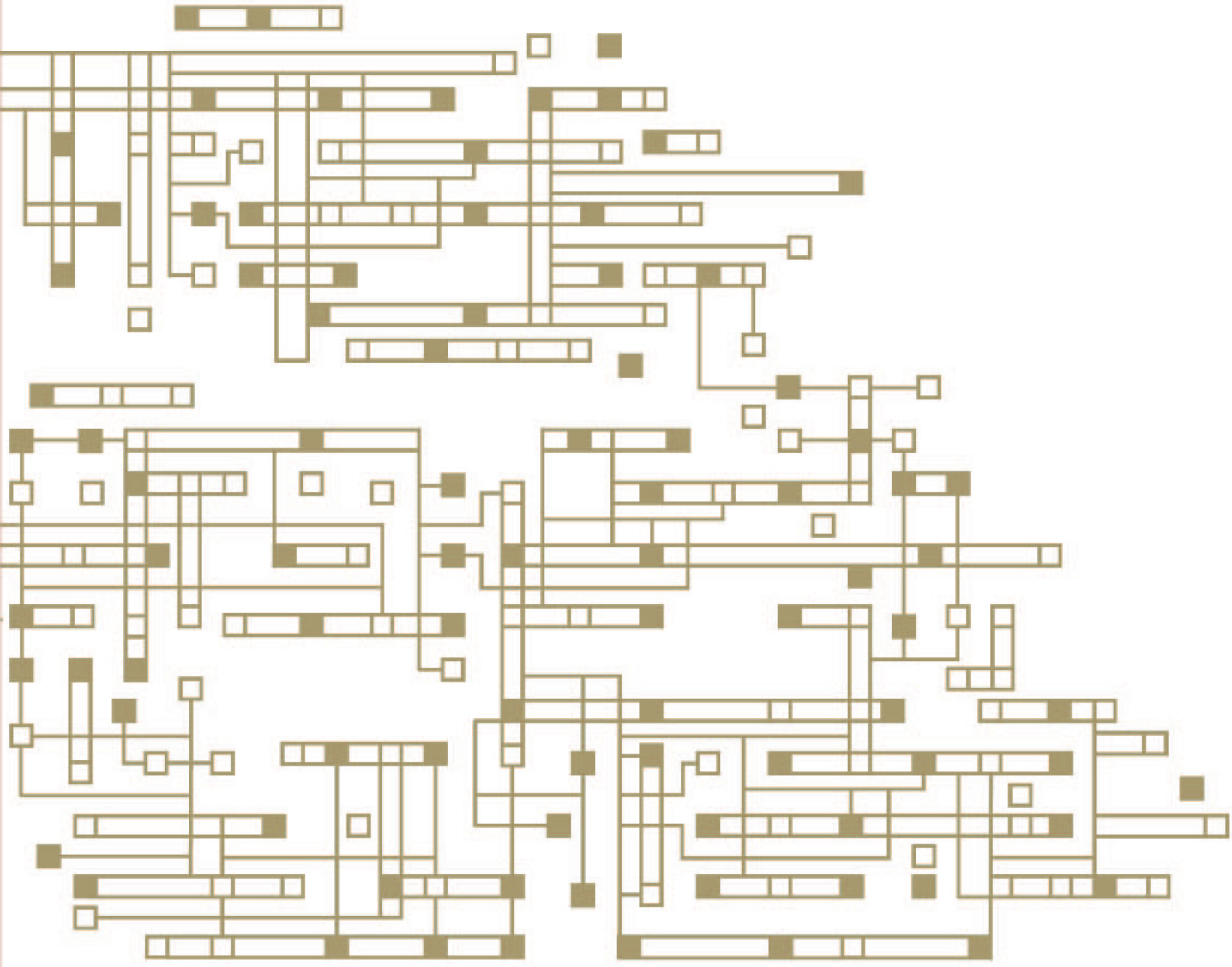
TSE: 2330
NYSE: TSM

TSMC Annual Report 2010 (I)



- Taiwan Stock Exchange Market Observation Post System: http://mops.tse.com.tw
- TSMC annual report is available at http://www.tsmc.com/english/investorRelations/annual_reports.htm

Printed on March 12, 2011

TSMC VISION & CORE VALUES

TSMC's Vision

Our vision is to be the most advanced and largest technology and foundry services provider to fabless companies and IDMs, and in partnership with them, to forge a powerful competitive force in the semiconductor industry.

To realize our vision, we must have a trinity of strengths:
(1) be a technology leader, competitive with the leading IDMs
(2) be the manufacturing leader
(3) be the most reputable, service-oriented and maximum-total-benefits silicon foundry.

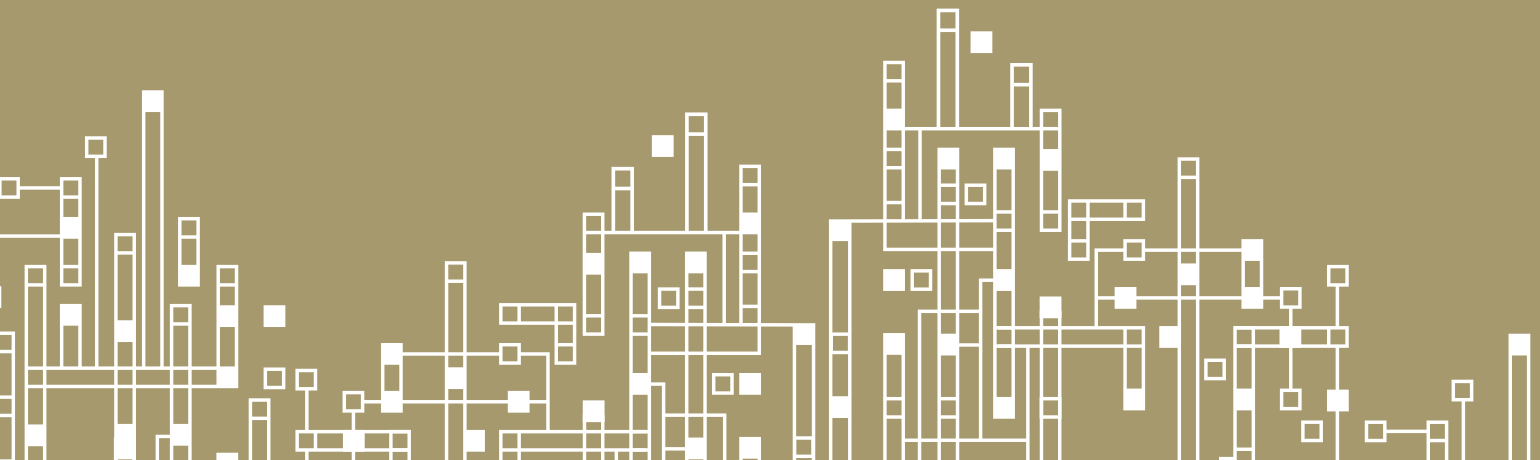
TSMC Core Values

Integrity – Integrity is our most basic and most important core value. We tell the truth. We believe the record of our accomplishments is the best proof of our merit. Hence, we do not brag. We do not make commitments lightly. Once we make a commitment, we devote ourselves completely to meeting that commitment. We compete to our fullest within the law, but we do not slander our competitors and we respect the intellectual property rights of others. With vendors, we maintain an objective, consistent, and impartial attitude. We do not tolerate any form of corrupt behavior or politicking. When selecting new employees, we place emphasis on the candidates' qualifications and character, not connections or access.

Commitment – TSMC is committed to the welfare of customers, suppliers, employees, shareholders, and society. These stakeholders all contribute to TSMC's success, and TSMC is dedicated to serving their best interests. In return, TSMC hopes all these stakeholders will make a mutual commitment to the Company.

Innovation – Innovation is the wellspring of TSMC's growth, and is a part of all aspects of our business, from strategic planning, marketing and management, to technology and manufacturing. At TSMC, innovation means more than new ideas, it means putting ideas into practice.

Customer Partnership – At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term.



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【瞻 VISION】

With a broad vision of the past and future, we possess the strength and capability to overcome our challenges.

1. Letter to Shareholders

Dear Shareholders,

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

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

- We operated at full production utilization rate averaged across all fabs throughout the year, and have installed 14 percent more capacity overall, with an increase of 37 percent in capacities at 12" wafer fabs.

- We deployed over 157 technologies, and manufactured more than 8,300 products for more than 450 customers over the course of 2010.

- In 2010, we fast ramped-up to full production of our 40/45-nanometer technology, which generated 17 percent of total wafer revenue, with considerable market share, and margins that approached the corporate average by year's end.

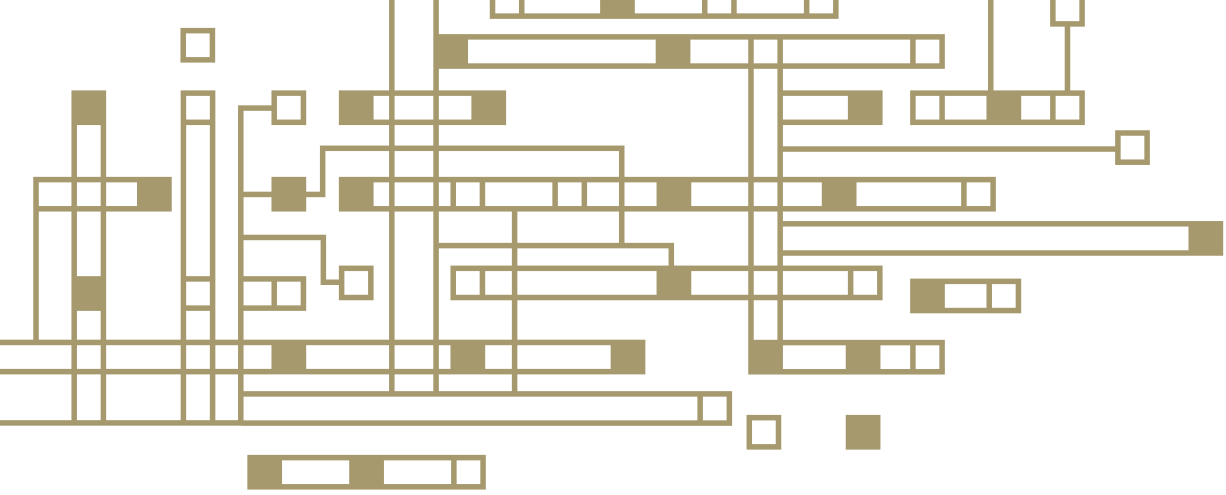
- Following on the success of our 65- and 40-nanometer process technology productions, development of our 28-nanometer products – three high-k metal gate processes and one conventional silicon oxynitride (SiON) process – proceeded as planned with record customer engagements.

Financial Performance

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

In US dollars, TSMC generated net income of US$5.13 billion on consolidated revenue of US$13.32 billion, compared with net income of US$2.71 billion on consolidated revenue of US$9 billion for 2009.

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



Expanding Growth

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

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

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

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

TSMC also is actively pursuing new revenue opportunities that leverage our technological strengths, engineering capabilities, and experiences in large-scale manufacturing. During the year, construction was begun on TSMC's first solid-state lighting facility in Hsinchu to pursue opportunities in the lighting industry. We also began construction on our first Thin Film Solar R&D Center and Fab in Taichung, laying the foundation for TSMC's entry into the thin-film solar photovoltaic market serving the solar energy market. Each of these initiatives represents an opportunity for TSMC to establish a significant foothold in the emerging green energy industries.

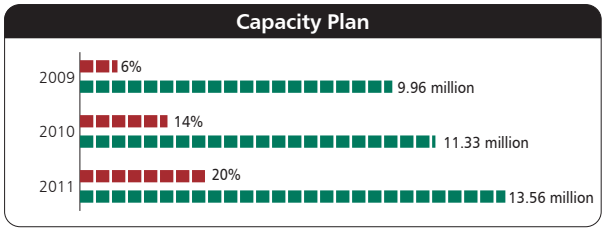
Technological Developments

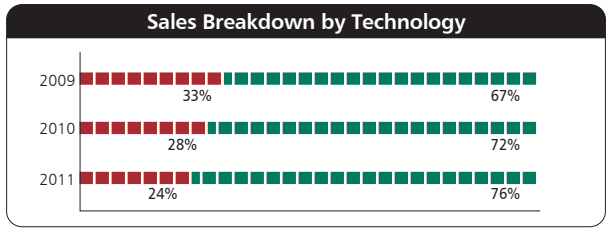
At this time, TSMC's 28-nanometer technology is industry leading and production ready. We have achieved, in the R&D phase, superior performance, reliability and density, which is 2 times over that of 40-nanometer, using our gate-last high-k metal-gate process. A few customer products have already taped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

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

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

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





Honors and Awards

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

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

Outlook

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

Morris Chang
Chairman and CEO

February 15, 2011

【誠 INTEGRITY】

INTEGRITY IS OUR MOST FUNDAMENTAL AND MOST IMPORTANT PRINCIPLE.

2. Company Profile

2.1 An Introduction to TSMC

TSMC is the world's largest pure-play semiconductor foundry. Founded on February 21, 1987 and headquartered in Hsinchu, Taiwan, TSMC pioneered the business model of focusing solely on manufacturing customers' semiconductor designs. As a pure-play semiconductor foundry, the Company does not design, manufacture, or market semiconductor products under its own brand name, ensuring that TSMC does not compete directly with its customers.

With a diverse global customer base, TSMC-manufactured microchips are used in a broad variety of applications that cover various segments of the computer, communications and consumer electronics markets.

Total capacity of the manufacturing facilities managed by TSMC, including subsidiaries and joint ventures, totaled 11.33 million 8-inch equivalent wafers in 2010. In Taiwan, TSMC operates two advanced 12-inch wafer fabs, four 8-inch wafer fabs, and one 6-inch wafer fab. TSMC also manages two 8-inch fabs at wholly owned subsidiaries: WaferTech in the United States and TSMC China Company Limited. In addition, TSMC obtains 8-inch wafer capacity from other companies in which the Company has an equity interest.

TSMC provides customer service through its account management and engineering services offices in North America, Europe, Japan, China, South Korea, and India. The Company employed more than 33,000 people worldwide as of the end of 2010.

TSMC continued to lead the foundry segment of the semiconductor industry in both advanced and "More-than-Moore" process technologies. Already the first foundry to provide 65nm and 40nm production capacity, TSMC also announced it will deliver 28nm as a full node technology, with the portfolio of 28HP & 28HPM for high performance and 28LP & 28HPL for low power to enrich its 28nm offering. In addition to general-purpose logic process technology, TSMC supports the wide-ranging needs of its customers with embedded non-volatile memory, embedded DRAM, Mixed Signal/RF, high voltage, CMOS image sensor, color filter, MEMS, silicon germanium technologies and automotive service packages.

During 2010 TSMC made investments in two new lines of business related to solid state lighting and solar business activities. Both of these business are still developing their technology base and are not expected to contribute significantly to revenue until after 2011.

The Company is listed on the Taiwan Stock Exchange (TWSE) under ticker number 2330, and its American Depositary Shares trade on the New York Stock Exchange (NYSE) under the symbol "TSM".

2.2 Market/Business Summary

2.2.1 TSMC Achievements

In 2010, TSMC maintained its leading position in the total foundry segment of the global semiconductor industry, with an estimated market segment share of 45.5%. TSMC achieved this result amid fierce competition from both established players and relatively new entrants to the business.

Leadership in advanced process technologies is a key factor in TSMC's strong market position. In 2010, 72% of TSMC's wafer revenue came from manufacturing processes with geometries of 0.13μm and below. A critical milestone was reached in November 2010, when TSMC shipped its half-millionth 45/40nm 12-inch wafer. TSMC also piloted the leading-edge 28nm process with its foundry customers. As of the fourth quarter of 2010, 52% of TSMC's wafer revenue came from 65nm processes and below.

In addition to advanced technologies, TSMC also offers innovative services in line with its unwavering focus on customer partnership. Among the many innovative services unveiled in 2010 was the foundry segment's first Analog/Mixed Signal Reference flow. TSMC also launched the Soft IP Alliance, bringing TSMC power, performance, and area metrics to the soft IP providers in TSMC's IP Alliance. The second revision of the radio frequency (RF) reference design kit was delivered, which enriched the Open Innovation Platform™ to facilitate timely innovation among the semiconductor design community. Lastly, after the debut of a series of interoperable data formats in iRCX, iDRC, iLVS and iPDK in 2009, TSMC demonstrated its strong commitment to industry users in 2010 with its industry-first iDRC & iLVS runsets, and iPDKs in many TSMC advanced process nodes from 0.13μm to 28nm.

TSMC continued to advance the semiconductor roadmap in 2010. Examples of technologies the Company developed or rolled out include:

- 28nm High Performance (28HP) technology to support performance driven markets like CPU, GPU (Graphics Processing Unit), APU (Accelerated Processing Unit), FPGA & high-speed Networking applications.
- 28nm High Performance Mobile computing (28HPM) technology for tablet, smart phone, and high end System-on-Chip (SoC) applications.
- 28nm Low Power (28LP & 28HPL) technology for mainstream smart phone, tablet and digital consumer products.
- 40nm general purpose technology to support performance-driven markets like CPU, FPGA, 3D image, Gaming & Gigabit Ethernet applications.
- 40nm low power and RF technology for cellular phone, application processor, home entertainment, game and wireless connectivity solutions.
- 55nm low power RF technology for WLAN, Cellular BB, DTV, STB, Bluetooth, PMP, MID and handheld high-end applications.
- 65nm eFlash multi-time programmable non-volatile memory technology under joint development for high-end automotive application.
- 80nm high voltage process for smart phone display driver.
- 85nm low power technology for flash controller application.
- 90nm eFlash technology qualified for microcontroller application.
- 0.18μm and 0.25μm qualified OTP solution for automotive application.
- 0.18μm and 0.25μm high precision analog process.
- 0.18μm BCD for digital power management IC.

In addition, TSMC further strengthened its comprehensive development of specialty technologies in 2010, including Back-side Illumination CMOS image sensor (BSI CIS), 90/65nm embedded flash and 0.13μm analog technologies. In 2010, TSMC began to offer 3D MEMS platform to selected fabless customers. These specialty technologies are key differentiators from our competitors and provide customers more value.

2.2.2 Market Overview

We estimate that the semiconductor market in 2010 reached US$298 billion in revenue, a 32% increase compared to 2009. Total foundry, a manufacturing sub-segment of the semiconductor industry, generated total revenues of US$28 billion in 2010, or 10% of total semiconductor industry revenue and 43% YoY growth. In 2010, the largest geographic market (based on the location of customers' corporation headquarters) for foundry services was North America, accounting for 59% of overall foundry revenue. The second largest geographic market was Asia Pacific (excluding Japan), which accounted for 27% of foundry revenue. European-based customers accounted for 9%, and orders from companies based in Japan contributed 5%.

2.2.3 Industry Outlook, Opportunities and Threats

Industry Demand and Supply Outlook

After a challenging year in 2009, foundry sales recovered and grew strongly in 2010, increasing 43% compared to 2009, mainly driven by improved end-market demand and supply chain inventory replenishment.

We forecast total foundry sales to grow at 15% YoY in 2011. In the longer term, increasing semiconductor content in electronics devices and increasing IDM outsourcing, foundry sales are expected to display a 10% compound annual growth rate (CAGR) from 2010 through 2015, higher than the 4% CAGR for the total semiconductor industry.

As an upstream supplier in the semiconductor supply chain, the foundry segment is tightly correlated with the market health of the 3Cs: communications, computer and consumer.

- Communications

The communications sector, particularly the handset segment, increased 14% in unit shipment for 2010 from 2009. The growing number of new subscribers in emerging countries such as China and India and stabilizing sales in developed countries has boosted the sales of handsets. Smartphones, which have much higher semiconductor content and significant growth, have been a bright spot in the overall handset market.

The growing popularity of 3G and emerging 4G/LTE cellular phones will bring positive momentum to the market. Smartphones with

increasing performance, lower power and more intelligent applications will continue to propel the buying momentum of new handsets in the coming 2011.

Low power IC design is a must-have feature among handset customers. The System-on-Chip (SoC) design and the appetite for higher performance to run complicated software will also speed up the migration to advanced process technologies in which TSMC is already the leader.

- Computer

The computer sector posted a solid unit shipment growth of 14% YoY after a single-digit growth year in 2009, driven by strong corporate replacement partially offset by relatively weak consumer demand as a result of perceived economic uncertainty and minor cannibalization of media tablet in low-end consumer notebooks. China and other emerging countries led the growth while the developed regions showed softness.

Moving into 2011, PC growth remains healthy. Corporate replacement will continue to fuel the growth of PC sales while consumer PC will be impacted by the growing variety of alternative devices that enable better on-the-go content consumption, such as tablets and next-generation smartphones. Emerging countries will continue to be the growth engine. New applications and features such as "virtualization" and "green" notebook will also help spur PC sales.

In terms of IC product design, the requirements of lower power, higher performance, and integration for key components in computers, such as CPU, GPU, Chipset, etc., will drive near-term demand for advanced process technologies, particularly in 40nm and 28nm.

- Consumer

After the stagnant sales in the last two years, the aggregate unit shipment of digital consumer electronics devices regained momentum in 2010, with 8% YoY growth. Government subsidy programs (e.g., China and Japan), CRT replacement in emerging countries, and deferred Digital-Still-Camera (DSC) sales support the growing demand after the economic recession. Average selling price (ASP) declined for consumer products, such as DTV, Blu-ray DVD, and DSC, have also spurred the buying sentiment.

In 2011, new products with attractive features may stimulate sales of consumer products. The continual trend toward HD video, connectivity, and 3D will still be the catalyst to drive sales of products like DTV, STB and Blu-ray DVD.

Increasing innovations in the digital consumer sector have also encouraged new usage models, such as motion recognition for TV game consoles and 3D display for handheld game consoles. Besides the need for advanced technologies, "More-than-Moore" technologies such as CIS, High-voltage drivers and MEMS are becoming prominent requirements. With its comprehensive technology portfolio, TSMC will be able to capitalize on these trends.

- Emerging Applications

Emerging new applications, such as media tablet, are increasing contributions to foundry's revenue. Media tablet, led by Apple's iPad, shipped a total of 17 million units in 2010. The strong sales momentum will continue in 2011 with more models introduced by traditional PC and Handset OEMs. We forecast the tablet market will grow with ~40% CAGR from 2011 to 2015, and will emerge as a strong growth driver for foundry.

Supply Chain

The electronics industry comprises a long and complex supply chain, the elements of which are highly dependent and correlated with each other. At the upstream IC manufacturing stage, it is important for IC vendors to have sufficient and flexible supply to support the dynamic market situation. IC foundry vendors are playing an important role to ensure the health of the supply chain. As a leader in the IC foundry services segment, TSMC provides leading technologies and large scale capacity to complement the innovations created along the downstream chain.

2.2.4 TSMC Position, Differentiation and Strategy

Position

As the leader in the foundry segment of the semiconductor manufacturing industry, TSMC commanded a 45.5% share of this segment in 2010, with total consolidated revenue of US$13.3 billion. In terms of geographic distribution of net sales, 67% came from companies headquartered in North America, 15% from the Asia Pacific region, excluding China and Japan, 11% from Europe, 3% from China and 4% from Japan. In terms of end product application, 27% of TSMC's wafer revenue came from the computer sector, 43% from communications, 13% from consumer products, and 17% from other categories, such as industrial products.

Differentiation

TSMC's leadership position is based on a trinity of key differentiating strengths: technology leadership, manufacturing excellence, and customer partnership. As a technology leader, TSMC has consistently been the first pure-play foundry to develop the next generation of leading-edge technologies. As a manufacturing leader, TSMC is renowned for its yield management, and offers best-in-class support services to expedite time-to-market and time-to-volume. And, in customer partnership, TSMC works closely with its customers on end-to-end collaboration to optimize design and manufacturing efficiencies. Going forward, TSMC will continue building on this trinity of strengths to provide the best overall value to its customers.

Strategy

TSMC is confident its differentiating strengths will enable it to leverage the attractive growth opportunities in the foundry sector going forward. TSMC works constantly to ensure that these strengths are maintained and improved. For example, TSMC is intensively working on the leading-edge 28nm and 20nm processes to maintain its technology leadership position. Numerous efforts are also underway to ensure manufacturing excellence, such as continuing enhancement of Design-For-Manufacturing (DFM) support services to increase yield and efficiency. TSMC also expanded its Open Innovation Platform™ initiative, a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that efficiently empowers innovation throughout the supply chain to enhance timely innovation. Finally, as it does every year, TSMC conducted throughout 2010 customer reviews and surveys to better

understand customer needs and wants, and accordingly may adjust its offerings in response, thereby strengthening its partnership with customers.

To address the challenges of falling wafer prices and fiercer competition from other semiconductor manufacturing companies, TSMC continually strengthens its core competitiveness, and properly deploys its short-term and long-term technology and business development plans in order to enhance Return on Investment and growth.

- Short-term semiconductor business development plan

1) Substantially ramp up the business and sustain market segment share of advanced technologies with further investment on capacity.
2) Maintain market segment share of mainstream technology by expanding business into new customers and market segments with off-the-shelf technologies.
3) Grow business with IDMs by deepening the partnership on technology development and business model arrangement.

- Long-term semiconductor business development plan

1) Continue developing the leading edge technologies consistent with Moore's law.
2) Broaden "More-than-Moore" business contribution by further developing derivative technologies.
3) Further expand TSMC's business and service infrastructure into emerging and developing markets.

2.2.5 New Businesses

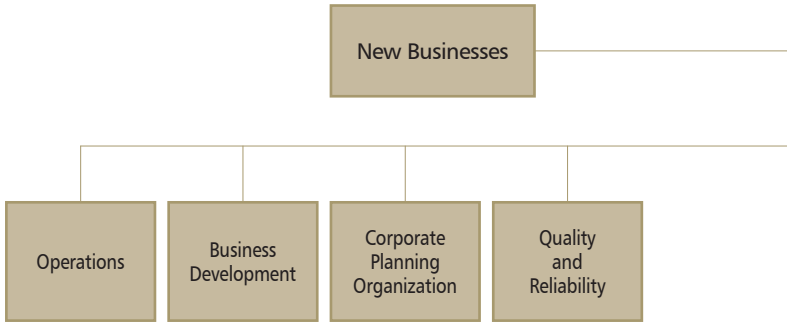
In May 6, 2009, TSMC established the New Businesses organization to explore non-foundry related business opportunities. During 2010 and early 2011, the New Businesses organization consists of two business divisions responsible for: (1) solid state lighting business activities, such as developing efficient Light Emitting Diode (LED) technologies that can be used in various lighting applications; and (2) solar business activities, such as producing and marketing photovoltaic modules.

In March 2010, construction began on phase one of our new LED production facility in the Hsinchu Science Park, which was made ready for tool move-in by September 2010. A pilot line had been installed at the end of 2010, to be initially used for development activities and subsequently extended to full production set-up in the future.

In June 2010, TSMC through its investment fund invested US$50 million to acquire a 21% stake in Stion Corporation, a manufacturer of thin-film photovoltaic modules in the U.S. In addition, TSMC entered into several agreements with Stion Corporation on CIGSS technology licensing, supply and joint development. In the second half of 2010, a team of our engineers worked with Stion Corporation to prepare the transfer of CIGSS technology to us in 2011. In September 2010, construction began on phase one of our solar business production site in the Taichung's Central Taiwan Science Park, with tool move-in expected to start in the second quarter of 2011. In February 2010, we also acquired a 20% equity interest in Motech, a Taiwan solar cell manufacturer.

2.3 Organization

2.3.1 Organization Chart



2.3.2 Major Corporate Functions

New Businesses

- Business development of solid state lighting and solar related businesses

Operations

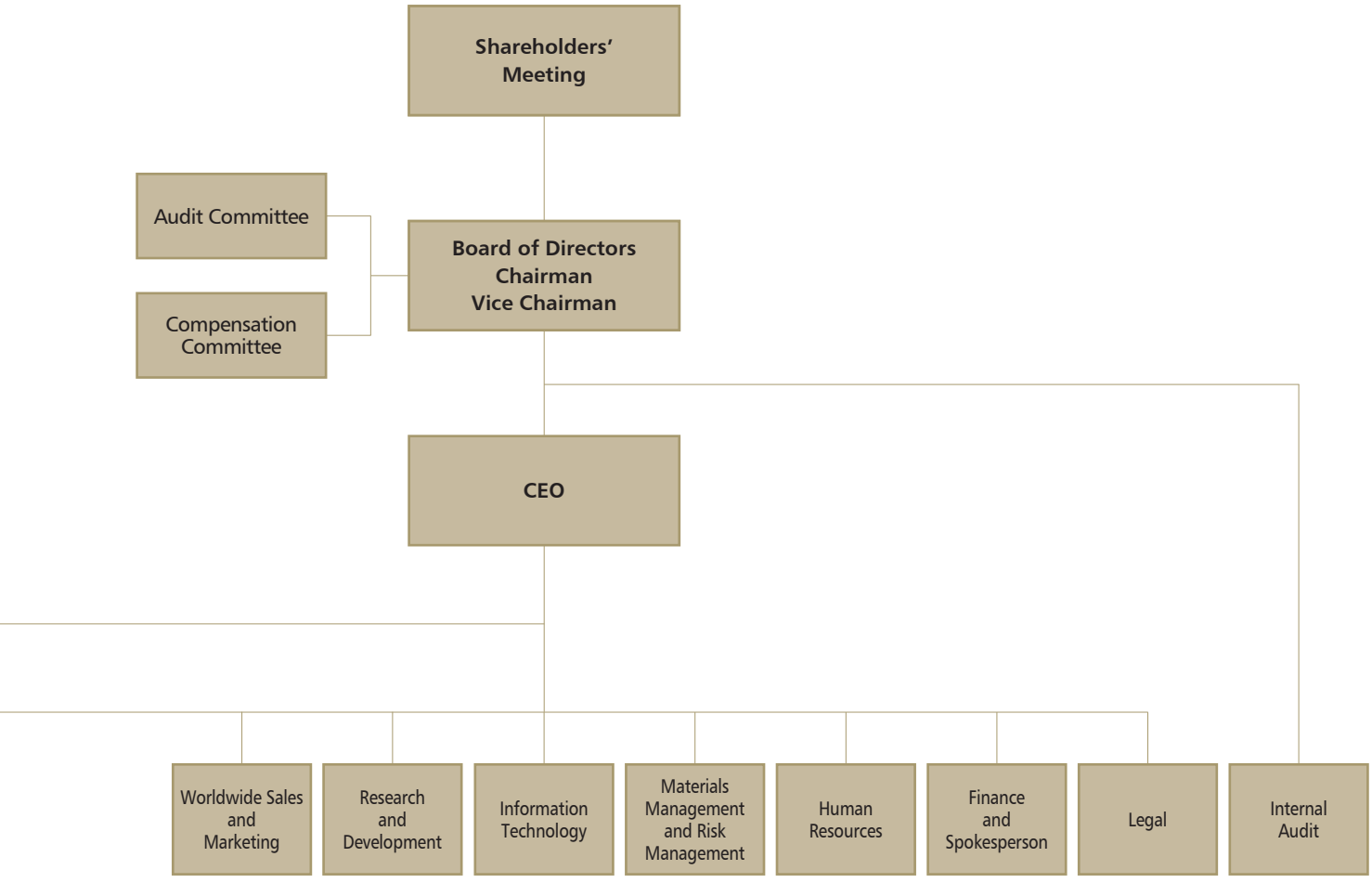
- Product development, manufacturing technology, mainstream fabs, 300mm fabs, affiliate fabs, and backend technology and service

Business Development

- Solidify customer partnership, identify new applications and markets, and build new partnership in computer, consumer, communication, and industrial business

Corporate Planning Organization

- Operation resources planning, production and demand planning, and business process integration



Quality and Reliability
- Quality and reliability management

Worldwide Sales and Marketing
- Brand management, market research, customer service, regional sales operations and field technical support

Research and Development
- Advanced and mainstream technology research and development, exploratory research and development, design services and technology platform development

Information Technology
- Technology system integration, business system integration, IT infrastructure, communication service, IT security, IT productivity and quality management

Materials Management and Risk Management
- Purchasing, warehousing, import and export, logistics support, industrial safety, and environmental protection

Human Resources
- Human resources management and organizational development
- Proprietary information protection (PIP)

Finance and Spokesperson
- Corporate finance, accounting, investor relations, public relations, tax, financial planning, investment management, and strategic program
- Corporate spokesperson

Legal
- Corporate legal affairs, litigation, commercial transactions, patents and other intellectual property management, compliance and regulatory work

Internal Audit
- Internal audit and process compliance audit

2.4 Board Members

2.4.1 Information Regarding Board Members

Title/Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding	
				Shares	%	Shares	%
Chairman Morris Chang	06/10/2009	06/09/2012	12/10/1986	118,047,697	0.46%	121,137,914	0.47%
Vice Chairman F.C. Tseng	06/10/2009	06/09/2012	05/13/1997	36,144,509	0.14%	34,662,675	0.13%
Director National Development Fund, Executive Yuan Representatives: (Notes 1, 2, 3) Johnsee Lee (Note 1)	06/10/2009	06/09/2012	12/10/1986	1,645,482,861 -	6.42% -	1,653,709,980 -	6.38% -
Director Rick Tsai	06/10/2009	06/09/2012	06/03/2003	33,768,636	0.13%	34,481,046	0.13%
Independent Director Sir Peter Leahy Bonfield	06/10/2009	06/09/2012	05/07/2002	-	-	-	-
Independent Director Stan Shih	06/10/2009	06/09/2012	04/14/2000	1,472,922	0.01%	1,480,286	0.01%
Independent Director Thomas J. Engibous	06/10/2009	06/09/2012	06/10/2009	-	-	-	-

Remarks:
1. No member of the Board of Directors held TSMC shares by nominee arrangement.
2. No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at TSMC.

Note 1: The former representative of National Development Fund, Mr. Tian-Jy Chen, resigned on May 11, 2010. Mr. Johnsee Lee was appointed as the representative on August 6, 2010.
Note 2: Major Shareholder of TSMC's Director that is an Institutional Shareholder.

Director that is an Institutional Shareholder of TSMC	Top 10 Shareholders
National Development Fund, Executive Yuan	Not Applicable

Note 3: Major institutional shareholders of National Development Fund: Not applicable.

As of 02/28/2011

Spouse & Minor Shareholding		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at TSMC and Other Companies
Shares	%		
135,217	0.00%	B.S. and M.S. degrees in Mechanical Engineering, MIT Ph.D. in Electrical Engineering, Stanford University Former Group Senior Vice-President, Texas Instrument Former President & COO, General Instrument Corporation Former Chairman, Industrial Technology Research Institute Life Member Emeritus of MIT Corporation Member of National Academy of Engineering, USA	CEO, TSMC
132,855	0.00%	Ph.D. in Electrical Engineering, National Chengkung University, Taiwan Former President, Vanguard International Semiconductor Corp. Former President, TSMC Former Deputy CEO, TSMC	Chairman of: - TSMC China Company Limited - Global Unichip Corp. Director of: - digimax, Inc.
-	-		
-	-	Ph.D. in Chemical Engineering, Illinois Institute of Technology MBA, University of Chicago Graduate of Harvard Business School's Advanced Management Program Former Principal Investigator, Argonne National Laboratory Former Senior Manager, Johnson Matthey Inc. Former President, Industrial Technology Research Institute (ITRI) Chairman of the Development Center for Biotechnology President of Taiwan Bio Industry Organization	
-	-	Ph.D. in Material Science, Cornell University, USA Former President, Vanguard International Semiconductor Corp. Former Executive Vice President, Worldwide Marketing and Sales, TSMC Former COO, TSMC Former President & CEO, TSMC	President, New Businesses, TSMC Director, TSMC subsidiary President, TSMC subsidiaries Director, Motech Industries, Inc.
-	-	Honours Degree in Engineering, Loughborough University Fellow of the Royal Academy of Engineering Former Chairman and CEO, ICL Plc Former CEO and Chairman of the Executive Committee, British Telecommunications Plc Vice President, the British Quality Foundation	Non-Executive Director and Chairman, NXP Semiconductors N.V. Director of: - Sony Corporation, Japan - L.M. Ericsson, Sweden - Mentor Graphics Corporation Inc., Oregon, USA - Actis Capital LLP, London Member of: - The Longreach Group Advisory Board - The Sony Corporation Advisory Board - New Venture Partners LLP Advisory Board Advisor to Apax Partners LLP Board Mentor, CMi Senior Advisor to Rothschild, London
16,116	0.00%	BSEE and MSEE in National Chiao Tung University, Taiwan Honorary EE Ph.D. in National Chiao Tung University, Taiwan Honorary Doctor of Technology, The Hong Kong Polytechnic University Honorary Fellowship, University of Wales, Cardiff, UK Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, USA Former Chairman, CEO and Co-Founder, Acer Group	Group Chairman, iD SoftCapital Director of: - Acer Incorporated - Qisda Corporation - Wistron Corporation
-	-	Bachelor Degree in Electrical Engineering, Purdue University Master Degree in Electrical Engineering, Purdue University Honorary Doctorate in Engineering, Purdue University Member, National Academy of Engineering Former Executive Vice President and President of the Semiconductor Group, Texas Instruments Inc. Former President and CEO, Texas Instrument Inc. Former Chairman of the Board, Texas Instrument Inc. Former Chairman of the Board of Catalyst Honorary Director of Catalyst Trustee, Southwestern Medical Foundation Member, The Business Council	Lead Director, J. C. Penney Company Inc.

2.4.2 Directors' Professional Qualifications and Independence Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Board members are listed in the table below.

Name/Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
Chairman Morris Chang			˅
Vice Chairman F.C. Tseng			˅
Director Johnsee Lee	˅		˅
Director Rick Tsai			˅
Independent Director Sir Peter Leahy Bonfield			˅
Independent Director Stan Shih			˅
Independent Director Thomas J. Engibous			˅

Note: Directors, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Law; and
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Criteria (Note)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
1	2	3	4	5	6	7	8	9	10	
	v		v	v	v	v	v	v	v	0
v			v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v		0
			v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0

2.4.3 Remuneration Paid to Directors (Note 1)

Unit: NT$ thousands

Title/Name	Remuneration								Total Remuneration (A+B+C+D) as a % of 2010 Net Income	
	Base Compensation (A)		Severance Pay and Pensions (B) (Note 2)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)			
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities
Chairman & CEO Morris Chang	28,210	28,210	660	660	43,131	43,131	792	792	0.05%	0.05%
Vice Chairman F.C. Tseng										
Director & President of New Businesses Rick Tsai										
Independent Director Sir Peter Leahy Bonfield										
Independent Director Stan Shih										
Independent Director Thomas J. Engibous										
Director National Development Fund, Executive Yuan Representatives: Johnsee Lee	0	0	0	0	8,000	8,000	0	0		

Note 1: Remuneration Policies: The base compensation for the Chairman, Vice-Chairman and directors are determined in accordance with the procedures set forth in TSMC's Articles of Incorporation. The Articles of Incorporation also provides that TSMC shall allocate no more than 0.3% of earnings available for distribution as bonus to directors. The distribution of compensation to directors shall be made in accordance with TSMC's "Rules for Distribution of Compensation to Directors".

Note 2: Pensions funded according to applicable law.

Note 3: The Board adopted a proposal for 2010 bonus to TSMC's directors in the amount of NT$51,131 thousand at its meeting on February 15, 2011. The proposed bonus will be effected upon the approval of shareholders at the Annual Shareholders' Meeting on June 9, 2011.

Note 4: Includes the expense for company cars and gasoline reimbursement. Excludes compensation paid to company drivers totaled NT$4,961 thousand.

Note 5: Includes the employees' cash bonuses distributed in May, August, November 2010 and February 2011.

Note 6: The Board adopted a proposal for 2010 employee profit sharing distribution in 2011 with respect to 2010 earnings at its meeting on February 15, 2011. The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 9, 2011.

Note 7: Represents the number of cumulative employee stock options exercisable as of the date of this Annual Report.

Note 8: Total remuneration and compensation earned as employees paid to TSMC's directors in 2009 was NT$386,907 thousand, accounting for 0.43% of 2009 net income.

Remuneration Paid to Directors

	2010			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities
Under NT$2,000,000	Rick Tsai (Note)			
NT$2,000,000 ~ NT$4,999,999				
NT$5,000,000 ~ NT$9,999,999	National Development Fund, Executive Yuan		National Development Fund, Executive Yuan	
NT$10,000,000 ~ NT$14,999,999	Sir Peter Leahy Bonfield, Stan Shih, Thomas J. Engibous		Sir Peter Leahy Bonfield, Stan Shih, Thomas J. Engibous	
NT$15,000,000 ~ NT$29,999,999	Morris Chang (Note), F.C. Tseng		F.C. Tseng	
NT$30,000,000 ~ NT$49,999,999				
NT$50,000,000 ~ NT$99,999,999				
Over NT$100,000,000			Morris Chang (Note), Rick Tsai (Note)	
Total	7		7	

Note: According to the Company's Articles of Incorporation, directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. As a result, no director bonus was paid to Dr. Morris Chang and Dr. Rick Tsai.

