 7,992	-	-	8,000	US\$ 8,009	US\$ 8,002	US\$ 7	-	-
	Federal Home Loan Bank	"	-	-	-	-	6,050	US\$ 6,050	6,050	US\$ 6,060	US\$ 6,050	US\$ 10	-	-
	Federal Home Loan Bank	"	-	-	-	-	5,000	US\$ 5,009	-	-	-	-	5,000	US\$ 5,007
	Federal Home Loan Bank	"	-	-	-	-	6,800	US\$ 6,811	-	-	-	-	6,800	US\$ 6,817
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 7,990	-	-	-	-	8,000	US\$ 8,040
	Federal Home Loan Bank	"	-	-	10,000	US\$ 10,012	-	-	10,000	US\$ 10,047	US\$ 10,035	US\$ 12	-	-
	Federal Home Loan Bank	"	-	-	4,700	US\$ 4,715	-	-	4,700	US\$ 4,716	US\$ 4,723	US\$ (7)	-	-
	Federal Home Loan Bank	"	-	-	-	-	4,500	US\$ 4,497	3,100	US\$ 3,098	US\$ 3,098	-	1,400	US\$ 1,399
	Federal Home Loan Bank	"	-	-	11,200	US\$ 11,186	1,500	US\$ 1,498	4,300	US\$ 4,294	US\$ 4,299	US\$ (5)	8,400	US\$ 8,397
	Federal Home Loan Bank	"	-	-	-	-	4,000	US\$ 4,012	4,000	US\$ 4,002	US\$ 4,012	US\$ (10)	-	-
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 8,082	8,000	US\$ 8,057	US\$ 8,082	US\$ (25)	-	-
	Federal Home Loan Bank	"	-	-	3,000	US\$ 2,989	-	-	3,000	US\$ 3,001	US\$ 2,992	US\$ 9	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Federal Home Loan Mortg	Available-for-sale financial assets	-	-	-	US\$ -	8,000	US\$ 8,193	8,000	US\$ 8,123	US\$ 8,192	US\$ (69)	-	US\$ -
	Federal Home Loan Mtg Corp.	"	-	-	-	-	6,397	US\$ 6,394	-	-	-	-	5,183	US\$ 5,168
	Federal Natl Mtg Assn	"	-	-	4,000	US\$ 4,228	-	-	4,000	US\$ 4,205	US\$ 4,261	US\$ (56)	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	3,426	US\$ 3,494	-	-	-	-	471	US\$ 471
	Federal Natl Mtg Assn Gtd	"	-	-	-	-	3,343	US\$ 3,466	-	-	-	-	2,346	US\$ 2,425
	Fhr 2647 Pb	"	-	-	-	-	4,000	US\$ 4,149	-	-	-	-	2,561	US\$ 2,595
	Fhr 2953 Da	"	-	-	-	-	3,638	US\$ 3,827	-	-	-	-	3,284	US\$ 3,466
	Fhr 3184 Fa	"	-	-	-	-	4,686	US\$ 4,681	-	-	-	-	4,096	US\$ 4,084
	Fnma Pool 745131	"	-	-	-	-	3,123	US\$ 3,261	-	-	-	-	1,743	US\$ 1,803
	Fnma Pool 995672	"	-	-	-	-	3,000	US\$ 3,141	3,000	US\$ 3,134	US\$ 3,141	US\$ (7)	-	-
	Fnma Pool AD9843	"	-	-	-	-	3,252	US\$ 3,405	3,252	US\$ 3,397	US\$ 3,405	US\$ (8)	-	-
	Fnma Tba Dec 30 Single Fam	"	-	-	-	-	24,000	US\$ 25,241	24,000	US\$ 25,233	US\$ 25,241	US\$ (8)	-	-
	Fnma Tba Nov 30 Single Fam	"	-	-	-	-	14,200	US\$ 14,863	14,200	US\$ 14,981	US\$ 14,863	US\$ 118	-	-
	Fnma Tba Oct 30 Single Fam	"	-	-	-	-	14,200	US\$ 14,790	14,200	US\$ 14,901	US\$ 14,790	US\$ 111	-	-
	Fnr 2006 60 CO	"	-	-	-	-	4,092	US\$ 4,090	-	-	-	-	3,485	US\$ 3,483
	Fnr 2009 116 A	"	-	-	-	-	4,390	US\$ 4,712	-	-	-	-	4,271	US\$ 4,640