Compensation Earned as Employees of TSMC or of TSMC's Consolidated Entities										Total Compensation (A+B+C+D+E+F+G) as a % of 2010 Net Income (Note 8)		Compensation Paid to Directors from Non-consolidated Affiliates
Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F) (Note 2)		Employee Profit Sharing (G) (Note 6)				Exercisable Employee Stock Options (H) (Note 7)				
				From TSMC		From All Consolidated Entities						
From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	
181,261	181,261	239	239	170,954	0	170,954	0	0	0	0.27%	0.27%	None
0	0	0	0	0	0	0	0	0	0			

2.5 Management Team

2.5.1 Information Regarding Management Team

Title Name	On-board Date (Note 1)	Shareholding		Spouse & Minor		TSMC Shareholding by Nominee Arrangement (Shares)
		Shareholding	%	Shareholding	%	
Chairman & CEO Morris Chang	01/01/1987	121,137,914	0.47%	135,217	0.00%	-
President New Businesses Rick Tsai	12/18/1989	34,481,046	0.13%	-	-	-
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management Stephen T. Tso	12/16/1996	15,475,064	0.06%	-	-	-
Senior Vice President Research and Development Shang-yi Chiang	07/07/1997	2,412,481	0.01%	-	-	-
Senior Vice President Operations Mark Liu	11/15/1993	12,840,573	0.05%	-	-	-
Senior Vice President Business Development C.C. Wei	02/01/1998	8,390,325	0.03%	261	0.00%	-
Senior Vice President & General Counsel Legal Richard Thurston (Note 2)	01/02/2002	1,839,892	0.01%	-	-	-
Senior Vice President, Chief Financial Officer & Spokesperson Finance Lora Ho (Note 2)	06/01/1999	6,221,080	0.02%	110,268	0.00%	-
Senior Vice President Worldwide Sales and Marketing Jason C.S. Chen (Note 2)	03/31/2005	2,453,320	0.01%	122	0.00%	-
Vice President Operations/Affiliate Fabs M.C. Tzeng	01/01/1987	7,663,595	0.03%	102,722	0.00%	-
Vice President Operations/Manufacturing Technology Wei-Jen Lo	07/01/2004	2,485,127	0.01%	-	-	-
Vice President & Chief Technology Officer Research and Development Jack Sun	06/02/1997	4,904,831	0.02%	-	-	-
Vice President Operations/Product Development Y.P. Chin	01/01/1987	5,959,823	0.02%	102,808	0.00%	-
Vice President Quality and Reliability N.S. Tsai	03/01/2000	2,051,180	0.01%	1,103,253	0.00%	-
Vice President President of TSMC North America Rick Cassidy	11/14/1997	-	-	-	-	-
Vice President Human Resources L.C. Tu	01/01/1987	9,310,067	0.04%	1,252,481	0.00%	-
Vice President Operations/Mainstream Fabs J.K. Lin (Note 3)	01/01/1987	12,182,118	0.05%	1,644,874	0.01%	-
Vice President Operations/300mm Fabs J.K. Wang (Note 3)	02/11/1987	2,553,947	0.01%	211,141	0.00%	-
Vice President Corporate Planning Organization Irene Sun (Note 3)	10/01/2003	1,399,709	0.01%	-	-	-
Vice President Research and Development Burn J. Lin (Note 4)	04/26/2000	3,023,502	0.01%	1,024,933	0.00%	-

Note 1: On-board date means the offical date joining TSMC.

Note 2: Effective August 10, 2010, Mr. Richard Thurston, Ms. Lora Ho and Mr. Jason C.S. Chen were promoted to Senior Vice President.

Note 3: Effective August 10, 2010, Mr. J.K. Lin, Mr. J.K. Wang and Ms. Irene Sun were appointed as Vice President of TSMC.

Note 4: Effective February 15, 2011, Mr. Burn J. Lin was appointed as Vice President of TSMC.

As of 02/28/2011

Education & Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
Ph.D., Electrical Engineering, Stanford University, USA Chairman, Industrial Technology Research Institute President & Chief Operation Officer, General Instrument Corporation Group Senior Vice-President, Texas Instrument	None	-	-	-
Ph.D., Material Science, Cornell University, USA Chief Executive Officer, TSMC Chief Operating Officer, TSMC Executive Vice President, Worldwide Marketing and Sales, TSMC President, Vanguard International Semiconductor Corp.	Director, TSMC subsidiary President, TSMC subsidiaries Director, Motech Industries, Inc.	-	-	-
Ph.D., Materials Science & Engineering, University of California, Berkeley, USA President, WaferTech, L.L.C. Senior Vice President, Operations, TSMC	Director, TSMC subsidiary	-	-	-
Ph.D., Electrical Engineering, Stanford University, USA Senior Vice President, Research and Development, TSMC	None	-	-	-
Ph.D., Electrical Engineering & Computer Science, University of California, Berkeley, USA Senior Vice President, Advanced Technology Business, TSMC Vice President, South Site Operation, TSMC President, Worldwide Semiconductor Manufacturing Corp.	None	-	-	-
Ph.D., Electrical Engineering, Yale University, USA Senior Vice President, Mainstream Technology Business, TSMC Vice President, South Site Operation, TSMC Senior Vice President, Chartered Semiconductor Manufacturing Ltd.	Director, TSMC subsidiary Director, TSMC affiliates	-	-	-
J.D., Rutgers School of Law, State University of New Jersey, USA Ph.D., History, University of Virginia, USA Partner, Haynes Boone, LLP. Vice President Corporate Staff, Assistant General Counsel, Texas Instruments Incorporated	Director, TSMC subsidiaries Director, TSMC affiliates	-	-	-
Master, Business Administration, National Taiwan University, Taiwan Director, Accounting, TSMC Vice President& CFO, TI-Acer Semiconductor Manufacturing Corp.	Director and/or Supervisor, TSMC subsidiaries Director, TSMC affiliates President, TSMC subsidiaries	-	-	-
Master, Business Administration, University of Missouri-Columbia, USA Vice President & Co-Director of Worldwide Sales & Marketing Group, Intel	Director, TSMC subsidiaries	-	-	-
Master, Applied Chemistry, Chungyuan University, Taiwan Vice President, Mainstream Technology Business, TSMC Senior Director, Fab 2 Operation, TSMC	Director, TSMC subsidiaries	Department Manager	M.J. Tzeng	Siblings
Ph.D., Solid State Physics & Surface Chemistry, University of California, Berkeley, USA Vice President, Advanced Technology Business, TSMC Vice President, Research & Development, TSMC Vice President, Operation II, TSMC Director, Advanced Technology Development & CTM Plant Manager, Intel	None	-	-	-
Ph.D., Electrical Engineering, University of Illinois at Urbana-Champaign, USA Vice President, Research and Development, TSMC Senior Director, Logic Technology Division, TSMC R&D, International Business Machines	None	-	-	-
Master, Electrical Engineering, National Cheng Kung University, Taiwan Vice President, Advanced Technology Business, TSMC Senior Director, Product Engineering & Services, TSMC	None	-	-	-
Ph.D., Material Science, Massachusetts Institute of Technology, USA Senior Director, Assembly Test Technology & Service, TSMC Vice President, Operations, Vanguard International Semiconductor Corp.	None	-	-	-
Bachelor, Engineering Technology, United States Military Academy at West Point, USA Vice President of TSMC North America Account Management	Director, TSMC North America	-	-	-
Master, Business Administration, Tulane University, USA Senior Director, Corporate Planning Organization, TSMC Senior Director, Fab 5 Operation, TSMC	None	-	-	-
Bachelor, Science, National Changhua University of Education, Taiwan Senior Director, Mainstream Fabs, TSMC	None	-	-	-
Master, Chemical Engineering, National Cheng Kung University, Taiwan Senior Director, 300mm fab operations, TSMC	None	Manager	J.J. Wang	Siblings
Ph.D., Materials Science and Engineering, Cornell University, USA Senior Director, Corporate Planning Organization, TSMC	None	Manager	Thomas T. Sun	Siblings
Ph.D., Electrical Engineering, Ohio State University Senior Director, Nanopatterning Technology Division, TSMC	None	-	-	-

2.5.2 Compensation Paid to CEO, President and Vice Presidents (Note 1)

Unit: NT$ thousands

Title	Name	Salary		Severance Pay and Pensions (Note 6)		Bonuses and Allowances (Note 7)	
		From TSMC	From All Consoildated Entities	From TSMC	From All Consoildated Entities	From TSMC	From All Consoildated Entities
Chairman & CEO	Morris Chang	76,642	87,527	2,115	10,627	614,631	705,218
President New Businesses	Rick Tsai						
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management	Stephen T. Tso						
Senior Vice President Research and Development	Shang-yi Chiang						
Senior Vice President Operations	Mark Liu						
Senior Vice President Business Development	C.C. Wei						
Senior Vice President & General Counsel Legal	Richard Thurston (Note 2)						
Senior Vice President, Chief Financial Officer & Spokesperson Finance	Lora Ho (Note 2)						
Senior Vice President Worldwide Sales and Marketing	Jason C.S. Chen (Note 2)						
Vice President Operations/Affiliate Fabs	M.C. Tzeng						
Vice President Materials Management and Risk Management	P.H. Chang (Note 3)						
Vice President Operations/Manufacturing Technology	Wei-Jen Lo						
Vice President & Chief Technical Officer Research and Development	Jack Sun						
Vice President Deputy Head of Research and Development Design and Technology Platform	Fu-Chieh Hsu (Note 4)						
Vice President Operations/Product Development	Y.P. Chin						
Vice President Quality and Reliability	N.S. Tsai						
Vice President & President of TSMC North America	Rick Cassidy						
Vice President Human Resources	L.C. Tu						
Vice President Operations/Mainstream Fabs	J.K. Lin (Note 5)						
Vice President Operations/300mm Fabs	J.K. Wang (Note 5)						
Vice President Corporate Planning Organization	Irene Sun (Note 5)						

Note 1: Compensation Policy: The cash compensation and profit sharing paid to CEO, the President and each Vice President are also reviewed by the Compensation Committee individually based on their job responsibility, contribution, and projected future risks facing the Company before the compensation and profit sharing proposals are submitted to the Board of Directors for approval.
Note 2: Mr. Richard Thurston, Ms. Lora Ho and Mr. Jason C.S. Chen were promoted to Senior Vice President on August 10, 2010.
Note 3: Mr. P.H. Chang retired on March 31, 2010.
Note 4: Mr. Fu-Chieh Hsu resigned on August 28, 2010.
Note 5: Mr. J.K. Lin, Mr. J.K. Wang and Ms. Irene Sun were promoted to Vice President on August 10, 2010.
Note 6: Pensions funded according to applicable law.
Note 7: Includes the expense for the employees' cash bonuses distributed in May, August, November 2010 and February 2011, company cars; and gasoline reimbursement. Excludes compensation paid to company drivers totaled NT$4,158 thousand.
Note 8: The Board adopted a proposal for 2010 employee profit sharing distribution in 2011 with respect to 2010 earnings at its meeting on February 15, 2011. The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 9, 2011.
Note 9: Total compensation paid to TSMC's CEO, President and vice presidents in 2009 was NT$957,831 thousand, accounting for 1.08% of 2009 net income.
Note 10: Represents cumulative employee stock options exercisable as of the date of this Annual Report.

Compensation Paid to CEO, President and Vice Presidents

	2010	
	From TSMC	From All Consolidated Entities
Under NT$2,000,000	P.H. Chang, Rick Cassidy	P.H. Chang
NT$2,000,000 ~ NT$4,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	-	-
NT$10,000,000 ~ NT$14,999,999	-	-
NT$15,000,000 ~ NT$29,999,999	Fu-Chieh Hsu, Irene Sun	Fu-Chieh Hsu, Irene Sun
NT$30,000,000 ~ NT$49,999,999	Y.P. Chin, N.S. Tsai, L.C. Tu, J.K. Lin, J.K. Wang	Y.P. Chin, N.S. Tsai, L.C. Tu, J.K. Lin, J.K. Wang
NT$50,000,000 ~ NT$99,999,999	Stephen T. Tso, Shang-yi Chiang, Mark Liu, C.C. Wei, Richard Thurston, Lora Ho, Jason C.S. Chen, M.C. Tzeng, Wei-Jen Lo, Jack Sun	Stephen T. Tso, Shang-yi Chiang, Mark Liu, C.C. Wei, Richard Thurston, Lora Ho, Jason C.S. Chen, M.C. Tzeng, Wei-Jen Lo, Jack Sun
Over NT$100,000,000	Morris Chang, Rick Tsai	Morris Chang, Rick Tsai, Rick Cassidy
Total	21	21

Employee Profit Sharing (Note 8)				Total Compensation as a % of 2010 Net Income (Note 9)		Exercisable Employee Stock Options (Note 10)		Compensation Received from Non-consoildated Affiliates
From TSMC		From All Consoildated Entities		From TSMC	From All Consoildated Entities	From TSMC	From All Consoildated Entities	
Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)					
579,391	0	579,391	0	0.79%	0.86%	1,471	2,442	None

2.5.3 Employee Profit Sharing Granted to Management Team (Note 1)

Unit: NT$ thousands

Title	Name
Chairman & CEO	Morris Chang
President New Businesses	Rick Tsai
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management	Stephen T. Tso
Senior Vice President Research and Development	Shang-yi Chiang
Senior Vice President Operations	Mark Liu
Senior Vice President Business Development	C.C. Wei
Senior Vice President & General Counsel Legal	Richard Thurston (Note 2)
Senior Vice President, Chief Financial Officer & Spokesperson Finance	Lora Ho (Note 2)
Senior Vice President Worldwide Sales and Marketing	Jason C.S. Chen (Note 2)
Vice President Operations/Affiliate Fabs	M.C. Tzeng
Vice President Materials Management and Risk Management	P.H. Chang (Note 3)
Vice President Operations/Manufacturing Technology	Wei-Jen Lo
Vice President & Chief Technical Officer Research and Development	Jack Sun
Vice President Deputy Head of Research and Development Design and Technology Platform	Fu-Chieh Hsu (Note 4)
Vice President Operations/Product Development	Y.P. Chin
Vice President Quality and Reliability	N.S. Tsai
Vice President Human Resources	L.C. Tu
Vice President Operations/Mainstream Fabs	J.K. Lin (Note 5)
Vice President Operations/300mm Fabs	J.K. Wang (Note 5)
Vice President Corporate Planning Organization	Irene Sun (Note 5)
Senior Director New Businesses	Jan Kees van Vliet
Senior Director New Businesses	Y.C. Chao

Note 1: The Board adopted a proposal for 2010 employee profit sharing distribution in 2011 with respect to 2010 earnings at its meeting on February 15, 2011. The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 9, 2011.

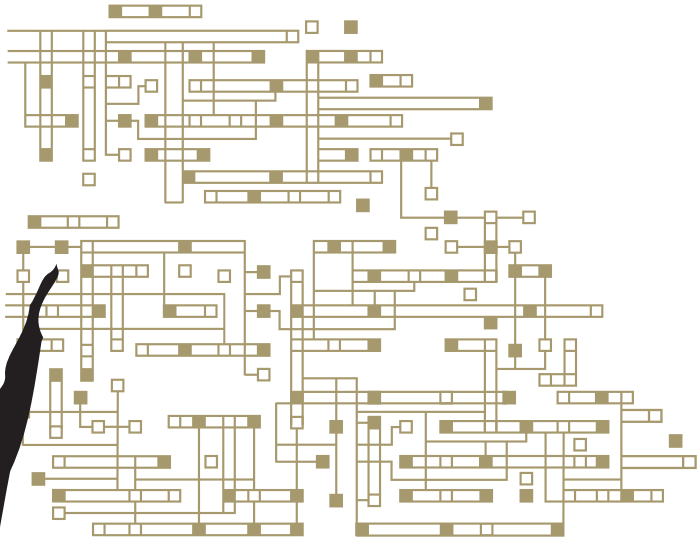
Note 2: Mr. Richard Thurston, Ms. Lora Ho and Mr. Jason C.S. Chen were promoted to Senior Vice President on August 10, 2010.

Note 3: Mr. P.H. Chang retired on March 31, 2010.

Note 4: Mr. Fu-Chieh Hsu resigned on August 28, 2010.

Note 5: Mr. J.K. Lin, Mr. J.K. Wang and Ms. Irene Sun were promoted to Vice President on August 10, 2010.

Stock (Fair Market Value)	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a % of 2010 Net Income
0	604,271	604,271	0.37%



【正 Rectitude】

We insist on transparency, and operate in an honest and fair manner.

3. Corporate Governance

TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors established an Audit Committee in 2002 and a Compensation Committee in 2003.

TSMC's corporate governance won international recognition in 2010: *Corporate Governance Asia* honored TSMC with its "Corporate Governance Asia Annual Recognition Awards 2010". *FinanceAsia Magazine* ranked TSMC's corporate governance as the best among all companies with its "Best Corporate Governance" for the Taiwan region.

3.1 Board of Directors

TSMC's Board of Directors consists of seven distinguished members with a great breadth of experience as world-class business leaders or scholars. Three of the seven members are independent directors: former British Telecommunications Chief Executive Officer, Sir Peter Bonfield; former Acer Group Chairman, Mr. Stan Shih; and former Texas Instrument Inc. Chairman of the Board, Mr. Thomas J. Engibous. Under the leadership of Chairman Morris Chang, TSMC's Board of Directors takes a serious and forthright approach to its duties and is a serious, competent and independent Board.

In the spirit of Chairman Chang's approach to corporate governance, a board of directors' primary duty is to supervise. The Board should supervise the Company's: compliance with relevant laws and regulations; financial transparency; timely disclosure of material information, and maintaining of the highest integrity within the Company. TSMC's Board of Directors strives to perform through the Audit Committee and the Compensation Committee, the hiring of a financial expert for the Audit Committee, coordination with the Internal Audit department, and through the ombudsman reporting system.

The second duty of the Board of Directors is to provide guidance to the management team of the Company. Quarterly, TSMC's management reports to the TSMC Board on a variety of subjects. The management also reviews the Company's business strategies with the Board. Furthermore, the management often reviews with and updates TSMC's Board on the progress of the strategies, obtaining Board guidance as appropriate.

The third duty of the Board of Directors is to evaluate the management's performance and to dismiss officers of the Company when necessary. TSMC's management has maintained a healthy and functional communication with TSMC Board of Directors, has been devoted in executing guidance of TSMC Board of Directors, and is dedicated in running the business operations, all to achieve the best interests for TSMC shareholders.

Board of Directors Meeting Status

Dr. Morris Chang, the Chairman of the Board of Directors, convened four regular meetings and one special meeting in 2010. The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Morris Chang	5	0	100%	None
Vice Chairman	F.C. Tseng	5	0	100%	None
Director	National Development Fund, Executive Yuan Representative: Johnsee Lee	3	2	60%	The former representative of National Development Fund, Mr. Tian-Jy Chen, resigned on May 11, 2010. Mr. Johnsee Lee was appointed as the representative on August 6, 2010. Mr. Tian-Jy Chen participated in the discussion through telephone at one Special Meeting, represented by proxy.
Director	Rick Tsai	5	0	100%	None
Independent Director	Sir Peter Leahy Bonfield	4	1	80%	Sir Peter Bonfield participated in the discussion through telephone at one Special Meeting, represented by proxy.
Independent Director	Stan Shih	4	1	80%	None
Independent Director	Thomas J. Engibous	4	1	80%	Mr. Engibous participated in the discussion through telephone at one Special Meeting, represented by proxy.

Annotations:
1. In 2010, there were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion.
2. There were no recusals of Directors due to conflicts of interests in 2010.
3. Measures taken to strengthen the functionality of the Board: We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors has established an Audit Committee and a Compensation Committee to assist the Board in carrying out its various duties.

3.1.1 Audit Committee

The Audit Committee assists the Board in carrying out its financial oversight responsibilities and other duties as set forth in the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. Matters required to be reviewed by the Audit Committee include the Company's: financial reports; auditing and accounting policies and procedures; internal control systems; material asset or derivatives transactions; offering or issuance of any equity-type securities; hiring or dismissal of an attesting CPA, or the compensation given thereto; and appointment or discharge of financial, accounting, or internal auditing officers.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate.

As of February 2011, the Audit Committee was comprised of all three independent directors and had engaged a financial expert consultant. The Audit Committee Charter is available on TSMC's corporate website.

Audit Committee Meeting Status

Sir Peter Bonfield, Chairman of the Audit Committee, convened four regular meetings and five special meetings in 2010. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chair	Sir Peter Leahy Bonfield	9	0	100%	None
Member	Stan Shih	8	1	89%	None
Member	Thomas J. Engibous	9	0	100%	None
Financial Expert	J.C. Lobbezoo	9	0	100%	None

Annotations:
1. There was no Securities and Exchange Act §14-5 resolution which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2010.
2. There were no recusals of independent directors due to conflicts of interests in 2010.
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2010 (e.g. the channels, items and/or results of the audits on the corporate finance and/or operations, etc.):
   (1) The internal auditors have sent the audit reports to the members of the Audit Committee periodically, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The head of Internal Audit will immediately report to the members of the Audit Committee any material matters. During 2010, the head of Internal Audit did not report any irregularity. The communication channel between the Audit Committee and the internal auditor functioned well.
   (2) The Company's independent auditors have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2010, the Company's independent auditors did not report any irregularity. The communication channel between the Audit Committee and the independent auditors functioned well.

3.1.2 Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's executives.

As of February 2011, the Compensation Committee was comprised of four members. All three independent directors served as voting members of the Committee; the Chairman of the Board, Dr. Morris Chang, was a non-voting member. The Compensation Committee Charter is available on TSMC's corporate website.

Compensation Committee Meeting Status

Mr. Stan Shih, Chairman of the Compensation Committee, convened four regular meetings in 2010. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	Attendance Rate in Person (%)	Notes
Chair	Stan Shih	3	75%	None
Member	Morris Chang	4	100%	A non-voting member
Member	Sir Peter Leahy Bonfield	4	100%	None
Member	Thomas J. Engibous	4	100%	None

3.2 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Item	Implementation Status	Non-implementation and Its Reason(s)
1. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints	TSMC has designated appropriate departments, such as Corporate Communication Division, the SEC Compliance Department, Legal Department, etc., to handle shareholder suggestions or complaints.	None
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	TSMC tracks the shareholdings of directors, officers, and shareholders holding more than 10% of the outstanding shares of TSMC.	
(3) Risk management mechanism and "firewall" between the Company and its affiliates	TSMC has established appropriate guidelines in its "Internal Control System" and "TSMC Invested Entity Governance and Management Policy".	
2. Composition and Responsibilities of the Board of Directors (1) Independent Directors	Sir Peter Leahy Bonfield, Mr. Stan Shih, and Mr. Thomas J. Engibous are the independent directors of TSMC.	None
(2) Regular evaluation of external auditors' independence	The TSMC Audit Committee regularly evaluates the independence of external auditors.	
3. Communication channel with stakeholders	TSMC has designated appropriate departments, such as Corporate Communication Division, the SEC Compliance Department, etc., to communicate with stakeholders on a case by case basis, as needed. Furthermore, the contact information providing access to the Company's spokesperson and relevant departments is available on TSMC's website.	None
4. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status	TSMC discloses information through its website http://www.tsmc.com. Since TSMC is a foreign private issuer with American Depository Receipts listed on the New York Stock Exchange (NYSE), TSMC is subject to various NYSE regulations, one of which requires TSMC to disclose the significant ways in which its corporate governance practices differ from those followed by US domestic companies under NYSE listing standards. Such disclosure information may be found at the following web address: http://www.tsmc.com/download/english/e03_governance/NYSE_Section_303A.pdf	None
(2) Other information disclosure channels (e.g. maintaining an English-language website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)	TSMC has designated appropriate departments (e.g. Corporate Communication Division, the SEC Compliance Department, etc.) to handle the collection and disclosure of information as required by the relevant laws and regulations of Taiwan and other jurisdictions. TSMC has designated spokespersons as required by relevant regulations. TSMC webcasts live investor conferences.	
5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	TSMC's Board of Directors has established an Audit Committee and a Compensation Committee. Please refer to the "*Corporate Governance*" section on page 25-31 of this Annual Report for details.	None

(Continued)

6. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementation.

   TSMC does not establish corporate governance policies. For the status of TSMC's corporate governance, please refer to the "*Corporate Governance*" section on page 25-31 of this Annual Report.

7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors):

   (1) Status of employee rights and employee wellness: Please refer to the "*Employees*" section on page 55-58 of this Annual Report.
   (2) Status of investor relations, supplier relations and rights of stakeholders: Please refer to the "*Corporate Social Responsibility*" on page 73-79 of this Annual Report.
   (3) Status of Risk Management Policies and Risk Evaluation: Please refer to the "*Risk Management*" section on page 65-71 of this Annual Report.
   (4) Status of Customer Relations Policies: Please refer to the "*Customer Partnership*" section on page 54-55 of this Annual Report.
   (5) TSMC maintains D&O Insurance for its directors and officers.

8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None

   TSMC's corporate governance won international recognition in 2010: Corporate Governance Asia honored TSMC with its "*Corporate Governance Asia* Annual Recognition Awards 2010". *FinanceAsia Magazine* ranked TSMC's corporate governance as the best among all companies with its "Best Corporate Governance" for the Taiwan region.

Continuing Education/Training of Directors in 2010

Name	Date	Host by	Training/Speech Title	Duration
Morris Chang (Note)	03/17	GSA (Global Semiconductor Alliance) Global Leadership Summit	Collaborate to succeed	1 hour
	11/03	ACGA (Asian Corporate Governance Association)	Opportunities & Challenges facing Taiwan's High tech. sector	1.5 hours
F.C. Tseng	08/12	Securities and Futures Institute	Recent Cross-Strait M&A opportunities	3 hours
Morris Chang F.C. Tseng Sir Peter Leahy Bonfield Stan Shih Thomas J. Engibous Rick Tsai	05/11	TSMC	Speech: "IFRS Presentation: Conversion Status and Other Key Considerations" by auditors from Deloitte & Touche - Ricky Lin, Audit Engagement Partner; - Sean Bronson, Global IFRS & Offerings Services (GlOS) Managing Director	1 hour
Morris Chang F.C. Tseng Sir Peter Leahy Bonfield Thomas J. Engibous Johnsee Lee Rick Tsai	08/09	TSMC	Legal Training for Directors by Dr. Richard Thurston, Senior Vice President & General Counsel, TSMC	0.5 hour

1. From time to time, TSMC provides directors with information concerning regulatory requirements and developments as related to directors' activities. TSMC management also regularly presents updates on the Company's business and other information to directors.
2. Regular regulatory update reports are provided by TSMC's General Counsel and by the Company's independent auditors at the Audit Committee meetings.

Note: Selected speeches on corporate governance and related topics.

Continuing Education/Training of Management in 2010

Title/Name	Date	Host by	Training	Duration
Director, Accounting Division Jessica Chou	05/11	TSMC	Speech: "IFRS Presentation: Conversion Status and Other Key Considerations" by auditors from Deloitte & Touche - Ricky Lin, Audit Engagement Partner; - Sean Bronson, Global IFRS & Offerings Services (GlOS) Managing Director	1 hour
	12/09 – 12/10	Accounting Research and Development Foundation	Continuing Education Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12 hours
Director, Internal Audit John Liang	10/27	The Institute of Internal Auditors	Diagnose internal control issues and weakness	6 hours
	12/27	The Institute of Internal Auditors	Internal audit work planning practice and case studies	6 hours
Senior Vice Presidents & Vice Presidents: Mark Liu C.C. Wei Richard Thurston Lora Ho Jason Chen	05/11	TSMC	Speech: "IFRS Presentation: Conversion Status and Other Key Considerations" by auditors from Deloitte & Touche - Ricky Lin, Audit Engagement Partner; - Sean Bronson, Global IFRS & Offerings Services (GlOS) Managing Director	1 hour
Senior Vice Presidents & Vice Presidents: Mark Liu C.C. Wei Shang-yi Chiang Lora Ho Jason Chen Irene Sun	08/09	TSMC	Legal Training for Directors by Dr. Richard Thurston, Senior Vice President & General Counsel, TSMC	0.5 hour

3.3 Major Resolutions of Shareholders' Meeting and Board Meetings

3.3.1 Major Resolutions of Shareholders' Meeting and Implementation Status

TSMC's 2010 regular Shareholders' Meeting was held in Hsinchu, Taiwan on June 15, 2010. At the meeting, shareholders present in person or by proxy approved the following resolutions:

(1) The 2009 Business Report and Financial Statements;
(2) The distribution of 2009 profits;
(3) The revisions to the Articles of Incorporation; and
(4) The revisions to the Policies and Procedures for Financial Derivatives Transactions.

Implementation Status: All the resolutions of the Shareholders' Meeting have been fully implemented in accordance with the resolutions.

3.3.2 Major Resolutions of Board Meetings

During the 2010 calendar year, and through the period of January 1 to February 28, 2011, five regular board meetings and two special board meetings were convened. Major resolutions approved at these meetings are summarized below:

(1) Regular Board Meeting of February 8 & 9, 2010:
- approving 2009 business report and financial statements;
- approving distribution of 2009 profits, and cash dividends, employee cash bonus and employee profit sharing;
- approving 2010 R&D and sustaining capital appropriations of US$534.6 million;
- approving capital appropriations of US$2,272.4 million;
- approving amendments to TSMC's Articles of Incorporation expanding the Company's business scope to encompass LED lighting and solar energy; and
- convening the 2010 Annual Shareholders' Meeting

(2) Regular Board Meeting of May 10 & 11, 2010:
- approving capital appropriations of US$1,582.6 million; and
- approving the full conversion of TSMC's common shares into paperless form, and setting July 13, 2010 as the conversion date.

(3) Regular Board Meeting of August 10, 2010:
- approving capital appropriations of US$3,165.4 million;
- approving the increase of 2010 R&D and sustaining capital appropriation to US$678.73 million from US$534.63 million;
- approving a capital injection of no more than US$225 million into TSMC China Company Limited;
- approving 2010 semi-annual financial statements; and
- approving the promotion of Lora Ho, Richard Thurston and Jason Chen as Senior Vice Presidents, and the promotion of Irene Sun, J.K. Lin and J.K. Wang as Vice Presidents.

(4) Regular Board Meeting of November 8 & 9, 2010:
- approving capital appropriations of US$1,880.9 million;
- approving 2011 R&D and sustaining capital appropriation of US$803.76 million; and
- approving capital injection of 9.4 million euros into TSMC Solar Europe B.V.

(5) Regular Board Meeting of February 14 & 15, 2011:
- approving 2010 business report and financial statements;
- approving distribution of 2010 profits, and cash dividends, employee cash bonus and employee profit sharing;
- approving capital appropriations of US$2.9 billion;
- approving capital injection of US$5 million into TSMC Solar North America;
- convening the 2011 Annual Shareholders' Meeting;
- determining the number of Directors to be nine, and approving the election of two additional independent directors at the 2011 Annual Shareholders' Meeting; and
- approving the promotion of Dr. Burn Lin as Vice President.

3.3.3 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors from January 1, 2010 to February 28, 2011: None.

3.4 Internal Control System Execution Status

Taiwan Semiconductor Manufacturing Company Limited
Statement of Internal Control System

Date: February 15, 2011

Based on the findings of a self-assessment, Taiwan Semiconductor Manufacturing Company Limited (TSMC) states the following with regard to its internal control system during the year 2010:

1. TSMC is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. TSMC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of TSMC contains self-monitoring mechanisms, and TSMC takes corrective actions whenever a deficiency is identified.

3. TSMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

4. TSMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, TSMC believes that, on December 31, 2010, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be an integral part of TSMC's Annual Report for the year 2010 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on February 15, 2011, with zero of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Semiconductor Manufacturing Company Limited

Morris Chang,
Chairman & Chief Executive Officer

The disclosure of the external auditors' opinion on TSMC's internal control is not applicable.

3.5 Status of Personnel Responsible for Preparing Financial Reports

3.5.1 Resignation or Dismissal of Personnel Responsible for Financial Report: None.

3.5.2 Certification Details of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Certification	Number of Employees	
	Internal Audit	Finance
Certified Public Accountants (CPA)	3	20
US Certified Public Accountants (US CPA)	2	9
Certified Internal Auditor (CIA)	5	6
Chartered Financial Analyst (CFA)	0	2
Certified Management Accountant (CMA)	0	2
Financial Risk Manager (FRM)	0	1
Cerficate in Financial Management (CFM)	0	1
Certification in Control Self-Assessment (CCSA)	3	0
Certified Information Systems Auditor (CISA)	2	0
BS7799/ISO 27001 Lead Auditor	1	0

3.6 Information Regarding TSMC's Independent Auditor

3.6.1 Audit Fees

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Whether the CPA's Audit Period Covers an Entire Fiscal Year			Note
			System Design	Company Registration	Human Resource	Others	Subtotal	Yes	No	Audit Period	
Deloitte & Touche	Hung-Peng Lin, Shu-Chieh Huang, and others	68,089	-	771	-	6,095	6,866	v			

Note: Article 10-4 of Regulation Governing Information to be published in Annual Report of Public Companies was not applicable to TSMC.

3.6.2 TSMC did not replace its independent auditor during 2009, 2010, and as of February 28, 2011.

3.6.3 TSMC's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions within TSMC's independent audit firm or its affiliates during 2010.

3.7 Material Information Management Procedure

TSMC has established relevant procedures for material information management and disclosure. All relevant departments and employees are required to comply with the procedures and other applicable regulations when they become aware of any potential material information and the disclosure thereof.

【信 Trust】

We tell the truth, do not exaggerate, and can stand up to any scrutiny.
We tirelessly create value to win the trust of our customers,
suppliers, shareholders, and the public.
We are a key partner that customers rely upon for success.

4. Capital and Shares

4.1 Capital and Shares

4.1.1 Capitalization

Unit: Share/NT$ As of 02/28/2011

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
03/2010	10	28,050,000,000	280,500,000,000	25,902,706,622	259,027,066,220	Exercise of Employee Stock Options: NT$20,442,830	None	03/11/2010 Yuan Shang Tzu No. 0990005852
06/2010	10	28,050,000,000	280,500,000,000	25,903,769,184	259,037,691,840	Exercise of Employee Stock Options: NT$10,625,620	None	06/01/2010 Yuan Shang Tzu No. 0990015685
09/2010	10	28,050,000,000	280,500,000,000	25,905,017,151	259,050,171,510	Exercise of Employee Stock Options: NT$12,479,670	None	09/02/2010 Yuan Shang Tzu No. 0990025771
12/2010	10	28,050,000,000	280,500,000,000	25,907,343,943	259,073,439,430	Exercise of Employee Stock Options: NT$23,267,920	None	12/02/2010 Yuan Shang Tzu No. 0990035818

4.1.2 Capital and Shares

Unit: Share As of 02/28/2011

Type of Stock	Authorized Share Capital				Total
	Issued Shares			Unissued Shares	
	Listed	Non-listed	Total		
Common Stock	25,912,723,077	0	25,912,723,077	2,137,276,923	28,050,000,000

Shelf Registration: None.

4.1.3 Composition of Shareholders

Common Share As of 07/12/2010 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	15	221	1,021	2,937	485,248	489,442
Shareholding	1,726,974,007	945,780,842	822,827,641	18,744,932,517	3,664,502,144	25,905,017,151
Holding Percentage (%)	6.67%	3.65%	3.18%	72.35%	14.15%	100.00%

Distribution Profile of Share Ownership

Common Share — As of 07/12/2010 (last record date)

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	175,527	40,110,178	0.15%
1,000 ~ 5,000	204,738	454,900,977	1.76%
5,001 ~ 10,000	50,666	355,057,896	1.37%
10,001 ~ 15,000	20,758	247,055,888	0.95%
15,001 ~ 20,000	8,977	156,242,591	0.60%
20,001 ~ 30,000	9,938	238,509,904	0.92%
30,001 ~ 40,000	4,492	153,842,731	0.59%
40,001 ~ 50,000	2,844	127,326,964	0.49%
50,001 ~ 100,000	5,259	362,185,248	1.40%
100,001 ~ 200,000	2,493	342,677,354	1.32%
200,001 ~ 400,000	1,385	388,134,797	1.50%
400,001 ~ 600,000	530	258,637,133	1.00%
600,001 ~ 800,000	246	169,874,050	0.66%
800,001 ~ 1,000,000	187	167,929,955	0.65%
Over 1,000,001	1,402	22,442,531,485	86.64%
Total	489,442	25,905,017,151	100.00%

Preferred Share: None.

4.1.4 Major Shareholders

Common Share — As of 07/12/2010 (last record date)

Shareholders	Total Shares Owned	Ownership (%)
ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	5,485,679,458	21.18%
National Development Fund, Executive Yuan	1,653,709,980	6.38%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	763,124,250	2.95%
Cathay Life Insurance Co.,Ltd.	338,425,235	1.31%
Government of Singapore	325,381,129	1.26%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	296,968,311	1.15%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	286,860,170	1.11%
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	256,386,838	0.99%
iShares, Inc.	202,100,882	0.78%
Lazard Emerging Markets Equity Portfolio	189,986,284	0.73%

4.1.5 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Share

Title Name	2010		01/01/2011 ~ 02/28/2011	
	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)
Chairman & CEO Morris Chang	2,550,000	-	-	-
Vice Chairman F.C. Tseng	(440,000)	-	-	-
Director National Development Fund, Executive Yuan Representative: Johnsee Lee	-	(1,323,554,208)	-	-
Director & New Businesses President Rick Tsai	766,541	(1,700,000)	-	-
Independent Director Sir Peter Leahy Bonfield	-	-	-	-
Independent Director Stan Shih	-	-	-	-
Independent Director Thomas J. Engibous	-	-	-	-

(Continued)

Title Name	2010		01/01/2011 ~ 02/28/2011	
	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management Stephen T. Tso	389,371	-	-	-
Senior Vice President Research and Development Shang-yi Chiang	-	-	-	-
Senior Vice President Operations Mark Liu	(180,000)	-	-	-
Senior Vice President Business Development C.C. Wei	-	-	(54,000)	-
Senior Vice President & General Counsel Richard Thurston	(400,000)	-	-	-
Senior Vice President, Chief Financial Officer & Spokesperson Lora Ho	-	-	-	-
Senior Vice President Worldwide Sales and Marketing Jason C.S. Chen	(35,000)	-	-	-
Vice President Operations/Affiliate Fabs M.C. Tzeng	(9,000)	-	(27,000)	-
Vice President Operations/Manufacturing Technology Wei-Jen Lo	(350,000)	-	(70,000)	-
Vice President & Chief Technology Officer Research and Development Jack Sun	87,736	-	-	-
Vice President Operations/Product Development Y.P. Chin	(200,000)	-	(30,000)	-
Vice President Quality and Reliability N.S. Tsai	-	-	-	-
Vice President President of TSMC North America Rick Cassidy	-	-	-	-
Vice President Human Resources L.C. Tu	-	-	-	-
Vice President Operations/Mainstream Fabs J.K. Lin (Note 2)	-	-	-	-
Vice President Operations/300mm Fabs J.K. Wang (Note 2)	200,000	-	-	-
Vice President Corporate Planning Organization Irene Sun	(65,000)	-	-	-
Vice President Research and Development Burn J. Lin (Note 3)	-	-	-	-
Senior Director New Businesses Jan Kees van Vliet	(700,000)	-	-	-
Senior Director New Businesses Y.C. Chao	-	-	-	-

Note 1: This refers to the creation of security interest over TSMC shares in favor of creditors, usually in connection with a shareholder's own financing activities.
Note 2: Mr. J.K. Lin and Mr. J.K. Wang were promoted on August 10, 2010. Net change in their shareholding or shares pledged were from August 10, 2010 to February 28, 2011.
Note 3: Mr. Burn J. Lin was promoted on February 15, 2011. Net change in his shareholding or shares pledged was from February 15, 2011 to February 28, 2011.

4.1.6 Stock Trade with Related Party: None.

4.1.7 Stock Pledge with Related Party: None.

4.1.8 Information on Our 10 Largest Shareholders Who are Related Parties to Each Other

Common

As of 07/12/2010 (last record date)

Name	Current Shareholding		Spouse & Minor Shareholding		TSMC Shareholding by Nominee Arrangement		Name and Relationship between TSMC's Shareholders as Defined in the Statement of Financial Accounting Standards No.6	
	Shares	%	Shares	%	Shares	%	Name	Relationship
ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	5,485,679,458	21.18%	N/A	N/A	N/A	N/A	None	None
National Development Fund, Executive Yuan Representatives: Johnsee Lee	1,653,709,980	6.38%	N/A	N/A	N/A	N/A	None	None
	-	-	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	763,124,250	2.95%	N/A	N/A	N/A	N/A	None	None
Cathay Life Insurance Co.,Ltd. Chairman: Hong-Tu Tsai	338,425,235	1.31%	N/A	N/A	N/A	N/A	None	None
Government of Singapore	325,381,129	1.26%	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	296,968,311	1.15%	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	286,860,170	1.11%	N/A	N/A	N/A	N/A	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	256,386,838	0.99%	N/A	N/A	N/A	N/A	None	None
iShares, Inc.	202,100,882	0.78%	N/A	N/A	N/A	N/A	None	None
Lazard Emerging Markets Equity Portfolio	189,986,284	0.73%	N/A	N/A	N/A	N/A	None	None

4.1.9 Long-term Investment Ownership

As of 12/31/2010

Long-term Investment	Ownership by TSMC (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Equity Method:						
TSMC Partners, Ltd.	988,268,244	100.0%	0	0%	988,268,244	100.0%
TSMC Global, Ltd.	1,284	100.0%	0	0%	1,284	100.0%
TSMC North America	11,000,000	100.0%	0	0%	11,000,000	100.0%
TSMC Europe B.V.	200	100.0%	0	0%	200	100.0%
TSMC Japan Limited	6,000	100.0%	0	0%	6,000	100.0%
TSMC Korea Limited	80,000	100.0%	0	0%	80,000	100.0%
TSMC Solar North America, Inc.	1,000	100.0%	0	0%	1,000	100.0%
TSMC Solar Europe B.V.	200	100.0%	0	0%	200	100.0%
TSMC Lighting North America, Inc.	1,000	100.0%	0	0%	1,000	100.0%
TSMC China Company Limited	Not Applicable (Note 1)	100.0%	0	0%	Not Applicable (Note 1)	100.0%
Systems on Silicon Manufacturing Co. Pte Ltd.	313,603	38.8%	0	0%	313,603	38.8%
Vanguard International Semiconductor Corp.	628,223,493	38.2%	274,029,592	16.7% (Note 2)	902,253,085	54.9%
Motech Industries Inc.	76,069,382	20.0%	0	0%	76,069,382	20.0%
Xintec Inc.	93,081,225	40.8%	0	0%	93,081,225	40.8%
Global UniChip Corporation	46,687,859	35.0%	0	0%	46,687,859	35.0%
Emerging Alliance Fund, L.P.	Not Applicable (Note 1)	99.5%	0	0%	Not Applicable (Note 1)	99.5%
VentureTech Alliance Fund II, L.P.	Not Applicable (Note 1)	98.0%	0	0%	Not Applicable (Note 1)	98.0%
VentureTech Alliance Fund III, L.P.	Not Applicable (Note 1)	98.9%	0	0%	Not Applicable (Note 1)	98.9%

(Continued)

Long-term Investment	Ownership by TSMC (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Cost Method:						
Non-publicly Traded						
United Industrial Gases Co. Ltd.	16,782,937	9.8%	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)
Shin-Etsu Handotai Taiwan Co. Ltd.	10,500,000	7.0%	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)
W.K. Technology Fund IV	4,000,000	1.9%	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)
Funds						
Horizon Ventures Fund I, L.P.	Not Applicable (Note 1)	12.1%	Not Applicable (Note 1)	Not Available (Note 3)	Not Applicable (Note 1)	Not Available (Note 3)
Crimson Asia Capital Ltd., L.P.	Not Applicable (Note 1)	1.0%	Not Applicable (Note 1)	Not Available (Note 3)	Not Applicable (Note 1)	Not Available (Note 3)

Note 1: Not applicable. These firms do not issue shares. TSMC's investment is measured as a percentage of ownership.
Note 2: 16.7% represents the shareholding owned by National Development Fund, Executive Yuan
Note 3: Not available. Not all information is available to TSMC as of the report date.

4.1.10 Share Information

TSMC's earnings per share increased 81.1% in 2010 to NT$6.23 per share. The following table details TSMC's net worth, earnings, dividends and market price per common share in 2010, as well as other data regarding return on investment.

Net Worth, Earnings, Dividends, and Market Price Per Common Share

Unit: NT$, except for weighted average shares and return on investment ratios

Item	2009	2010	01/01/2011 ~ 02/28/2011
Market Price Per Share			
Highest Market Price	61.82 (Note 1)	72.90 (Note 1)	78.00
Lowest Market Price	35.46 (Note 1)	54.41 (Note 1)	69.80
Average Market Price	51.31 (Note 1)	60.55 (Note 1)	73.52
Net Worth Per Share			
Before Distribution	19.11	22.16	-
After Distribution	16.11	(Note 5)	-
Earnings Per Share			
Weighted Average Shares (thousand shares)	25,913,603	25,920,094	-
Diluted Earnings Per Share	3.44	6.23 (Note 5)	-
Adjusted Diluted Earnings Per Share (Note 1)	3.44	(Note 5)	-
Dividends Per Share			
Cash Dividends	3.00	3.00 (Note 5)	-
Accumulated Undistributed Dividend	-	-	-
Return on Investment			
Price/Earnings Ratio (Note 2)	14.92	(Note 5)	-
Price/Dividend Ratio (Note 3)	17.10	(Note 5)	-
Cash Dividend Yield (Note 4)	6%	(Note 5)	-

Note 1: Retroactively adjusted for appropriation of earnings
Note 2: Price/Earnings Ratio = Average Market Price/Adjusted Diluted Earnings Per Share
Note 3: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share
Note 4: Cash Dividend Yield = Cash Dividends Per Share/Average Market Price
Note 5: Pending for shareholders' approval

4.1.11 Dividend Policy

TSMC's profits may be distributed by way of cash dividend and/or stock dividend. The preferred method of distributing profits is by way of an annual cash dividend. Under TSMC's Articles of Incorporation, stock dividend shall not exceed 50% of the total dividend distribution in any given fiscal year. Except under certain conditions specified in the Company's Articles of Incorporation, TSMC does not pay dividends when there is no profit or retained earnings.

4.1.12 Distribution of Profit

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

In addition, according to the Company's Articles of Incorporation, TSMC shall allocate no more than 0.3% of earnings available for distribution (net income after a regulatory required deduction for prior years' losses and contributions to legal and special reserves) as a bonus to directors, and not less than 1% as a bonus to employees. Profit sharing to employees to be distributed after 2011 Annual Shareholders' Meeting was recorded as a charge to earnings of approximately 6.75% of net income in year 2010; bonuses to directors were accrued with an estimate based on historical experience. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 9, 2011. If the actual amounts subsequently resolved by the shareholders differ from the above estimated amounts, the differences will be recorded in the year of shareholders' resolution as a change in accounting estimate.

Proposal to Distribute 2010 Profits

Unit: NT$

Cash Dividends to Common Shareholders (NT$3.0 per share)	77,730,235,992

Note: Employees' cash bonus and profit sharing and bonus to directors for the year 2010 which have been expensed under the Company's income statements are listed below:
- NT$10,908,338,094 distributed employees' cash bonus
- NT$10,908,338,094 employees' cash profit sharing to be distributed after 2011 Annual Shareholders' Meeting
- NT$51,131,000 directors' bonus to be paid after 2011 Annual Shareholders' Meeting

2009 Directors' Bonus and Employee Profit Sharing

	Board Resolution (02/09/2010)	Actual Result (Note)
	Amount (NT$)	Amount (NT$)
Directors' Bonus (Cash)	67,692,222	67,692,222
Employee's Cash Profit Sharing	6,691,337,704	6,691,337,704
Total	6,759,029,926	6,759,029,926

Note: Each of the above two items, being approved by the Board, has been expensed at the same amount under the company's 2009 income statements.

4.1.13 Impact to 2011 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.14 Buyback of Common Stock: Not applicable.

4.2 Issuance of Corporate Bonds

4.2.1 Corporate Bonds

As of 02/28/2011

Issuance		Domestic Unsecured Bond (V)
Issuing Date		01/10/2002 - 01/24/2002
Denomination		NT$1,000,000 NT$5,000,000
Offering Price		Par
Total Amount		NT$15,000,000,000
Coupon Rate		Tranche A: 2.60% p.a. Tranche B: 2.75% p.a. Tranche C: 3.00% p.a.
Tenure		Tranche A: 5 years Maturity: 01/10/2007 - 01/22/2007 Tranche B: 7 years Maturity: 01/10/2009 - 01/24/2009 Tranche C: 10 years Maturity: 01/10/2012 - 01/24/2012
Guarantor		None
Trustee		TC Bank
Underwriter		Not Applicable
Legal Counsel		Yan-an International Law Office
Auditor		TN Soong & Co (now Deloitte & Touche)
Repayment		Bullet
Outstanding		NT$4,500,000,000
Redemption or Early Repayment Clause		None
Covenants		Customary Covenants
Credit Rating		twAAA (Taiwan Ratings Corporation, 10/20/2010)
Other Rights of Bondholders	Conversion Right	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	Not Applicable
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

4.2.2 Convertible Bond: None.

4.2.3 Exchangeable Bond: None.

4.2.4 Shelf Registration: None.

4.2.5 Bond with Warrants: None.

4.3 Preferred Shares

4.3.1 Preferred Share: None.

4.3.2 Preferred Share with Warrants: None.

4.4 Issuance of American Depositary Shares

Issuing Date	10/08/1997	11/20/1998	01/12/1999 - 01/14/1999	07/15/1999	08/23/1999 - 09/09/1999	02/22/2000 - 03/08/2000	04/17/2000	06/07/2000 - 06/15/2000
Issuance & Listing	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
Total Amount (US$)	594,720,000	184,554,440	35,500,000	296,499,641	158,897,089	379,134,599	224,640,000	1,167,873,850
Offering Price Per ADS (US$)	24.78	15.26	17.75	24.516	28.964	57.79	56.16	35.75
Units Issued	24,000,000	12,094,000	2,000,000	12,094,000	5,486,000	6,560,000	4,000,000	32,667,800
Underlying Securities	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	Cash Offering and TSMC Common Shares from Selling Shareholders
Common Shares Represented	120,000,000	60,470,000	10,000,000	60,470,000	27,430,000	32,800,000	20,000,000	163,339,000
Rights & Obligations of ADS Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
Trustee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Depositary Bank	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York
Custodian Bank (Note 1)	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch
ADSs Outstanding (Note 2)	24,000,000	46,222,650	48,222,650	71,407,859	76,893,859	83,453,859	87,453,859	144,608,739
Apportionment of Expenses for Issuance & Maintenance	(Note 3)							(Note 4)
Terms and Conditions in the Deposit Agreement & Custody Agreement	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details
Closing Price Per ADS (US$)	2010	High	12.69					
		Low	9.07					
		Average	10.21					
	01/01/2011 - 02/28/2011	High	13.68					
		Low	12.12					
		Average	13.05					

Note 1: Citibank, N.A., Taipei Branch has changed its name to "Citibank Taiwan Limited" on August 1, 2009.

Note 2: TSMC has in aggregate issued 813,544,500 ADSs since 1997, which, if taking into consideration stock dividend distributed over the period, would amount to 1,147,835,205 ADSs. As of February 28, 2011, total number of outstanding ADSs was 1,096,448,377 after 51,386,828 ADSs were redeemed. Stock dividends distributed in 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 was 45%, 23%, 28%, 40%, 10%, 8%, 14.08668%, 4.99971%, 2.99903%, 0.49991%, 0.50417% and 0.49998% respectively.

Note 3: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

Note 4: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by TSMC and the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

	05/14/2001 - 06/11/2001	06/12/2001	11/27/2001	02/07/2002 - 02/08/2002	11/21/2002 - 12/19/2002	07/14/2003 - 07/21/2003	11/14/2003	08/10/2005 - 09/08/2005	05/23/2007
	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
	240,999,660	297,649,640	320,600,000	1,001,650,000	160,097,914	908,514,880	1,077,000,000	1,402,036,500	2,563,200,000
	20.63	20.63	16.03	16.75	8.73	10.40	10.77	8.6	10.68
	11,682,000	14,428,000	20,000,000	59,800,000	18,348,000	87,357,200	100,000,000	163,027,500	240,000,000
	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders
	58,410,000	72,140,000	100,000,000	299,000,000	91,740,000	436,786,000	500,000,000	815,137,500	1,200,000,000
	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York
	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch
	156,290,739	170,718,739	259,006,235	318,806,235	369,019,413	485,898,166	585,898,166	864,210,597	1,128,739,639

(Note 3)

	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details

4.5 Status of Employee Stock Option Plan

4.5.1 Issuance of Employee Stock Options

ESOP Granted	First Grant	Second Grant	Third Grant
Approval Date by The Securities & Futures Bureau	06/25/2002	06/25/2002	06/25/2002
Issue (Grant) Date	08/22/2002	11/08/2002	03/07/2003
Number of Options Granted	18,909,700	1,085,000	6,489,514
Percentage of Shares Exercisable to Outstanding Common Shares	0.10154%	0.00583%	0.03485%
Option Duration	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
Shares Exercised	17,144,420	1,145,758	4,525,733
Value of Shares Exercised (NT$)	604,197,297	39,083,833	111,392,267
Shares Unexercised	3,474,835	270,445	3,058,821
Original Grant Price Per Share (NT$)	NT$53.0	NT$51.0	NT$41.6
Adjusted Exercise Price Per Share (NT$)	NT$27.6	NT$26.6	NT$21.7
Percentage of Shares Unexercised to Outstanding Common Shares	0.01341%	0.00104%	0.01181%
Impact to Shareholders' Equity	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

4.5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees with an Individual Grant Value over NT$30,000,000

Title	Name	Number of Options Granted (Note 2)	% of Shares Exercisable to Outstanding Common Shares
Chairman & Chief Executive Officer	Morris Chang (Note 1)	5,480,052	0.02115%
President	Rick Tsai (Note 1)		
Senior Vice President	Stephen T. Tso (Note 1)		
Senior Vice President	Mark Liu (Note 1)		
Senior Vice President	C.C. Wei (Note 1)		
Senior Vice President & General Counsel	Richard Thurston (Note 1)		
Vice President	Jack Sun (Note 1)		
Vice President	Rick Cassidy		
Vice President	L.C. Tu (Note 1)		
Vice President	J.K. Lin (Note 1)		

Note 1: TSMC granted options to certain of its officers (as listed above) as a result of their voluntary selection to exchange part of their profit sharing for stock options in 2003. This includes a voluntary exchange by Chairman Morris Chang in his capacity as Chief Executive Officer.

Note 2: Number of options granted includes the additional shares due to stock dividend distributed in 2004, 2005, 2006, 2007, 2008 and 2009.

4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions

TSMC did not issue new shares in connection with mergers or acquisitions in 2010, and as of the date of this Annual Report.

4.7 Financing Plans and Implementation: Not applicable.

As of 12/31/2010

Fourth Grant	Fifth Grant	Sixth Grant	Seventh Grant	Eighth Grant	Ninth Grant
06/25/2002	10/29/2003	10/29/2003	10/29/2003	10/29/2003	01/06/2005
06/06/2003	12/03/2003	02/19/2004	05/11/2004	08/11/2004	05/17/2005
23,090,550	842,900	15,720	11,167,817	135,300	10,742,350
0.12399%	0.00416%	0.00008%	0.05510%	0.00058%	0.04620%
10 years	10 years	10 years	10 years	10 years	10 years
New Common Share	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share
2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
15,250,526	422,956	8,585	8,315,128	120,159	6,198,483
571,713,878	21,783,581	417,657	370,037,908	4,684,478	295,773,115
9,634,518	160,155	6,831	2,056,273	7,855	2,767,698
NT$58.5	NT$66.5	NT$63.5	NT$57.5	NT$43.8	NT$54.3
NT$30.5	NT$50.1	NT$47.8	NT$43.2	NT$38.0	NT$47.2
0.03718%	0.00062%	0.00003%	0.00794%	0.00003%	0.01068%
Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

As of 12/31/2010

Exercised				Unexercised			
Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT$)	% of Shares Unexercised to Outstanding Common Shares
3,037,739	25.1	76,384,138	0.01172%	2,442,313	25.1	61,420,328	0.00943%

【創 INNOVATION】

Unceasing pursuit of innovation in strategy, sales, management, technology, and manufacturing, is the wellspring of our growth.

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

As the founder and a leader of the dedicated IC foundry segment, TSMC has built its reputation by offering advanced and "More-than-Moore" wafer production processes and unparalleled manufacturing efficiency. TSMC strives to provide the best overall value to customers, and the success of TSMC's business is manifested in the success of its customers.

TSMC provides a full range of integrated IC foundry services that fulfill the increasing variety of customer needs. In the process, it has experienced strong growth by building partnerships with customers. IC suppliers from around the world trust TSMC with their manufacturing needs, thanks to its unique integration of cutting-edge process technologies, pioneering design services, manufacturing productivity and product quality.

In May 2009, TSMC established the New Businesses organization to explore non-foundry related business opportunities. During 2010 and early 2011, the New Businesses organization consists of two business divisions responsible for solid state lighting and solar business activities.

5.1.2 Customer Applications

Over the past 23 years, more than 600 customers worldwide have relied on TSMC to manufacture chips that are used across the entire spectrum of electronic applications, including computers and peripherals, information appliances, wired and wireless communications systems, automotive and industrial equipment, consumer electronics such as DVDs, digital TVs, game consoles, digital still cameras (DSCs), and many other applications.

The rapid evolution of end products drives our customers to utilize TSMC's innovative technologies and services, while at the same time spurring TSMC's own development of technology. As always, success depends on leading rather than following industry trends.

5.1.3 Unconsolidated Shipments and Gross Sales in 2010 and 2009

Unit: Shipments (8-inch equivalent wafers) / Gross Sales (NT$ thousands)

		2010		2009	
		Shipments	Gross Sales	Shipments	Gross Sales
Wafer	Domestic	2,132,697	51,312,831	1,495,305	38,538,370
	Export	9,688,352	340,474,577	6,194,167	238,090,692
Package	Domestic	0	0	3	487
	Export	23,550	963,427	35,467	1,384,580
Other	Domestic	20,278	3,974,831	17,597	3,272,217
	Export	53,137	21,940,782	42,979	18,184,868
Total	Domestic	2,152,975	55,287,662	1,512,905	41,811,074
	Export	9,765,039	363,378,786	6,272,613	257,660,140

5.1.4 Production in 2010 and 2009

Unit:Capacity / Output (8-inch equivalent wafers) / Amount (NT$ thousands)

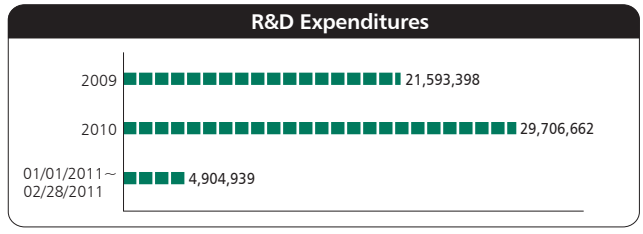
	Wafers		
Year	Capacity	Output	Amount
2010	11,328,601	11,806,566	199,376,792
2009	9,954,558	7,582,664	150,572,709

5.2 Technology Leadership

5.2.1 R&D Organization and Investment

TSMC expanded Research and Development in 2010 to further enhance one of its three strategic pillars: Technology Leadership. In 2010 the total R&D budget was 7% of total revenue. This level of R&D investment is equal to or more than that of many leading edge technology companies. Along with the budget increase, the R&D organization increased staffing by over 17%.

(Amount: NT$ thousands)



TSMC recognizes that the technology challenge required to extend Moore's Law, the business law behind CMOS scaling, is getting increasingly difficult. Dr. Shang-yi Chiang, TSMC Senior Vice President of R&D brings his rich industry experience to lead the strengthening of the R&D team and to navigate through the technological and competitive challenges ahead.

In 2010, TSMC offered the foundry segment's first 28nm technology. After intense work on ramping this technology, customers started to experience its benefits of stable and improved yield.

TSMC accelerated the development of advanced transistors, embedded memories, and copper (Cu)/low-K interconnect technologies. During 2010, the R&D organization once again proved its capabilities by offering a first-to-market 28nm high-K/metal gate (HKMG) foundry technology portfolio as well as establishing 20nm path-finding capability.

TSMC also expanded its external R&D partnerships and alliances with world-class research institutions. For example, TSMC is a core partner of IMEC, the respected European R&D consortium. TSMC also has a strategic agreement with IP provider to enable the development of physical IP through the advanced technology nodes. In addition, TSMC strengthened its collaborations with key partners on design-process optimization. TSMC provides funding for nanotechnology researches at major universities worldwide to promote innovation and the advancement of technology.

These research efforts enable the Company continuously to offer its customers the foundry-leading, first-to-market technology and design solutions that contribute to their product success in the complex and challenging market environment.

5.2.2 R&D Accomplishments in 2010

R&D Highlights

● 28nm Technology

TSMC continued to lead the foundry segment with the development of the most advanced logic technologies both with conventional as well as HKMG stacks. The high performance (28HP) platform is aimed at high-speed GPU and CPU applications. It also serves as the technology backbone for high-end FPGA and SoC application domains through additional device customization for leakage management. The low-leakage (28LP and 28HPL) technologies are designed to support low-cost mobile applications as well as low-end FPGA requirements.

With the improvement and development momentum, TSMC has continuously demonstrated breakthroughs in both 64Mb SRAM yield and technology reliability for all the 28nm technology family, including 28LP, 28HP and 28HPL. In addition, 28LP has completed the technology qualification in September 2010 and proved to be the first 28nm technology within the semiconductor and foundry industries ready for risk production. HKMG technology qualification is also under way.

In parallel, TSMC provided 28nm shuttle service program and successfully delivered proven and functional test-chips for both conventional SiON/poly and HKMG technologies. More than 10 shuttle services were offered in 2010, and more than 25 customers validated their test-chips and critical IPs with TSMC's 28nm technologies for various market segments, including GPU/CPU, FPGA and mobile applications.

● 20nm Technology

In 2010, TSMC continued to focus on 20nm technology path finding and development. To offer a leading-edge technology for both analog and digital application, the Company adopted the most advanced 193nm immersion and enhanced lithography process for smaller feature size. With the second generation of HKMG, more Si strain, and new device structure, the intrinsic transistor performance continues to ramp following Moore's Law. Meanwhile, external resistance can be effectively reduced and controlled by a specially designed process technique. The back end-of-line (BEOL) interconnect process features extreme low-K intermetal dielectric materials and copper metallization with the novel low-resistance scheme. The logic transistor and SRAM bit-cell offering, using the 20nm process, will cover high performance and System-on-Chip (SoC) application.

Development of 20nm technology will create superior gate density and chip performance. The cost and complexity of advanced technology will continue to escalate for customers. In 2010, TSMC provided process flow, design kits and intellectual property (IP) to help reduce foundry costs. TSMC's high-performance 20nm process will enter risk production in the third quarter of 2012, with volume production scheduled for the first quarter of 2013.

● Lithography

To overcome unprecedented low k_1 for imaging, state-of-the-art optical lithography resolution enhancement techniques, such as source-mask optimization and multiple patterning, have been implemented to achieve 2X the gate density of previous generation. Combined with an optimized etching technique and film stack, a nonlinear photoresist was introduced to achieve a 2.2nm line-width-roughness (LWR) on the switching gates to gain device performance.

The reticle for Test Vehicle 1 of the 20nm node was taped out in mid 2010 with an advanced super binary intensity mask (BIM) blank. The overlay control for inter- and intra-layers reached 6nm, a 25% gain from the previous generation. Moreover, with design rule optimization, the patterning technique of the active layer can be simplified from 3P2E to 2P2E, resulting in significant cost reduction.

Low-single-digit immersion defects for the 28nm node were achieved with track/material co-optimization that evolved from and is better than the previous generation. To deal with various product requirements, customized OPC was used. Low-cost solutions were developed for 0.11μm logics, multi-generation technologies, and special technologies such as eDRAM and CMOS Image Sensor (CIS).

For next generation lithography (NGL) technology development, a multiple e-beam maskless pre-Alpha tool installed in TSMC's fab has been demonstrating imaging with 110 beams and patterns of the 20nm node using e-beam proximity correction.

In early 2010, the Company announced the acquisition of a full-field extreme-ultraviolet (EUV) scanner from ASML Netherlands B.V. for the development of lithographic processes for devices of the 20nm node and below at TSMC's Fab 12 GIGAFAB™. TSMC has also made progress on demonstrating 20nm device processing with EUV lithography using the alpha demo tool located at our IMEC partner site.

● Mask Technology

Mask technology is an integral part of advanced lithography technology. TSMC has developed proprietary resolution-enhancement techniques (RET) that are co-optimized with our in-house mask-making technology. The Company integrates optical proximity correction (OPC) and scanner parameter optimization, and masks them together to provide a total solution in 193nm immersion lithography. TSMC's mask-making facilities feature state-of-the-art electron-beam mask writers, etchers, inspection, repair, verification, and metrology tools for production at 28nm and R&D at 20nm and beyond. TSMC continues to develop mask technologies for double patterning with 193nm immersion lithography and EUV lithography for applications to the 20nm generation and beyond and participates actively in developing the infrastructure for EUV mask-making. TSMC's strength in mask technology gives significant and unique benefits to its customers in terms of technical excellence, top quality, fast cycle time, and one-stop service.

Integrated Interconnect and Packaging

The Integrated Interconnect and Package Development Division (IIPD) was formed in late 2008 to develop and deliver an integrated technology solution combining advanced interconnect with packaging technology. The introduction of extreme low-K dielectric (ELK) in 45/40nm adds more challenges among many others to the given tasks. In 2010, the major focus was to resolve interconnect/package related bottlenecks and ensure smooth ramp of 45/40nm first-wave customers' products. Enhancement in Si backend/bump structure designs, and process optimization in bumping/assembly processes have paved the way for customers' products delivery with reliable quality. Customers including GPU and FPGA products are in volume production (with die size $>20\times20mm^2$).

● Advanced Interconnect

In 2010, TSMC continued to lead the foundry segment in demonstrating the lowest resistance/capacitance (RC) -delay interconnect technology in the segment, which is also compatible with advanced package technology.

Copper interconnect resistivity is trending up by generation node because of the size effect. To keep the RC performance for the advanced interconnect, TSMC has developed an extreme low resistance Cu interconnect solution for 28nm and beyond technology nodes. On the 28nm, we also improve effective resistivity of Cu lines to be significantly lower than that projected by the International Technology Roadmap for Semiconductors and demonstrate promising reliability performance.

● Advanced Package Development

To achieve "Green package" requirements and to follow the EU code for RoHS, the traditional tin-lead (Sn-Pb) based solder interconnect will be replaced by lead-free (Sn-Ag or Cu post) technology step-by-step. TSMC will continue to develop lead-free package technology (including die sizes, bump pitches, substrate types, etc.) and Fan-in Wafer Level Packaging (Fan-in WLP) for handheld/mobile devices/applications in 2011 to further enhance customers' product performance and competitiveness

● 3D IC

TSMC has committed to work with customers closely to develop cost-effective 3D IC system integration solutions using in-house proprietary through silicon via (TSV) and foundry compatible wafer-level-packaging (WLP) technologies. Our 3D System-in-Package (SiP) solution is a viable alternative for many customers to realize their end product with the best cost and cycle time. TSMC delivers innovations to enable SiP design for the first time. It includes SiP package design, electrical analysis of package extraction, timing, signal integrity, IR drop, and thermal to physical verification of design rule check (DRC) and Layout Verification of Schematic (LVS). Such integrated solution for product realization will be made available to customers in 2012/13.

Advanced Transistor Research

Historically, transistor performance requirement follows different market segments: high performance applications, such as desk top computing; low-operating power applications, such as laptop computers and mobile internet devices; and low standby power applications, such as cell phones for long standby time. TSMC has been the technology leader in the low-operating power applications with G-family transistors and low standby power applications with LP family transistors. As low-operating power applications spread into the high performance domain, TSMC is embracing the challenge to retune our transistor offering to assure customers that they have the most competitive transistor offering from TSMC.

Spectrum of Technology

Beyond the highlights above, TSMC continued to develop a broad mix of new technologies. The Company accelerated its SoC roadmap, including embedded DRAM (eDRAM) and RF with earlier availability, higher integration and more variants.

● Embedded DRAM

Continued with TSMC leadership in eDRAM, in 2010 we started to ramp up early production of 40nm LP eDRAM for more efficient memory density and throughput required for bandwidth and graphic applications such as games and DTV. This will be followed by baseband and network applications, using the N40G base logic with 412MHz and 500MHz clock rate. Development also began on N28 eDRAM using HKMG logic as a base technology.

● Silicon Germanium BiCMOS Radio Frequency (RF) Technology

SeGi018: Upgraded TSMC SiGe-BiCMOS technology performance to tier-1 SiGe process specifications. For the moment, we are ahead of the ITRS roadmap targets.

● Mixed Signal/Radio Frequency (MS/RF) Technology

TSMC delivered a 28nm EM simulation base LC tank design package to facilitate high speed Serdes design. This approach successfully fulfilled requirements for different customized metal schemes in a significantly shorter time. In the category of More-than-Moore product enhancement, we developed IPD technology on high R substrate, and provided excellent inductor ($Q>50$) and precise MiM (C corner$<5\%$) for the RF-FEM (front-end module) segment.

Thin film Resistor: Demonstrated a close to zero TCR TFR which is key for high-precision ADC.

● Power IC/BCD Technology

In 2010, TSMC released a multiple-time re-programmable (MTP) non-volatile memory into the existing C025BCD power management IC technology. A one-time programmable (e-fuse) solution was qualified in 0.25u/5V and 0.18u/5V mixed signal technologies and their derivatives (BCD, HV). These features enable customers to trim critical analog characteristics at wafer, package or board level in a cost efficient manner (e-Fuse) or enhance the product functionality (MTP).

Besides continuing various BCD technology developments for DC-DC conversion, TSMC successfully delivered UHV (800V) technology that supports designs for energy-efficient lighting (CFL, LED, E-balaster) and mobile adaptors.

- Panel Driver Technology

In mobile device display drivers, TSMC released two new technologies in 2010: C011HV and N80HV. These technologies are targeted for high resolution displays in smart phones.

To meet more stringent standards in large panel displays (color depth and speed) for new TVs, such as 3D LCD TV, TSMC released two technologies in 2010.

- Microelecrtromechancial Systems (MEMS) Technology

There are several MEMS technologies for different applications in development at TSMC. In 2010, we worked with a customer to release a gyroscope device in production. We also demonstrated preliminary success in a DNA sequencing device, and made significant progress in our motion sensor platform technology development.

- CMOS Image Sensor Technology

In 2010, TSMC extended our leadership in back-side illumination (BSI) to enable our key customer to win more visible business with popular handheld products. At the same time, BSI wafer processing in 12" bulk-silicon also started risk production with the 65nm 8-megapixel product to be ramped up in early 2011, followed by many others.

TSMC also won the business for another leading CIS provider for 12" technology development, with wafer loading scheduled for 2012.

- Flash/Embedded Flash Technology

In 2010, TSMC delivered a refined low power, extremely low leakage 0.18μm Flash for microprocessor control unit (MCU) applications. The 90nm split gate technology has passed technology qualification. Three macros were qualified. One key customer has delivered Bluetooth engineering samples to their customers. Smart card IP is being qualified with several customers joining shuttle service for product prototyping.

TSMC has engaged with several IDM companies to co-develop embedded flash solutions for automotive, industrial and consumer applications. The technology foundation used includes 90nm, 65nm and 55nm, with the flash cells varying from floating gate and split-gate to hybrid.

5.2.3 Technology Platform

Modern IC designers need sophisticated design infrastructure to achieve acceptable productivity and cycle time. This includes design flow for electronic design automation (EDA), silicon proven building blocks such as libraries and IPs, simulation and verification design kits such as process design kit (PDK) and tech files. All these are built on top of the technology foundation, and each technology needs its own design infrastructure to be usable for designers. This is the concept of a technology platform.

Today's TSMC technology platforms reflect the culmination of years of work by TSMC and its alliance partners. In 2008, TSMC's Open Innovation Platform™ was launched to further enhance the Company's technology platforms, with additional deliverables added on in 2010. The Company unveiled an extension to its IP Alliance program in October to include Soft IP partners.

In April, TSMC announced the foundry segment's first Analog/Mixed Signal (AMS) Reference Flow, and the second revision of the Radio Frequency Reference Design Kit (RF RDK). The new AMS Reference Flow is TSMC's first custom design flow that targets leading edge 28nm design challenges, such as Layout Dependent Effects (LDE), Design For Manufacturing (DFM) and Sub-1V, to minimize design barriers and reduce iterations. AMS Reference Flow is a fully integrated multi-vendor program and part of an innovative design package.

The updated RDK provides a solution to common bottlenecks that designers encounter on a daily basis. RDK 2.0 includes step-by-step tutorials and setup scripts to facilitate users going through Circuit Sizing/Design Centering, a comprehensive EM design flow with TSMC PDK, and to analyze substrate noise coupling in RF circuits with TSMC qualified SNA tools.

After the debut of a series of interoperable data formats in iRCX, iDRC, iLVS and iPDK in 2009, TSMC demonstrated its strong commitment to industry users in 2010 with its industry-first iDRC & iLVS runsets in 40nm, and iPDKs in many TSMC advanced process nodes from 0.13μm to 28nm. Working with EDA partners, TSMC publishes quarterly reports for their qualified interoperable tools and versions.

The Soft IP Alliance program aims to improve soft IP readiness for advanced technology nodes and to drive earlier time-to-market. Soft IP has historically been process technology independent and, therefore, not optimized for power, performance and area considerations. Given the ever-increasing need of first-time silicon success and early time-to-market for highly integrated circuits, such as Systems-on-Chip (SoC), close technical collaboration between the foundry and the IP provider is imperative to emphasize this critical trade-off.

iRCX, an interoperable EDA data format, integrates all key process interconnect modeling data, which is increasingly important as chip designs in advanced technologies require detailed views of parasitic effects for the accurate evaluation of chip performance and power consumption. iRCX offers foundry interconnect model data for various applications across the board, covering not only parasitic RC tools at transistor & gate levels, but also the commonly-used tools for Electrical Magnetic (EM) Solver, Field Solver and ElectroMigration (EM)/Current (IR) Drop Analysis. EDA tools that support the iRCX format will be able to receive accurate interconnect modeling data from the iRCX files developed and supported by TSMC.

Executable physical verification runsets for interoperable design rule check (iDRC), interoperable density fill (iFill) and interoperable layout-versus-schematic (iLVS) in TSMC 40nm process technology were delivered to TSMC beta customers in 2010. Design rules for advanced process technologies are more complex and require detailed and accurate descriptions for correct chip layout creation and post-layout analyses. TSMC iDRC and iLVS formats, based on TSMC process requirements, unify process design rules specification and technology file generation, simplify data delivery, and ensure data integrity and interpretation. These are also the deliverables that represent TSMC's tight collaboration with its EDA partners and mutual customers.

TSMC iPDK unified data model on industry-standard OpenAccess database enables design reuse that is not possible with multiple proprietary PDKs and design databases among various EDA design platforms. It eliminates duplicate PDK development efforts, significantly reduces PDK development, validation and support costs across the design ecosystem, and promotes innovation in analog and full custom design. With a wide range of available iPDKs in TSMC process nodes and industry available EDA design platforms, users are now offered a higher degree of design flexibility in choosing the best tool features to fit their design needs.

To ensure OIP Ecosystem partners' compliance with TSMC new process requirements, TSMC works with partners to publish the "EDA Tool Qualification Report" on TSMC-Online, providing customers with an actively maintained status of individual EDA tools including DRC, LVS, RC extraction, Placement and Routing. The physical verification tool qualification report of DRC/LVS/RCX is updated on quarterly basis, and started to cover iDRC/iLVS/iRCX/iFill from 2010. Also new for Year 2010, routing qualification of 28nm was introduced as the design rule becomes Version 1.0.

In order to lower the barrier of technology adoption for customers, TSMC first introduced the Integrated Sign-Off Flow (ISF) in 65nm/55nm in 2009. ISF is a production proven design flow based on TSMC's internal design expertise accumulated over the years. ISF started to bear fruits in 2010, and enabled a large number of first time 65nm/55nm customers. ISF significantly reduced technology adoption gap in emerging markets such as China.

Entering its 10th year, the TSMC Reference Flow continues to anticipate customer needs in advanced design methodologies, and to serve the purpose of pipe-cleaning EDA tool capabilities. Traditionally the Reference Flow addresses design challenges in power, timing, and design for manufacturing. Reference Flow 11.0 incorporated new requirements associated with leading edge technologies, such as 28nm, and expanded into two new areas: 3D IC with TSV (through silicon via) and ESL system level design. The former supports heterogeneous integration of multiple dice and to achieve superior timing/power/form factor optimization, while the latter supports the trend of designers moving up to system level, enabling earlier and more accurate tradeoff with accurate TSMC PPA (power, performance and area).

5.2.4 Intellectual Property

A strong portfolio of intellectual property rights strengthens TSMC's technology leadership and protects our advanced and leading edge technologies. In 2010, TSMC received 434 U.S. patents, 173 Taiwanese patents, 180 PRC patents, and other patents issued in various other countries. TSMC's patent portfolio now exceeds 13,000 patents worldwide. We continue to implement a unified model for TSMC's intellectual capital management. Strategic considerations and close alignment with the business objectives drive the timely creation, management and use of our intellectual property.

At TSMC, we have built a process to extract value from our intellectual property by aligning our intellectual property strategy with our R&D, business objectives, marketing, and corporate development strategies. Intellectual property rights protect our freedom to operate, enhance our competitive position, and give us leverage to participate in many profit-generating activities.

We have worked continuously to improve the quality of our intellectual property portfolio and to reduce the costs of maintaining it. We plan to continue investing in our intellectual property portfolio and intellectual property management system to ensure that we protect our technology leadership and receive maximum business value from our intellectual property rights.

5.2.5 Future R&D Plans

Following the significant accomplishments of TSMC's advanced technologies in 2010, the Company plans to continue to grow its R&D investments. TSMC will further expand its 300mm R&D pilot line to speed up 28nm production ramp and 20nm development. The Company plans to reinforce its exploratory development work on new transistors and technologies, such as 3D structures, strained-layer CMOS, high mobility materials, novel 3D-IC devices with TSV, and interposer. These studies of the fundamental physics of nanometer CMOS transistors are core aspects of our efforts to improve the understanding and guide the design of transistors at advanced nodes. The findings of these studies are being applied to

ensure our continued industry leadership at the 28nm and 20nm nodes. One of TSMC's goals is to extend Moore's Law through innovative in-house work, as well as by collaborating with industry leaders and academia to push the envelope in finding cost-effective technologies and manufacturing solutions.

TSMC will continue working closely with international consortia and photolithography equipment suppliers to ensure the timely development of 193nm high-NA scanner technology, EUV lithography, and massively parallel E-Beam direct-write technologies. These technologies are now fundamental to TSMC's process development efforts at the 20nm and 14nm nodes and beyond.

TSMC continues to work with mask inspection equipment suppliers to develop viable inspection techniques, a collaborative partnership to help ensure the Company maintains its leadership position in mask quality and cycle time and continue to meet aggressive R&D, prototyping and production requirements.

With a highly competent and dedicated R&D team, and unwavering commitment to innovation, TSMC is confident of its ability to deliver the best and most cost-effective SoC technologies for customers, and to support the Company's business growth and profitability.

TSMC R&D future major project summary:

Project Name	Description	Risk Production (Estimated Target Schedule)
28nm logic platform technology and applications	28nm technology for both digital and analog products	2010 - 2011
20nm logic platform technology and applications	Next-generation technology for both digital and analog products	2012
14nm logic platform technology and applications	Exploratory technology for both digital and analog products	2014
3D-IC	Cost-effective solution with better form factor and performance for SIP	2012 - 2013
Next-generation lithography	EUV and multiple E-Beam to extend Moore's Law	2011 - 2012
Long-term research	Special SoC technology (including new NVM, MEMS, RF, analog) and 14nm transistors	2012 - 2014

The above plans account for roughly 70% of the total corporate R&D budget in 2011, which is currently estimated to be around 7-8% of 2011 revenue.

5.3 Manufacturing Excellence

5.3.1 GIGAFAB™ Fabrications

TSMC's 12-inch fabs are a key part of its manufacturing strategy. TSMC currently operates two 12-inch GIGAFAB™ fabrication facilities – Fab 12 and Fab 14 – whose combined capacity reached 2,520,000 12-inch wafers in 2010. Production within these two facilities supports 0.13μm, 90nm, 65nm, 40nm, and 28nm process technologies, and their sub-nodes. Part of the capacity is reserved for research and development work and currently supports 20nm, 14nm and beyond technology development. A third GIGAFAB™ fabrication, Fab 15, located in Taichung's Central Taiwan Science Park, is on track for equipment move-in during the second quarter of 2011.

TSMC has developed a centralized fab manufacturing management for the customers' benefit of same quality and reliability performance, greater flexibility of demand fluctuations, faster yield learning and time-to-volume, and minimized costly product re-qualification.

5.3.2 Engineering Performance Optimization

Highly sophisticated information technology (IT) solutions, such as advanced equipment control and fault detection, are implemented to optimize TSMC equipment performance and improve production efficiency.

Advanced analytical methods identify critical equipment and process parameters that are linked to device performance. Methodologies such as virtual metrology and yield management integrate Advanced Process Control (APC), Fault Detection Classification (FDC), Statistical Process Control (SPC), and Circuit Probe data in order to optimize equipment performance to match device performance. Accurate modeling and control at each process stage drives intelligent module loop control.

The process control hierarchy dispatched via sophisticated computer-integrated manufacturing system enable optimization from equipment to end product, which achieves precision and lean operation in a high product-mix semiconductor manufacturing environment.

5.3.3 Precision and Lean Operations

TSMC's unique manufacturing infrastructure is tailored for a high product mix foundry environment. Following its commitment to manufacturing excellence, TSMC has equipped a sophisticated scheduling and dispatching system, implemented industry-leading automated materials handling systems, and employed Lean Manufacturing approaches to provide customers with on-time-delivery and best-in-class cycle time. Real-time equipment productivity monitoring, analysis, diagnosis and control minimize production interruption and maximize cost effectiveness.

5.3.4 450mm Wafer Manufacturing Transition

The Company contributes to infrastructure development of 450mm wafer transition, which will enable industry continue path of cost reduction . TSMC will continue to work with International SEMATECH, ISMI, material and equipment suppliers on the next wafer size transition, lithography strategy, efficient tool design, new material development and eco-friendly process development.

Recently, we made plans to set up 450mm pilot line in 2013 to 2014, and production line in 2015 to 2016.

5.3.5 Raw Materials and Supply Chain Risk Management

In 2010, TSMC continued running monthly Supply Chain Risk Management meetings to integrate Company resources from materials management, fab operations, risk management and quality management in lowering supply chain risk. TSMC worked with its suppliers to enhance the performance of quality, delivery, risk management, and to support Green procurement, environmental protection and safety.

Raw Materials Supply

Major Materials	Major Suppliers	Market Status	Procurement Strategy
Raw Wafers	F.S.T. MEMC S.E.H. Siltronic SUMCO	These five suppliers together provide over 85% of the world's wafer supply. Each supplier has multiple manufacturing sites in order to meet customer demand, including plants in North America, Asia, and Europe.	•TSMC's suppliers of silicon wafers are required to pass stringent quality certification procedures. •TSMC procures wafers from multiple sources to ensure adequate supplies for volume manufacturing and to appropriately manage supply risk. •TSMC maintains competitive price and service agreements with its wafer suppliers, and, when necessary, enters into strategic and collaborative agreements with key suppliers. •TSMC regularly reviews the quality, delivery, cost and service performance of its wafer suppliers. The results of these reviews are incorporated into TSMC's subsequent purchasing decisions. •A periodic audit of each wafer supplier's quality assurance systems ensures that TSMC can maintain the highest quality in its own products.
Chemicals	Air Products ATMI BASF Dow MGC TYS	These six companies are the major suppliers for bulk and specialty chemicals.	•Most suppliers have relocated many of their operations closer to TSMC's major manufacturing facilities, thereby significantly improving procurement logistics. •The suppliers' products are regularly reviewed to ensure that TSMC's specifications are met and product quality is satisfactory.
Litho Materials	AZ Nissan Shin-Etsu Chemical Sumitomo T.O.K.	These five companies are the major suppliers for worldwide litho materials	•TSMC works closely with its suppliers to develop materials able to meet application and cost requirements. •TSMC and suppliers periodically conduct improvement programs of their quality, delivery, sustainability and green policy, to ensure continuous progress of TSMC's supply chain.
Gases	Air Liquide Air Products Linde Taiyo Nippon Sanso	These four companies are the major suppliers of specialty gases. The products of these four suppliers are interchangeable.	•The majority of the four suppliers are located in different geographic locations, minimizing supply risk to TSMC. •TSMC conducts periodic audits of the suppliers' quality assurance systems to ensure that they meet TSMC's standards.
Slurry, Pad, Disk	Cabot Microelectronics DA Nano Dow Chemical Hitachi Chemical Kinik Planar Solutions 3M	These seven companies are the major suppliers for CMP materials.	•Most suppliers have relocated many of their operations closer to TSMC's major manufacturing facilities, thereby improving procurement logistics and mitigating supply chain risk. •TSMC conducts periodic audits of the suppliers' quality assurance systems to ensure that they meet TSMC's standards.