	Freddie Mac	"	-	-	-	-	10,420	US\$ 10,412	-	-	-	-	10,420	US\$ 10,411
	Freddie Mac	"	-	-	4,500	US\$ 4,491	-	-	4,500	US\$ 4,496	US\$ 4,490	US\$ 6	-	-
	Freddie Mac	"	-	-	-	-	8,000	US\$ 8,002	8,000	US\$ 7,997	US\$ 8,001	US\$ (4)	-	-
	Freddie Mac	"	-	-	-	-	7,000	US\$ 6,994	7,000	US\$ 6,995	US\$ 6,994	US\$ 1	-	-
	Freddie Mac	"	-	-	-	-	4,500	US\$ 4,507	-	-	-	-	4,500	US\$ 4,502
	Freddie Mac	"	-	-	-	-	5,750	US\$ 5,771	-	-	-	-	5,750	US\$ 5,764
	Freddie Mac	"	-	-	-	-	7,855	US\$ 7,869	-	-	-	-	7,855	US\$ 7,859
	Freddie Mac	"	-	-	-	-	4,300	US\$ 4,308	-	-	-	-	4,300	US\$ 4,316
	Freddie Mac	"	-	-	-	-	4,010	US\$ 4,024	-	-	-	-	4,010	US\$ 4,014
	Gnr 2009 45 AB	"	-	-	-	-	7,004	US\$ 7,305	-	-	-	-	4,417	US\$ 4,496
	Government Natl Mtg Assn	"	-	-	-	-	3,050	US\$ 3,278	-	-	-	-	3,050	US\$ 3,285
	Ngn 2010 R2 1A	"	-	-	-	-	3,800	US\$ 3,800	-	-	-	-	3,732	US\$ 3,731
	<u>Government bond</u>													
	United States Treas Nts	Available-for-sale financial assets	-	-	-	-	24,000	US\$ 24,116	24,000	US\$ 24,105	US\$ 24,116	US\$ (11)	-	-
	United States Treas Nts	"	-	-	-	-	45,070	US\$ 45,309	45,070	US\$ 45,258	US\$ 45,309	US\$ (51)	-	-
	US Treasury N/B	"	-	-	-	-	43,900	US\$ 43,832	43,900	US\$ 44,134	US\$ 43,831	US\$ 303	-	-
	US Treasury N/B	"	-	-	-	-	53,000	US\$ 53,069	53,000	US\$ 53,316	US\$ 53,069	US\$ 247	-	-
	US Treasury N/B	"	-	-	-	-	16,800	US\$ 16,889	16,800	US\$ 16,897	US\$ 16,889	US\$ 8	-	-
	US Treasury N/B	"	-	-	-	-	49,700	US\$ 49,742	8,000	US\$ 8,066	US\$ 8,013	US\$ 53	41,700	US\$ 42,042
	US Treasury N/B	"	-	-	21,400	US\$ 21,394	-	-	21,400	US\$ 21,487	US\$ 21,416	US\$ 71	-	-
	US Treasury N/B	"	-	-	-	-	7,000	US\$ 7,078	-	-	-	-	7,000	US\$ 7,079
	US Treasury Nts	"	-	-	37,700	US\$ 39,012	-	-	37,700	US\$ 38,784	US\$ 39,346	US\$ (562)	-	-
	US Treasury Sec	"	-	-	-	-	8,000	US\$ 8,040	8,000	US\$ 8,028	US\$ 8,040	US\$ (12)	-	-
	US Treasury Sec.	"	-	-	-	-	10,000	US\$ 10,040	10,000	US\$ 10,045	US\$ 10,040	US\$ 5	-	-
	Wi Treasury N/B	"	-	-	-	-	5,250	US\$ 5,195	-	-	-	-	5,250	US\$ 5,212
	Wi Treasury Sec	"	-	-	-	-	11,100	US\$ 11,084	-	-	-	-	11,100	US\$ 10,976
	Wi Treasury Sec	"	-	-	-	-	4,400	US\$ 4,380	4,400	US\$ 4,464	US\$ 4,380	US\$ 84	-	-
	Wi Treasury Sec	"	-	-	-	-	5,000	US\$ 5,009	5,000	US\$ 4,977	US\$ 5,009	US\$ (32)	-	-
	<u>Money market fund</u>													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	8,858	US\$ 8,858	337,008	US\$ 337,008	333,479	US\$ 333,479	US\$ 333,479	-	12,387	US\$ 12,387