Suppliers Accounted for at Least 10% of Annual Consolidated Net Procurement

Unit: NT$ thousands

2010				2009			
Supplier	Procurement Amount	As % of 2010 Total Net Procurement	Relation to TSMC	Supplier	Procurement Amount	As % of 2009 Total Net Procurement	Relation to TSMC
Company A	7,001,961	20%	None	Company A	3,597,802	14%	None
VIS	4,959,050	14%	Investee accounted for using equity method	VIS	3,330,288	13%	Investee accounted for using equity method
SSMC	4,521,046	13%	Investee accounted for using equity method	SSMC	3,537,659	13%	Investee accounted for using equity method
Company B	3,443,962	10%	None	Company B	2,916,069	11%	None
Others	14,281,849	43%		Others	13,151,568	49%	
2010 Total Net Procurement	34,207,868	100%		2009 Total Net Procurement	26,533,386	100%	

5.3.6 Quality and Reliability

TSMC is committed to providing customers with the best quality wafers for their products. Our Quality and Reliability (Q&R) services aim to achieve "quality on demand" to fulfill customers' needs regarding time-to-market, reliable quality, and market competition over a broad range of products.

In the technology development and customer product design stage, Q&R technical services assist customers to design-in their product reliability requirements. Since 2008, Q&R has worked with R&D to successfully establish and implement new qualification methodology for high-k/metal gate (HKMG). Q&R also works with design services on embedded memory, high voltage, e-Fuse and MEMS IP developments to expand TSMC's design portfolio. In 2010, Q&R worked with R&D and the design service team to develop an integrated R&D and design quality platform that included items such as SPICE, DRM, DFM, IP/lib. In package reliability, Q&R extends characterization to the system level by establishing Power Cycling capability and methodology.

Q&R has deployed systems to ensure robust quality in managing production and in design services including third-party IP management as the Company meets the business requirements of customers. In 2010, Q&R implemented innovative statistical matching methodologies for manufacturing quality enhancement, including matching of facility, metrology and process tools, wafer acceptance test (WAT) data and reliability performance.

To sustain production quality and minimize risk to customers when deviations occur, manufacturing quality monitoring and event management span all critical stages – from raw material supply, mask making, and real-time in-process monitoring, to bumping, wafer sort and reliability performance. Advanced failure and materials analysis techniques are also developed and effectively deployed in process development, customer new product development, and product manufacturing. In 2010, analytical techniques traditionally used in a laboratory environment were adapted to aid in the release and monitoring of advanced Fab tools and processes for the 40nm and 28nm technology nodes.

In compliance with the electronic industry's lead-free and green IC package policy, Q&R qualified and released lead-free bumping to satisfy customer demands and made lead free bump package possible for 0.13μm, 45nm and 40nm technology products by collaborating with the major outsource assembly & testing subcontractors (OSAT) in 2010. This has enabled TSMC customers to introduce and ramp lead-free products with excellent assembly quality. Q&R will continue to enhance this collaboration platform for 28nm and future technologies to support customers from wafer processing to assembly and testing quality management. For mainstream technologies, Q&R has been building reliability testing and monitoring to ensure excellent manufacturing quality of automotive, high-voltage products, CMOS image sensors and MEMS products.

In addition to the silicon wafer business, TSMC has expanded into new areas related to solid state lighting and solar businesses, for which Q&R is engaged in establishing new, rigorous standards of quality and reliability leveraging our years of experience in the semiconductor industry.

TSMC Q&R is also responsible for leading the Company towards the ultimate goal of zero-defect production, through the use of continuous improvement programs. Periodic customer feedback indicates that products shipped from TSMC have consistently met or exceeded their field quality and reliability requirements. In 2010, the effectiveness of the TSMC quality management system was verified by a third-party audit to comply with ISO/TS 16949:2009 and IECQ QC080000 certificates requirements.

5.4 Customer Partnership

5.4.1 Customers

TSMC's global customers have diverse product specialties and excellent performance records in various segments of the semiconductor industry. Fabless customers include: Altera Corporation, Advanced Micro Devices, Inc., Broadcom Corporation, Marvell Semiconductor Inc., NVIDIA Corporation, Qualcomm Inc. and MediaTek Inc. IDM customers include: Analog Devices Inc., Freescale Semiconductor Inc., NXP Semiconductors, and Texas Instruments Inc.

Customer Service

TSMC believes that providing superior customer service is critical to enhancing customer satisfaction and loyalty, which is the path to retaining existing customers, attracting new customers, and strengthening customer partnerships. TSMC strives to provide world-class, high-quality, efficient and professional integrated services to achieve optimum service experience for our customers and, in return, to gain customer's trust and sustain Company profitability

To facilitate customer interaction and information access on a real-time basis, TSMC has offered a suite of web-based applications that provide a more active role in design, engineering, and logistics, collectively branded as EFOUNDRY® service. The design collaboration focuses on content availability and accessibility, with attention to accurate and updated information at each level of the design lifecycle. The engineering collaboration includes online access to pilot lots, wafer yields, wafer acceptance test (WAT) analysis, and quality reliability data. Logistics collaboration provides access to data updated three times a day on the status of a given wafer lot during fabrication, assembly and testing, final testing, order and shipping.

Customer Satisfaction

TSMC conducts an annual customer satisfaction survey (ACSS) to assess customer satisfaction and to ensure that their needs and wants are adequately understood and addressed. In the survey, all active customers are invited to participate either by web or interview survey through an independent consultancy. Continual improvement plans based upon customer feedback are an integral part of this business process. TSMC has maintained a focus on customer survey data as a key indicator of corporate performance – not just of past performance, but also as a leading indicator of future performance. TSMC has acted on the belief that satisfaction leads to loyalty, and customer loyalty leads to higher levels of retention and expansion.

Customers Accounted for at Least 10% of Annual Consolidated Net Sales

Unit: NT$ thousands

2010				2009			
Customer	Net Sales	As % of 2010 Total Net Sales	Relation to TSMC	Customer	Net Sales	As % of 2009 Total Net Sales	Relation to TSMC
Customer A	38,619,756	9%	None	Customer A	30,276,650	10%	None
Customer B	37,202,785	9%	None	Customer B	30,162,597	10%	None
Others	343,715,370	82%		Others	235,302,992	80%	
2010 Total Net Sales	419,537,911	100%		2009 Total Net Sales	295,742,239	100%	

5.4.2 Design Enablement

In order to lower the design barriers for customers to design on TSMC technologies, the Company offers extensive design support to its customers through a direct design support team as well as via alliance partners. TSMC's technology platform provides a solid foundation for design enablement.

Tech File and PDK

Customers heavily leverage tech files and process design kits (PDK) provided by TSMC, as evidenced by more than 20,000 downloads in 2010. TSMC also experiences high demand on PDK for mainstream technologies and is increasing resources to support that demand.

Library and IP

TSMC and its alliance partners offer TSMC's customers a rich portfolio of libraries and IPs. These reusable building blocks are essential for many design projects. In 2010, over half of new tape-outs to TSMC adopted one or more libraries or IPs from TSMC and/or its IP partners. To support the high demand, TSMC also invested resources to expand the library and IP portfolio. The total number of library or IP in the portfolio increased to 3,005 in 2010 from about 2,221 in 2009.

Design Methodology and Flow

TSMC released the first foundry-specific Integrated Sign-Off Flow in April 2009. Initially targeting 65nm process node with planned extensions into other process technology nodes, the Integrated Sign-Off Flow supports advanced design techniques for low power and design-for-manufacturability. With validated libraries and IP, qualified EDA tools, a full set of proper technology files, and automated installation scripts, Integrated Sign-Off Flow significantly shortens the time it normally takes a design team to set up the design environment and flow before starting the design project. The built-in advanced design methodology and proven sign-off scripts further shortens the design cycle, and improves tape-out quality.

Two New Programs

In another first for the foundry segment, TSMC announced in April 2010 the first Analog/Mixed Signal (AMS) Reference Flow, and the second revision of the Radio Frequency Reference Design Kit (RF RDK).

TSMC's AMS Reference Flow is our first custom design flow that targets a host of design challenges associated with leading edge 28nm – Layout Dependent Effects (LDE), Design for Manufacturing (DFM) and Sub-1V – to minimize design barriers and reduce iterations. AMS Reference Flow is a fully integrated multi-vendor program and part of an innovative design package.

The Company expanded its IP Alliance program in 2010 to incorporate soft IP. The goal is to improve soft IP readiness for advanced technology nodes and to drive earlier time-to-market. Due to its history of independence from process technology, soft IP was not optimized for power, performance and area considerations. With the increasing need of first- time silicon success and early time-to-market for highly integrated circuits, such as Systems-on-Chip (SoC), close technical collaboration between the foundry and IP provider is imperative.

5.5 Employees

5.5.1 Human Capital

Human capital is one of the most important assets of TSMC. TSMC strives to provide employees with a challenging, enjoyable and rewarding work environment. In 2010, TSMC was named the "Most Admired Company in Taiwan" by *Commonwealth Magazine* for the 14th consecutive year.

At the end of 2010, TSMC had more than 33,000 employees worldwide, including 3,142 managers and 12,729 professionals. Female managers comprised 11.2% of all managers, and non-Taiwanese nationals comprised 9.6% of all TSMC managers and professionals. The following tables summarize TSMC's workforce structure at the end of February, 2011:

TSMC Workforce Structure

		12/31/2009	12/31/2010	02/28/2011
Job	Manager	2,792	3,142	3,189
	Professional	9,861	12,729	12,904
	Assistant Engineer/ Clerical	761	2,650	2,672
	Technician	11,052	14,711	14,904
Gender	Male (%)	50.7%	53.4%	53.5%
	Female (%)	49.3%	46.6%	46.5%
Education	Ph.D.	3.5%	3.3%	3.3%
	Master's	32.8%	31.7%	31.9%
	Bachelor's	20.7%	25.9%	25.9%
	Other Higher Education	16.5%	14.3%	14.1%
	High school	26.5%	24.8%	24.8%
Average Age (years)		37.8	32.3	32.4
Average Years of Service (years)		6.0	5.5	5.5
Total		24,466	33,232	33,669

5.5.2 Recruitment

Attracting new employees, and retaining and motivating existing employees are key to the success of TSMC's human resources strategy. TSMC believes in equal opportunity employment. Recruitment is conducted via an open selection process and is based on the candidate's ability to fulfill the needs of each position, regardless of race, gender, age, religion, nationality, or political affiliation. In order to seek out the best talents around the world, TSMC employs a number of recruiting programs, including academic/corporate collaboration programs, Joint Development Program in Campus, summer internships, job fairs, and Technology Talents Career Symposium. During 2010, TSMC recruited 185 managers, 4,012 professionals, 1,919 assistant engineer/clerical and 4,599 technicians.

The past successes of TSMC have relied on contributions from all employees, and our future development will need a keen sense of commitment to continue to succeed in competition to come. Therefore, in 2010, we recruited around 2,100 qualified existing outsourced staff to be regular workforce. We deeply believe that employees are our greatest asset, and doing so will not only allow us to take care of more colleagues, it will also bolster morale and inspire us to do our best together.

5.5.3 People Development

A key to TSMC's long-term success has been our employee development strategy, which emphasizes continuous learning especially important for success in this challenging economic environment. A tailor-made individual development plan is established for each employee appropriate to the employee's development needs. Employees are provided with a comprehensive network of resources, including on-the-job training, coaching, mentoring, job rotation, on-site courses, e-learning, and external learning opportunities.

TSMC provides employees with a wide range of on-site general, professional and management training programs. In addition to external experts engaged as trainers, hundreds of TSMC employees are trained as qualified instructors for training courses. During 2010, TSMC conducted 1,465 internal training sessions, the total training hours achieved 968,457 and a total of 569,941 attendees participated in those trainings; employees on average attended 29.14 hours of training. The total training expenses were NT$70 million. TSMC's training programs include:

- Management Training: includes development training programs tailored to the needs of managers at all levels. These include New Manager Program, Experienced Manager Program, and Senior Manager Program, as well as other elective courses.
- General Training: refers to training required by government regulations and Company policies. Such training includes industry-specific safety, workplace health and safety, quality, fab emergency response team, languages, and personal effectiveness training.
- Professional/Functional Training: provides technical and professional training required by various functions within the Company, offering training courses on equipment engineering, process engineering, accounting, and information technology, among others.
- Direct Labor (DL) Training: DL training enables production line employees to acquire the knowledge, skills and attitudes they need to perform their job well. It also helps employees to pass required tests in order to be certified for operating equipment. Training includes DL Skill Training, Technician "Train-the-Trainer" Training, and Manufacturing Leader Training.
- New Employee Training: includes new employee basic training and job orientation.

TSMC has established the *Procedure of Employee Training and Education*, which not only enables the on-site training courses but also best suits Company and individual development objectives through external training courses. Under the guideline, employees are encouraged to participate in various training programs, and subsidies are provided when taking short-term courses, credit courses and degrees.

5.5.4 Employee Satisfaction

To enhance employee satisfaction, TSMC continuously promotes programs devoted to employee benefits, employee care, employee rewards, and employee communication. TSMC works hard to enrich its employees' working experience by providing an environment that is challenging yet enjoyable.

Employee Benefits Programs

- TSMC's Employee Welfare Committee plans and implements various welfare programs, including hobby clubs, art and cultural seminars, employee outings, TSMC Sports Day, and TSMC Family Day. In addition, TSMC provides holiday bonuses, marriage bonuses, condolence allowances and emergency subsidies.
- To ensure that employees have all the comforts and conveniences they need while at work, TSMC provides on-site cafeterias, dry-cleaning, travel, banking, haircut services, housing, and commuting assistances.
- Health improvement programs and psychological consultation services are available to employees to ensure their physical and psychological well-being.
- In order to promote a healthy lifestyle, TSMC Sports Center offers a variety of workout facilities and is open to all employees and their family members. In addition, daycare centers are available at Hsinchu and Tainan sites to meet employees' need for childcare.

Employee Recognition

In order to recognize employees' outstanding achievement, TSMC runs various award programs including the Outstanding Engineer Award for each fab and the Total Quality Excellence Conference Award. During 2010, TSMC employees were recognized nationally, including the National Model Worker Award, the Top 10 National Outstanding Managers Award, the Outstanding Engineer Award, and the Outstanding Young Engineer Award.

Employee Communication

TSMC values two-way communication and is committed to keeping the communication channels between the management level and their subordinates, as well as between the peers, open and transparent. Our unceasing efforts lie in the reinforcement of mutual and timely employee communication, based on existing platforms, which in turn fosters harmonious labor relations and creates a win-win situation for the company and the employees.

Regular communication meetings are held for the various levels of managers and employees. Periodic employee satisfaction surveys are conducted. *eSilicon Garden*, an electronic internal publication, is issued on a bi-weekly basis with topics ranging from work to fun. These all help maintain the unobstructed flow of information between TSMC and its employees.

In order to ensure that employees' opinions and voices are heard, and their issues are addressed and solved, impartial and smooth voice submission mechanisms are in place to provide timely support:

- Complaints regarding major management, financial and auditing issues are directed to the following channels, which handle the complaints with high level of confidentiality: 1) The Independent Audit Committee and 2) The Ombudsman system led by a selected Vice President.
- The Suggestion Box for employees to express their opinions regarding their work and the work environment in general.
- HR Call Center and employee care teams in each fab take care of the issues related to employees' work and personal life. The Company also sets and promotes policies and measures for ensuring gender equality in accordance with employment laws and sexual harassment prevention policies to create a fair work environment for employees of both genders.

5.5.5 Retention

From the employee's initial adaptation to professional and career development, TSMC works hard to retain outstanding employees through creating an innovative, challenging, and fun environment. We are committed to:

- Setting up retention and counseling plans for different groups. For example, TSMC employs a "Buddy System" to help new employees to fit in quickly through the assistance provided by senior employees.
- Enabling employees to enhance professional knowledge and to pursue further career development through numerous employee development programs.
- Establishing a synergized welfare platform and providing an environment for employees' work-life balance; enhancing employees' loyalty and commitment through employee engagement programs.

5.5.6 Compensation

TSMC's compensation program includes a monthly salary, an employees' cash bonus based on quarterly business results, and an employee profit sharing when the Company distributes its profit each year.

To raise TSMC's competitiveness in recruiting, TSMC made a structural salary increase in 2010, and started the distribution of the employees' cash bonus quarterly based on the Company's financial performance to share the rewards of employees' hard work in a timely fashion.

The purpose of the employee cash bonus and profit sharing program is to reward employees' contributions appropriately, to encourage employees to work consistently to ensure the success of TSMC, and to link employees' interests with those of TSMC's shareholders. The Company determines the amount of the cash bonus and profit sharing based on operating results and industry practice in the Republic of China. The amount and form of the employee cash bonus and profit sharing are determined by the Board of Directors based on the Compensation Committee's recommendation and the employee profit sharing is subject to shareholders' approval at the Annual Shareholders' Meeting. Individual awards are based on each employee's job responsibility, contribution and performance.

In addition to providing employees of TSMC's overseas subsidiaries with a locally competitive base salary, the Company grants short-term and long-term bonuses as a part of total compensation. The performance bonus is a short-term incentive and is granted in line with local regulations, market practices, and the overall operating performance of each subsidiary. The long-term incentive bonus is awarded based on TSMC's financial performance and is vested over the course of several years in order to encourage long-term employee commitment and development within the Company.

5.5.7 Retirement Policy

TSMC's retirement policy is in accordance with the provisions in the Labor Standards Law and Labor Pension Act of the Republic of China.

5.5.8 Ethics and Business Conduct

Ethics Values

Integrity is the most important core value of TSMC's culture. TSMC is committed to act ethically in all aspects of our business; constantly and vigilantly promoting integrity, honesty, fairness, accuracy, and transparency in all that we say and do.

TSMC's Code of Ethics and Business Conduct ("Code") requires that each of TSMC's employees bears a heavy personal responsibility to preserve and to protect TSMC's ethical values and reputation. In so doing, each of us: must not advance our personal interests at the expense of, or in conflict with the Company; must refrain from corruption, unfair competition, fraud, waste and abuse; must not undertake any practices detrimental to TSMC, the environment and to society; must abide by both the spirit and letter of all applicable laws, rules and regulations; and must avoid any efforts improperly to influence the decisions of anyone, including government officials, agencies, and courts, as well as our customers, suppliers, and vendors.

In order to continue to build an environment of innovation, technology leadership, and sustainable profitable growth, this Code requires that we must promote business relationships founded upon an unwavering respect for the intellectual property rights, proprietary information and trade secrets of TSMC, our customers, and others; and the proper use of the Company's assets, not for personal use, but for achieving TSMC's vision for many years to come.

All employees, officers and Board members must whole-heartedly embrace and practice this Code. TSMC's management must set the best example of integrity and ethical conduct. TSMC's officers, especially our CEO, CFO, and General Counsel, with oversight from our Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting and financial disclosure in reports/documents filed by the Company with securities authorities and in all TSMC public communications/disclosures.

Code Administration and Disciplinary Action

All employees, officers and managers must comply with this Code and its related procedures. TSMC expects our customers, suppliers, vendors, advisors and others with which we come into contact to understand and respect the Company's ethics standards and culture.

When an employee finds or suspects a breach of this Code, he/she should report it immediately to any of the following persons: their supervisor; the Function Head of Human Resources; the Company's Ombudsmen; or to the Chairman of the Company's Audit Committee, depending on the nature of the suspected breach.

The Company will discipline employees who violate this Code in accordance with the Company's "Employee Recognition and Discipline Policy" (including the possibility of the termination of employment).

5.6 Material Contracts

Shareholders Agreement

Term of Agreement:
Effective as of 03/30/1999 and may be terminated as provided in the agreement
Contracting Parties:
Koninklijke Philips Electronics N.V. (Philips) and EDB Investments Pte Ltd. (EDBI)
(In September 2006, Philips assigned its rights and obligations under this agreement to Philips Semiconductors International B.V. which has now been renamed NXP B.V. In November 2006, NXP B.V. and TSMC purchased all SSMC shares owned by EDBI; EDBI is no longer a contracting party to this agreement.)
Summary:
TSMC, Philips and EDBI had formed a Singapore joint venture "Systems on Silicon Manufacturing Company Pte Ltd." (SSMC) for providing IC foundry services. Philips Semiconductor (now NXP B.V.) and TSMC are committed to purchasing a certain percentage of SSMC's capacity.

Technology Cooperation Agreement

Term of Agreement:
03/30/1999 - 03/29/2004, automatically renewable for successive five-year terms until and unless either party gives written notice to terminate one year before the end of then existing term
Contracting Party:
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)
Summary:
TSMC agreed to transfer certain process technologies to SSMC, and SSMC agreed to pay TSMC a certain percentage of the net selling price of SSMC products.

Patent License Agreement

Term of Agreement:
12/20/2007 - 12/31/2017
Contracting Party:
A multinational company
Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting company.

Manufacturing, License, and Technology Transfer Agreement

Term of Agreement:
04/01/2004 - 03/31/2006, automatically renewable for successive one-year terms until and unless both parties decide otherwise by mutual consent in writing
Contracting Party:
Vanguard International Semiconductor Corporation (VIS)
Summary:
VIS reserves certain capacity to manufacture TSMC products on mutually agreed terms. TSMC may also transfer certain technologies to VIS, for which it will in return receive royalties from VIS.

Patent License Agreement

Term of Agreement:
11/01/2002 - 10/31/2012
Contracting Party:
A multinational company
Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting party.

Patent License Agreement

Term of Agreement:
01/01/2001 - 12/31/2011
Contracting Party:
A multinational company
Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting party.

Amended Research and Development Collaboration Agreement

Term of Agreement:
01/01/2009 - 12/31/2009, renewable on annual basis upon mutual agreement
Contracting Party:
NXP B.V.
Summary:
The parties entered into research and development collaboration to develop advanced semiconductor technologies.

Purchase Agreement

Effective Date of Agreement:
12/30/2010
Contracting Party:
Powerchip Technology Corporation
Summary:
TSMC spent NT$2.9 billion to acquire from Powerchip Technology Corporation the substructure of the building under construction located in Hsinchu Science Park.

Note: TSMC is not currently party to any other material contract, other than contracts entered into in the ordinary course of our business. The Company's "*Significant Commitments and Contingencies*" are disclosed in the "*Financial Information*" of Annual Report (II), page 69-70.

【承 Responsibility】

TSMC pledges to actively and efficiently consolidate and manage all risks that could affect operations and profitability.

6. Financial Highlights

6.1 Financial Status and Operating Results

6.1.1 Financial Status

Unconsolidated

Unit: NT$ thousands

Item	2010	2009	Difference	%
Current Assets	192,234,282	185,831,537	6,402,745	3%
Fixed Assets	366,854,299	254,751,526	112,102,773	44%
Other Assets	24,237,329	18,415,746	5,821,583	32%
Total Assets	701,239,666	577,426,622	123,813,044	21%
Current Liabilities	118,022,260	72,571,095	45,451,165	63%
Long-term Liabilities	9,072,488	9,772,815	(700,327)	-7%
Total Liabilities	127,094,748	82,343,910	44,750,838	54%
Capital Stock	259,100,787	259,027,066	73,721	0%
Capital Surplus	55,698,434	55,486,010	212,424	0%
Retained Earnings	265,779,571	181,882,682	83,896,889	46%
Total Shareholders' Equity	574,144,918	495,082,712	79,062,206	16%

- **Analysis of Deviation over 20%**

The increase in fixed assets was mainly due to higher capital expenditures for advanced technology equipment during 2010.
The increase in other assets was mainly due to an increase in refundable deposits.
The increase in total assets was mainly due to an increase in fixed assets.
The increase in current liabilities and total liabilities was mainly due to increases in short-term loans and payables to contractors and equipment suppliers.
The increase in retained earnings was mainly due to higher net income during 2010.

- **Major Impact on Financial Position**

The above deviations over 20% had no major impact on TSMC's financial position.

- **Future Plan on Financial Position:** Not applicable.

Consolidated

Unit: NT$ thousands

Item	2010	2009	Difference	%
Current Assets	261,519,317	259,803,748	1,715,569	1%
Fixed Assets	388,444,023	273,674,787	114,769,236	42%
Other Assets	29,190,036	23,372,182	5,817,854	25%
Total Assets	718,928,904	594,696,220	124,232,684	21%
Current Liabilities	123,191,113	79,133,288	44,057,825	56%
Long-term Liabilities	17,033,386	16,514,384	519,002	3%
Total Liabilities	140,224,499	95,647,672	44,576,827	47%
Capital Stock	259,100,787	259,027,066	73,721	0%
Capital Surplus	55,698,434	55,486,010	212,424	0%
Retained Earnings	265,779,571	181,882,682	83,896,889	46%
Equity Attributable to Shareholders of the Parent	574,144,918	495,082,712	79,062,206	16%
Total Shareholders' Equity	578,704,405	499,048,548	79,655,857	16%

- **Analysis of Deviation over 20%**

The increase in fixed assets was mainly due to higher capital expenditures for advanced technology equipment during 2010.
The increase in other assets was mainly due to an increase in refundable deposits.
The increase in total assets was mainly due to an increase in fixed assets.
The increase in current liabilities and total liabilities was mainly due to an increase in short-term loans and payables to contractors and equipment suppliers.
The increase in retained earnings was mainly due to higher net income during 2010.

- **Major Impact on Financial Position**

The above deviations over 20% had no major impact on TSMC's financial position.

- **Future Plan on Financial Position:** Not applicable.

6.1.2 Operating Results

Unconsolidated

Unit: NT$ thousands

Item	2010	2009	Difference	%
Gross Sales	418,666,448	299,471,214	119,195,234	40%
Sales Returns & Allowances	(11,703,136)	(13,728,346)	2,025,210	-15%
Net Sales	406,963,312	285,742,868	121,220,444	42%
Cost of Sales	209,921,268	159,106,619	50,814,649	32%
Gross Profit	197,042,044	126,636,249	70,405,795	56%
Unrealized Gross Profit from Affiliates	(52,742)	(160,279)	107,537	-67%
Realized Gross Profit	196,989,302	126,475,970	70,513,332	56%
Operating Expenses	42,142,794	31,953,617	10,189,177	32%
Income from Operations	154,846,508	94,522,353	60,324,155	64%
Non-operating Income & Gains	15,907,968	4,121,509	11,786,459	286%
Non-operating Expenses & Losses	1,464,272	3,662,840	(2,198,568)	-60%
Income before Income Tax	169,290,204	94,981,022	74,309,182	78%
Income Tax Expenses	(7,685,195)	(5,763,186)	(1,922,009)	33%
Income after Income Tax	161,605,009	89,217,836	72,387,173	81%

- **Analysis of Deviation over 20%**

Increase in gross sales and net sales: The increase was the result of higher wafer shipment during 2010, partially offset by the unfavorable impact of change in foreign exchange rate.
Increase in cost of sales: The increase was the result of higher wafer shipment during 2010, partially offset by the higher capacity utilization.
Increase in gross profit and realized gross profit: The increase was mainly due to higher wafer shipment during 2010.
Decrease in unrealized gross profit from affiliates: The decrease was primarily due to lower sales to the affiliates in 4Q'10.
Increase in operating expenses: The increase was mainly due to higher research and development expenditures for advanced technology.

Increase in income from operations: The increase was mainly due to realized gross profit increased at a higher degree than operating expenses.
Increase in non-operating income and gains: The increase was primarily due to higher settlement income and equity in earnings of equity method investees turning positive in 2010.
Decrease in non-operating expenses and losses: The decrease was primarily due to equity in earnings of equity method investees turning positive in 2010.
Increase in income before income tax: The increase was mainly due to both higher income from operations and non-operating income and gains.
Increase in income tax expenses: The increase was mainly due to higher taxable income, partially offset by a decrease in corporate income tax rate.
Increase in income after income tax: The increase was mainly due to higher income before income tax.

● Sales Volume Forecast and Related Information
For additional details, please refer to "*Letter to Shareholders*" on page 3-5 of this Annual Report.

Consolidated

Unit: NT$ thousands

Item	2010	2009	Difference	%
Gross Sales	431,630,858	309,655,614	121,975,244	39%
Sales Returns & Allowances	(12,092,947)	(13,913,375)	1,820,428	-13%
Net Sales	419,537,911	295,742,239	123,795,672	42%
Cost of Sales	212,484,320	166,413,628	46,070,692	28%
Gross Profit	207,053,591	129,328,611	77,724,980	60%
Operating Expenses	47,878,256	37,366,725	10,511,531	28%
Income from Operations	159,175,335	91,961,886	67,213,449	73%
Non-operating Income & Gains	13,136,072	5,653,548	7,482,524	132%
Non-operating Expenses & Losses	2,041,012	2,152,787	(111,775)	-5%
Income before Income Tax	170,270,395	95,462,647	74,807,748	78%
Income Tax Expenses	(7,988,465)	(5,996,424)	(1,992,041)	33%
Net Income	162,281,930	89,466,223	72,815,707	81%
Net Income Attributable to Shareholders of the Parent	161,605,009	89,217,836	72,387,173	81%

● Analysis of Deviation over 20%
Increase in gross sales and net sales: The increase was the result of higher wafer shipment during 2010, partially offset by the unfavorable impact of change in foreign exchange rate.
Increase in cost of sales: The increase was the result of higher wafer shipment during 2010, partially offset by the higher capacity utilization.
Increase in gross profit: The increase was mainly due to higher wafer shipment during 2010.
Increase in operating expenses: The increase was mainly due to higher research and development expenditures for advanced technology.
Increase in income from operations: The increase was mainly due to gross profit increased at a higher degree than operating expenses.
Increase in non-operating income and gains: The increase was primarily due to higher settlement income and equity in earnings of equity method investees.
Increase in income before income tax: The increase was mainly due to both higher income from operations and non-operating income and gains.
Increase in income tax expenses: The increase was mainly due to higher taxable income, partially offset by a decrease in corporate income tax rate.
Increase in income after income tax: The increase was mainly due to higher income before income tax.

● Sales Volume Forecast and Related Information
For additional details, please refer to "*Letter to Shareholders*" on page 3-5 of this Annual Report.

6.1.3 Cash Flow

Unconsolidated

Unit: NT$ thousands

Cash Balance 12/31/2009	Net Cash Provided by Operating Activities in 2010	Net Cash Outflows from Investing and Financing Activities in 2010	Cash Balance 12/31/2010	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
117,043,543	222,023,176	(229,555,589)	109,511,130	-	-

- Analysis of Cash Flow

NT$222.0 billion net cash provided by operating activities: Mainly from net income and depreciation/amortization.
NT$182.8 billion net cash used in investing activities: Primarily for capital expenditures.
NT$46.8 billion net cash used in financing activities: Mainly for the payment of cash dividends, partially offset by an increase in short-term loans.

- Remedial Actions for Cash Shortfall: In view of positive operating cash flow and ample cash on-hand, remedial actions are not required.

- Cash Flow Projection for Next Year: Not applicable.

Consolidated

Unit: NT$ thousands

Cash Balance 12/31/2009	Net Cash Provided by Operating Activities in 2010	Net Cash Outflows from Investing and Financing Activities in 2010	Cash Balance 12/31/2010	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
171,276,341	229,475,766	(252,865,152)	147,886,955	-	-

- Analysis of Cash Flow

NT$229.5 billion net cash provided by operating activities: Mainly from net income and depreciation/amortization.
NT$202.1 billion net cash used in investing activities: Primarily for capital expenditures.
NT$48.6 billion net cash used in financing activities: Mainly for the payment of cash dividends, partially offset by an increase in short-term loans.

- Remedial Actions for Cash Shortfall: As a result of positive operating cash flows and ample cash on-hand, remedial actions are not required.

- Cash Flow Projection for Next Year: Not applicable.

6.1.4 Major Capital Expenditures

Major Capital Expenditures and Sources of Funding

Unit: NT$ thousands

Plan	Actual or Planned Source of Capital	Total Amount as of 12/31/2010	Status of Actual or Projected Use of Capital			
			2007	2008	2009	2010
Production Facilities and Equipment	Cash flow generated from operations	390,242,212	77,925,776	56,902,459	80,923,392	174,490,585
R&D Equipment	Cash flow generated from operations	24,644,885	5,401,157	1,637,643	6,371,056	11,235,029

Expected Future Benefits

With the capital expenditures mentioned above and projected for 2011, it is estimated that TSMC's annual production capacity will increase by approximately 2.23 million 8-inch equivalent wafers in 2011.

6.1.5 Long-term Investment Policy and Results

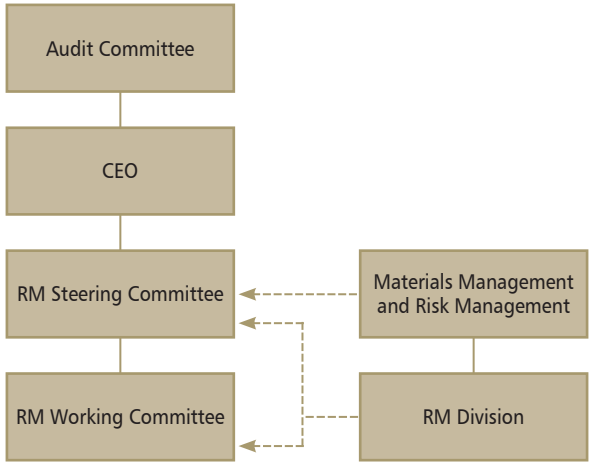
TSMC's long-term investments, accounted for under equity method, are all for strategic purpose. In 2010, the investment gain from these investments amounted to NT$7,111,443 thousands (NT$2,298,159 thousands on consolidated basis), improving significantly compared to 2009 mainly due to the global economy recovery and the strategic synergy effects. For future investments, TMSC will continue to focus on strategic purposes through prudent assessments.

6.2 Risk Management

TSMC and its subsidiaries are committed to proactively and cost-effectively integrating and managing strategic, operational, financial and hazardous risks together with potential consequences to operations and revenue. TSMC established its Enterprise Risk Management (ERM) program based on both its corporate vision and its long-term sustainability and responsibility to both industry and society. ERM seeks to provide for the appropriate management of risks by TSMC on behalf of all stakeholders.

As TSMC expanded capacity in 2010, risk treatment practices and green factory projects also initiated and implemented, begining in the design phase for all new fabs.

6.2.1 Risk Management (RM) Organization Chart



Organization Description

- RM Steering Committee:

Reports to Audit Committee;
Is composed of functional heads;
Reviews risk control progress; and
Identifies and approves the prioritized risk lists.

- RM Working Committee:

Is composed of representatives from each function;
Aligns functional ERM activities; and
Follows up the risk control action plan.

- RM Division:

Coordinates the RM Working Committee activities;
Facilitates functional risk management activities; and
Consolidates ERM reports for submission to the RM Steering Committee.

6.2.2 Strategic Risks

Industry Developments

The semiconductor market and microelectronics industries have historically been cyclical and subject to significant, and often rapid, increases and decreases in product demand. TSMC's semiconductor foundry business is affected by market conditions in such highly cyclical semiconductor and microelectronics industries. Most of the Company's customers operate in these industries. Variations in order levels from customers result in volatility in the Company's revenues and earnings.

From time to time, the semiconductor and microelectronics industries have experienced significant, and sometimes prolonged, periods of downturns and overcapacity. Because TSMC is, and will continue to be, dependent on the requirements of semiconductor and microelectronics companies for its services, periods of downturn and overcapacity in the general semiconductor and microelectronics industries lead to reduced demand for overall semiconductor foundry services, including the Company's services. If it cannot take appropriate actions such as reducing TSMC's costs to sufficiently offset declines in demand, the Company's revenues, margins and earnings will suffer during periods of downturn and overcapacity.

Changes in Technology

The semiconductor industry and the technologies used in it are constantly changing. TSMC competes by developing process technologies using increasingly smaller nodes and on manufacturing products with multiple or more advanced functions. If it does not anticipate these changes in technologies in a timely manner and rapidly develop new and innovative technologies, or if the Company's competitors unforeseeably gain sudden access to more advanced technologies, TSMC may not be able to provide advanced foundry services on competitive terms. Although it has concentrated on maintaining a competitive edge in research and development, if TSMC fails to achieve advances in technologies or processes, or to obtain access to advanced technologies or processes developed by others, it may become less competitive.

Decrease in Demand and Average Selling Price

A vast majority of the Company's sales revenue is derived from customers who use TSMC's services in communication devices, personal computers, consumer electronics products and industrial devices. Any significant decrease in the demand for some or all of these products may decrease the demand for overall global semiconductor foundry services, including TSMC's services, and may adversely affect the Company's revenues. Further, a significant portion of our operating costs is fixed because we own most of our manufacturing capacities. In general, these costs do not decline when customer demand or our capacity utilization rates drop, and thus declines in customer demand, among other factors, may significantly decrease our margins. Conversely, as product demand

rises and factory utilization increases, the fixed costs are spread over increased output, which can improve our margins. In addition, the historical and current trend of declining average selling prices of end-use applications places downward pressure on the prices of the components that go into such applications. If the average selling prices of end-use applications continue to decrease, the pricing pressure on components produced by us may lead to a reduction of TSMC's revenues, margin and earnings.

Competition

TSMC competes internationally and domestically with other pure-play foundry service providers, as well as with integrated device manufacturers that devote a significant portion of their manufacturing capacity to foundry operations. Some of these companies may have access to more advanced technologies and greater financial and other resources than us, (such as the possibility of receiving direct or indirect government bailout/economic stimulus funds or other incentives that are unavailable to us). The Company's competition may, from time to time, also decide to undertake aggressive pricing initiatives in one or more technology nodes. Competitive activities may cause us to lose customers or to decrease TSMC's customer base, or TSMC's average selling prices, or both.

The Company competes primarily on the basis of process technology, quality and service. The level of competition differs according to the process technology involved. For example, in more mature technologies, the competition tends to be more intense. Some companies compete with TSMC in selected geographic regions or application end markets. In recent years, substantial investments have been made by others to establish new pure-play foundry companies in mainland China and elsewhere, or to spin off integrated device manufacturers' manufacturing operations and transform them into a pure-play foundry company.

Risks Associated with Changes in the Government Policies and Regulatory Environment

TSMC's management team closely monitors domestic and foreign governmental policies and regulations that might impact TSMC's business and financial operations. 2010 saw the following changes or developments in governmental policies and regulations that may influence the Company's business operations.

ROC government promulgated the legislation of "Statute for Industries Innovation" in May 2010. The scope of the tax incentive for "Statute for Industries Innovation" is narrower than the prior "Statute for Upgrading Industries" and therefore the Company's tax burden will increase. But, Article 5 of "Income Tax Acts" was amended in June 2010, thereby reducing the corporate income tax rate from 20% to 17% effective retroactively from 2010, which will reduce the Company's tax burden. TSMC has taken into account the various factors which may impact its financial management.

The Taiwan Financial Supervisory Commission (FSC) requires listed companies to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) starting from January 1, 2013. TSMC has setup an IFRS project team and has launched the project plan for its IFRS adoption. In addition, the progress of such adoption is regularly reported to the Board. The impact of the IFRS adoption may include changes of accounting treatment for certain types of transactions and certain modification in the presentation of its financial report. We will keep monitoring the update of IFRS and the development of related laws and regulations in Taiwan and evaluate the respective impact to TSMC. In addition, according to FSC's requirement, TSMC will disclose the IFRS project plan, status and significant difference between IFRS and current accounting policy in the financial statements for the year ended December 31, 2011.

The Taiwan "National Health Insurance Act" was amended in January 26, 2011, to create an obligation to fund the health insurance scheme by paying an extra 2% "supplementary premium" (based on 2% of the total profit sharing and variable bonus) plus the "basic premium" charge. Such extra 2% "supplementary premium" will be incurred in connection with future payouts of profit sharing and variable bonus. The Executive Yuan has not yet promulgated the official implementation of this law. TSMC has studied the implications of this new amendment and has taken the necessary managerial precautionary steps with respect to such amendment.

In addition, the Taiwan legislative authority has been studying the relevant laws relating to environmental protection, e.g. "Greenhouse Gas Reduction Act" and Energy Tax. Since there has been no concrete guidance or laws issuing from the Taiwan government as of yet, the impacts of such laws are indeterminable at the moment. However, it is very likely that such laws may increase the operating costs of the Company. Other than the above laws and regulations, it is not expected that the relevant governmental policies and regulatory changes would materially impact TSMC's operations and financial condition.

6.2.3 Operational Risks

Risks Associated with Capacity Expansion

In response to customer demand, since 2004, TSMC has steadily ramped up the production of 12-inch wafer fabs in the Hsinchu Science Park and Tainan Science Park. Total monthly capacity of the Company's 12-inch wafer fabs increased from 171,400 wafers in December 31, 2009 to 244,600 wafers in December 31, 2010. Overall, TSMC increased its annual production capacity by approximately 1.5 million 8-inch equivalent wafers in 2010. The total average billing utilization rate for 2010 was 101%. Expansion and modification of the Company's production facilities will, among other factors, increase TSMC's costs. For example, the Company will need to purchase additional equipment, train personnel to operate the new equipment or hire additional personnel. If it does not increase its net sales accordingly in order to offset these higher costs, TSMC's financial performance may be adversely affected.

As of the date of this Annual Report, the benefits brought about by such capacity expansion were in line with TSMC's expectations. TSMC has established systems to evaluate and forecast market demand and refers to these forecasts and evaluations when considering whether to expand or reduce capacity.

Risks Associated with Sales Concentration

While it generates revenue from hundreds of customers worldwide, TSMC's ten largest customers accounted for approximately 53% and 54% of net sales in 2009 and 2010, and the Company's largest customer accounted for approximately 10% and 9% of net sales in 2009 and 2010, respectively. TSMC's results of operations and financial condition could be adversely affected by the loss of, or significant curtailment of purchases by, one or more of the Company's top customers, including curtailments due to increased competitive pressures, a change in the design or manufacturing sourcing policies or practices of these customers, or the timing of customer or distributor inventory adjustments.

Risks Associated with Purchase Concentration

- Raw Materials

TSMC's production operations require that it obtain adequate supplies of raw materials, such as silicon wafers, gases, chemicals, and lithographic materials, on a timely basis. Shortages in the supply of some materials experienced by specific vendors or by the semiconductor industry generally have in the past resulted in occasional industry-wide price adjustments and delivery delays. Also, since TSMC procures some raw materials from sole-source suppliers, there is a risk that our need for such raw materials may not be met when needed or that back-up supplies may not be readily obtainable. Many of our raw materials are sourced from Japan. The effects of the earthquake that hit Japan may undercut our ability to procure on a timely basis sufficient raw materials to produce our products and render our services. The Company's revenue and earnings could decline if it is unable to obtain adequate supplies of the necessary raw materials in a timely manner or if there are significant increases in the costs of raw materials that it cannot pass on to its customers.