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Corporate issued note Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	4,500	US\$ 4,489	-	US\$ -	4,500	US\$ 4,489	US\$ 4,489	US\$ -	-	US\$ -

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

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

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

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	January 28, 2010 to December 27, 2010	\$ 1,169,132	By the construction progress	China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2010 to December 29, 2010	1,959,787	By the construction progress	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	February 19, 2010 to December 29, 2010	2,800,940	By the construction progress	Da Cin Constructure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	February 25, 2010 to December 30, 2010	493,403	By the construction progress	Tasa Construction Corporation	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	April 1, 2010 to December 30, 2010	125,277	By the construction progress	I-Domain Industrial Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	December 26, 2010 to December 28, 2010	195,831	By the construction progress	Mirle Automation Corporation	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	December 30, 2010	2,900,000	Based on the agreement	Powerchip Technology Corporation	-	N/A	N/A	N/A	N/A	Pricing report	Manufacturing purpose	None

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 220,529,792	53	Net 30 days after invoice date	-	-	\$ 25,579,259	53	
		Investee with a controlling financial interest	Sales	2,818,499	1	Net 30 days after monthly closing	-	-	154,589	-	
	VIS	Investee accounted for using equity method	Sales	223,433	-	Net 30 days after monthly closing	-	-	-	-	
	TSMC China	Subsidiary	Purchases	8,748,101	18	Net 30 days after monthly closing	-	-	(895,193)	7	
	WaferTech	Indirect subsidiary	Purchases	7,878,260	16	Net 30 days after monthly closing	-	-	(568,685)	4	
	VIS	Investee accounted for using equity method	Purchases	4,937,617	10	Net 30 days after monthly closing	-	-	(428,797)	3	
	SSMC	Investee accounted for using equity method	Purchases	4,521,046	10	Net 30 days after monthly closing	-	-	(430,235)	3	
GUC	TSMC North America	Same parent company	Purchases	780,070	18	Net 30 days after invoice date/net 30 days after monthly closing	-	-	(102,302)	14	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	2,252,522	57	Net 30 days after monthly closing	-	-	118,933	62	

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

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2010**

**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
TSMC	TSMC North America	Subsidiary	\$ 25,582,932	40	\$ 8,255,062	-	\$ 11,282,114	\$ -
	TSMC China	Subsidiary	1,170,407	(Note 2)	-	-	-	-
	GUC	Investee with a controlling financial interest	154,589	32	7,415	-	-	-
Xintec	OmniVision	Parent company of director (represented for Xintec)	118,933	42	-	-	-	-