- Equipment

The Company's operations and ongoing expansion plans depend on its ability to obtain an appropriate amount of equipment and related services from a limited number of suppliers in a market that is characterized by limited supply and long delivery cycles. During such times, supplier-specific or industry-wide lead times for delivery can be as long as nine months. To better manage its supply chain, the Company has implemented various business models and risk management contingencies with suppliers to shorten the procurement lead time. TSMC also provides its projected demand for various items to many of the Company's equipment suppliers to help them plan their production in advance. We have purchased used tools and continue to seek opportunities in acquiring relevant used tools. If it is unable to obtain equipment in a timely manner and at a reasonable cost, TSMC may be unable to fulfill customers' orders, which could negatively impact its financial condition and results of operations.

Risks Associated with Intellectual Property Rights

Our ability to compete successfully and to achieve future growth may depend in part on the continued strength of our intellectual property portfolio. While we actively procure, enforce and protect our intellectual property rights, we cannot guarantee that our efforts will be adequate to entirely prevent the misappropriation or improper use of our proprietary technology, trade secrets, software or know-how. Also, we cannot guarantee that, as our businesses or business models expand into new areas, we will be able to independently develop the technology, trade secrets, software or know-how necessary to conduct our business or that we can do so without the intellectual property rights of others. As a result, we may have to rely on obtaining licenses to certain technologies from third parties. To the extent that we rely on licenses from others, we cannot guarantee that we will be able to obtain any or all of the necessary licenses on terms we consider reasonable. The lack of necessary licenses could expose us to claims for damages and/or injunctions from third parties, as well as claims for indemnification by our customers in instances where we have contractually agreed to indemnify our customers against damages resulting from infringement claims.

We have received, from time-to-time, communications from third parties asserting that our technologies, manufacturing processes, the design of the integrated circuits made by us or the use by our customers of semiconductors made by us may infringe their patents or other intellectual property rights. And, because of the nature of the semiconductor industry, we may continue to receive such communications in the future. In some instances, these disputes may result in litigation. If we fail to obtain or maintain certain government, technology or intellectual property licenses and, if litigation relating to an intellectual property claim occurs, it could prevent us from manufacturing or selling certain products or using certain manufacturing processes or technologies, which could reduce our opportunities to compete or generate revenues.

Risks Associated with Litigation

As is the case with many companies in the semiconductor industry, we have received from time-to-time communications from third parties asserting that our technologies, manufacturing processes, the design of the integrated circuits made by us or the use by our customers of semiconductors made by us may infringe upon patents or other intellectual property rights of others. In some instances, these disputes have resulted in litigation by or against us and certain settlement payments by us in some cases. Irrespective of the validity of these claims, we could incur significant costs in the defense thereof or could suffer adverse effects on our operations.

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 has 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 that settlement agreement. As a result, the Administrative Law Judge (ALJ) assigned to the investigation has made an initial determination (ID) to terminate the investigation. The USITC has decided not to review the ALJ's ID and, therefore, officially terminating the investigation.

In June 2010, Keranos, LLC. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC NA, and several other leading technology companies infringe three expired U.S. patents. The outcome of this litigation cannot be determined at this time.

In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC NA 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.

Other than the matters described above, we were not involved in any other material litigation in 2010 and are not currently involved in any material litigation.

Risks Associated with Mergers and Acquisitions

In 2010, and as of the date of this Annual Report, there were no such risks for TSMC.

Risks Associated with Recruiting and Retaining Qualified Personnel

The Company depends on the continued services and contributions of its executive officers and skilled technical and other personnel. TSMC's business could suffer if it lost, for whatever reasons, and could not adequately replace the services and contributions of some of these personnel. The Company may be required to increase the number of employees in connection with any business expansion, and since there is intense competition for the recruitment of these personnel, it cannot ensure it will be able to fulfill its personnel requirements in a timely manner.

Therefore, in order to attract and retain talent, the Compensation Committee of the Board of Directors decided to enhance the compensation system, including a structural increase on base salary in 2010 and a timely distribution of employees' cash bonus from the Company's profits.

Future R&D Plans and Expected R&D Spending

For additional details, please refer to "*Future R&D Plans*" on page 50-51 of this Annual Report.

Changes in Corporate Image and Impact on Company's Crisis Management

TSMC has established an excellent corporate image based on its firm belief in its core values, its rigorous corporate governance, its outstanding operations, and its vision of a society that works together towards sustainable development, equality, justice, and a harmonious environment to live and work. For its efforts the Company has won wide recognition over the years, including:

- Membership in the Dow Jones Sustainability Index since 2001, and awarded semiconductor sector leader in 2010
- The Executive Yuan's Enterprise Sustainable Development Award
- The Ministry of Economic Affairs' Outstanding Innovation Achievement Award
- The Council of Labor Affairs' National Workplace Safety Award
- The Environmental Protection Administration's National Enterprise Environmental Protection Award
- *Commonwealth Magazine's* benchmark for Most Admired Company in Taiwan
- *Commonwealth Magazine's* Best Corporate Citizenship for a large company
- *GlobalViews Magazine's* Corporate Social Responsibility award
- Ranked Number one in the Asian Wall Street Journal's survey of the top 10 companies in Taiwan for 9th consecutive year in 2010
- First place in Cheers Magazine's survey of Company Most Admired by the New Generation
- *IR Magazine's* award for Best Corporate Governance and Best Investor Relations in Taiwan and Hong Kong.

Management believes such recognition is the strongest evidence of TSMC's corporate image.

In addition, the Company has established departments such as Brand Management, Customer Service, Public Relations, Employee Relations, Investor Relations, Risk Management, Internal Audit, and the TSMC Education and Culture Foundation to further improve TSMC's corporate image, coordinate crisis management, and to make preparations for prevention and control of potential risks.

Risks Associated with Change in Management

In 2010, and as of the date of this Annual Report, there were no such risks for TSMC.

6.2.4 Financial Risks

Internal Management of Economic Risks

- Interest Rate Fluctuation

TSMC's exposure to interest rate risks derives primarily from short-term borrowing and long-term debt obligations incurred in the normal course of business. In order to limit its exposure to interest rate risks, TSMC finances its funding needs primarily through internal generation of cash and the occasional issuance of long-term, fixed-rate debt. On the asset side, the primary objective of TSMC's investments in fixed income securities is to preserve principal in highly liquid markets. In order to maintain the Company's liquidity profile, the majority of fixed income securities are at the short end of the yield curve.

- Foreign Exchange Volatility

Over half of TSMC's capital expenditures and manufacturing costs are denominated in currencies other than NT dollars, primarily in US dollars, Japanese yen and Euros. More than 90% of the Company's sales are denominated in US dollars and currencies other than NT dollars. Therefore, any significant fluctuation to the Company's disadvantage in such exchange rates would have an adverse effect on TSMC's financial condition. For example, during the period from September 1, 2010 to December 30, 2010, the US dollar depreciated 8.97% against the NT dollar, which had a negative impact on our results of operations. Specifically, every 1% depreciation of the US dollar against the NT dollar exchange rate results in approximately 0.4 percentage point decrease in TSMC's operating margin. TSMC hedged its foreign exchange exposure mainly through cross currency swaps and currency forward contracts. In addition, TSMC increased its short-term loan denominated in foreign currencies to deal with increasing hedging needs resulting from strong growth in sales revenue.

Fluctuations in the exchange rate between the US dollar and the NT dollar may affect the US dollar value of the Company's common shares and the market price of the Company's American Depositary Shares (ADSs) and of any cash dividends paid in NT dollars on TSMC's common shares represented by ADSs.

- Inflation & Deflation

TSMC's most significant export market is North America, and management does not believe that inflation or deflation in the ROC or North America had a material impact on the Company's results of operations in 2010. However, TSMC cannot provide assurance that there will be no significant variations in the nature, extent or scope of inflation or deflation within any of the Company's key markets in the future, which may have a material impact on TSMC's results of operations.

Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

TSMC neither made high-risk or high-leveraged financial investments nor provided endorsements or guarantees for other parties during 2010 and up to the date of this report. As of February 28, 2011, TSMC had an intercompany loan of US$200 million arranged between two wholly-owned subsidiaries, which was in compliance with relevant rules and regulations.

The financial transactions of a "derivative" nature that TSMC entered into were strictly for hedging purposes and not for any trading or speculative purpose. For more information, please refer to the "*Financial Information*" on page 56 and 58 of Annual Report (II).

The fair market value of our trading and available for sale financial securities are subject to prevailing market conditions and may fluctuate from TSMC's carrying value from time to time, which may impact the returns of those securities.

To control various types of financial transactions, the Company has established internal policies and procedures based on sound financial and business practices, all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Bureau. TSMC policies and procedures include "Policies and Procedures for Financial Derivative Transactions", "Procedures for Lending Funds to Other Parties", "Procedures for Acquisition or Disposal of Assets", and "Procedures for Endorsement and Guarantee".

Risks Associated with Impairment Charges

Under Generally Accepted Accounting Principles (GAAP) of both the Republic of China and the United States, TSMC is required to evaluate its long-lived assets and intangible assets for impairment whenever there is an indication of impairment. If certain criteria are met, TSMC is required to record an impairment charge. TSMC is also required under ROC GAAP and US GAAP to evaluate goodwill for impairment at least on an annual basis or whenever a so-called "triggering event" or an indication of impairment occurs.

Management currently is unable to estimate the extent or timing of any impairment charge for future years. Any impairment charge required may have a material adverse effect on the Company's net income.

The determination of an impairment charge at any given time is substantially based on the expected results of the Company's operations over a number of years subsequent to that time. As a result, an impairment charge is more likely to occur during a period when the Company's operating results are otherwise already depressed. TSMC has established the process and system to closely monitor and access the outlook for capacity utilization and economic cycle.

6.2.5 Hazardous Risks

TSMC maintains a comprehensive risk management system dedicated to the conservation of natural resources, safety of people, and protection of property. In order to effectively handle emergencies and natural disasters at each facility, management has developed comprehensive plans and procedures that focus on risk prevention, emergency response, crisis management, and business continuity. TSMC has adopted local and international standards for Environmental, Safety & Health (ESH) management. All TSMC manufacturing fabs have been ISO 14001 certified (Environmental Management System), OHSAS 18001 certified (Occupational Health and Safety Management System) and QC080000 certified (Hazardous Substance Process Management System); all manufacturing fabs in Taiwan have also been TOSHMS (Taiwan Occupational Safety and Health Management System) certified.

The Company pays special attention to preparedness for emergencies or disasters, such as typhoons, floods, droughts caused by climate change, earthquakes, environmental contamination, large-scale product returns, disruption of IT systems, strikes, pandemics (such as H1N1 influenza), and sudden and unexpected disruptions to the supply of raw materials or water, electricity, and other public utilities. TSMC has established a company-wide task force dedicated to managing the risk of water shortage that might arise due to climate change. This task force keeps watch on the external supply and internal demand for water, large volumes of which are essential to the daily needs of both the public and industry. Cross-company consolidations and external collaborations with public agencies are also ongoing in the industrial parks to ensure and sustain a stable water supply.

TSMC has further strengthened its business continuity plans, which include risk assessment, control, implementation, through the establishment of emergency task forces when necessary, combined with the preparation of a thorough analysis of the emergency, its impact, alternative actions, and solutions for each possible scenario together with appropriate precautionary and/or recovery measures. Each task force is given the responsibility of ensuring TSMC's ability to conduct business while minimizing personal injury, business disruption, and financial impact under the circumstances. TSMC's business continuity plan is periodically reviewed according to results of test scenariosor practical implementation for ensuring effective and successful business continuity. Customers are informed of TSMC's strong business continuity plan in order to establish resilience and flexibility in both their supply chain and insurance placement. For the year 2010, and up to the date of this Annual Report, there have been no reportable material events that have necessitated the activation of such contingency plans. The Company has also conducted a continuous improvement project, including evaluating building anti-seismic capability, holding earthquake response drills and enhancing tool anchorage, and has improved TSMC business continuity procedures with reference to BS 25999 business continuity management.

A wide variety of combustible materials are used in TSMC's manufacturing processes and, consequently, are subject to the risk of explosion and fire. The Company maintains many overlapping risk prevention and protection systems, as well as comprehensive fire and casualty insurance, including insurance for loss of property and loss of profit resulting from business interruption. Nonetheless, TSMC's risk management and insurance coverage may, in certain circumstances, be insufficient to cover all of the Company's potential losses. If any of TSMC's fabs were to be damaged or cease operations as a result of an explosion, fire or environmental mishap, it could reduce the Company's manufacturing capacity and might cause us to lose important customers, thereby potentially having a materially adverse impact on TSMC's financial performance. In addition to periodic fire protection system inspection and firefighting drills, the Company has also carried out a corporate-wide fire risk mitigation project focused on management and hardware improvements.

Changes may cause unpredictable interruption to production. In order to reduce such uncertainty, TSMC has adopted a number of standards to maintain operational continuity, ranging from design, procurement and construction of facilities, to operation and decommission. We have also designed our new LED and solar factories to address specific ESH concerns, such as wastewater treatment, air abatement, and process equipment hazards.

6.2.6 Climate Change Risks

If applicable laws, regulations or international accords directly or indirectly require usto: (a) use certain alternative chemicals or raw materials; and/or (b) exclude prohibited chemicals or raw materials from our products, processes and designs, TSMC cannot offer any assurances that the resulting product, processes or designs would be as reliable or efficient. Also, our failure to manage the import, export, use, transportation, emissions, discharge, storage, recycling, or disposal of such chemicals and materials could subject us to increased costs or future liabilities.

Any of the above contingencies resulting from the actual and potential impact of local or international laws and regulations as well as international accords on environmental or climate change, could harm our business and operational results by increasing our expenses or requiring us to alter our manufacturing, assembly and test processes.

Increasing climate change and environmental concerns also presents other commercial challenges. For example, a request by some of our customers and/or suppliers ask that we exceed the legal standard set for environmentally compliant products and services could result in lost market share to possibly more accommodating competitors.

Further, energy costs in general could increase significantly as a result of future climate change regulations. Our energy costs may increase significantly if utility or power companies pass on their costs, such as those associated with carbon taxes, emission cap and carbon credit trading programs, or other similar programs imposed locally or worldwide.

To mitigate risks resulting from climate change, TSMC continues to carry out energy conservation measures, implementing voluntary PFC emission reduction projects and conducting GHG inventory and verification each year. TSMC has publicly disclosed climate change information every year since 2005 through participation in an annual survey conducted by the nonprofit Carbon Disclosure Project (CDP), which includes greenhouse gas emission and reduction information for all TSMC fabs.

6.2.7 Other Risks

Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by TSMC's Directors, and Major Shareholders Who Own 10% or More of TSMC's Total Outstanding Shares

The value of TSMC shareholders' investment may be reduced by possible future sales of TSMC shares owned by the major shareholders.

One or more of our existing shareholders may, from time to time, dispose of significant numbers of our common shares or ADSs. For example, the National Development Fund, who owned 6.4% of TSMC's outstanding shares as of February 28, 2011, sold our shares in the form of ADSs in several transactions during the period between 1997 and 2005.

Currently no shareholder owns 10% or more of TSMC's total outstanding shares.

Other Material Risks

During 2010 and as of the date of this Annual Report, TSMC's management is not aware of any other risk event that could impart a potentially material impact on the financial status of the Company.

【諾 PROMISE】

CORPORATE SOCIAL RESPONSIBILITY IS OUR PROMISE TO SHAREHOLDERS, EMPLOYEES, AND SOCIETY

7. Corporate Social Responsibility

TSMC is an important part of the technology industry, and as we look to the future, we not only aim to maintain our leadership in worldwide competition and promote Taiwan's globalization and economic growth, we also will continue to carry out our corporate social responsibility and do our utmost to be good corporate citizens.

Our 10 principles for practicing corporate social responsibility are important standards for continuing to support positive change in society:

1. We insist on honesty and integrity. We are honest to our shareholders, customers, employees, and to the public alike.
2. We respect the rule of law and always obey the law.
3. We abhor cronyism. We do not seek favoritism from the government or any government official, and we do not bribe.
4. We practice good corporate governance, and balance the interests of shareholders, employees, and all stakeholders in the company.
5. We do not engage in politics.
6. We provide good job opportunities with a safe, comfortable, and intellectually challenging environment to give our employees both physical comfort and mental stimulation.
7. We contribute our part in controlling climate change and place great importance on the protection of the environment.
8. We emphasize and reward innovation, and actively manage the risks that innovation may bring.
9. We invest in green businesses such as LED lighting and solar power to contribute to a greener world.
10. We support educational and cultural activities, and provide long-term care to communities.

TSMC fulfills its social responsibilities to all stakeholders. As we carry out the principles listed above, it is our firm belief that customers will trust us more because of our honesty and integrity, respect for the law, and good corporate governance. Investors will be more willing to invest over the long term because of our clear core values, and employees will feel closer to the Company as they identify with those values. Carrying out TSMC's social responsibilities brings us greater competitive advantage, creates greater value for shareholders, and benefits all of our stakeholders.

7.1 Environmental, Safety and Health (ESH) Management

TSMC believes its environmental, safety and health practices should not only comply with legal requirements, but also measure up to recognized international practices. In 2010, our ESH policy was renewed and endorsed by Chairman and Chief Executive Officer Dr. Morris Chang. The policy aims to reach the goals of "zero incident" and "sustainable development", and to make TSMC a world-class company in environmental, safety and health management. Our strategies for reaching these goals are to comply with regulations, promote safety and health, strengthen recycling and pollution prevention, manage ESH risks, instill an ESH culture, establish a green supply chain, and fulfill our related corporate social responsibilities.

TSMC was honored to be included in the Dow Jones Sustainability Index for the tenth consecutive year, and recognized as DJSI's worldwide leader in the semiconductor sector in 2010. We received the best score in the Environmental dimension and a full score for the "Environmental Policy/Management system" section.

All TSMC manufacturing facilities have received ISO 14001:2004 certification for environmental management systems and OHSAS 18001:2007 certification for occupational safety and health management systems. All fabs in Taiwan have also been TOSHMS (Taiwan Occupational Safety and Health Management System) certified since 2009. TSMC strives for continuous improvement and actively seeks to enhance pollution prevention, power and resource conservation, waste reduction, safety and health management, fire and explosion prevention and minimize the impact of other risks, such as earthquakes, in order to reduce the overall environmental, safety and health risk. In 2006, TSMC began to adopt the IECQ QC080000 Hazardous Substance Process Management (HSPM) System in order to meet customer needs for the management of hazardous materials and to meet the European Union's Restriction of Hazardous Substances (RoHS) Directive. All TSMC manufacturing facilities have been QC080000 certified since 2007.

TSMC communicates with suppliers and contractors regarding environmental, safety and health issues and encourages them to improve their ESH performance. In line with this policy, TSMC uses priority work management and self-management to govern work performed by contractors. TSMC requires contractors performing high-risk operations to complete certification for technicians, and to establish their own OHSAS 18001 safety and health management system before bidding on contracts. This self-management is aimed at increasing the sense of responsibility of our contractors, with the goal of promoting safety awareness and technical improvement for all contractors in the industry.

TSMC collaborates with suppliers to improve the sustainability of our supply chain regarding ESH-related issues such as carbon and water footprinting, and conflict metal management. We not only perform on-site ESH audits at our suppliers manufacturing sites, but also proactively assist them with improving ESH performance.

Reducing the carbon and water footprints of our supply chain is essential to our green supply chain ideals. Since 2009, TSMC has required our suppliers to set up carbon inventory procedures. In 2010, TSMC took the initiative by inviting selected suppliers to participate in the Taiwanese government's carbon footprint development project and collaborated with them in activities designed to reduce their carbon footprints. TSMC also began monitoring potential water shortages in the supply chain and investigating the supply chain's water inventory. TSMC is also preparing to work with suppliers on water footprinting and conservation plans. The ESH management programs of TSMC suppliers are tied to a sustainability index that includes three components: the Green Index, the Social Index and the Risk Index. The "Green Index" includes environmental management systems, regulatory compliance, hazardous substance management, conflict mineral investigation, greenhouse gas inventory, carbon footprinting, water footprinting and other green activities. The "Social Index" includes labor and ethical conducts and participation in social activities. The "Risk Index" includes safety and health management, fire prevention, natural disaster mitigation, IT interruption recovery, transportation reliability, supply chain management, pandemic response planning and a business continuity plan. This sustainability index is applied to TSMC's critical suppliers.

TSMC launched an e-ESH management system called Total Safety Management (TSM). This web-based platform integrates over 20 ESH IT sub-systems covering the four sectors of "Plan", "Do", "Check", and "Act", and information, such as risk assessment, safety management of change, contractor management, training/testing, accident/incident corrective action requests (CAR), ESH indicators and others. The TSM system serves as the backbone of ESH KPI management and facilitates the comparison between fabs and the ability to take business decisions and improve operational efficiency. TSMC aims to reduce both costs and risks while improving ESH management efficiency and effectiveness through the cross-fab implementation of this platform.

7.1.1 Environmental Protection

Greenhouse Gas (GHG) Emission Reduction

TSMC is an active participant in international environmental protection programs. In 2010 we achieved our voluntary PFC emissions reduction goal as per our commitment to the World Semiconductor Council (WSC) and the Taiwan Environmental Protection Administration (EPA).

In 2005, TSMC was Taiwan's first semiconductor company to make a complete inventory of its GHG emissions and to gain ISO 14064 certification for its processes and outputs. The purpose of the inventory was to serve as a baseline reference for TSMC's strategy to reduce GHG emissions, to meet future domestic regulatory requirements, and to prepare for carbon trading and corporate carbon asset management. All TSMC facilities continue to conduct a GHG inventory on an annual basis. The inventory result shows that the major direct GHG emissions are perfluorinated compounds (PFCs), which are used in the semiconductor manufacturing process. The primary indirect GHG emission is electricity consumption.

TSMC is also taking measures to reduce its emission of GHGs. TSMC has endorsed a memorandum of understanding between the Taiwan Semiconductor Industry Association, the Taiwan EPA, and the WSC, whereby TSMC is committed to reducing PFC emissions to 10%

below the average of 1997 and 1999 by 2010, a commitment that we are proud to successfully achieve. This emissions target remains fixed as TSMC continues to grow and expand its manufacturing facilities.

Coal-fired power generators are the major source of electricity in Taiwan and emit large amounts of carbon dioxide (CO_2). TSMC makes continuous efforts to conserve energy, which reduces both carbon dioxide gas emissions and costs. TSMC has not only adopted energy-conservative designs for both its manufacturing fabs and offices, but has also improved the energy efficiency of facilities during operation. In 2010, TSMC Fab 3 won the Ministry of Economic Affairs' "Energy Conservation Award" for the second time. The improvements at this 15-year-old Fab served as a good model of continuous energy efficiency improvement for the industry.

Air and Water Pollution Control

TSMC has installed effective air and water pollution control equipment in each wafer fab to meet regulatory emissions standards. In addition, TSMC maintains backup pollution control systems, including emergency power supplies, to lower the risk of pollutant emission in the event of equipment breakdown. TSMC centrally monitors the operations of air and water pollution control equipment around the clock and tracks system effectiveness to ensure the quality of emitted air and discharged water. We have also designed our new LED and solar factories to address specific ESH concerns, such as wastewater treatment, air abatement, and process equipment hazards.

Water Conservation

To make the most effective use of Taiwan's limited water resources, all TSMC fabs make an effort to increase water reclamation rates by adjusting the water usage of manufacturing equipment and improving wastewater reclamation systems. New fabs are able to reclaim more than 85% of process water, meeting or exceeding the standards of the each Science Park Administration and outperforming most semiconductor fabs around the world. TSMC also strives to reduce non-manufacturing-related water consumption, including water used in air conditioning systems, sanitary facilities, cleaning, landscaping and kitchens. We use an intranet website to collect and measure water recycling and/or reuse volumes (e.g. process water recycling) company-wide.

Since water resources are inherently local, TSMC shares its water saving experiences with other semiconductor companies through the Association of Science-Based Industrial Park to promote water conservation. At the same time, TSMC collaborates with the Science Park Administrations to assist small facilities in each Science Park with water resource management in order to achieve the Science Park's goals and ensure a long-term balance of supply and demand. A total of six out of TSMC's seven fabs in Taiwan have won the Ministry of Economic Affairs' "Water Saving Award".

Waste Management and Recycling

TSMC has established a designated unit responsible for waste recycling and disposal. To meet the goal of sustainable resource utilization, TSMC's first priority is to reduce process waste before considering recycling or disposal. TSMC carefully selects waste disposal and recycling contractors and performs annual audits of certification documents, site operations and transportation routes to ensure the legal and proper disposal of waste. TSMC achieved a 92% waste recycling rate in 2010, surpassing its goal of 90%. The Company's landfill rate has been reduced to less than 1%.

Other Environmental Protection Programs

TSMC has implemented an environmental accounting system, allowing each fab to calculate cost savings or profits created by their individual environmental programs.

In addition, TSMC conducts "Product Life Cycle Assessments" (Product LCA), collecting and analyzing data from the entire semiconductor manufacturing chain from raw materials suppliers to finished products, including statistics for such items as energy, raw material consumption, and pollution. The Product LCA study has established "Eco-Profiles" for all TSMC fabs and will help the Company to meet future international regulations, such as the European Union's "Energy-Using Product" directive. These "Eco-Profiles" can also be provided to customers who require such documentation.

TSMC also maintains "green procurement" procedures, requiring raw materials suppliers to declare that the materials they supply to TSMC do not contain any prohibited substances. This ensures that products manufactured by TSMC comply with customer requirements and the regulatory requirements of the European Union's RoHS Directive. TSMC also encourages employees to use "Green Mark" products in offices, such as recycled paper, desktop PCs, LCD monitors, and batteries.

TSMC has adopted both the Taiwan "Green Building" and the US Leadership in Energy and Environmental Design (LEED) standards for new fab and office building designs since 2006 to achieve better energy and resource efficiency than conventional designs. At the same time, TSMC plans to upgrade existing office buildings to comply with the LEED standard each year. In 2008 and 2009, respectively, TSMC's newly-constructed Fab 14 Phase 3 and Fab 12 Phase 4 achieved EEWH Diamond and LEED Gold certification. For these projects, TSMC invited Dr. Kath Williams, former vice president of the United States Green Building Council (USGBC) to serve as a consultant, and also consulted experts from leading Taiwan universities. TSMC believes that manufacturing companies should convert their facilities into green factories to effectively improve the environment and lower construction costs. Therefore, we freely share our practical experience with industry, government, and academia. Forty groups (more than 1,800 visitors) from industry, government, academia and the general community contacted TSMC to gain an understanding and discuss our green factory practices. TSMC believes if something is worth doing, it's worth doing well in order to protect the Earth.

TSMC initiated the "Taiwan Corporate Sustainability Forum (TCSF)", which united 20 leading Taiwan companies as founders. The forum also welcomes new members. TSMC's 2008 Green Forum was the first of a series of TCSF events. At this meeting, TSMC shared its hands-on experience in obtaining the US Green Building Council's LEED certification, and applying for Taiwan's Ecology, Energy Saving, Waste Reduction, and Health (EEWH) certification for its Fab 14 Phase 3 facility. TSMC also proposed working with green building

experts to draft guidelines for green industrial buildings in Taiwan, helping other domestic companies construct their own green factories and promote green manufacturing. The TCSF continues to invite leading Taiwan companies to join the TCSF.

Environmental Compliance Record

In 2010, TSMC commissioned the construction of multiple new factories. However, construction projects of this type are complex and, unfortunately, certain minor administrative oversights on the part of TSMC and its contractors resulted in TSMC being fined a total of NT$210,000 by the relevant authority. To prevent similar situations occurring in the future, TSMC took immediate corrective and preventive actions to improve contractor management and personnel training.

7.1.2 Safety and Health

Safety and Health Management

TSMC's safety and health management is built on the framework of the OHSAS 18001 system, and adheres to the management principle of "Plan, Do, Check, Act" to prevent accidents and protect employee safety and health as well as Company assets. TSMC fabs in Taiwan have also received TOSHMS (Taiwan Occupational Safety and Health Management System) certification.

Besides accident prevention, TSMC has established emergency response procedures to protect the lives of employees and contractors if disasters should occur, as well as to minimize the negative impact on society and the environment. TSMC continually communicates with its suppliers to ensure that potential risk in the operation of production equipment is minimized and rigorously follows safety control procedures when installing production equipment. The Company places stringent controls on high-risk operations and also evaluates the seismic tolerance of its facilities and equipment to reduce the risk of earthquake damage.

In health management, TSMC sponsors regular wellness activities and specific health examinations as well as ensuring the health of employees beyond regulatory requirements, such as the improvement of office ergonomics, the promotion of Good Health Practice (GHP) in food production areas, and the continual appraisal and control of the impact on the health of employees of heavy metals . TSMC also establishes Company-level prevention committees when infectious diseases such as H1N1 influenza, Severe Acute Respiratory Syndrome (SARS) or Avian Influenza pose a potential risk to the Company.

Working Environment and Employee Safety Protection

TSMC's ESH policy is committed to establishing a safe working environment, preventing occupational injury and illness, keeping employees healthy, enhancing every employee's awareness and sense of accountability to ESH, and building an ESH culture. TSMC safety and health management operations apply to:

- Hardware Safety of Equipment Used by Process, Facilities, IT, and General Services Departments

In addition to meeting regulatory requirements and internal standards as well as mitigating ESH-related risks when building or rebuilding facilities, TSMC also maintains procedures governing new equipment and raw materials, safety approvals for bringing new tools online, updating safety rules, seismic protection measures, and other safety measures.

- Environmental, Safety and Health Evaluation of Hazardous Chemical Substances

Any new chemical substance introduced to TSMC -- from the R&D phase to mass production -- is carefully reviewed before use by the "New Chemical Review Committee" to ensure that environmental and safety and health concerns are well controlled, including engineering control, the installation of personal protection equipment, and operational safety training during storage, transportation, usage, and disposal.

- General Safety Management, Training and Audit

All TSMC manufacturing facilities hold environmental, safety and health committee meetings on a monthly basis. TSMC takes preventive measures such as controls on high-risk work, contractor management, chemical safety management, personal protective equipment requirements, and safety audit management. In addition, TSMC also maintains detailed disaster response procedures and performs regular drills designed to minimize harm to employees and property, as well as the impact on society and the environment in the event of a disaster.

- Working Environment Measurement

TSMC conducts physical and chemical measurements of the working environment every six months to safeguard employee health, including measurement of factors such as noise, air quality, chemical exposure, and illumination. If the measurement results for each item are not compliant with regulatory requirements corrective action is undertaken. In addition, materials and equipments that have ionizing radiation concerns are regularly monitored. Workers operating these equipments have received annual training and worn dosimeters any time they work with or are in the vicinity of a radiation source to ensure any potential exposure is monitored and controlled. In 2010, TSMC received an Excellence Award from the Atomic Energy Council for the successful implementation of protection measures for non-medical radioactive materials and ionizing radiation equipments.

- Emerging Infectious Disease Response

In the TSMC ESH management system, we have a dedicated corporate ESH organization which monitors emerging infectious diseases around the world, assesses any potential impact on the workplace and provides a strategic response plan. In previous outbreaks (such as SARS in 2003 and the H1N1 influenza outbreak in 2009), we convened the Corporate Influenza Response Committee to develop our strategies. These strategies include educating our employees in prevention and response, publishing guidelines for managers, establishing guidelines for employee sick leave due to flu, and installing alcohol-based hand sanitizers at appropriate locations. The Committee also monitors the status of employee leave due to illness and, at the same time, develops a continuous plan to address manpower shortages and protect employee health as well as minimize business impact. In 2010, we provided health information for foreign employees and travel guidelines about NDM-1 Enterobacteriaceae, which was identified in India, Pakistan, Japan, the United States, and Europe.

- Emergency Response

The planning and execution of an effective emergency response requires big-picture thinking, continuous improvement and practice drills. TSMC's emergency response plans include procedures for rapid response to accidents and disaster recovery as well as establishing response procedures for potential disasters.

All TSMC fabs conduct major annual emergency response exercises and evacuation drills. TSMC's on-site service contractors also participate in emergency response planning and exercises to ensure cooperation in handling accidents and to effectively minimize any damage caused by disasters.

In addition to the regular emergency response drills held by engineering and facilities departments each quarter, the Company's laboratory, canteen, dormitory, and shuttle bus personnel also hold emergency response drills to prepare for events such as earthquakes, chemical leakage, ammonia release, fires and automobile accidents.

- Employee Health Enhancement

TSMC provides healthcare and employee assistance programs in each fab. TSMC employees can utilize these health services to reduce physical and mental stress while strengthening their health. These services include 24-hour nursing care, annual physical examinations, psychological consultations, stress management programs, self healthcare workshops, and staff assistance projects. In addition, the Company also provides clinical and dental care services, women's healthcare, acupuncture and massage services and programs.

Health promotion and disease prevention activities include nutritional consultation, weight-loss classes, an acupuncture weight-loss program, carotid and thyroid ultrasound examinations, an endocrinology clinic, a dermatology clinic, bone mineral densitometry examinations and cancer screenings. Canteens also provide healthy high fiber and low fat meals, as well as all-fruit meals. All TSMC fabs have fitness centers with treadmills, exercise equipment, and aerobics classrooms to encourage employees to participate in athletic activity. In addition, all employees can find health information through the Company's healthcare website.

Environmental, Safety and Health-related Awards in 2010

- Chosen for membership in the Dow Jones Sustainability World Index for a 10th consecutive year; leader in the semiconductor sector in 2010
- Recognized by the Taiwan Institute of Sustainable Energy with the "Gold Award for Taiwan Corporate Sustainability Reports" for two consecutive years
- Recognized by the Atomic Energy Council for "Excellence in Radiation Protection"
- Fab 12 was recognized by the Environmental Protection Administration with the "The Annual Enterprise Environmental Protection Award"
- Fab 12 Phase 4 was recognized by the Ministry of Economic Affairs with the "Water Saving Award"
- Fab 12 Phase 4 was recognized by the Hsinchu Science Park Administration with the "Low Carbon Enterprise Award"
- Fab 12 Phase 4 was recognized by the Hsinchu Science Park Administration with the "Water Saving Award"
- Fab 14 was recognized by the Southern Taiwan Science Park Administration with the "Water Saving Award"
- Fab 3 was recognized by the Ministry of Economic Affairs with the "Energy Conservation Award"
- Fab 12 and Fab 3 were recognized by the Hsinchu Science Park Administration with the "Excellence in Labor Safety and Hygiene Award"

7.2 TSMC Education and Culture Foundation

Established in 1988, the TSMC Education and Culture Foundation continues to devote its resources towards education, community building, promotion of arts and culture events, and the employee volunteer program, as part of TSMC's efforts in corporate social responsibility.

In 2010, to promote the knowledge of science and strengthen the foundation of science education, the TSMC Foundation continued to infuse resources the program "Raising the Level of High School Physics Experiments" renovation of the exhibition "The World of the Integrated Circuits," and the launching of "TSMC Science Tour,". Aside from financial sponsorships, TSMC Foundation supports TSMC Volunteer Society, organizing the employees to devote themselves to the caring of the underprivileged of the communities.

Commitment to Education

Talents are essential to the development of our economy. As a leader of Taiwan's knowledge-based industry, we regard cultivating talented people for society as a core responsibility of TSMC. The Foundation tailors various programs to target a whole range of education at different age levels.

At the college level, in 2010, the TSMC Foundation created "TSMC Mentor Scholarship" to encourage underprivileged students of National Tsing Hua University and National Central University. In addition to providing financial supports, the Foundation recruited senior TSMC employees to mentor the students regularly. We hope that TSMC employees' rich experiences can provide productive consultations for the students both in schools and future career paths. In the meantime, the Foundation continued to endow chair professorships to enhance academic research of Taiwan universities.

At the high school level, TSMC emphasizes the need for a balanced education in both science and the humanities. In science, collaborating with the Education Prime Minister and the Wu Chien-Shiung Foundation, TSMC Foundation in 2010 initiated the program "Raising the Level of High School Physics Experiments," which establishes a full series of high school physics experimental kits and holds regular workshops for high school science teachers. In the meantime, the Foundation continued to sponsor science camps for talented science students to meet with world-class scholars.

In the humanities, we organized the third "TSMC Youth Calligraphy Contest." This year we held the workshops on campus to inspire the students to appreciate the beauty and cultural richness of calligraphy. We also continued the TSMC Youth Literature Award. During past seven years, numerous competition winners created more sophisticated works and brought new energy to national literature.

At the primary-school level, in order to arouse children's interest in science, the Foundation launched "TSMC Science Tour," taking children from remote townships to National Taiwan Science Education Center, National Museum of Natural Science, and National Science and Technology Museum. To cultivate children's art appreciation, every year the Foundation organizes the TSMC Aesthetic Tour to take underprivileged children to visit the National Palace Museum and art sites in Taiwan. This year over 4,000 children were invited to join the tour.

Renovations of "The World of the Integrated Circuits," a permanent exhibition sponsored by TSMC Foundation, is underway at the National Museum of Natural Science. The new exhibition, will be renamed "The World of the Semiconductor", with widened space will be strengthened with the fully updated content to reflect the most advanced technology. Through more interactive presentations, the renovated exhibition will facilitate the promotion of science education and help visitors understand the development and importance of the semiconductor Integrated Circuit technology.

Community Building

The Foundation continues to promote arts and cultural activities in our site communities of Hsinchu and Tainan. Every year we organize the TSMC Hsin-Chu Art Festival to bring cultural activities to these high-tech cities and encourage a greater art appreciation in the communities.

Promoting Chinese Theatre is an important feature of the festival. After inviting the masterpieces of Kungu opera, Peking opera and Nanguan in the past years, this year the Festival brought Taiwan Bang-zi Opera Company to share the beauty of Bang-zi opera. Celebrating the ceremony of the bicentennial of Chopin's birth, the Festival invited three prestigious pianists – Garrick Ohlsson, Alexander Kobrin, and Yu-ja Wang – to perform three beautiful concerts. We arranged Puppet Beings Theatre Company to perform marvelous puppet shows at the piazza and hosted a charity show for the underprivileged. More than 70 performances of the Hsin-Chu Festival nurtured the inhabitants from every corner of the communities.

Besides holding the Hsin-chu Art Festival, TSMC shows a keen concern for wildlife and the natural environment. The Foundation supported the Taiwan Wild Bird Society in order to improve Tainan Pheasant-tailed Jacana Park so that Jacanas can have a better shelter during the winters.

Promotion of Arts and Culture

The TSMC Education and Culture Foundation has devoted its efforts to the promotion of arts and culture for years. In 2010, the Foundation sponsored "The Body Beautiful in Ancient Greece," the exhibition of Greek Sculptures from the British Museum, to give Taiwan visitors opportunities to appreciate the highlights of the British Museum's rich collections. The Foundation also sponsored 1,000 students from rural areas to visit the Exhibit to increase their appreciation for fine art.

To promote the Chinese classics and culture, TSMC Foundation continued to support the broadcasting program "Analects in Hsin's View." Through Professor Hsin Yih-yun's rich knowledge and vivid examples, the program received enthusiastic response from the society and overseas. This year Professor Hsin was awarded Taipei Culture Award for his long-term devotions to promoting Chinese culture.

TSMC Volunteer Program

TSMC's most valuable asset is the knowledge and professional skills of its employees. With an employee volunteer program launched in 2004, the TSMC Foundation encourages TSMC employees to do volunteer work for the society to promote education and culture. The TSMC volunteers' services include serving as tour guides at the National Science Museums during weekends to introduce the semiconductor industry, reading to elementary students in remote townships on weekdays, and providing the local community with energy-saving measures. In 2009, a new team of Community Volunteers was formed to help the local community with emergency assistance. They also provide service to the elderly men in the Veterans Home and the children in the St. Teresa Children Center in Hsinchu.

In 2010, Ms. Sophie Chang (Su-feng Chang) was elected as the director of TSMC Volunteer Program, and has been leading volunteers to devote themselves to various and more educational and philanthropic activities to serve the society.

• TSMC Tour Guide Volunteer Program

To promote science education, the Foundation donated to renovate an exhibition hall in the National Museum of Natural Science (Taichung) and set up an exhibition titled "The World of the Integrated Circuits." Many of TSMC's employees serve as volunteer guides at the exhibition on weekends. The volunteer team continues to grow with the enthusiastic participation of our employees' family members and employees of TSMC affiliates. In 2010, 600 volunteers were organized by the TSMC Volunteers Society, and devoted their time and effort to promoting science education.

• TSMC Books Reading Volunteer Program

Since 2004, the Foundation has sponsored the Hope Reading Program organized by the renowned *CommonWealth Magazine*, donating 20,000 books to children in 200 schools in remote rural areas of Taiwan. In addition, TSMC employees traveled to read stories to students in remote townships for stimulating their interest in learning. Volunteers also prepared games or plays during holidays to further encourage children's interest in reading. The volunteers have developed profound friendships with the school children by working with them over the long term. In 2010 alone, TSMC Books Reading Volunteers contributed 147 volunteers and about 1,634 hours to five rural schools in Hsinchu and Tainan. They have served for six consecutive years and will continue to help pave the road for these underprivileged children's future.

• TSMC Energy Conservation Volunteer Program

Pollution becomes an increasingly serious issue with the advance of industrialization and technology, causing rapid global warming and triggering natural disasters. Global attention has turned to urgent actions in energy saving and carbon emission reduction. Due to the threats of global warming and energy consumption, environmental protection and energy conservation have become everyone's concern. To show our support for environmental protection, the TSMC Foundation helps schools in Hsinchu and Tainan reduce power consumption by recruiting employees who have related technical knowledge and experience as team members for this program.

Through inspections and communications, the volunteer team offers plans for energy conservation to schools for improving their power efficiency. The Energy-saving Volunteer was formed in 2008 by 25 TSMC employees. For over 1,200 working hours of service, the volunteer team has suggested 168 environmental and safety strategies with potential to reduce 360 tons of carbon emissions. The professional service of the team has been much appreciated by these schools. In 2010, the service was extended to five high schools in Hsinchu and Tainan.

• TSMC Community Volunteer Program

Volunteer Activity at the "Hsinchu Veterans Home": In 2010, TSMC Community Volunteer Program held three kinds of activities at the Hsinchu Veterans. Volunteers play croquet with the veterans there every two weeks in the morning, sing songs to or with veterans whose mobility is limited, and art classes in which volunteers and the veterans work together on interesting creative projects, and hence have the opportunity to know each other better. We hope the veterans share their wishes with us so that we may be able to make their dreams come true one day.