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

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

TABLE 7

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

DECEMBER 31, 2010

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2010			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note	
				December 31, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)				
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 43,710,543	\$ 660,931	\$ 660,931	Subsidiary	
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,456,130	31,456,130	988,268	100	33,565,775	2,313,657	2,313,657	Subsidiary	
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	38	9,422,452	1,952,385	343,252	Investee accounted for using equity method	
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	7,120,714	3,881,067	1,308,468	Investee accounted for using equity method	
	Motech	Taipei, Taiwan	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	6,228,661	-	76,069	20	6,733,369	4,584,720	542,218	Investee accounted for using equity method	
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	4,252,270	1,386,574	1,358,492	Subsidiary	
	TSMC North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,873,888	302,598	302,598	Subsidiary	
	VTAF III	Cayman Islands	Investing in new start-up technology companies	3,565,441	1,703,163	-	99	2,769,423	(247,274)	(241,178)	Subsidiary	
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,645,201	505,260	180,912	Investee with a controlling financial interest	
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,113,516	604,501	211,199	Investee with a controlling financial interest	
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,093,943	-	98	1,063,057	120,612	118,200	Subsidiary	
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	971,785	959,044	-	99	304,310	2,345	2,333	Subsidiary (Note 3)	
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	177,784	38,893	38,893	Subsidiary (Note 3)	
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	150,312	4,704	4,704	Subsidiary (Note 3)	
	TSMC Solar NA	Delaware, U.S.A.	Engaged in selling and marketing of solar related products	60,962	-	1	100	26,527	(35,512)	(35,512)	Subsidiary	
	TSMC Solar Europe	Amsterdam, the Netherlands	Engaged in investing activities of solar related business	25,350	-	-	100	23,971	(433)	(433)	Subsidiary	
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	20,929	2,709	2,709	Subsidiary (Note 3)	
	TSMC Lighting NA	Delaware, U.S.A.	Engaged in selling and marketing of LED related products	3,133	-	1	100	3,133	-	-	Subsidiary	
	TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 403,257	US\$ 62,870	Note 2	Subsidiary
		VisEra Holding Company	Cayman Islands	Investing in companies involved in the design, manufacture, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 83,057	US\$ 11,321	Note 2	Investee accounted for using equity method
ISDF		Cayman Islands	Investing in new start-up technology companies	US\$ 4,088	US\$ 7,680	4,088	97	US\$ 21,523	US\$ 8,934	Note 2	Subsidiary	
ISDF II		Cayman Islands	Investing in new start-up technology companies	US\$ 16,532	US\$ 21,415	16,532	97	US\$ 13,660	US\$ 4,957	Note 2	Subsidiary	
TSMC Technology		Delaware, U.S.A.	Engineering support activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 9,878	US\$ 807	Note 2	Subsidiary (Note 3)	
TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,714	US\$ 348	Note 2	Subsidiary (Note 3)		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2010			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC Development	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$ 800	5,333	70	US\$ -	US\$ (6,915)	Note 2	Investee accounted for using equity method (Note 3)
	Mcube Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	US\$ 1,000	1,000	10	-	(6,915)	Note 2	
	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 280,000	US\$ 330,000	293,637	100	US\$ 165,211	US\$ 60,779	Note 2	Subsidiary
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 3,937	US\$ 3,088	11,868	57	US\$ 2,058	US\$ (1,879)	Note 2	Subsidiary (Note 3)
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 2,206	US\$ 1,777	5,623	43	US\$ 546	US\$ (1,030)	Note 2	Investee accounted for using equity method (Note 3)
VTAF II	Growth Fund VTA Holdings	Cayman Islands	Investing in new start-up technology companies	US\$ 1,700	US\$ 1,550	-	100	US\$ 846	US\$ (127)	Note 2	Subsidiary (Note 3)
		Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA GUC-Japan GUC-BVI GUC-Europe	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
		U.S.A.	Consulting services in main products	US\$ 1,249	US\$ 800	800	100	\$ 58,045	\$ 10,599	Note 2	Subsidiary
		Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,706	1,404	Note 2	Subsidiary (Note 3)
		British Virgin Islands	Investment activities	US\$ 550	US\$ 550	550	100	8,761	(8,021)	Note 2	Subsidiary (Note 3)
GUC-BVI	GUC-Shanghai	The Netherlands	Consulting services in main products	EUR 100	EUR 100	-	100	3,747	(703)	Note 2	Subsidiary (Note 3)
		Shanghai, China	Consulting services in main products	US\$ 500	-	-	100	7,468	(7,971)	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary (Note 3)
TSMC Solar Europe	TSMC Solar Europe GmbH	Hamburg, Germany	Engaged in the selling and customer service of solar cell modules and related products	EUR 100	-	1	100	3,658	(421)	Note 2	Subsidiary (Note 3)

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

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
						Outflow (US\$ in Thousand)	Inflow (US\$ in Thousand)					
TSMC	TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$ 12,180,367 (RMB 3,070,623)	(Note 1)	\$ 12,180,367 (US\$ 371,000)	\$ -	\$ -	\$ 12,180,367 (US\$ 371,000)	100%	\$ 1,358,492 (Note 3)	\$ 4,252,270	\$ -
GUC	GUC-Shanghai	Consulting services in main products	16,160 (US\$ 500)	(Note 2)	-	16,160 (US\$ 500)	-	16,160 (US\$ 500)	100%	(7,971) (Note 4)	7,468	-

Investor Company	Accumulated Investment in Mainland China as of December 31, 2010 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
TSMC	\$ 12,180,367 (US\$ 371,000)	\$ 12,180,367 (US\$ 371,000)	\$ 12,180,367 (US\$ 371,000)
GUC	16,160 (US\$ 500)	16,160 (US\$ 500)	1,909,972 (Note 5)

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

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

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

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

A. For the year ended December 31, 2010

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 220,529,792	-	51%
				Receivables from related parties	25,579,259	-	6%
				Other receivables from related parties	3,673	-	-
				Payables to related parties	11,475	-	-
		TSMC China	1	Sales	17,631	-	-
				Purchases	8,748,101	-	2%
				Marketing expenses - commission	59,180	-	-
				Gain on disposal of property, plant and equipment	45,251	-	-
				Acquisition of property, plant and equipment	66,337	-	-
				Disposal of property, plant and equipment	1,409,862	-	-
				Technical service income	4,487	-	-
				Other receivables from related parties	1,170,407	-	-
				Payables to related parties	895,193	-	-
		TSMC Japan	1	Marketing expenses - commission	266,194	-	-
				Payables to related parties	26,115	-	-
		TSMC Europe	1	Marketing expenses - commission	415,765	-	-
				Research and development expenses	33,907	-	-
		TSMC Korea	1	Payables to related parties	35,530	-	-
				Marketing expenses - commission	19,318	-	-
		GUC	1	Payables to related parties	2,466	-	-
				Sales	2,818,499	-	1%
				Research and development expenses	8,390	-	-
		TSMC Technology	1	Receivables from related parties	154,589	-	-
Payables to related parties	2,271			-	-		
WaferTech	1	Research and development expenses	547,838	-	-		
		Payables to related parties	88,292	-	-		
		Sales	9,918	-	-		
		Purchases	7,878,260	-	2%		
		Gain on disposal of other assets	9,655	-	-		
		Acquisition of property, plant and equipment	9,624	-	-		
		Disposal of property, plant and equipment	27,010	-	-		
TSMC Canada	1	Disposal of other assets	9,655	-	-		
		Other receivables from related parties	3,543	-	-		
		Payables to related parties	568,685	-	-		
		Research and development expenses	181,943	-	-		
		Payables to related parties	13,495	-	-		

(Continued)

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

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
No. 3 represents the transactions between subsidiaries.

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

(Continued)



B. For the year ended December 31, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 161,251,368	-	52%
				Receivables from related parties	22,203,242	-	4%
				Other receivables from related parties	8,676	-	-
				Payables to related parties	4,222	-	-
		TSMC China	1	Sales	63,278	-	-
				Purchases	3,787,113	-	1%
				Gain on disposal of property, plant and equipment	176,521	-	-
				Technical service income	8,105	-	-
				Marketing expenses - commission	10,302	-	-
				Other receivables from related parties	111,103	-	-
				Payables to related parties	481,500	-	-
				Deferred credits	7,970	-	-
		TSMC Japan	1	Marketing expenses - commission	233,855	-	-
				Payables to related parties	23,288	-	-
		TSMC Europe	1	Marketing expenses - commission	325,463	-	-
				Research and development expenses	21,463	-	-
		TSMC Korea	1	Payables to related parties	31,342	-	-
				Marketing expenses - commission	14,424	-	-
		GUC	1	Payables to related parties	1,418	-	-
				Sales	2,023,612	-	1%
Research and development expenses	26,488			-	-		
TSMC Technology	1	Receivables from related parties	338,502	-	-		
		Research and development expenses	409,686	-	-		
WaferTech	1	Payables to related parties	109,220	-	-		
		Sales	4,482	-	-		
		Purchases	5,560,707	-	2%		
		Other receivables from related parties	4,932	-	-		
TSMC Canada	1	Payables to related parties	561,165	-	-		
		Research and development expenses	157,527	-	-		
Xintec	1	Payables to related parties	13,653	-	-		
		Manufacturing overhead	36,101	-	-		
		Payables to related parties	37,363	-	-		
3	GUC	TSMC North America	3	Sales of property, plant and equipment and other assets	58,450	-	-
				Purchases	937,160	-	-
				Manufacturing overhead	303,687	-	-
		GUC-NA	3	Payables to related parties	173,789	-	-
				Operating expenses	157,345	-	-
		GUC-Japan	3	Accrued expenses	14,618	-	-
				Operating expenses	39,755	-	-
		GUC-Europe	3	Accrued expenses	3,462	-	-
				Operating expenses	7,305	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
No. 3 represents the transactions between subsidiaries.

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

(Concluded)