7.3 Social Responsibility Implementation Status as Required by the Taiwan Financial Supervisory Commission

Item	Implemention Status	Non-implentation and Its Reason(s)
1. Implementation of Corporate Governance (1) Corporate social responsibility policy and performance evaluation	(1) TSMC follows the ten principles of corporate social responsibility set by the Chairman, Dr. Morris Chang, Please refer to "*7. Corporate Social Responsibility*" in this report page 73-79.	None
(2) Dedicated organization for the promotion and execution of corporate social responsibility	(2) Each unit in TSMC incorporates corporate social responsibility principals into daily operations. All issues of stakeholders' concerns are collected regularly or through ad hoc communication channels. Each unit will assess and identify material issues, and incorporate them into execution plans and daily operations.	
(3) Regular training and promotion of corporate ethics among employees and the Board of Directors, and integration with the employee performance appraisal system	(3) Please refer to "*5.5.8 Ethics and Business Conduct*" in this report page 58.	
2. Sustainable Environment Development (1) Commitment to improving resources utilization and the use of renewable materials (2) Environmental management system designed to industry characteristics. (3) Dedicated environmental management unit or personnel (4) Company strategy for climate change, energy conservation and greenhouse gas reduction	Please see "*7.1.1 Environmental Protection*" in this report page 74-76.	None
3. Promotion of social welfare (1) Compliance with labor regulations, protection of employee rights, and appropriate management measures and procedures	(1) Please refer to "*5.5 Employees*" in this report page 55-58.	None
(2) Safety and health in working environment	(2) Please refer to "*7.1.2 Safety and Health*" in this report page 76-77.	
(3) Disclosure of consumer rights policy, and official channel for consumer complaints	(3) Please refer to "*5.4 Customer Partnership*" page 54-55.	
(4) Collaboration with suppliers	(4) TSMC brought together fab operations, materials management, risk management, and quality system management in an internal committee dedicated to managing our supply chain. The focuses of the committee are risk mitigation and supply chain improvement. The steering team, including a senior vice president and managers, sets goals annually and reviews progress each quarter. The committee's working team assists suppliers in lowering production and transportation risks by sharing risk management practices and helping suppliers improve quality systems, green procurement, protection of the environment, and safety. At the same time, we monitor the financial situation of key suppliers through regular communication or public information, and the inventory of supply chain, with corresponding backup plans. The working team holds monthly meetings to monitor progress and actively handle suppliers' issues. Please refer to TSMC's website for additional information: http://www.tsmc.com/english/csr/supply_chain_management.htm	
(5) Participation in community development and charities through commercial activities, donations or volunteers	(5) Please refer "*7. Corporate Social Responsibility*" in this report page 73-79.	
4. Enhancement of Information Disclosure (1) Disclosure of corporate social responsibility related information with significance and reliability. (2) Published corporate social responsibility report and disclosure of implementation of corporate social responsibility	TSMC has published "Corpoarte Social Responsibility Report" since 2008, which has been verified by third party in compliance with the requirements of Global Reporting Initiative (GRI) G3 level A+ and AA1000AS: 2008 standard.	None
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice", please describe the operational status and differences. TSMC does not establish the code for corporate social responsibility. For our corporate social responsibility operational status, please refer to "*7. Corporate Social Responsibility*" in this report page 73-79 and our corporate social responsibility related information in our website: http://www.tsmc.com/english/csr/index.htm		
6. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility (e.g., environmental protection, community participation, social contribution, social services, social welfare, consumers' rights, human rights and safety and health): Please refer to TSMC's website for our corporate social responsibility implementation status: http://www.tsmc.com/english/csr/index.htm		
7. Other information regarding products or "Corporate Social Responsibility Report" which are verified by certification bodies: (1) TSMC obtained Integrated Circuit carbon footprint and Type 3 Environmental Product Label verification, which comply with PAS2050 and ISO14025 standards. (2) TSMC Corporate Social Responsibility Report is compliant with the requirements of Global Reporting Initiative (GRI) G3 level A+ and AA1000AS:2008 standard.		

【合 Harmony】

We provide the best customer service
through cooperation with affiliates
and mutual support in technology, capacity,
sales, and service.

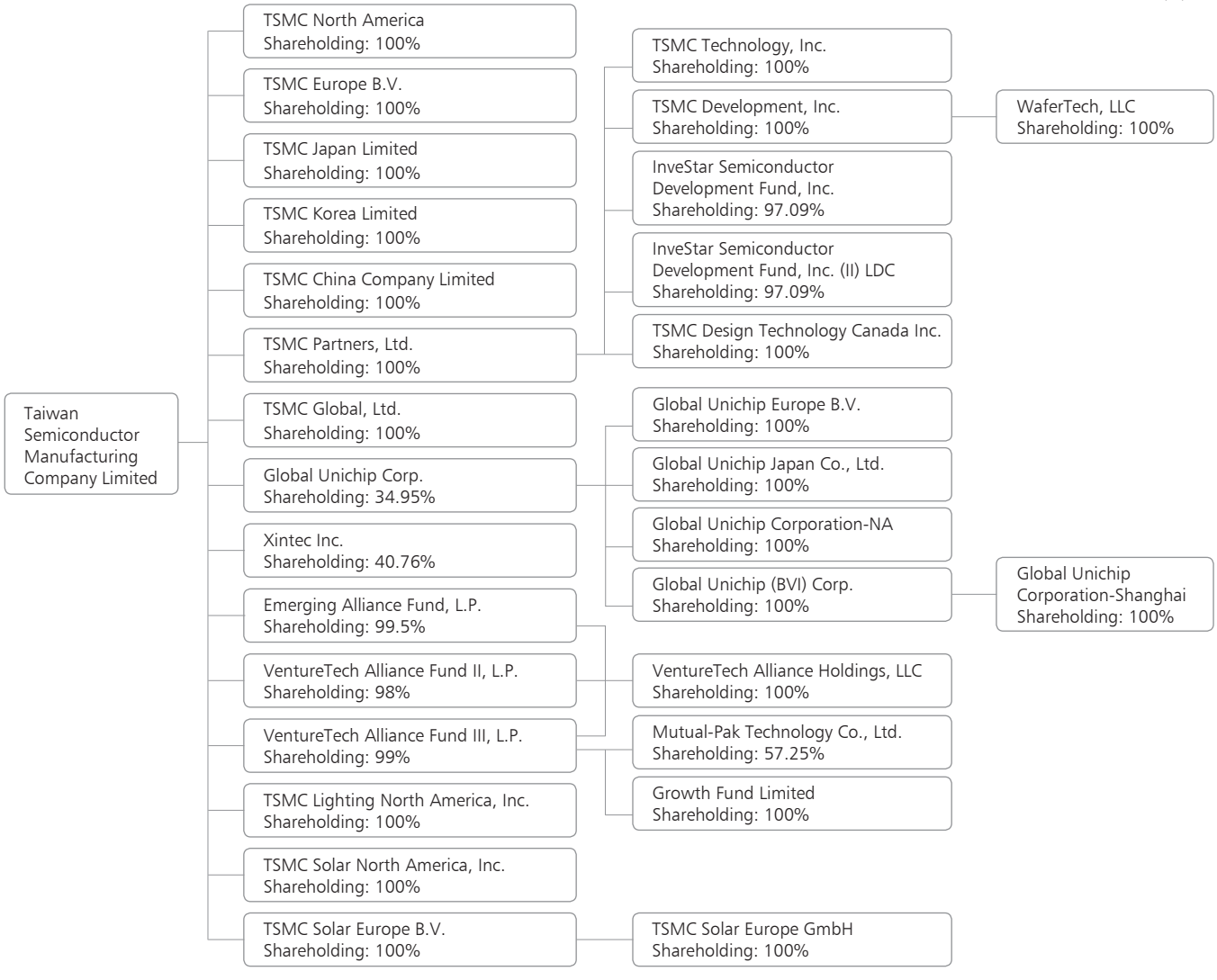
8. Affiliate Information and Other Special Notes

TSMC's affiliates support our core foundry business with related services such as design service and back-end assembly and test, enabling TSMC to provide customers with the most complete set of solutions for their needs. Beginning in 2010, TSMC's affiliates support two new lines of business related to solid state lighting and solar business activities.

8.1 Affiliates

8.1.1 TSMC Affiliated Companies Chart

As of 12/31/2010



8.1.2 Business Scope of TSMC and Its Affiliated Companies

TSMC's affiliates support the Company's core business of providing dedicated foundry services to customers around the world. Several of TSMC's affiliated companies are focused on investing in companies involved in design, manufacturing, and other related businesses in the semiconductor industry. TSMC and its affiliates provide mutual support in technology, capacity, marketing and services to maximize synergy within the group, enabling TSMC to provide its customers with the most complete dedicated foundry services worldwide and ensure TSMC's leading position in the global foundry market. Beginning in 2010, the Company also engages in the researching, developing, designing, manufacturing and selling of LED lighting devices and related applications products and systems, and renewable energy and efficiency related technologies and products.

8.1.3 TSMC Affiliated Companies

Unit: NT(US, EUR, JPY, KRW, RMB, CAD)$ thousands

As of 12/31/2010

Company	Date of Incorporation	Place of Registration		Capital Stock	Business Activities
TSMC North America	Jan. 18, 1988	San Jose, California, U.S.A.	US$	11,000	Selling and marketing of integrated circuits and semiconductor devices
TSMC Europe B.V.	Mar. 04, 1994	Amsterdam, The Netherlands	EUR	100	Marketing and engineering supporting activities
TSMC Japan Limited	Sep. 10, 1997	Yokohama, Japan	JPY	300,000	Marketing activities
TSMC Korea Limited	May 02, 2006	Seoul, Korea	KRW	400,000	Customer service and technical support activities
TSMC China Company Limited	Aug. 04, 2003	Shanghai, China	RMB	3,070,623	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers
TSMC Technology, Inc.	Feb. 20, 1996	Delaware, U.S.A.	US$	0.001	Engineering support activities
InveStar Semiconductor Development Fund, Inc.	Sep. 10, 1996	Cayman Islands	US$	4,211	Investing in new start-up technology companies
InveStar Semiconductor Development Fund, Inc. (II) LDC	Aug. 25, 2000	Cayman Islands	US$	17,028	Investing in new start-up technology companies
TSMC Development, Inc.	Feb. 16, 1996	Delaware, U.S.A.	US$	0.001	Investment activities
WaferTech, LLC	Jun. 03, 1996	Washington, U.S.A.	US$	280,000	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices
TSMC Partners, Ltd.	Mar. 26, 1998	Tortola, British Virgin Islands	US$	988,268	Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry
TSMC Design Technology Canada Inc.	May 28, 2007	Ontario, Canada	CAD	2,434	Engineering support activities
TSMC Global, Ltd.	Jul. 13, 2006	Tortola, British Virgin Islands	US$	1,284,000	Investment activities
Global Unichip Corporation	Jan. 22, 1998	Hsin-Chu, Taiwan	NT$	1,335,669	Researching, developing, manufacturing, testing and marketing of integrated circuits
Global Unichip Japan Co., Ltd.	Jun. 16, 2005	Japan	JPY	30,000	Consulting services in main products
Global Unichip Corporation-NA	Feb. 02, 2004	U.S.A.	US$	1,249	Consulting services in main products
Global Unichip Europe B.V.	May 08, 2008	The Netherlands	EUR	100	Consulting services in main products
Global Unichip (BVI) Corp.	Feb. 20, 2009	Tortola, British Virgin Islands	US$	550	Investment activities
Global Unichip Corporation-Shanghai	Nov. 04, 2009	Shanghai, China	US$	500	Consulting services in main products
Xintec Inc.	Sep. 11, 1998	Taoyuan, Taiwan	NT$	2,283,849	Wafer level chip size packaging service
Mutual-Pak Technology Co., Ltd.	Mar. 22, 2006	Taipei, Taiwan	NT$	207,312	Manufacturing and selling of electronic parts and researching, developing and testing of RFID
Emerging Alliance Fund, L.P.	Jan. 10, 2001	Cayman Islands	US$	28,495	Investing in new start-up technology companies
VentureTech Alliance Fund II, L.P.	Feb. 27, 2004	Cayman Islands	US$	35,355	Investing in new start-up technology companies
VentureTech Alliance Fund III, L.P.	Mar. 25, 2006	Cayman Islands	US$	110,850	Investing in new start-up technology companies
Growth Fund Limited	May 30, 2007	Cayman Islands	US$	1,700	Investing in new start-up technology companies
VentureTech Alliance Holdings, LLC	Apr. 25, 2007	Delaware, U.S.A.		N/A	Investing in new start-up technology companies
TSMC Solar North America, Inc.	Sep. 03, 2010	Delaware, U.S.A.	US$	1	Selling and marketing of solar related products
TSMC Lighting North America, Inc.	Sep. 03, 2010	Delaware, U.S.A.	US$	1	Selling and marketing of solid state lighting related products
TSMC Solar Europe B.V.	Sep. 29, 2010	Amsterdam, The Netherlands	EUR	100	Investing in solar related business
TSMC Solar Europe GmbH	Dec. 17, 2010	Hamburg, Germany	EUR	100	Selling of solar related products and providing customer service

8.1.4 Common Shareholders of TSMC and Its Subsidiaries or Its Affiliates with Actual of Deemed Control:

None.

8.1.5 Rosters of Directors, Supervisors, and Presidents of TSMC's Affiliated Companies

Unit: NT(US/EUR)$, except shareholding

As of 12/31/2010

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
TSMC North America	Director	Jason Chen	-	-
	Director	Rick Cassidy	-	-
	President	Rick Cassidy	-	-
			TSMC holds 11,000,000 shares	100%
TSMC Europe B.V.	Director	Jason Chen	-	-
	Director	Wendell Huang	-	-
	Director	Maria Marced	-	-
	President	Maria Marced	-	-
			TSMC holds 200 shares	100%
TSMC Japan Limited	Director	Jason Chen	-	-
	Director	Makoto Onodera	-	-
	Supervisor	Lora Ho	-	-
	President	Makoto Onodera	-	-
			TSMC holds 6,000 shares	100%
TSMC Korea Limited	Director	C.C. Pan	-	-
	Director	Chih-Chun Tsai	-	-
			TSMC holds 80,000 shares	100%
TSMC China Company Limited	Chairman	F.C. Tseng	-	-
	Director	M.C. Tzeng	-	-
	Director	Jason Chen	-	-
	Supervisor	Lora Ho	-	-
	President	C.H. Chen	-	-
			(TSMC's investment US$371,000,000)	(100%)
TSMC Technology, Inc.	Chairman	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Lora Ho	-	-
			TSMC Partners, Ltd. holds 1,000 shares	100%
InveStar Semiconductor Development Fund, Inc.	Director	Wendell Huang	-	-
			TSMC Partners, Ltd. holds 4,087,876 share	97.09%
InveStar Semiconductor Development Fund, Inc. (II) LDC	Director	Wendell Huang	-	-
			TSMC Partners, Ltd. holds 16,531,637 shares	97.09%
TSMC Development, Inc.	Chairman	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Lora Ho	-	-
			TSMC Partners, Ltd. holds 1,000 shares	100%
WaferTech, LLC	Director	M.C. Tzeng	-	-
	Director	Steve Tso	-	-
	President	Kuo-Chin Hsu	-	-
			TSMC Development, Inc.holds 293,636,833 shares	100%
TSMC Partners, Ltd.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Lora Ho	-	-
			TSMC holds 988,268,244 shares	100%
TSMC Design Technology Canada Inc.	Director	Cliff Hou	-	-
	Director	Sreedhar Natarajan	-	-
	Director	Richard Thurston	-	-
	President	Cliff Hou	-	-
			TSMC Partners, Ltd. holds 2,300,000 shares	100%
TSMC Global, Ltd.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
			TSMC holds 1,284 shares	100%
Global Unichip Corporation (GUC)	Chairman	Representative of TSMC: F.C. Tseng	46,687,859 shares	34.95%
	Director	Representative of TSMC: Lora Ho	46,687,859 shares	34.95%
	Director	Representative of TSMC: Jim Lai	47,174,644 shares	35.32%
	Director	Representative of TSMC: Cliff Hou	46,687,859 shares	34.95%
	Director	Representative of Chin Yu Investment Ltd.: W.S. Hu	1,391,531 shares	1.04%
	Director	Representative of Chuang Yi Investment Ltd.: K.C. Shih	5,218,765 shares	3.91%
	Independent Director	C.W. Jen	-	-
	Independent Director	W.C. Liu	-	-
	Independent Director	W.Y. Wang	-	-
	President	Jim Lai	486,785 shares	0.36%

(Continued)

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
Global Unichip Japan Co., Ltd.	Director	Jim Lai	-	-
	Director	Chung-Lin Tsai	-	-
	Director	James Cheng	-	-
	Supervisor	K.C. Shih	-	-
	President	Chung-Lin Tsai	-	-
			GUC holds 600 shares	100%
Global Unichip Corporation-NA	Director	James Cheng	-	-
	Director	Jim Lai	-	-
	President	Jim Lai	-	-
			GUC holds 800,000 shares	100%
Global Unichip Europe B.V.	Director	Hwang, Yawlin	-	-
			(GUC's investment EUR$100,000)	(100%)
Global Unichip (BVI) Corp.	Director	Representative of GUC: Jim Lai	-	-
	Director	Representative of GUC: Chien, Pei-Lun	-	-
			GUC holds 550,000 shares	100%
Global Unichip Corporation-Shanghai	Director	James Cheng	-	-
	Director	Jim Lai	-	-
	Director	C.C. Hsieh	-	-
	President	Chu Lung	-	-
			(GUC's investment US$500,000)	(100%)
Xintec Inc.	Chairman	Representative of TSMC: J.B. Chen	93,081,225 shares	40.76%
	Director	Representative of TSMC: C.C.Wei	93,081,225 shares	40.76%
	Director	Representative of TSMC: Lora Ho	93,081,225 shares	40.76%
	Director	Representative of OmniVision Investment Holding Inc.: Shaw Hong	9,616,150 shares	4.21%
	Director	Tzun Eing Chen	1,614,985 shares	0.71%
	Supervisor	Representative of VisEra Holding Company: Cheng Ho	36,502,320 shares	15.98%
	Supervisor	Representative of VisEra Holding Company: W.M. Sheng	36,502,320 shares	15.98%
	President	Lidon Chen	368,813 shares	0.24%
Mutual-Pak Technology Co., Ltd.	Chairman	Hsu-Tung Chen	810,600 shares	3.91%
	Director	Lewis Hwan	1,963,000 shares	9.47%
	Director	Reprsentative of VentureTech Alliance Fund III, L.P.: Juine-Kai Tsang	11,867,600 shares	57.25%
	Supervisor	Wei-Pong Lin	30,000 shares	0.14%
	President	Lewis Hwan	1,963,000 shares	9.47%
Emerging Alliance Fund, L.P.	None	None	(TSMC's investment US$27,954,767)	(99.5%)
VentureTech Alliance Fund II, L.P.	None	None	(TSMC's investment US$32,394,351)	(98%)
VentureTech Alliance Fund III, L.P.	None	None	(TSMC's investment US$109,638,001)	(99%)
Growth Fund Limited	None	None	(VentureTech Alliance Fund III, L.P.'s investment US$1,700,000)	(100%)
VentureTech Alliance Holdings, LLC	None	None	None	(100%)
TSMC Lighting North America, Inc.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Rick Tsai	-	-
			TSMC holds 1,000 shares	100%
TSMC Solar North America, Inc.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Rick Tsai	-	-
			TSMC holds 1,000 shares	100%
TSMC Solar Europe B.V.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
			TSMC holds 200 shares	100%
TSMC Solar Europe GmbH	Director	Rick Tsai	-	-
	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
	Director	Goetz Bendele	-	-
			TSMC holds 200 shares	100%

8.1.6 Operational Highlights of TSMC Affiliated Companies (Note)

Unit: NT$ thousands, except EPS ($) As of 12/31/2010

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income (Net of Tax)	Basic EPS (Net of Tax)*	Remark
TSMC North America	334,048	30,090,852	27,073,597	3,017,255	222,966,697	287,068	206,178	18.74	
TSMC Europe B.V.	4,065	290,747	112,963	177,784	454,544	49,959	38,890	194,450.68	
TSMC Japan Limited	112,050	210,259	59,947	150,312	266,447	12,064	4,704	783.99	
TSMC Korea Limited	10,840	22,864	1,935	20,929	19,390	1,770	2,709	33.87	
TSMC China Company Limited	14,150,966	19,041,086	14,764,464	4,276,622	8,935,261	1,443,914	1,385,770	N/A	
TSMC Technology, Inc.	0.03	352,950	52,984	299,966	551,645	26,269	25,446	25,445.91	
InveStar Semiconductor Development Fund, Inc.	127,880	768,364	95,151	673,213	355,896	282,280	281,659	68.90	
InveStar Semiconductor Development Fund, Inc. (II) LDC	517,106	427,418	156	427,262	235,315	156,896	156,265	9.45	
TSMC Development, Inc.	0.03	7,837,921	(586)	7,838,507	1,949,300	1,947,540	1,946,954	1,946,953.64	
WaferTech, LLC	8,503,040	6,083,306	781,952	5,301,354	7,825,894	1,906,096	1,916,070	6.53	
TSMC Partners, Ltd.	30,011,730	33,565,775	-	33,565,775	2,747,026	2,313,672	2,313,672	2.34	
TSMC Design Technology Canada Inc.	74,014	132,982	20,196	112,786	182,522	16,593	10,978	4.77	
TSMC Global, Ltd.	38,992,512	43,785,942	75,399	43,710,543	693,597	660,935	660,935	514,747.01	
Global Unichip Corporation	1,335,669	4,670,382	1,487,095	3,183,287	10,271,392	584,922	604,501	4.56	
Global Unichip Japan Co., Ltd.	11,205	18,510	3,176	15,334	45,792	2,181	1,407	2,345.00	
Global Unichip Corporation-NA	37,930	61,698	1,186	60,512	224,510	10,490	10,601	13.25	
Global Unichip Europe B.V.	4,065	4,061	147	3,914	1,764	(705)	(706)	N/A	
Global Unichip (BVI) Corp.	16,702	9,134	-	9,134	-	(50)	(8,022)	(14.59)	
Global Unichip Corporation-Shanghai	15,184	11,929	4,105	7,824	22,312	(7,761)	(7,991)	N/A	
Xintec Inc.	2,283,849	5,464,912	1,459,161	4,005,751	3,962,254	573,390	505,260	2.21	
Mutual-Pak Technology Co., Ltd.	207,312	97,316	14,412	82,904	-	(56,837)	(59,222)	(2.86)	
Emerging Alliance Fund, L.P.	865,336	311,854	6,015	305,839	73,324	2,564	2,345	N/A	
VentureTech Alliance Fund II, L.P.	1,073,661	1,080,671	1,806	1,078,865	189,076	122,449	120,613	N/A	
VentureTech Alliance Fund III, L.P.	3,366,293	2,774,876	-	2,774,876	(195,331)	(247,276)	(247,276)	N/A	
Growth Fund Limited	51,626	25,681	-	25,681	-	(4,008)	(4,008)	N/A	
VentureTech Alliance Holdings, LLC	-	-	-	-	-	-	-	N/A	
TSMC Solar North America, Inc.	30	45,209	18,682	26,527	-	(35,503)	(35,513)	(35,512.58)	
TSMC Lighting North America, Inc.	30	3,037	-	3,037	-	-	-	-	
TSMC Solar Europe B.V.	4,065	23,971	-	23,971	-	-	(433)	(2,166.23)	
TSMC Solar Europe GmbH	4,065	4,065	407	3,658	-	-	(421)	(2,105.46)	

*Except TSMC Japan Limited, TSMC Europe B.V., TSMC Korea Limited, TSMC Design Technology Canada Inc., Global Unichip Japan Co., Ltd., Global Unichip (BVI) Corp., TSMC Technology, Inc., Global Unichip Europe B.V., Global Unichip Corporation-Shanghai, Mutual-Pak Technology Co., Ltd., Emerging Alliance Fund, L.P., Growth Fund Limited, VentureTech Alliance Holdings, LLC, and TSMC Solar Europe GmbH, the basic EPS of each group entity is calculated based on audit figures.

Note: Foreign exchange rates for balance sheet amounts are as follows: $1 USD = $30.3680 NT, $1 EUR = $46.6500 NT, $1 JPY = $0.3735 NT, $1 RMB = $4.6085 NT, $1 KRW = $0.0271 NT, $1 CAD= $30.4100 NT
Foreign exchange rates for income statement amounts are as follows: $1 USD = $31.5252 NT, $1 EUR = $42.0165 NT, $1 JPY = $0.3604 NT, $1 RMB = $4.6573 NT, $1 KRW = $0.0274 NT, $1 CAD = $30.6565 NT

8.2 Status of TSMC Common Shares and ADRs Acquired, Disposed of, and Held by Subsidiaries: None.

8.3 Special Notes

8.3.1 Private Placement Securities in 2010 and as of the Date of this Annual Report: None.

8.3.2 Regulatory Authorities' Legal Penalties to the Company or Its Employees, and the Company's Resulting Punishment on Its Employees for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements in 2010 and as of the Date of this Annual Report

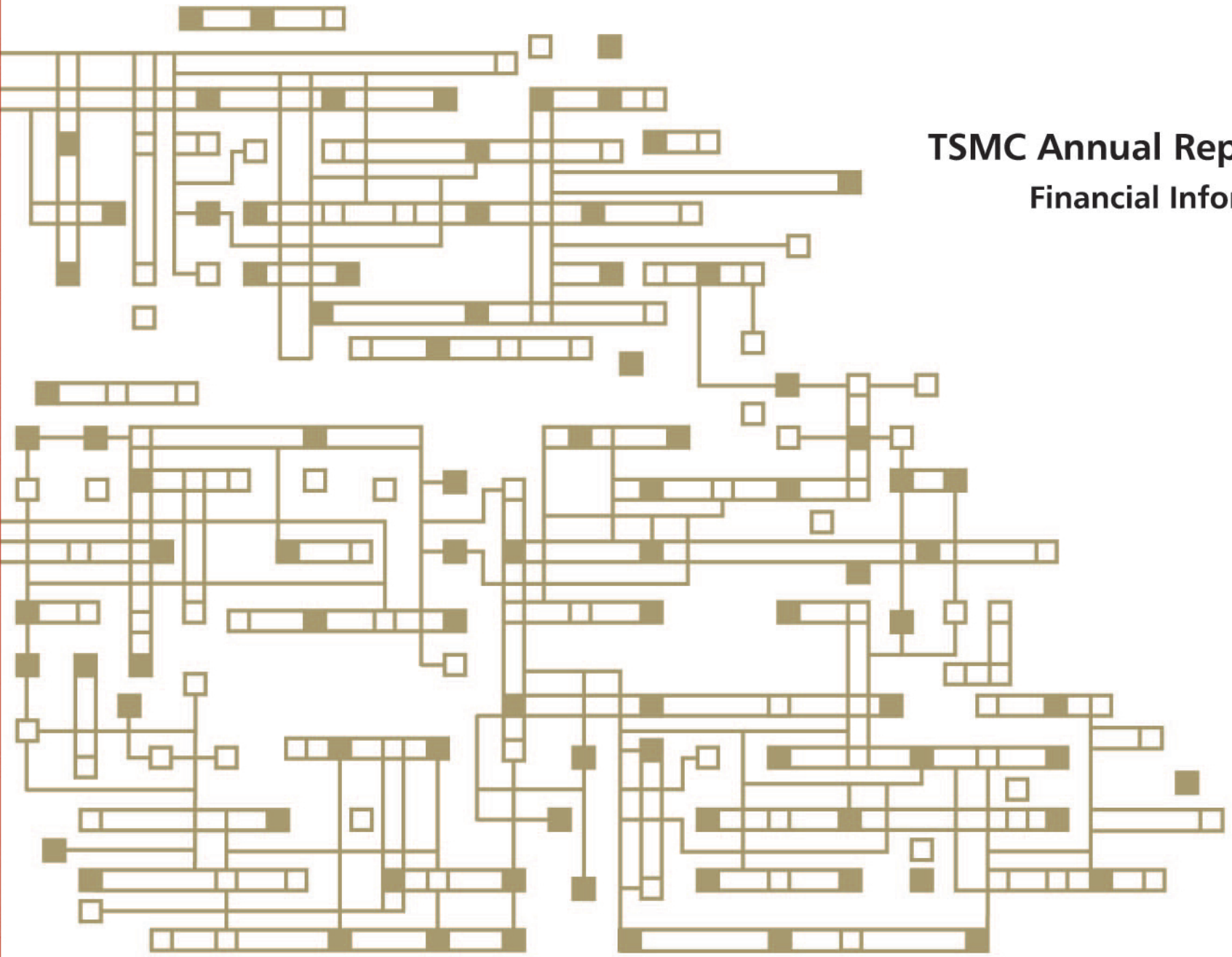
The competent authorities determined that TSMC's personnel management procedures were incomplete and therefore issued fines totalling of NT$138,000. After communicating with the authorities, TSMC has been completing relevant remedial measures.

8.3.3 Any Events in 2010 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan

After the Board Meeting of February 15, 2011, TSMC publicly announced that, as part of TSMC's strategic planning, the Board of Directors is also considering the formation of two wholly-owned subsidiaries for solid state lighting and solar businesses.

8.3.4 Other Necessary Supplement: None.

TWSE: 2330
NYSE: TSM

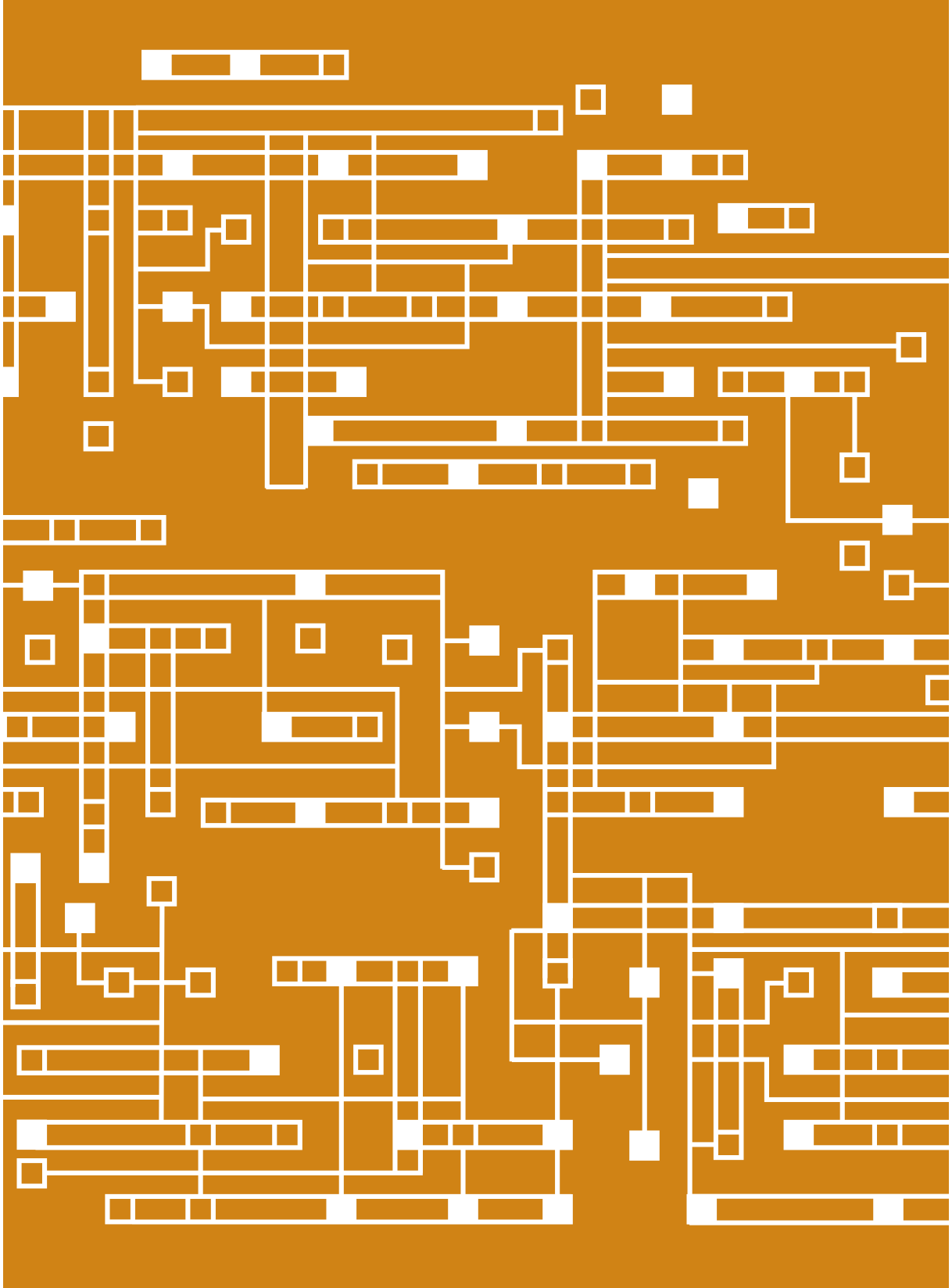


TSMC Annual Report 2010 (II)

Financial Information

- Taiwan Stock Exchange Market Observation Post System: http://newmops.tse.com.tw
- TSMC annual report is available at http://www.tsmc.com/english/investorRelations/annual_reports.htm

Printed on March 12, 2011



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1. Condensed Balance Sheet

1.1 Condensed Balance Sheet from 2006 to 2010 (Unconsolidated)

Unit: NT$ thousands

Item	2006	2007	2008	2009	2010
Current Assets	193,676,010	174,299,286	179,849,479	185,831,537	192,234,282
Long-term Investments	137,378,205	123,891,153	124,184,663	118,427,813	117,913,756
Fixed Assets	228,235,359	234,564,558	219,282,502	254,751,526	366,854,299
Other Assets	14,295,330	19,017,626	17,242,603	18,415,746	24,237,329
Current Liabilities					
Before Distribution	42,905,154	43,800,810	53,099,467	72,571,095	118,022,260
After Distribution	125,252,816	124,798,894	129,975,779	150,279,215	*
Long-term Liabilities	14,175,271	14,001,462	5,431,252	4,916,390	4,500,000
Other Liabilities	8,523,195	6,878,949	5,651,417	4,856,425	4,572,488
Capital Stock	258,296,879	264,271,037	256,254,373	259,027,066	259,100,787
Capital Surplus	54,107,498	53,732,682	49,875,255	55,486,010	55,698,434
Retained Earnings					
Before Distribution	197,124,532	218,864,571	170,053,667	181,882,682	265,779,571
After Distribution	109,687,478	133,414,062	92,664,846	104,174,562	*
Cumulative Transaction Adjustments	(1,191,165)	(1,072,853)	481,158	(1,766,667)	(6,543,163)
Unrealized Gain/Loss on Financial Instruments	561,615	680,997	(287,342)	453,621	109,289
Total Assets	573,584,904	551,772,623	540,559,247	577,426,622	701,239,666
Total Liabilities					
Before Distribution	65,603,620	64,681,221	64,182,136	82,343,910	127,094,748
After Distribution	147,951,282	145,679,305	141,058,448	160,052,030	*
Total Equity					
Before Distribution	507,981,284	487,091,402	476,377,111	495,082,712	574,144,918
After Distribution	425,633,622	406,093,318	399,500,799	417,374,592	*

*Pending for shareholders' meeting resolution

1.2 Condensed Balance Sheet from 2006 to 2010 (Consolidated)

Unit: NT$ thousands

Item	2006	2007	2008	2009	2010
Current Assets	260,317,168	249,822,329	252,618,431	259,803,748	261,519,317
Long-term Investments	53,895,151	36,461,325	39,981,515	37,845,503	39,775,528
Fixed Assets	254,094,190	260,252,187	243,645,350	273,674,787	388,444,023
Other Assets	19,178,650	24,329,385	22,671,293	23,372,182	29,190,036
Current Liabilities					
Before Distribution	46,860,531	48,706,007	56,806,756	79,133,288	123,191,113
After Distribution	129,208,193	129,704,091	133,683,068	156,841,408	*
Long-term Liabilities	22,873,542	24,284,470	16,191,041	11,388,479	12,050,755
Other Liabilities	8,612,970	7,189,178	5,546,325	5,125,905	4,982,631
Capital Stock	258,296,879	264,271,037	256,254,373	259,027,066	259,100,787
Capital Surplus	54,107,498	53,732,682	49,875,255	55,486,010	55,698,434
Retained Earnings					
Before Distribution	197,124,532	218,864,571	170,053,667	181,882,682	265,779,571
After Distribution	109,687,478	133,414,062	92,664,846	104,174,562	*
Cumulative Transaction Adjustments	(1,191,165)	(1,072,853)	481,158	(1,766,667)	(6,543,163)
Unrealized Gain/Loss on Financial Instruments	561,615	680,997	(287,342)	453,621	109,289
Total Assets	587,485,159	570,865,226	558,916,589	594,696,220	718,928,904
Total Liabilities					
Before Distribution	78,347,043	80,179,655	78,544,122	95,647,672	140,224,499
After Distribution	160,694,705	161,177,739	155,420,434	173,355,792	*
Equity Attributable to Shareholders of the Parent					
Before Distribution	507,981,284	487,091,402	476,377,111	495,082,712	574,144,918
After Distribution	425,633,622	406,093,318	399,500,799	417,374,592	*
Minority Interest	1,156,832	3,594,169	3,995,356	3,965,836	4,559,487
Total Equity					
Before Distribution	509,138,116	490,685,571	480,372,467	499,048,548	578,704,405
After Distribution	426,790,454	409,687,487	403,496,155	421,340,428	*

*Pending for shareholders' meeting resolution

2. Condensed Statement of Income

2.1 Condensed Statement of Income from 2006 to 2010 (Unconsolidated)

Unit: NT$ thousands (Except EPS: NT$)

Item	2006	2007	2008	2009	2010
Net Sales	313,881,635	313,647,644	321,767,083	285,742,868	406,963,312
Gross Profit	149,718,400	137,159,314	138,177,615	126,475,970	196,989,302
Income from Operations	126,299,859	112,252,047	106,290,232	94,522,353	154,846,508
Non-operating Income and Gains	11,562,877***	11,105,792***	6,725,625	4,121,509	15,907,968
Non-operating Expenses and Losses	3,056,237***	2,606,433***	2,257,039	3,662,840	1,464,272
Interest Revenue	3,382,868	2,634,636	2,728,892	1,117,374	764,027
Interest Expense	661,200	584,736	355,056	142,026	214,641
Income from Operations of Continued Segments - before Tax	134,806,499	120,751,406	110,758,818	94,981,022	169,290,204
Income from Operations of Continued Segments - after Tax	127,255,917	109,177,093	99,933,168	89,217,836	161,605,009
Net Income	127,009,731	109,177,093	99,933,168	89,217,836	161,605,009
Basic Earnings Per Share	4.93*	4.14*	3.86*	3.45*	6.24*
Adjusted Basic Earnings Per Share	4.70**	4.04**	3.84**	3.45	-
Capitalized Interest	-	-	-	-	-

* Based on weighted average shares outstanding in each year

** Retroactively adjusted for stock dividends for earning year 2006 to earning year 2008 and profit sharing to employees in stock for earning year 2006 to earning year 2007.

*** Certain accounts have been reclassified to conform to year 2008 classifications.

2.2 Condensed Statement of Income from 2006 to 2010 (Consolidated)

Unit: NT$ thousands (Except EPS: NT$)

Item	2006	2007	2008	2009	2010
Net Sales	317,407,171	322,630,596	333,157,660	295,742,239	419,537,911
Gross Profit	155,810,090	142,350,211	141,749,561	129,328,611	207,053,591
Income from Operations	127,264,694	111,721,907	104,435,368	91,961,886	159,175,335
Non-operating Income and Gains	9,839,081***	11,933,803	10,821,449	5,653,548	13,136,072
Non-operating Expenses and Losses	3,741,567***	2,013,684	3,784,571	2,152,787	2,041,012
Interest Revenue	4,542,149	5,651,700	5,373,823	2,600,925	1,665,193
Interest Expense	890,602	842,242	614,988	391,479	425,356
Income from Operations of Continued Segments - before Tax	133,362,208	121,642,026	111,472,246	95,462,647	170,270,395
Income from Operations of Continued Segments - after Tax	125,588,497	109,932,400	100,523,237	89,466,223	162,281,930
Net Income	127,195,246	109,932,400	100,523,237	89,466,223	162,281,930
Net Income Attributable to Shareholders of the Parent	127,009,731	109,177,093	99,933,168	89,217,836	161,605,009
Basic Earnings Per Share	4.93*	4.14*	3.86*	3.45*	6.24*
Adjusted Basic Earnings Per Share	4.70**	4.04**	3.84**	3.45	-
Capitalized Interest	-	-	-	-	-

* Based on weighted average shares outstanding in each year

** Retroactively adjusted for stock dividends for earning year 2006 to earning year 2008 and profit sharing to employees in stock for earning year 2006 to earning year 2007.

*** Certain accounts have been reclassified to conform to year 2008 classifications.

3. Financial Analysis

3.1 Financial Analysis from 2006 to 2010 (Unconsolidated)

		2006	2007	2008	2009	2010
Capital Structure Analysis	Debt Ratio (%)	11.44	11.72	11.87	14.26	18.12
	Long-term Fund to Fixed Assets Ratio (%)	228.78	213.63	219.72	196.27	157.73
Liquidity Analysis	Current Ratio (%)	451.40	397.94	338.70	256.07	162.88
	Quick Ratio (%)	404.49	348.53	312.83	228.94	140.07
	Times Interest Earned (Times)	204.39	207.51	312.95	669.76	789.71
Operating Performance Analysis	Average Collection Turnover (Times)	9.26	8.82	11.08	11.17	10.93
	Days Sales Outstanding	39.40	41.40	32.93	32.66	33.40
	Average Inventory Turnover (Times)	9.27	8.78	10.86	10.06	9.44
	Average Inventory Turnover Days	39.37	41.57	33.59	36.29	38.67
	Average Payment Turnover (Times)	15.81	16.05	20.40	18.46	16.89
	Fixed Assets Turnover (Times)	1.38	1.34	1.47	1.12	1.11
	Total Assets Turnover (Times)	0.55	0.57	0.60	0.49	0.58
Profitability Analysis	Return on Total Assets (%)	23.60	19.49	18.35	15.98	25.31
	Return on Equity (%)	26.64	21.94	20.74	18.37	30.23
	Operating Income to Paid-in Capital Ratio (%)	48.90	42.48	41.48	36.49	59.76
	Pre-tax Income to Paid-in Capital Ratio (%)	52.06	45.69	43.22	36.67	65.34
	Net Margin (%)	40.46	34.81	31.06	31.22	39.71
	Basic Earnings Per Share (NT$) (Note)	4.70	4.04	3.84	3.45	6.24
	Diluted Earnings Per Share (NT$) (Note)	4.69	4.04	3.81	3.44	6.23
Cash Flow	Cash Flow Ratio (%)	457.01	397.52	399.16	214.83	188.12
	Cash Flow Adequacy Ratio (%)	153.75	139.35	134.79	122.02	109.98
	Cash Flow Reinvestment Ratio (%)	14.18	9.73	12.95	6.99	11.20
Leverage	Operating Leverage	2.04	2.23	2.50	2.46	2.17
	Financial Leverage	1.01	1.01	1.00	1.00	1.00

Analysis of Deviation over 20% for 2010 vs. 2009:

1. The debt ratio increased by 27% as a result of an increase of current liabilities, mainly due to increases in both short-term loans and payables to contractors and equipment suppliers.
2. The current ratio decreased by 36% and quick ratio decreased by 39%, primarily due to an increase in current liabilities.
3. The return on total assets increased by 58% and return on equity increased by 65%, primarily due to an increase in net income.
4. The operating income to paid-in capital ratio increased by 64%, mainly due to an increase in operating income, which was driven by the growth of gross profit.
5. The pre-tax income to paid-in capital ratio increased by 78%, primarily due to an increase in pre-tax income.
6. The net margin increased by 27%, as a result of an increase in net income.
7. The basic and diluted earnings per share both increased by 81%, mainly due to an increase in net income.
8. The cash flow reinvestment ratio increased by 60%, as a result of an increase in cash provided by operating activities.

Note: Retroactively adjusted for stock dividends for earning year 2006 to earning year 2008 and profit sharing to employees in stock for earning year 2006 to earning year 2007.

*Glossary

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Fixed Assets Turnover = Net Sales / Net Fixed Assets
   (7) Total Assets Turnover = Net Sales / Total Assets
4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Shareholders' Equity
   (3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital
   (4) Pre-tax Income to Paid-in Capital Ratio = Income Before Tax / Paid-in Capital
   (5) Net Margin = Net Income / Net Sales
   (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)
6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

3.2 Financial Analysis from 2006 to 2010 (Consolidated)

		2006	2007	2008	2009	2010
Capital Structure Analysis	Debt Ratio (%)	13.34	14.05	14.05	16.08	19.50
	Long-term Fund to Fixed Assets (%)	209.38	197.87	203.81	186.51	152.08
Liquidity Analysis	Current Ratio (%)	555.51	512.92	444.70	328.31	212.29
	Quick Ratio (%)	506.39	461.11	415.32	300.15	187.57
	Times Interest Earned (Times)	152.46	145.43	182.26	244.85	401.30
Operating Performance Analysis	Average Collection Turnover (Times)	8.84	8.55	10.73	10.78	10.57
	Days Sales Outstanding	41.28	42.69	34.01	33.86	34.54
	Average Inventory Turnover (Times)	8.25	7.96	9.88	9.30	8.62
	Average Inventory Turnover Days	44.22	45.85	36.94	39.25	42.36
	Average Payment Turnover (Times)	15.41	15.76	20.02	18.77	17.23
	Fixed Assets Turnover (Times)	1.25	1.24	1.37	1.08	1.08
	Total Assets Turnover (Times)	0.54	0.57	0.60	0.50	0.58
Profitability Analysis	Return on Total Assets (%)	23.12	19.10	17.89	15.57	24.77
	Return on Equity (%)	26.64	21.94	20.74	18.37	30.23
	Operating Income to Paid-in Capital Ratio (%)	49.27	42.28	40.75	35.50	61.43
	Pre-tax Income to Paid-in Capital Ratio (%)	52.22	46.03	43.50	36.85	65.72
	Net Margin (%)	40.07	34.07	30.17	30.25	38.68
	Basic Earnings Per Share (NT$) (Note 1)	4.70	4.04	3.84	3.45	6.24
	Diluted Earnings Per Share (NT$) (Note 1)	4.69	4.04	3.81	3.44	6.23
Cash Flow	Cash Flow Ratio (%)	437.46	377.30	389.91	202.15	186.28
	Cash Flow Adequacy Ratio (%)	156.75	142.46	139.50	126.39	113.91
	Cash Flow Reinvestment Ratio (%)	14.36	10.07	12.98	6.90	11.13
Leverage	Operating Leverage	1.99	2.21	2.53	2.53	2.12
	Financial Leverage	1.01	1.01	1.01	1.00	1.00
Industry Specific Key Performance Indicator	Billing Utilization Rate (%)	102	93 (Note2)	88 (Note2)	76 (Note2)	101 (Note2)
	Advanced Technologies (0.13-micron and below) Percentage of Wafer Sales (%)	49	55	64	67	72
	Sales Growth (%)	19.1	1.6	3.3	-11.2	41.9
	Net Income Growth (%)	35.7	-14.0	-8.5	-10.7	81.1

Analysis of Deviation over 20% for 2010 vs. 2009:

1. The debt ratio increased by 21%, as a result of an increase of current liabilities, mainly due to increases in both short-term loans and payables to contractors and equipment suppliers.
2. The current ratio decreased by 35% and quick ratio decreased by 38%, primarily due to an increase in current liabilities.
3. The times interest earned increased by 64%, primarily due to an increase in income before tax.
4. The return on total assets increased by 59% and return on equity increased by 65%, primarily due to an increase in net income.
5. The operating income to paid-in capital ratio increased by 73%, mainly due to an increase in operating income, which was driven by the growth of gross profit.
6. The pre-tax income to paid-in capital ratio increased by 78%, primarily due to an increase in pre-tax income.
7. The net margin increased by 28%, as a result of an increase in net income.
8. The basic earnings per share and diluted earnings per share both increased by 81%, mainly due to an increase in net income.
9. The cash flow reinvestment increased by 61%, as a result of an increase in cash provided by operating activities.
10. The billing utilization rate increased by 33% and sales growth and net income growth increased, as a result of the overall growth in industry and customer demand.

Note 1: Retroactively adjusted for stock dividends for earning year 2006 to earning year 2008 and profit sharing to employees in stock for earning year 2006 to earning year 2007.

Note 2: Capacity includes wafers committed by Vanguard.

*Glossary

1. Capital Structure Analysis
   - (1) Debt Ratio = Total Liabilities / Total Assets
   - (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets
2. Liquidity Analysis
   - (1) Current Ratio = Current Assets / Current Liabilities
   - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
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   - (2) Return on Equity = Net Income / Average Shareholders' Equity
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   - (4) Pre-tax Income to Paid-in Capital Ratio = Income Before Tax / Paid-in Capital
   - (5) Net Margin = Net Income / Net Sales
   - (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
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   - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)
6. Leverage
   - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

4. Auditors' Opinions from 2006 to 2010

Year	CPA	Audit Opinion
2006	Hung-Wen Huang, Ming-Cheng Chang	An Unqualified Opinion
2007	Hung-Wen Huang, Ming-Cheng Chang	An Unqualified Opinion
2008	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards
2009	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards
2010	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion

Deloitte & Touche
12F, No. 156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan, R.O.C.
Tel: 886-2-2545-9988

5. Audit Committee's Report

The Board of Directors has prepared the Company's 2010 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Chairman of the Audit Committee: Sir Peter Leahy Bonfield

February 15, 2011

6. Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2010 and as of the date of this Annual Report: None.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the year ended December 31, 2010 on which we have issued an unqualified opinion and as of and for the year ended December 31, 2009 on which we have issued an unqualified opinion with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories."

Deloitte & Touche

January 24, 2011

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

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

ASSETS	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 109,511,130	15	$ 117,043,543	20
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	-	-	181,743	-
Available-for-sale financial assets (Notes 2, 6 and 23)	3,918,274	-	-	-
Held-to-maturity financial assets (Notes 2, 7 and 23)	4,796,589	1	9,944,843	2
Receivables from related parties (Note 24)	25,733,974	4	22,541,773	4
Notes and accounts receivable	22,250,905	3	19,884,520	3
Allowance for doubtful receivables (Notes 2 and 8)	(488,000)	-	(431,000)	-
Allowance for sales returns and others (Notes 2 and 8)	(7,341,444)	(1)	(8,583,632)	(1)
Other receivables from related parties (Note 24)	1,302,281	-	246,003	-
Other financial assets (Note 25)	418,206	-	1,104,072	-
Inventories (Notes 2, 3 and 9)	25,646,348	4	18,830,216	3
Deferred income tax assets (Notes 2 and 18)	5,133,775	1	4,063,410	1
Prepaid expenses and other current assets	1,352,244	-	1,006,046	-
Total current assets	192,234,282	27	185,831,537	32
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)				
Investments accounted for using equity method	114,977,174	17	104,660,098	18
Available-for-sale financial assets	1,033,049	-	1,046,672	1
Held-to-maturity financial assets	1,405,698	-	12,219,055	2
Financial assets carried at cost	497,835	-	501,988	-
Total long-term investments	117,913,756	17	118,427,813	21
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)				
Cost				
Buildings	128,646,942	18	124,522,047	22
Machinery and equipment	852,733,592	122	713,426,126	123
Office equipment	11,730,537	2	10,781,099	2
	993,111,071	142	848,729,272	147
Accumulated depreciation	(706,605,445)	(101)	(627,764,323)	(109)
Advance payments and construction in progress	80,348,673	11	33,786,577	6
Net property, plant and equipment	366,854,299	52	254,751,526	44
INTANGIBLE ASSETS				
Goodwill (Note 2)	1,567,756	-	1,567,756	-
Deferred charges, net (Notes 2 and 13)	5,456,427	1	5,891,685	1
Total intangible assets	7,024,183	1	7,459,441	1
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 18)	7,154,266	1	7,763,643	1
Refundable deposits	8,638,749	2	2,698,116	1
Others (Notes 2 and 24)	1,420,131	-	494,546	-
Total other assets	17,213,146	3	10,956,305	2
TOTAL	$ 701,239,666	100	$ 577,426,622	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT LIABILITIES				
Short-term loans (Note 14)	$ 30,908,637	4	$ -	-
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	7,834	-	-	-
Accounts payable	10,559,283	2	9,678,849	2
Payables to related parties (Note 24)	2,574,450	-	2,039,342	-
Income tax payable (Notes 2 and 18)	7,108,869	1	8,761,120	2
Salary and bonus payable	5,287,751	1	8,677,299	1
Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)	10,959,469	2	6,771,338	1
Payables to contractors and equipment suppliers	41,992,198	6	28,756,884	5
Accrued expenses and other current liabilities (Notes 16 and 23)	8,623,769	1	7,886,263	1
Total current liabilities	118,022,260	17	72,571,095	12
LONG-TERM LIABILITIES				
Bonds payable (Notes 15 and 23)	4,500,000	-	4,500,000	1
Other long-term payables (Notes 16 and 23)	-	-	416,390	-
Total long-term liabilities	4,500,000	-	4,916,390	1
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	3,824,601	1	3,807,176	1
Guarantee deposits (Note 27)	747,887	-	1,001,376	-
Deferred credits (Notes 2 and 24)	-	-	47,873	-
Total other liabilities	4,572,488	1	4,856,425	1
Total liabilities	127,094,748	18	82,343,910	14
CAPITAL STOCK - NT$10 PAR VALUE (Note 20)				
Authorized: 28,050,000 thousand shares				
Issued: 25,910,078 thousand shares in 2010				
25,902,706 thousand shares in 2009	259,100,787	37	259,027,066	45
CAPITAL SURPLUS (Notes 2 and 20)	55,698,434	8	55,486,010	10
RETAINED EARNINGS (Note 20)				
Appropriated as legal capital reserve	86,239,494	12	77,317,710	13
Appropriated as special capital reserve	1,313,047	-	-	-
Unappropriated earnings	178,227,030	26	104,564,972	18
	265,779,571	38	181,882,682	31
OTHERS (Notes 2 and 23)				
Cumulative translation adjustments	(6,543,163)	(1)	(1,766,667)	-
Unrealized gain on financial instruments	109,289	-	453,621	-
	(6,433,874)	(1)	(1,313,046)	-
Total shareholders' equity	574,144,918	82	495,082,712	86
TOTAL	$ 701,239,666	100	$ 577,426,622	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

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

(Continued)

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

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT$, Note 22)				
Basic earnings per share	$ 6.53	$ 6.24	$ 3.68	$ 3.45
Diluted earnings per share	$ 6.53	$ 6.23	$ 3.67	$ 3.44

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

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

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Others		Total Shareholders' Equity
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	
BALANCE, JANUARY 1, 2009	25,625,437	$ 256,254,373	$ 49,875,255	$ 67,324,393	$ 391,857	$ 102,337,417	$ 170,053,667	$ 481,158	$ (287,342)	$ 476,377,111
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 - NT$3.00 per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	(76,876,312)
Stock dividends to shareholders - NT$0.02 per share	51,251	512,509	-	-	-	(512,509)	(512,509)	-	-	-
Profit sharing to employees - in stock	141,870	1,418,699	6,076,289	-	-	-	-	-	-	7,494,988
Capital surplus transferred to capital stock	76,876	768,763	(768,763)	-	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	89,217,836	89,217,836	-	-	89,217,836
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	-	115,418
Translation adjustments	-	-	-	-	-	-	-	(2,247,825)	-	(2,247,825)
Issuance of stock from exercising employee stock options	7,272	72,722	187,811	-	-	-	-	-	-	260,533
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	14,014	14,014
Net change in shareholders' equity from equity method investees	-	-	-	-	-	-	-	-	726,949	726,949
BALANCE, DECEMBER 31, 2009	25,902,706	259,027,066	55,486,010	77,317,710	-	104,564,972	181,882,682	(1,766,667)	453,621	495,082,712
Appropriations of prior year's earnings										
Legal capital reserve	-	-	-	8,921,784	-	(8,921,784)	-	-	-	-
Special capital reserve	-	-	-	-	1,313,047	(1,313,047)	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(77,708,120)	(77,708,120)	-	-	(77,708,120)
Net income in 2010	-	-	-	-	-	161,605,009	161,605,009	-	-	161,605,009
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(17,885)	-	-	-	-	-	-	(17,885)
Translation adjustments	-	-	-	-	-	-	-	(4,776,496)	-	(4,776,496)
Issuance of stock from exercising employee stock options	7,372	73,721	171,103	-	-	-	-	-	-	244,824
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(441,978)	(441,978)
Net change in shareholders' equity from equity method investees	-	-	59,206	-	-	-	-	-	97,646	156,852
BALANCE, DECEMBER 31, 2010	25,910,078	$ 259,100,787	$ 55,698,434	$ 86,239,494	$ 1,313,047	$ 178,227,030	$ 265,779,571	$ (6,543,163)	$ 109,289	$ 574,144,918

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 161,605,009	$ 89,217,836
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,366,121	74,327,868
Unrealized gross profit from affiliates	52,742	160,279
Amortization of premium/discount of financial assets	18,611	6,322
Gain on disposal of available-for-sale financial assets, net	-	(37,370)
Gain on held-to-maturity financial assets redeemed by the issuer	-	(16,091)
Loss on disposal of financial assets carried at cost	1,263	97
Equity in losses (earnings) of equity method investees, net	(7,111,443)	2,695,720
Cash dividends received from equity method investees	422,490	1,402,592
Loss (gain) on disposal of property, plant and equipment and other assets, net	761,298	(138,613)
Settlement income from receiving equity securities	(4,434,364)	-
Deferred income tax	(373,253)	(1,678,381)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	189,577	(222,901)
Receivables from related parties	(3,192,201)	(10,813,569)
Notes and accounts receivable	(2,366,385)	(8,443,344)
Allowance for doubtful receivables	57,000	(5,746)
Allowance for sales returns and others	(1,242,188)	2,715,050
Other receivables from related parties	85,830	235,470
Other financial assets	904,157	(392,317)
Inventories	(6,816,132)	(6,022,280)
Prepaid expenses and other current assets	(445,797)	290,470
Increase (decrease) in:		
Accounts payable	624,608	4,925,758
Payables to related parties	535,108	836,992
Income tax payable	(1,652,251)	(461,691)
Salary and bonus payable	(3,389,548)	7,075,402
Accrued profit sharing to employees and bonus to directors	4,188,131	(881,731)
Accrued expenses and other current liabilities	265,241	1,259,544
Accrued pension cost	17,425	97,167
Deferred credits	(47,873)	(230,487)
Net cash provided by operating activities	222,023,176	155,902,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(182,335,032)	(86,970,843)
Held-to-maturity financial assets	-	(10,803,805)
Investments accounted for using equity method	(8,262,519)	(320,443)
Financial assets carried at cost	(480)	(1,411)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	-	1,037,370
Held-to-maturity financial assets	15,943,000	6,293,000
Financial assets carried at cost	3,370	18,828
Property, plant and equipment and other assets	387,735	71,850
Proceeds from return of capital by investees	$ -	$ 27,753
Increase in deferred charges	(1,538,301)	(1,347,228)
Decrease (increase) in refundable deposits	(5,940,633)	21,621
Increase in other assets	(1,004,581)	-
Net cash used in investing activities	(182,747,441)	(91,973,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	30,908,637	-
Repayment of bonds payable	-	(8,000,000)
Decrease in guarantee deposits	(253,489)	(477,776)
Proceeds from exercise of employee stock options	244,824	260,533
Cash dividends	(77,708,120)	(76,876,312)
Net cash used in financing activities	(46,808,148)	(85,093,555)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,532,413)	(21,164,817)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	117,043,543	138,208,360
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 109,511,130	$ 117,043,543
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 200,892	$ 351,803
Income tax paid	$ 9,640,396	$ 7,791,196
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	$ 195,950,918	$ 108,592,471
Increase in payables to contractors and equipment suppliers	(13,491,140)	(21,620,819)
Nonmonetary exchange trade-out price	(124,746)	(809)
Cash paid	$ 182,335,032	$ 86,970,843
Disposal of property, plant and equipment and other assets	$ 1,872,880	$ 64,390
Decrease (increase) in other receivables from related parties	(1,142,108)	8,269
Increase in other financial assets	(218,291)	-
Nonmonetary exchange trade-out price	(124,746)	(809)
Cash received	$ 387,735	$ 71,850
NON-CASH FINANCING ACTIVITIES		
Current portion of other long-term payables (under accrued expenses and other current liabilities)	$ 718,637	$ 769,144

(Continued)

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

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

Taiwan Semiconductor Manufacturing Company Limited

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (the "Company" or "TSMC"), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. The Company is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks. Beginning in 2010, the Company also engages in the researching, developing, designing, manufacturing and selling of 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, the Company had 33,232 and 22,292 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company determines the amount of the allowance for doubtful receivables with a charge of 1% of the amount of outstanding receivables considering the account aging analysis and current trends in the credit quality of its customers.

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

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

Financial Assets Carried at Cost

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

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

Property, Plant and Equipment and Assets Leased to Others

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

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

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

Intangible Assets

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

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

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

Pension Costs

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

Income Tax

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

Any tax credits arising from purchases of machinery, 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 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

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 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.

3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards (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 financial statements for the year ended December 31, 2009.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2010	2009
Cash and deposits in banks	$ 108,735,942	$ 114,023,307
Repurchase agreements collateralized by government bonds	775,188	3,020,236
	$ 109,511,130	$ 117,043,543

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

	December 31	
	2010	2009
Trading financial assets		
Cross currency swap contracts	$ -	$ 181,743
Trading financial liabilities		
Forward exchange contracts	$ 7,834	$ -

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 its derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
December 31, 2010		
Sell NT$/Buy JPY	January 2011 to February 2011	NT$814,882/JPY2,278,420

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2009			
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$312,862 thousand and NT$587,151 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Overseas publicly traded stock	$ 3,918,274	$ -
Corporate bonds	1,033,049	1,046,672
	4,951,323	1,046,672
Current portion	(3,918,274)	-
	$ 1,033,049	$ 1,046,672

7. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2010	2009
Corporate bonds	$ 6,202,287	$ 12,266,311
Structured time deposits	-	7,000,000
Government bonds	-	2,897,587
	6,202,287	22,163,898
Current portion	(4,796,589)	(9,944,843)
	$ 1,405,698	$ 12,219,055

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

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
December 31, 2009				
Callable domestic deposits	$ 7,000,000	$ 4,308	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:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	$ 431,000	$ 436,746
Provision	59,268	238,061
Write-off	(2,268)	(243,807)
Balance, end of year	$ 488,000	$ 431,000

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

	Years Ended December 31	
	2010	2009
Balance, beginning of year	$ 8,583,632	$ 5,868,582
Provision	11,703,136	13,728,346
Write-off	(12,945,324)	(11,013,296)
Balance, end of year	$ 7,341,444	$ 8,583,632

9. INVENTORIES

	December 31	
	2010	2009
Finished goods	$ 4,623,812	$ 2,355,232
Work in process	18,128,677	14,230,318
Raw materials	1,681,525	1,420,466
Supplies and spare parts	1,212,334	824,200
	$ 25,646,348	$ 18,830,216

Write-down of inventories to net realizable value in the amount of NT$792,951 thousand and NT$199,732 thousand, respectively, were included in the cost of sales for the years ended December 31, 2010 and 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 Ownership	Carrying Amount	% of Ownership
TSMC Global Ltd. (TSMC Global)	$ 43,710,543	100	$ 45,397,256	100
TSMC Partners, Ltd. (TSMC Partners)	33,565,775	100	32,545,619	100
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	-	-
TSMC China Company Limited (TSMC China)	4,252,270	100	2,961,043	100
TSMC North America	2,873,888	100	2,723,727	100
VentureTech Alliance Fund III, L.P. (VTAF III)	2,769,423	99	1,309,615	98
Xintec Inc. (Xintec)	1,645,201	41	1,475,014	41
Global UniChip Corporation (GUC)	1,113,516	35	983,126	35
VentureTech Alliance Fund II, L.P. (VTAF II)	1,063,057	98	1,122,810	98
Emerging Alliance Fund, L.P. (Emerging Alliance)	304,310	99	305,866	99
TSMC Europe B.V. (TSMC Europe)	177,784	100	159,467	100
TSMC Japan Limited (TSMC Japan)	150,312	100	135,663	100
TSMC Solar North America, Inc. (TSMC Solar NA)	26,527	100	-	-
TSMC Solar Europe B.V. (TSMC Solar Europe)	23,971	100	-	-
TSMC Korea Limited (TSMC Korea)	20,929	100	18,519	100
TSMC Lighting North America, Inc. (TSMC Lighting NA)	3,133	100	-	-
	$ 114,977,174		$ 104,660,098	

For the renewable energy and efficiency related businesses development, the Company established wholly-owned subsidiaries, TSMC Solar NA, TSMC Solar Europe and TSMC Lighting NA, in the third quarter of 2010.

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

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

For the years ended December 31, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT$7,111,443 thousand and a net loss of NT$2,695,720 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except those of Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea for the year ended December 31, 2010 and those of TSMC Europe, TSMC Japan and TSMC Korea for the year ended December 31, 2009. The Company believes that, had Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea's financial statements been audited, any adjustments arising would have no material effect on the Company's 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 and GUC) were NT$14,993,626 thousand and NT$18,027,990 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	$ 1,429,118	$ 2,053,253
Additions	2,055,660	-
Amortization	(980,282)	(624,135)
Balance, end of year	$ 2,504,496	$ 1,429,118

Movements of the difference allocated to goodwill were as follows:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	$ 1,061,885	$ 1,061,885
Additions	353,680	-
Balance, end of year	$ 1,415,565	$ 1,061,885

11. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2010	2009
Non-publicly traded stocks	$ 338,584	$ 338,584
Mutual funds	159,251	163,404
	$ 497,835	$ 501,988

12. PROPERTY, PLANT AND EQUIPMENT

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

	Year Ended December 31, 2009				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
Cost					
Buildings	$ 114,014,588	$ 10,520,371	$ (12,978)	$ 66	$ 124,522,047
Machinery and equipment	635,008,261	80,824,102	(2,408,802)	2,565	713,426,126
Office equipment	9,748,869	1,219,459	(187,163)	(66)	10,781,099
	758,771,718	$ 92,563,932	$ (2,608,943)	$ 2,565	848,729,272
Accumulated depreciation					
Buildings	65,351,514	$ 8,186,551	$ (12,971)	$ 66	73,525,160
Machinery and equipment	484,046,160	63,395,862	(1,750,677)	2,565	545,693,910
Office equipment	7,849,580	882,718	(186,979)	(66)	8,545,253
	557,247,254	$ 72,465,131	$ (1,950,627)	$ 2,565	627,764,323
Advance payments and construction in progress	17,758,038	$ 16,028,539	$ -	$ -	33,786,577
	$ 219,282,502				$ 254,751,526

No interest was capitalized during the years ended December 31, 2010 and 2009.

13. DEFERRED CHARGES, NET

	Year Ended December 31, 2010			
	Balance, Beginning of Year	Additions	Amortization	Balance, End of Year
Technology license fees	$ 2,979,801	$ -	$ (701,969)	$ 2,277,832
Software and system design costs	1,646,973	1,327,183	(898,221)	2,075,935
Patent and others	1,264,911	211,118	(373,369)	1,102,660
	$ 5,891,685	$ 1,538,301	$ (1,973,559)	$ 5,456,427

	Year Ended December 31, 2009			
	Balance, Beginning of Year	Additions	Amortization	Balance, End of Year
Technology license fees	$ 3,786,251	$ -	$ (806,450)	$ 2,979,801
Software and system design costs	1,559,857	861,783	(774,667)	1,646,973
Patent and others	1,055,353	485,445	(275,887)	1,264,911
	$ 6,401,461	$ 1,347,228	$ (1,857,004)	$ 5,891,685

14. SHORT-TERM LOANS

	December 31, 2010
Unsecured loans:	
US$864,000 thousand and EUR114,900 thousand, due in January 2011, and annual interest at 0.38% - 0.65%	$ 30,908,637

15. 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

16. OTHER LONG-TERM PAYABLES

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

As of December 31, 2010, the future payment of other long-term payable (classified under accrued expenses and other current liabilities) due in 2011 amounted to NT$718,637 thousand.

17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts and recognized pension costs of NT$964,063 thousand and NT$608,731 thousand for the years ended December 31, 2010 and 2009, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

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

a. Components of net periodic pension cost for the year

	2010	2009
Service cost	$ 129,552	$ 166,460
Interest cost	145,151	149,297
Projected return on plan assets	(39,939)	(56,170)
Amortization	1,061	29,134
Net periodic pension cost	$ 235,825	$ 288,721

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

	2010	2009
Benefit obligation		
Vested benefit obligation	$ 189,047	$ 123,524
Nonvested benefit obligation	5,390,113	3,754,388
Accumulated benefit obligation	5,579,160	3,877,912
Additional benefits based on future salaries	3,634,495	2,614,358
Projected benefit obligation	9,213,655	6,492,270
Fair value of plan assets	(2,853,535)	(2,612,295)
Funded status	6,360,120	3,879,975
Unrecognized net transition obligation	(82,991)	(91,291)
Prior service cost	154,738	161,977
Unrecognized net loss	(2,607,266)	(143,485)
Accrued pension cost	$ 3,824,601	$ 3,807,176
Vested benefit	$ 208,176	$ 135,501

c. Actuarial assumptions at December 31, 2010 and 2009

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

d. Contributions to the Fund for the year

2010	2009
$ 209,459	$ 191,554

e. Payments from the Fund for the year

2010	2009
$ 19,991	$ 37,801

18. INCOME TAX

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

	Years Ended December 31	
	2010	2009
Income tax expense based on "income before income tax" at statutory rate (17% and 25% for 2010 and 2009, respectively)	$ 28,779,335	$ 23,745,246
Tax effect of the following:		
Tax-exempt income	(16,669,784)	(8,621,941)
Temporary and permanent differences	(704,252)	3,124,974
Others	-	247,050
Additional tax at 10% on unappropriated earnings	127,489	-
Income tax credits used	(4,823,988)	(9,914,570)
Income tax currently payable	$ 6,708,800	$ 8,580,759

b. Income tax expense consisted of the following:

	Years Ended December 31	
	2010	2009
Income tax currently payable	$ 6,708,800	$ 8,580,759
Income tax adjustments on prior years	980,428	(1,155,113)
Other income tax adjustments	369,220	15,921
Net change in deferred income tax assets		
Investment tax credits	(7,243,473)	(1,119,523)
Temporary differences	16,790	41,456
Valuation allowance	6,853,430	(600,314)
Income tax expense	$ 7,685,195	$ 5,763,186

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

	December 31	
	2010	2009
Current deferred income tax assets		
Investment tax credits	$ 4,182,893	$ 3,210,254
Temporary differences		
Allowance for sales returns and others	624,023	794,507
Unrealized gain/loss on financial instruments	87,735	-
Others	239,124	58,649
	$ 5,133,775	$ 4,063,410
Noncurrent deferred income tax assets		
Investment tax credits	$ 17,792,321	$ 11,521,487
Temporary differences		
Depreciation	1,981,915	1,909,152
Others	32,792	132,336
Valuation allowance	(12,652,762)	(5,799,332)
	$ 7,154,266	$ 7,763,643

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. The Company recalculated its deferred tax assets in accordance with the new amended Article and adjusted the resulting difference as an income tax expense in 2010 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.

d. Integrated income tax information:

The balance of the imputation credit account 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 earnings of 2010 and 2009 were 4.70% and 9.85%, respectively.

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

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

f. As of December 31, 2010, investment tax credits consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 3,212,913	$ 2,512,408	2012
		6,033,745	6,033,745	2013
		6,361,790	6,361,790	2014
		$ 15,608,448	$ 14,907,943	
Statute for Upgrading Industries	Research and development expenditures	$ 1,000,000	$ -	2010
		1,054,194	-	2011
		2,691,517	2,691,517	2012
		4,328,009	4,328,009	2013
		$ 9,073,720	$ 7,019,526	
Statute for Upgrading Industries	Personnel training expenditures	$ 19,293	$ -	2011
		30,624	30,624	2012
		17,121	17,121	2013
		$ 67,038	$ 47,745	
Statute for Industrial Innovation	Research and development expenditures	$ 2,049,996	$ -	2010

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

	Tax-exemption Period
Construction and expansion of 2001	2006 to 2010
Construction and expansion of 2003	2007 to 2011
Construction and expansion of 2004	2008 to 2012
Construction and expansion of 2005	2010 to 2014

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

19. LABOR COST, DEPRECIATION AND AMORTIZATION

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

	Year Ended December 31, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	$ 15,874,268	$ 12,218,675	$ 28,092,943
Labor and health insurance	630,735	385,013	1,015,748
Pension	557,206	340,181	897,387
Meal	414,749	180,542	595,291
Welfare	155,795	97,282	253,077
Others	97,229	19,108	116,337
	$ 17,729,982	$ 13,240,801	$ 30,970,783
Depreciation	$ 68,606,242	$ 3,842,623	$ 72,448,865
Amortization	$ 1,199,386	$ 657,618	$ 1,857,004

20. SHAREHOLDERS' EQUITY

As of December 31, 2010, 1,096,448 thousand ADSs of the Company 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 the Company's paid-in capital. In addition, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus consisted of the following:

	December 31	
	2010	2009
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	55	55
	$ 55,698,434	$ 55,486,010

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

a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals the Company's paid-in capital;

b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

c. Bonus to directors and profit sharing to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

The Company 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.

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

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

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

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

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2009	For Fiscal Year 2008	For Fiscal Year 2009	For Fiscal Year 2008
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
	$ 87,942,951	$ 86,990,281		

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 Company'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 has not resolved the appropriation for earnings of 2010.

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

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

21. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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

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

	Years Ended December 31	
	2010	2009
Net income:		
Net income as reported	$ 161,605,009	$ 89,217,836
Pro forma net income	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

22. EARNINGS PER SHARE

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Year ended December 31, 2010					
Basic EPS					
Earnings available to common shareholders	$ 169,290,204	$ 161,605,009	25,905,832	$ 6.53	$ 6.24
Effect of dilutive potential common shares	-	-	14,262		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	$ 169,290,204	$ 161,605,009	25,920,094	$ 6.53	$ 6.23
Year ended December 31, 2009					
Basic EPS					
Earnings available to common shareholders	$ 94,981,022	$ 89,217,836	25,835,802	$ 3.68	$ 3.45
Effect of dilutive potential common shares	-	-	77,319		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	$ 94,981,022	$ 89,217,836	25,913,121	$ 3.67	$ 3.44

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 of 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.

23. 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
Assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ 181,743	$ 181,743
Available-for-sale financial assets	4,951,323	4,951,323	1,046,672	1,046,672
Held-to-maturity financial assets	6,202,287	6,278,054	22,163,898	22,251,517
Financial assets carried at cost	497,835	-	501,988	-
Liabilities				
Financial liabilities at fair value through profit or loss	7,834	7,834	-	-
Bonds payable	4,500,000	4,538,660	4,500,000	4,574,979
Other long-term payables (including current portion)	718,637	718,637	1,185,534	1,185,534

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

1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.

2) Except for derivatives and structured time deposits, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.

3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.

4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

5) Fair value of the bonds payable was based on their quoted market price.

6) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2010 and 2009 estimated using valuation techniques were recognized as a net loss of NT$7,834 thousand and a net gain of NT$181,743 thousand, respectively.

d. As of December 31, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT$7,235,336 thousand and NT$23,392,313 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT$35,416,471 thousand and NT$4,500,000 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:

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

	Year Ended December 31, 2009		
	From Available-for-sale Financial Assets	Equity-method Investments	Total
Balance, beginning of year	$ 32,658	$ (320,000)	$ (287,342)
Recognized directly in shareholders' equity	51,384	726,949	778,333
Removed from shareholders' equity and recognized in earnings	(37,370)	-	(37,370)
Balance, end of year	$ 46,672	$ 406,949	$ 453,621

f. Information about financial risks

1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the market exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market exchange rate risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities and overseas publicly traded stock; therefore, the fluctuations in market interest rates and market price will result in changes in fair values of these debt securities.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The Company evaluated whether the financial instruments for any possible counter-party or third-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believed that the Company's exposure to credit risk was not significant.

3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.

4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America
TSMC China
TSMC Europe
TSMC Japan

b. Investees

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

c. Indirect subsidiaries

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

d. Indirect investee

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

e. Others

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

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

	2010		2009	
	Amount	%	Amount	%
For the year				
Sales				
TSMC North America	$ 220,529,792	53	$ 161,251,368	54
Others	3,071,549	1	2,231,343	1
	$ 223,601,341	54	$ 163,482,711	55
Purchases				
TSMC China	$ 8,748,101	18	$ 3,787,113	12
WaferTech	7,878,260	16	5,560,707	18
VIS	4,937,617	10	3,312,656	10
SSMC	4,521,046	10	3,537,659	11
Others	39,099	-	-	-
	$ 26,124,123	54	$ 16,198,135	51
Manufacturing expenses				
Xintec (rent and outsourcing)	$ 313,397	-	$ 36,101	-
VisEra (outsourcing)	44,488	-	35,737	-
VIS (rent)	9,845	-	-	-
	$ 367,730	-	$ 71,838	-
Marketing expenses - commission				
TSMC Europe	$ 415,765	15	$ 325,463	16
TSMC Japan	266,194	9	233,855	12
TSMC China	59,180	2	10,302	-
Others	19,318	1	14,424	1
	$ 760,457	27	$ 584,044	29
Research and development expenses				
TSMC Technology (primarily consulting fee)	$ 547,838	2	$ 409,686	2
TSMC Canada (primarily consulting fee)	181,943	1	157,527	1
VIS (primarily rent)	12,017	-	1,264	-
Others	66,074	-	47,987	-
	$ 807,872	3	$ 616,464	3
Sales of property, plant and equipment and other assets				
TSMC China	$ 1,409,862	75	$ 595	1
Xintec	3,841	-	58,450	91
Others	80,495	5	263	-
	$ 1,494,198	80	$ 59,308	92
Purchases of property, plant and equipment and intangible assets				
VIS	$ 109,855	-	$ -	-
TSMC China	66,337	-	-	-
WaferTech	9,624	-	-	-
	$ 185,816	-	$ -	-

	2010		2009	
	Amount	%	Amount	%
Non-operating income and gains				
VIS (primarily technical service income, see Note 27e)	$ 267,370	2	$ 224,740	5
SSMC (primarily technical service income, see Note 27d)	198,218	1	141,488	3
TSMC China	49,738	-	184,626	4
Others	9,655	-	263	-
	$ 524,981	3	$ 551,117	12
As of December 31				
Receivables				
TSMC North America	$ 25,579,259	99	$ 22,203,242	98
Others	154,715	1	338,531	2
	$ 25,733,974	100	$ 22,541,773	100
Other receivables				
TSMC China	$ 1,170,407	90	$ 111,103	45
VIS	70,798	5	81,663	33
SSMC	53,788	4	39,629	16
Others	7,288	1	13,608	6
	$ 1,302,281	100	$ 246,003	100
Payables				
TSMC China	$ 895,193	35	$ 481,500	24
WaferTech	568,685	22	561,165	27
SSMC	430,235	17	238,741	12
VIS	428,797	17	529,060	26
TSMC Technology	88,292	3	109,220	5
Others	163,248	6	119,656	6
	$ 2,574,450	100	$ 2,039,342	100
Deferred debits (credits)				
TSMC China	$ 27,327	2	$ (7,970)	(17)

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

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

The Company leased certain office space and facilities from VIS. The lease terms and prices were determined in accordance with mutual agreements. The 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 deferred the gains and losses (classified under deferred debits and deferred credits) derived from sales of property, plant and equipment to TSMC China, and then recognized such gains and losses (classified under non-operating gains and losses) over the depreciable lives of the disposed assets.

Compensation of directors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries, incentives and special compensation	$ 773,134	$ 572,464
Bonus	578,343	395,313
	$ 1,351,477	$ 967,777

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.

25. PLEDGED OR MORTGAGED ASSETS

As of December 31, 2010 and 2009, the Company had pledged time deposits of NT$25,864 thousand and NT$824,797 thousand (classified as other financial assets) as collateral for land lease agreements and customs duty guarantee, respectively.

26. SIGNIFICANT LONG-TERM LEASES

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

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

Year	Amount
2011	$ 414,444
2012	412,977
2013	388,729
2014	375,171
2015	365,007
2016 and thereafter	3,078,295
	$ 5,034,623

27. 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 the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.

b. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2010, the Company 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. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

d. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company 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. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company 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 the Company 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 the Company and one other company of allegedly infringing a single U.S. patent. Based on this complaint, the USITC has initiated an investigation in July 2010. The Company 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.

28. 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)
Financial assets				
Monetary assets				
USD	$ 1,732,529	30.368	$ 1,467,092	32.03
EUR	224,363	40.65	58,214	46.25
JPY	28,580,962	0.3735	31,840,267	0.3484
Non-monetary assets				
HKD	1,002,116	3.91	-	-
Investments accounted for using equity method				
USD	2,997,686	30.368	2,777,541	32.03
EUR	4,963	40.65	3,448	46.25
JPY	402,441	0.3735	389,389	0.3484
RMB	927,986	4.61	630,438	4.693
Financial liabilities				
Monetary liabilities				
USD	1,776,756	30.368	690,011	32.03
EUR	261,956	40.65	72,647	46.25
JPY	30,604,986	0.3735	34,454,091	0.3484

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

29. ADDITIONAL DISCLOSURES

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

a. Financing provided: Please see Table 1 attached;

b. Endorsement/guarantee provided: None;

c. Marketable securities held: Please see Table 2 attached;

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Please see Table 3 attached;

e. Acquisition of individual real estate properties at costs of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

f. Disposal of individual real estate properties at prices of at least NT$100 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;

h. Receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;

i. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 7 attached;

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

Not meet the criteria for hedge accounting

TSMC China entered into forward exchange contracts during the year ended December 31, 2010 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2010 consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
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

For the year ended December 31, 2010, net losses arising from forward exchange contracts of TSMC China amounted to NT$3,137 thousand.

Xintec entered into forward exchange contracts during the year ended December 31, 2010 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2010 consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
Sell US$/Buy NT$	January 2011 to March 2011	US$11,800/NT$353,076

For the year ended December 31, 2010, net gains arising from forward exchange contracts of Xintec amounted to NT$11,005 thousand.

Meet the criteria for hedge accounting

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

Xintec is exposed to interest rate risk because its long-term bank loans bear floating interest rates. Accordingly, Xintec enters into interest rate sw ap contract to hedge such a cash flow interest rate risk. As of December 31, 2010, the outstanding interest rate swap contract of Xintec 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

The adjustment to shareholders' equity and the amount removed from shareholders' equity and recognized a loss of Xintec as a result of the above interest rate swap contract amounted to NT$814 thousand and NT$352 thousand for the year ended December 31, 2010, respectively.

k. Information on investment in Mainland China

1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 8 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Note 24.

30. 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

The Company has no significant foreign operations. Therefore, the disclosure of geographic information is not applicable to the Company.

c. Export sales

Area	Years Ended December 31	
	2010	2009
Americas	$ 228,283,198	$ 166,813,136
Asia	86,188,861	59,496,755
Europe and others	48,906,727	31,350,249
	$ 363,378,786	$ 257,660,140

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	$ 220,529,792	53	$ 161,251,368	54

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Investees

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 subjected to this restriction.

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

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Investees

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	Corporate bond							
	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	
	Stock							
	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	
	Fund							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	〃	-	55,259	1	55,259	
	Capital							
	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	Corporate bond							
	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)		
	Common stock								
	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		-	
	Preferred stock								
	Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	-	10		-	
TSMC Development	Corporate bond								
	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	
	Stock								
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US$ 165,211	100	US$	165,211	
Emerging Alliance	Corporate bond								
	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	
	Common stock								
	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	
	Preferred stock								
	Audience, Inc.	-	Financial assets carried at cost	1,654	US$ 250	-	US$	250	
	Next IO, Inc.	-	〃	800	US$ 500	1	US$	500	
	Optichron, Inc.	-	〃	1,276	US$ 1,145	2	US$	1,145	
	Pixim, Inc.	-	〃	4,641	US$ 1,137	2	US$	1,137	
	QST Holdings, LLC	-	〃	-	US$ 142	4	US$	142	
	Capital								
	VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7		-	
VTAF II	Corporate bond								
	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	
	Common stock								
	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)	
	Preferred stock							
	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	
	Capital							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
VTAF III	Common stock							
	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	
	Preferred stock							
	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	
	Capital							
	Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US$ 846	100	US$ 846	
	VTA Holdings	Subsidiary	〃	-	-	62	-	
Growth Fund	Common stock							
	SiliconBlue Technologies, Inc.	-	Financial assets carried at cost	5,107	US$ 762	1	US$ 762	
	Veebeam	-	〃	10	US$ 25	-	US$ 25	
ISDF	Common stock							
	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	
	Preferred stock							
	IP Unity, Inc.	-	Financial assets carried at cost	1,008	US$ 290	1	US$ 290	
	Sonics, Inc.	-	〃	230	US$ 497	2	US$ 497	
ISDF II	Common stock							
	Memsic, Inc.	-	Available-for-sale financial assets	1,072	US$ 3,645	5	US$ 3,645	
	Alchip Technologies Limited	-	Financial assets carried at cost	7,520	US$ 3,664	14	US$ 3,664	

(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)	
	Sonics, Inc.	-	Financial assets carried at cost	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	
	Preferred stock							
	FangTek, Inc.	-	Financial assets carried at cost	1,032	US$ 686	6	US$ 686	
	Sonics, Inc.	-	〃	264	US$ 456	3	US$ 456	
GUC	Common stock							
	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	Capital							
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method	-	7,468	100	7,468	
Xintec	Capital							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Solar Europe	Stock							
	TSMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1	3,658	100	3,658	
TSMC Global	Corporate bond							
	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	
	Caterpillar Financial Se	-	〃	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	

(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)	
	Cie Financement Foncier	-	Available-for-sale financial assets	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	
	Macquarie Bk Ltd. Sr	-	〃	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	

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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)	
	Metlife Inc.	-	Available-for-sale financial assets	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	
	Wal Mart Stores Inc.	-	〃	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	

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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)	
	Agency bond							
	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	
	Federal Natl Mtg Assn Gtd	-	〃	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	

(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)	
	Fnma Pool 870884	-	Available-for-sale financial assets	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	
	Government bond							
	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	
	Money market fund							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	12,387	US$ 12,387	N/A	US$ 12,387	

(Concluded)

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Investees

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 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	Stock													
	Motech	Investments accounted for using equity method	-	Investee accounted for using equity method	-	$ -	75,316	$ 6,228,661	-	$ -	$ -	$ -	76,069	$ 6,733,369
	Capital													
	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	Preferred stock													
	Stion Corp.	Financial assets carried at cost	-	-	-	-	7,347	US$ 50,000	-	-	-	-	7,347	US$ 50,000
GUC	Open-end mutual fund													
	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	Corporate bond													
	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
	Dexia Credit Local	〃	-	-	-	-	4,000	US$ 4,000	-	-	-	-	4,000	US$ 3,984

(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 S.A	Available-for-sale financial assets	-	-	-	US$ -	4,000	US$ 4,000	-	US$ -	US$ -	US$ -	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 Incser 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
	Aust + Nz Banking Group	Held-to-maturity financial assets	-	-	-	-	20,000	US$ 20,000	-	-	-	-	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

(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)
	Agency bond													
	Fannie Mae	Available-for-sale financial assets	-	-	-	US$ -	8,000	US$ 7,995	8,000	US$ 7,999	US$ 7,995	US$ 4	-	US$ -
	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	-	-
	Federal Home Loan Mortg	〃	-	-	-	-	8,000	US$ 8,193	8,000	US$ 8,123	US$ 8,192	US$ (69)	-	-
	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)	-	-

(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)
	Fnma Pool AD9843	Available-for-sale financial assets	-	-	-	US$ -	3,252	US$ 3,405	3,252	US$ 3,397	US$ 3,405	US$ (8)	-	US$ -
	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
	Government bond													
	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)	-	-
	Money market fund													
	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
	Corporate issued note													
	Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	4,500	US$ 4,489	-	-	4,500	US$ 4,489	US$ 4,489	-	-	-

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

(Concluded)

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.

TABLE 4

Taiwan Semiconductor Manufacturing Company Limited

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

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Investees

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 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	Subsidiary	Sales	$ 220,529,792	53	Net 30 days after invoice date	-	-	$ 25,579,259	53	
	GUC	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.

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Investees

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL DECEMBER 31, 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 Investees

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES 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, manufacturing, 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)			
	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	Investee accounted for using equity method (Note 3)
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US$ 280,000	US$ 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)
	Growth Fund	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)
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US$ 1,249	US$ 800	800	100	$ 58,045	$ 10,599	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,706	1,404	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US$ 550	US$ 550	550	100	8,761	(8,021)	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 100	-	100	3,747	(703)	Note 2	Subsidiary (Note 3)
GUC-BVI	GUC-Shanghai	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. (Concluded)

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.

TABLE 8

Taiwan Semiconductor Manufacturing Company Limited and Investees

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)
						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)
GUC	GUC-Shanghai	Consulting services in main products	16,160 (US$ 500)	(Note 2)	-	16,160 (US$ 500)	-	16,160 (US$ 500)

Investor Company	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	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	100%	$ 1,358,492 (Note 3)	$ 4,252,270	$ -	$ 12,180,367 (US$ 371,000)	$ 12,180,367 (US$ 371,000)	$ 12,180,367 (US$ 371,000)
GUC	100%	(7,971) (Note 4)	7,468	-	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.

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

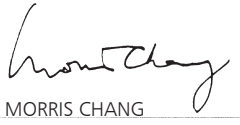
REPRESENTATION LETTER

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



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."

Deloitte & Touche

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 Amount	2010 %	2009 Amount	2009 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 147,886,955	20	$ 171,276,341	29
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	6,886	-	186,081	-
Available-for-sale financial assets (Notes 2, 6 and 25)	28,883,728	4	14,389,946	2
Held-to-maturity financial assets (Notes 2, 7 and 25)	4,796,589	1	9,944,843	2
Receivables from related parties	2,722	-	12,524	-
Notes and accounts receivable	51,029,885	7	44,637,642	7
Allowance for doubtful receivables (Notes 2 and 8)	(504,029)	-	(543,325)	-
Allowance for sales returns and others (Notes 2 and 8)	(7,546,264)	(1)	(8,724,481)	(1)
Other receivables from related parties (Note 26)	124,586	-	121,292	-
Other financial assets (Note 27)	1,021,552	-	1,849,987	-
Inventories (Notes 2, 3 and 9)	28,405,984	4	20,913,751	4
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	-
Total current assets	261,519,317	36	259,803,748	44
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)				
Investments accounted for using equity method	25,815,385	4	17,871,208	3
Available-for-sale financial assets	1,033,049	-	1,358,049	-
Held-to-maturity financial assets	8,502,887	1	15,553,242	3
Financial assets carried at cost	4,424,207	1	3,063,004	1
Total long-term investments	39,775,528	6	37,845,503	7
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)				
Cost				
Land and land improvements	891,197	-	934,090	-
Buildings	145,966,024	20	142,294,558	24
Machinery and equipment	913,155,252	127	775,653,489	130
Office equipment	14,856,582	2	13,667,747	2
Leased assets	701,552	-	714,424	-
	1,075,570,607	149	933,264,308	156
Accumulated depreciation	(773,278,157)	(107)	(693,743,886)	(117)
Advance payments and construction in progress	86,151,573	12	34,154,365	6
Net property, plant and equipment	388,444,023	54	273,674,787	45
INTANGIBLE ASSETS				
Goodwill (Note 2)	5,704,897	1	5,931,318	1
Deferred charges, net (Notes 2 and 14)	6,027,085	1	6,458,554	1
Total intangible assets	11,731,982	2	12,389,872	2
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 20)	7,362,784	1	7,988,303	1
Refundable deposits	8,677,970	1	2,733,143	1
Others (Notes 2 and 27)	1,417,300	-	260,864	-
Total other assets	17,458,054	2	10,982,310	2
TOTAL	$ 718,928,904	100	$ 594,696,220	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2010 Amount	2010 %	2009 Amount	2009 %
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 31,213,944	4	$ -	-
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	19,002	-	25	-
Hedging derivative financial liabilities (Notes 2, 11 and 25)	814	-	-	-
Accounts payable	12,104,173	2	10,905,884	2
Payables to related parties (Note 26)	867,085	-	783,007	-
Income tax payable (Notes 2 and 20)	7,184,697	1	8,800,249	1
Salary and bonus payable	6,424,064	1	9,317,035	2
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	11,096,147	2	6,818,343	1
Payables to contractors and equipment suppliers	43,259,857	6	28,924,265	5
Accrued expenses and other current liabilities (Notes 18, 25 and 29)	10,779,923	1	12,635,182	2
Current portion of long-term bank loans (Notes 17, 25 and 27)	241,407	-	949,298	-
Total current liabilities	123,191,113	17	79,133,288	13
LONG-TERM LIABILITIES				
Bonds payable (Notes 16 and 25)	4,500,000	1	4,500,000	1
Long-term bank loans (Notes 17, 25 and 27)	301,561	-	578,560	-
Other long-term payables (Notes 18, 25 and 29)	6,554,208	1	5,602,420	1
Obligations under capital leases (Notes 2, 13 and 25)	694,986	-	707,499	-
Total long-term liabilities	12,050,755	2	11,388,479	2
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 19)	3,812,351	1	3,797,032	1
Guarantee deposits (Note 29)	789,098	-	1,006,023	-
Deferred credits	126,539	-	185,689	-
Others	254,643	-	137,161	-
Total other liabilities	4,982,631	1	5,125,905	1
Total liabilities	140,224,499	20	95,647,672	16
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock - NT$10 par value (Note 22)				
Authorized: 28,050,000 thousand shares				
Issued: 25,910,078 thousand shares in 2010				
25,902,706 thousand shares in 2009	259,100,787	36	259,027,066	43
Capital surplus (Notes 2 and 22)	55,698,434	8	55,486,010	9
Retained earnings (Note 22)				
Appropriated as legal capital reserve	86,239,494	12	77,317,710	13
Appropriated as special capital reserve	1,313,047	-	-	-
Unappropriated earnings	178,227,030	24	104,564,972	18
	265,779,571	36	181,882,682	31
Others (Notes 2, 11 and 25)				
Cumulative translation adjustments	(6,543,163)	(1)	(1,766,667)	-
Unrealized gain on financial instruments	109,289	-	453,621	-
	(6,433,874)	(1)	(1,313,046)	-
Equity attributable to shareholders of the parent	574,144,918	79	495,082,712	83
MINORITY INTERESTS (Note 2)	4,559,487	1	3,965,836	1
Total shareholders' equity	578,704,405	80	499,048,548	84
TOTAL	$ 718,928,904	100	$ 594,696,220	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 26)	$ 431,630,858		$ 309,655,614	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	12,092,947		13,913,375	
NET SALES	419,537,911	100	295,742,239	100
COST OF SALES (Notes 3, 9, 21 and 26)	212,484,320	51	166,413,628	56
GROSS PROFIT	207,053,591	49	129,328,611	44
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	5,367,597	1	4,487,849	2
Total operating expenses	47,878,256	11	37,366,725	13
INCOME FROM OPERATIONS	159,175,335	38	91,961,886	31
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)	724,880	-	564,042	-
Total non-operating income and gains	13,136,072	3	5,653,548	2

(Continued)

	2010		2009	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal of property, plant and equipment (Note 2)	$ 849,254	-	$ -	-
Interest expense	425,356	-	391,479	-
Casualty loss (Note 9)	190,992	-	-	-
Impairment of financial assets (Notes 2, 6, 12 and 25)	159,798	-	913,230	1
Foreign exchange loss, net (Note 2)	99,130	-	626,971	-
Others (Note 2)	316,482	-	221,107	-
Total non-operating expenses and losses	2,041,012	-	2,152,787	1
INCOME BEFORE INCOME TAX	170,270,395	41	95,462,647	32
INCOME TAX EXPENSE (Notes 2 and 20)	7,988,465	2	5,996,424	2
NET INCOME	$ 162,281,930	39	$ 89,466,223	30
ATTRIBUTABLE TO:				
Shareholders of the parent	$ 161,605,009	39	$ 89,217,836	30
Minority interests	676,921	-	248,387	-
	$ 162,281,930	39	$ 89,466,223	30

	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
EARNINGS PER SHARE (NT$, Note 24)				
Basic earnings per share	$ 6.54	$ 6.24	$ 3.68	$ 3.45
Diluted earnings per share	$ 6.54	$ 6.23	$ 3.67	$ 3.44

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

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

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										Minority Interests	Total Shareholders' Equity
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Others		Total		
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments			
BALANCE, JANUARY 1, 2009	25,625,437	$ 256,254,373	$ 49,875,255	$ 67,324,393	$ 391,857	$ 102,337,417	$ 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 - NT$3.00 per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	(76,876,312)	-	(76,876,312)
Stock dividends to shareholders - NT$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 - NT$3.00 per share	-	-	-	-	-	(77,708,120)	(77,708,120)	-	-	(77,708,120)	-	(77,708,120)
Net income in 2010	-	-	-	-	-	161,605,009	161,605,009	-	-	161,605,009	676,921	162,281,930
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(17,885)	-	-	-	-	-	-	(17,885)	4,387	(13,498)
Translation adjustments	-	-	-	-	-	-	-	(4,776,496)	-	(4,776,496)	7,258	(4,769,238)
Issuance of stock from exercising employee stock options	7,372	73,721	171,103	-	-	-	-	-	-	244,824	-	244,824
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	25,910,078	$ 259,100,787	$ 55,698,434	$ 86,239,494	$ 1,313,047	$ 178,227,030	$ 265,779,571	$ (6,543,163)	$ 109,289	$ 574,144,918	$ 4,559,487	$ 578,704,405

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated January 24, 2011)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	$ 161,605,009	$ 89,217,836
Net income attributable to minority interests	676,921	248,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	87,810,103	80,814,748
Amortization of premium/discount of financial assets	34,142	21,483
Impairment of financial assets	159,798	913,230
Loss (gain) on disposal of available-for-sale financial assets, net	(603,368)	20,337
Gain on held-to-maturity financial assets redeemed by the issuer	-	(16,091)
Gain on disposal of financial assets carried at cost, net	(133,475)	(20,245)
Equity in earnings of equity method investees, net	(2,298,159)	(45,994)
Cash dividends received from equity method investees	320,002	1,239,490
Loss (gain) on disposal of property, plant and equipment and other assets, net	633,230	(45,475)
Settlement income from receiving equity securities	(4,434,364)	-
Loss on idle assets	319	-
Deferred income tax	(377,248)	(1,752,409)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	198,172	(215,513)
Receivables from related parties	9,802	(12,117)
Notes and accounts receivable	(6,392,243)	(19,614,321)
Allowance for doubtful receivables	(39,296)	87,574
Allowance for sales returns and others	(1,178,217)	2,653,455
Other receivables from related parties	(3,294)	(21,374)
Other financial assets	740,959	7,834
Inventories	(7,492,233)	(6,037,106)
Prepaid expenses and other current assets	(752,408)	585,430
Increase (decrease) in:		
Accounts payable	933,894	4,916,885
Payables to related parties	84,078	293,150
Income tax payable	(1,615,552)	(531,576)
Salary and bonus payable	(2,892,971)	7,101,255
Accrued profit sharing to employees and bonus to directors and supervisors	4,277,804	(1,056,399)
Accrued expenses and other current liabilities	248,192	1,356,269
Accrued pension cost	15,319	95,448
Deferred credits	(59,150)	(237,726)
Net cash provided by operating activities	229,475,766	159,966,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(186,944,203)	(87,784,906)
Available-for-sale financial assets	(48,340,334)	(38,800,577)
Held-to-maturity financial assets	(4,101,501)	(12,224,353)
Investments accounted for using equity method	(6,242,350)	(42,947)
Financial assets carried at cost	(1,812,928)	(321,195)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	37,816,288	36,039,978
Held-to-maturity financial assets	15,943,000	7,944,800
Financial assets carried at cost	242,335	131,075
Property, plant and equipment and other assets	115,524	24,241

(Continued)

	2010	2009
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	(1,015,458)	1,176
Net cash used in investing activities	(202,086,182)	(96,468,483)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	31,213,944	-
Proceeds from long-term bank loans	-	286,574
Repayments of:		
Long-term bank loans	(967,034)	(378,673)
Bonds payable	-	(8,000,000)
Decrease in other long-term payables	(1,107,333)	-
Decrease in guarantee deposits	(232,925)	(478,472)
Proceeds from donation	49,021	-
Proceeds from exercise of employee stock options	244,824	260,533
Cash dividends	(77,708,120)	(76,876,312)
Decrease in minority interests	(130,083)	(284,774)
Net cash used in financing activities	(48,637,706)	(85,471,124)
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	171,276,341	194,613,752
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 147,886,955	$ 171,276,341
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 392,805	$ 580,376
Income tax paid	$ 9,818,418	$ 8,088,124
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	$ 201,696,476	$ 109,151,226
Increase in payables to contractors and equipment suppliers	(14,599,987)	(21,361,340)
Nonmonetary exchange trade-out price	(124,746)	(809)
Increase in other liabilities	(27,540)	-
Increase in obligations under capital leases	-	(4,171)
Cash paid	$ 186,944,203	$ 87,784,906
Acquisition of available-for-sale financial assets	$ 48,405,875	$ 38,800,577
Increase in accrued expenses and other current liabilities	(65,541)	-
Cash paid	$ 48,340,334	$ 38,800,577
Disposal of property, plant and equipment and other assets	$ 458,561	$ 25,050
Increase in other financial assets	(218,291)	-
Nonmonetary exchange trade-out price	(124,746)	(809)
Cash received	$ 115,524	$ 24,241
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	$ 241,407	$ 949,298
Current portion of other long-term payables (under accrued expenses and other current liabilities)	$ 1,406,601	$ 4,005,307

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
(With Deloitte & Touche audit report dated January 24, 2011)

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)

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:

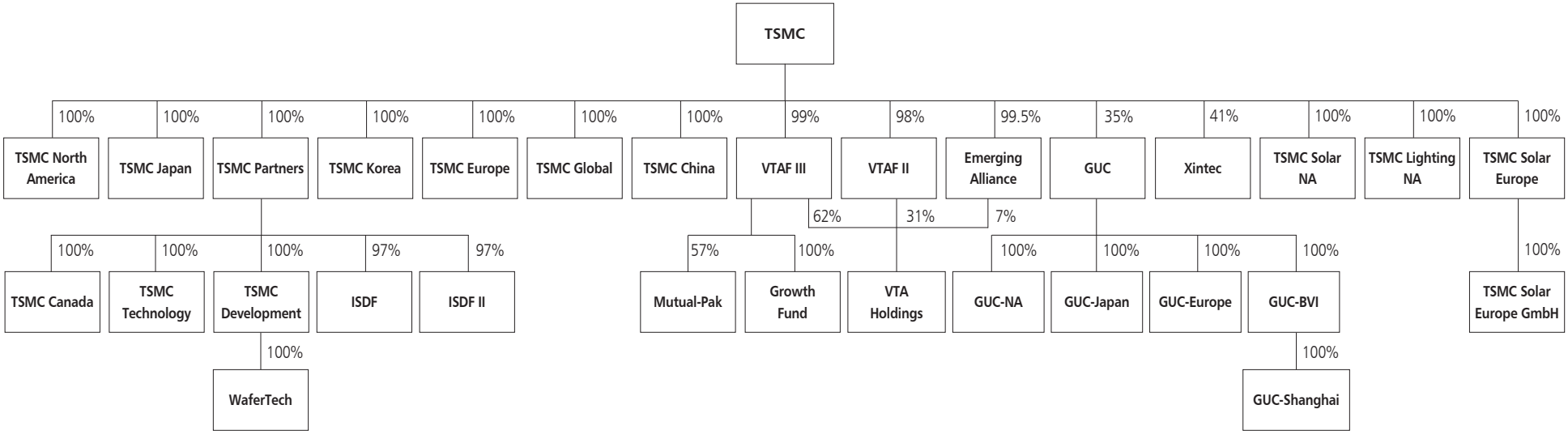
Principles of Consolidation

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 December 31		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

	December 31	
	2010	2009
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	-	160,150
	$ 147,886,955	$ 171,276,341

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

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

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:

	Maturity Date	Contract Amount (In Thousands)
December 31, 2010		
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$353,076
December 31, 2009		
Sell US$/Buy NT$	February 2010	US$21,300/NT$686,788

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2009			
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

	December 31	
	2010	2009
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
	29,916,777	15,747,995
Current portion	(28,883,728)	(14,389,946)
	$ 1,033,049	$ 1,358,049

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

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

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

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
December 31, 2009				
Callable domestic deposits	$ 7,000,000	$ 4,308	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:

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

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

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

9. INVENTORIES

	December 31	
	2010	2009
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	1,964,156	1,326,692
	$ 28,405,984	$ 20,913,751

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 Ownership	Carrying Amount	% of Ownership
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
	$ 25,815,385		$ 17,871,208	

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	(955,269)	(599,121)
Balance, end of year	$ 2,491,891	$ 1,391,500

Movements of the difference allocated to goodwill were as follows:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	$ 1,061,885	$ 1,061,885
Additions	353,680	-
Balance, end of year	$ 1,415,565	$ 1,061,885

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:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
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

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

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.

The common stocks of Capella Microsystems (Taiwan), Inc., Integrated Memory Logic Limited and Leadtrend Technology Corporation were listed on the Taiwan GreTai Securities Market or Taiwan Stock Exchange in June 2010, May 2010, and August 2009, respectively. Thus, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.

For the years ended December 31, 2010 and 2009, the Company recognized impairment on financial assets carried at cost of NT$159,798 thousand and NT$711,884 thousand, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2010					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Year
Cost						
Land and land improvements	$ 934,090	$ -	$ -	$ 320	$ (43,213)	$ 891,197
Buildings	142,294,558	4,361,536	(135,497)	2,162	(556,735)	145,966,024
Machinery and equipment	775,653,489	142,125,965	(2,287,420)	228,370	(2,565,152)	913,155,252
Office equipment	13,667,747	1,997,654	(731,094)	3,704	(81,429)	14,856,582
Leased asset	714,424	-	-	-	(12,872)	701,552
	933,264,308	$ 148,485,155	$ (3,154,011)	$ 234,556	$ (3,259,401)	1,075,570,607
Accumulated depreciation						
Land and land improvements	317,580	$ 28,746	$ -	$ -	$ (17,534)	328,792
Buildings	81,821,718	9,100,935	(128,466)	(495)	(320,989)	90,472,703
Machinery and equipment	600,795,474	75,237,057	(2,277,047)	133,318	(2,620,166)	671,268,636
Office equipment	10,589,349	1,165,827	(726,539)	(442)	(70,519)	10,957,676
Leased asset	219,765	35,084	-	-	(4,499)	250,350
	693,743,886	$ 85,567,649	$ (3,132,052)	$ 132,381	$ (3,033,707)	773,278,157
Advance payments and construction in progress	34,154,365	$ 53,211,321	$ (1,030,521)	$ (108,035)	$ (75,557)	86,151,573
	$ 273,674,787					$ 388,444,023

	Year Ended December 31, 2009					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Year
Cost						
Land and land improvements	$ 953,857	$ -	$ -	$ 1,817	$ (21,584)	$ 934,090
Buildings	132,249,996	10,530,802	(12,978)	(19,910)	(453,352)	142,294,558
Machinery and equipment	697,498,743	81,548,279	(1,872,721)	9,964	(1,530,776)	775,653,489
Office equipment	12,430,800	1,491,370	(226,779)	22,821	(50,465)	13,667,747
Leased asset	722,339	4,171	-	7,143	(19,229)	714,424
	843,855,735	$ 93,574,622	$ (2,112,478)	$ 21,835	$ (2,075,406)	933,264,308
Accumulated depreciation						
Land and land improvements	295,898	$ 30,072	$ -	$ -	$ (8,390)	317,580
Buildings	72,681,699	9,379,371	(12,971)	(5,779)	(220,602)	81,821,718
Machinery and equipment	535,962,291	68,064,750	(1,791,122)	(6,271)	(1,434,174)	600,795,474
Office equipment	9,693,809	1,168,317	(224,769)	(158)	(47,850)	10,589,349
Leased asset	182,570	36,126	-	7,143	(6,074)	219,765
	618,816,267	$ 78,678,636	$ (2,028,862)	$ (5,065)	$ (1,717,090)	693,743,886
Advance payments and construction in progress	18,605,882	$ 15,576,604	$ -	$ (26,426)	$ (1,695)	34,154,365
	$ 243,645,350					$ 273,674,787

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of December 31, 2010 were NT$773,172 thousand.

14. DEFERRED CHARGES, NET

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

	Year Ended December 31, 2009						
	Balance, Beginning of Year	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Year
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	1,198,785	502,601	(299,731)	-	(5,502)	(2,751)	1,393,402
	$ 7,125,828	$ 1,469,831	$ (2,130,375)	$ -	$ (8,988)	$ 2,258	$ 6,458,554

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:

Year of Repayment	Amount
2011	$ 241,407
2012	241,407
2013	60,154
	$ 542,968

18. OTHER LONG-TERM PAYABLES

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

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:

Year of Payment	Amount
2011	$ 1,406,601
2012	675,672
2013	569,659
2014	5,308,877
	$ 7,960,809

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

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

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

	2010	2009
Benefit obligation		
Vested benefit obligation	$ 189,047	$ 123,524
Nonvested benefit obligation	5,432,624	3,790,560
Accumulated benefit obligation	5,621,671	3,914,084
Additional benefits based on future salaries	3,667,087	2,643,695
Projected benefit obligation	9,288,758	6,557,779
Fair value of plan assets	(2,907,156)	(2,661,566)
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	(2,639,759)	(168,381)
Accrued pension cost	$ 3,812,351	$ 3,797,032
Vested benefit	$ 208,176	$ 135,501

c. Actuarial assumptions at December 31, 2010 and 2009

	2010	2009
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

2010	2009
$ 212,248	$ 194,221

e. Payments from the Funds for the year

2010	2009
$ 19,991	$ 37,801

20. INCOME TAX

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

	Years Ended December 31	
	2010	2009
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	(4,887,947)	(9,984,616)
Income tax currently payable	$ 6,940,054	$ 8,893,942

b. Income tax expense consisted of the following:

	Years Ended December 31	
	2010	2009
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	6,358,954	512,269
Income tax expense	$ 7,988,465	$ 5,996,424

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

	December 31	
	2010	2009
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	(139,049)	(143,230)
	$ 5,373,076	$ 4,370,309
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	(16,283,673)	(10,105,433)
	$ 7,362,784	$ 7,988,303

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
		6,369,512	6,369,512	2014
		$ 15,823,708	$ 15,008,525	
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
		4,523,367	4,523,367	2013
		$ 9,657,379	$ 7,558,839	

(Continued)

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Personnel training expenditures	$ 759	$ -	2010
		20,081	788	2011
		32,286	32,286	2012
		17,795	17,795	2013
		$ 70,921	$ 50,869	
Statute for Industrial Innovation	Research and development expenditures	$ 2,049,996	$ -	2010

(Concluded)

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

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

	Year Ended December 31, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
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	134,334	233,258	367,592
	$ 20,529,248	$ 17,442,400	$ 37,971,648
Depreciation	$ 74,482,133	$ 4,180,237	$ 78,662,370
Amortization	$ 1,259,949	$ 870,426	$ 2,130,375

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:

	December 31	
	2010	2009
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	55	55
	$ 55,698,434	$ 55,486,010

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:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For FiscalYear 2009	For Fiscal Year 2008	For Fiscal Year 2009	For Fiscal Year 2008
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
	$ 87,942,951	$ 86,990,281		

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$)
Year ended December 31, 2010		
Balance, beginning of year	28,810	$ 32.4
Options exercised	(7,372)	33.2
Options canceled	(1)	50.1
Balance, end of year	21,437	32.3
Year ended December 31, 2009		
Balance, beginning of year	36,234	34.0
Options granted	175	34.0
Options exercised	(7,272)	35.8
Options canceled	(327)	46.5
Balance, end of year	28,810	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$)	Options Outstanding		
	Number of Options (In Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT$)
$21.7 - $30.5	16,438	2.20	$ 28.2
38.0 - 50.1	4,999	3.91	45.6
	21,437	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:

	Number of Options	Weighted-average Exercise Prices (NT$)
Year ended December 31, 2010		
Balance, beginning of year	3,810	$ 83.4
Options exercised	(1,592)	13.7
Options canceled	(431)	143.3
Balance, end of year	1,787	130.9
Year ended December 31, 2009		
Balance, beginning of year	5,557	$ 63.8
Options granted	87	13.6
Options exercised	(1,475)	10.5
Options canceled	(359)	62.2
Balance, end of year	3,810	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	1,294	3.00	175.0	646	175.0
	1,787	2.36	130.9	1,139	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$)
Year ended December 31, 2010		
Balance, beginning of year	3,960	$14.7
Options exercised	(1,856)	13.9
Options canceled	(272)	17.3
Balance, end of year	1,832	15.1
Year ended December 31, 2009		
Balance, beginning of year	7,442	14.8
Options exercised	(2,552)	13.9
Options canceled	(930)	16.6
Balance, end of year	3,960	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	1,039	6.50 - 6.69	17.0	497	17.0
	1,832		15.1	1,161	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:

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

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
Assets				
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	-
Liabilities				
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:

	Year Ended December 31, 2010			
	From Available-for-sale Financial Assets	Equity Method Investments	Gain (Loss) on Cash Flow Hedges	Total
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	(588,445)	-	-	(588,445)
Balance, end of year	$ 86,158	$ 23,462	$ (331)	$ 109,289

	Year Ended December 31, 2009			
	From Available-for-sale Financial Assets	Equity Method Investments	Gain (Loss) on Cash Flow Hedges	Total
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	230,740	-	-	230,740
Balance, end of year	$ 424,128	$ 29,493	$ -	$ 453,621

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	%
For the year				
Sales				
VIS	$ 223,584	-	$ 139,496	-
VisEra	82,595	-	15,569	-
Others	11,397	-	240	-
	$ 317,576	-	$ 155,305	-
Purchases				
VIS	$ 4,959,050	2	$ 3,330,288	2
SSMC	4,521,046	2	3,537,659	2
Others	39,099	-	-	-
	$ 9,519,195	4	$ 6,867,947	4
Manufacturing expenses				
VisEra (primarily outsourcing and rent)	$ 102,188	-	$ 82,586	-
VIS (primarily rent)	10,161	-	-	-
	$ 112,349	-	$ 82,586	-
Research and development expenses				
VisEra	$ 12,053	-	$ 388	-
VIS (primarily rent)	12,017	-	1,264	-
Others	133	-	-	-
	$ 24,203	-	$ 1,652	-
Sales of property, plant and equipment				
VIS	$ 37,011	11	$ -	-
VisEra	4,418	1	1,050	4
SSMC	2,401	1	-	-
	$ 43,830	13	$ 1,050	4
Purchase of property, plant and equipment and intangible assets				
VIS	$ 109,855	-	$ -	-
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	-	-	129	-
	$ 465,588	4	$ 366,357	6
As of December 31				
Other receivables				
VIS	$ 70,798	57	$ 81,663	67
SSMC	53,788	43	39,629	33
	$ 124,586	100	$ 121,292	100
Payables				
SSMC	$ 430,235	50	$ 238,741	31
VIS	428,797	49	531,459	68
Others	8,053	1	12,807	1
	$ 867,085	100	$ 783,007	100

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

The Company leased certain office space and facilities from VIS. The lease terms and prices were determined in accordance with mutual agreements. The 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:

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

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:

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

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	3,422,460
	$ 6,139,023

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)
Financial assets				
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
Financial liabilities				
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:

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

(Continued)

(Concluded)

c. Export sales

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

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

TABLE 1

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 subjected to this restriction.

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

TABLE 2

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	Corporate bond							
	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	
	Stock							
	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	
	Fund							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	〃	-	55,259	1	55,259	
	Capital							
	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	Corporate bond							
	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)		
	Common stock									
	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		-	
	Preferred stock									
	Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000		-	10		-	
TSMC Development	Corporate bond									
	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	
	Stock									
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US$	165,211	100	US$	165,211	
Emerging Alliance	Corporate bond									
	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	
	Common stock									
	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	
	Preferred stock									
	Audience, Inc.	-	Financial assets carried at cost	1,654	US$	250	-	US$	250	
	Next IO, Inc.	-	〃	800	US$	500	1	US$	500	
	Optichron, Inc.	-	〃	1,276	US$	1,145	2	US$	1,145	
	Pixim, Inc.	-	〃	4,641	US$	1,137	2	US$	1,137	
	QST Holdings, LLC	-	〃	-	US$	142	4	US$	142	
	Capital									
	VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-		-	7		-	
VTAF II	Corporate bond									
	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	
	Common stock									
	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)	
	Preferred stock							
	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	
	Capital							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
VTAF III	Common stock							
	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	
	Preferred stock							
	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	
	Capital							
	Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US$ 846	100	US$ 846	
	VTA Holdings	Subsidiary	〃	-	-	62	-	
Growth Fund	Common stock							
	SiliconBlue Technologies, Inc.	-	Financial assets carried at cost	5,107	US$ 762	1	US$ 762	
	Veebeam	-	〃	10	US$ 25	-	US$ 25	
ISDF	Common stock							
	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	
	Preferred stock							
	IP Unity, Inc.	-	Financial assets carried at cost	1,008	US$ 290	1	US$ 290	
	Sonics, Inc.	-	〃	230	US$ 497	2	US$ 497	
ISDF II	Common stock							
	Memsic, Inc.	-	Available-for-sale financial assets	1,072	US$ 3,645	5	US$ 3,645	
	Alchip Technologies Limited	-	Financial assets carried at cost	7,520	US$ 3,664	14	US$ 3,664	

(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)	
	Sonics, Inc.	-	Financial assets carried at cost	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	
	Preferred stock							
	FangTek, Inc.	-	Financial assets carried at cost	1,032	US$ 686	6	US$ 686	
	Sonics, Inc.	-	〃	264	US$ 456	3	US$ 456	
GUC	Common stock							
	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	Capital							
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method	-	7,468	100	7,468	
Xintec	Capital							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Solar Europe	Stock							
	TSMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1	3,658	100	3,658	
TSMC Global	Corporate bond							
	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	
	Caterpillar Financial Se	-	〃	900	US$ 901	N/A	US$ 901	
	Cellco Part/Veri Wireless	-	〃	1,000	US$ 1,159	N/A	US$ 1,159	

(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)	
	Cello Part/Veri Wirelss	-	Available-for-sale financial assets	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	
	Macquarie Bk Ltd. Sr	-	〃	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	

(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)	
	Met Life Glob Funding I	-	Available-for-sale financial assets	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	
	Wal Mart Stores Inc.	-	〃	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	

(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)	
	Nationwide Building Society-UK Government Guarantee	-	Held-to-maturity financial assets	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	
	Agency bond							
	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	
	Federal Natl Mtg Assn Gtd	-	〃	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	

(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)	
	Fnma Pool 790772	-	Available-for-sale financial assets	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	
	Government bond							
	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	
	Money market fund							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	12,387	US$ 12,387	N/A	US$ 12,387	

(Concluded)

TABLE 3

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	Stock													
	Motech	Investments accounted for using equity method	-	Investee accounted for using equity method	-	$ -	75,316	$ 6,228,661	-	$ -	$ -	$ -	76,069	$ 6,733,369
	Capital													
	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	Preferred stock													
	Stion Corp.	Financial assets carried at cost	-	-	-	-	7,347	US$ 50,000	-	-	-	-	7,347	US$ 50,000
GUC	Open-end mutual fund													
	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	Corporate bond													
	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 Incser 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
	Aust + Nz Banking Group	Held-to-maturity financial assets	-	-	-	-	20,000	US$ 20,000	-	-	-	-	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

(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)
	Westpac Banking Corp.	Held-to-maturity financial assets	-	-	-	US$ -	25,000	US$ 25,000	-	US$ -	US$ -	US$ -	25,000	US$ 25,000
	Agency bond													
	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	-	US$ -	3,000	US$ 3,001	US$ 2,992	US$ 9	-	-
	Federal Home Loan Mortg	〃	-	-	-	-	8,000	US$ 8,193	8,000	US$ 8,123	US$ 8,192	US$ (69)	-	-
	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

(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)
	Fhr 3184 Fa	Available-for-sale financial assets	-	-	-	US$ -	4,686	US$ 4,681	-	US$ -	US$ -	US$ -	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
	Government bond													
	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)	-	-
	Money market fund													
	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
	Corporate issued note													
	Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	4,500	US$ 4,489	-	-	4,500	US$ 4,489	US$ 4,489	-	-	-

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

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.

TABLE 4

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 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

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 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	Subsidiary	Sales	$ 220,529,792	53	Net 30 days after invoice date	-	-	$ 25,579,259	53	
	GUC	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.

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL DECEMBER 31, 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 INVESTEES 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, manufacturing, 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)			
	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	Investee accounted for using equity method (Note 3)
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US$ 280,000	US$ 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)
	Growth Fund	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)
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US$ 1,249	US$ 800	800	100	$ 58,045	$ 10,599	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,706	1,404	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US$ 550	US$ 550	550	100	8,761	(8,021)	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 100	-	100	3,747	(703)	Note 2	Subsidiary (Note 3)
GUC-BVI	GUC-Shanghai	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. (Concluded)

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.

TABLE 8

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)
						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)
GUC	GUC-Shanghai	Consulting services in main products	16,160 (US$ 500)	(Note 2)	-	16,160 (US$ 500)	-	16,160 (US$ 500)

Investor Company	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	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	100%	$ 1,358,492 (Note 3)	$ 4,252,270	$ -	$ 12,180,367 (US$ 371,000)	$ 12,180,367 (US$ 371,000)	$ 12,180,367 (US$ 371,000)
GUC	100%	(7,971) (Note 4)	7,468	-	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.

TABLE 9

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

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

A. For the year ended December 31, 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	-	-
				Deferred debits	27,327	-	-
		TSMC Japan	1	Marketing expenses - commission	266,194	-	-
				Payables to related parties	26,115	-	-
		TSMC Europe	1	Marketing expenses - commission	415,765	-	-
				Research and development expenses	33,907	-	-
				Payables to related parties	35,530	-	-
		TSMC Korea	1	Marketing expenses - commission	19,318	-	-
				Payables to related parties	2,466	-	-
		GUC	1	Sales	2,818,499	-	1%
				Research and development expenses	8,390	-	-
				Receivables from related parties	154,589	-	-
				Payables to related parties	2,271	-	-
		TSMC Technology	1	Research and development expenses	547,838	-	-
				Payables to related parties	88,292	-	-

(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	WaferTech	1	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	-	-
				Disposal of other assets	9,655	-	-
				Other receivables from related parties	3,543	-	-
				Payables to related parties	568,685	-	-
		TSMC Canada	1	Research and development expenses	181,943	-	-
				Payables to related parties	13,495	-	-
		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	-	-
		GUC-NA	3	Operating expenses	155,643	-	-
				Manufacturing overhead	54,029	-	-
				Accrued expenses	14,353	-	-
		GUC-Japan	3	Operating expenses	45,927	-	-
				Accrued expenses	9,706	-	-
		GUC-Europe	3	Operating expenses	1,778	-	-
		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	-	-
				Payables to related parties	31,342	-	-
		TSMC Korea	1	Marketing expenses - commission	14,424	-	-
				Payables to related parties	1,418	-	-
		GUC	1	Sales	2,023,612	-	1%
				Research and development expenses	26,488	-	-
				Receivables from related parties	338,502	-	-
		TSMC Technology	1	Research and development expenses	409,686	-	-
				Payables to related parties	109,220	-	-
		WaferTech	1	Sales	4,482	-	-
				Purchases	5,560,707	-	2%
				Other receivables from related parties	4,932	-	-
				Payables to related parties	561,165	-	-
		TSMC Canada	1	Research and development expenses	157,527	-	-
				Payables to related parties	13,653	-	-
		Xintec	1	Manufacturing overhead	36,101	-	-
				Payables to related parties	37,363	-	-
				Sales of property, plant and equipment and other assets	58,450	-	-

(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
3	GUC	TSMC North America	3	Purchases	$ 937,160	-	-
				Manufacturing overhead	303,687	-	-
				Payables to related parties	173,789	-	-
		GUC-NA	3	Operating expenses	157,345	-	-
				Accrued expenses	14,618	-	-
		GUC-Japan	3	Operating expenses	39,755	-	-
				Accrued expenses	3,462	-	-
		GUC-Europe	3	Operating expenses	7,305	-	-

(Concluded)

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.

9. U.S. GAAP Financial Information

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

U.S. GAAP RECONCILIATIONS OF SHAREHOLDERS' EQUITY
December 31, 2009 and 2010

(In Thousand New Taiwan Dollars)

	2010	2009
Total shareholders' equity based on R.O.C. GAAP	$ 578,704,405	$ 499,048,548
Adjustments		
- U.S. GAAP adjustments on equity-method investees	(516,314)	(449,910)
- Impairment of long-lived assets		
- Loss on impairment of assets	(9,897,467)	(10,439,143)
- Reversal of depreciation on assets impaired under U.S. GAAP	9,897,467	10,439,143
- 10%tax on undistributed earnings	(1,379,606)	(3,588,008)
- Goodwill		
- Carrying amount difference for 68% equity interest in TASMC's share acquisition	52,212,732	52,212,732
- Reversal of amortization of goodwill recognized under R.O.C. GAAP	(11,499,173)	(11,318,915)
- Accrued pension cost	(27,445)	(31,734)
- Accrual for deferred pension loss under U.S. SFAS No. 158	(2,477,721)	(10,712)
- Income tax effect of U.S. GAAP adjustments	139,349	134,367
- Net adjustment	36,451,822	36,947,820
Total equity based on U.S. GAAP	$ 615,156,227	$ 535,996,368
Attributable to		
Shareholders of the parent	610,596,740	532,042,816
Noncontrolling interests	4,559,487	3,953,552
	$ 615,156,227	$ 535,996,368

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

U.S. GAAP RECONCILIATIONS OF NET INCOME
For the Years Ended December 31, 2009 and 2010

(In Thousand New Taiwan Dollars)

	2010	2009
Net income		
Consolidated net income based on R.O.C. GAAP	$ 162,281,930	$ 89,466,223
Adjustments		
- U.S. GAAP adjustments on equity-method investees	(7,020)	(6,300)
- 10% tax on undistributed earnings	2,208,402	966,889
- Profit sharing to employees, directors and supervisors- Fair market value adjustment of prior year accrual	-	(648,092)
- Pension expense	4,289	3,888
- Stock-based compensation	(179,784)	(559,078)
- Income tax effect of U.S. GAAP adjustments	12,625	69,929
- Net adjustment	2,038,512	(172,764)
Consolidated net income based on U.S. GAAP	$ 164,320,442	$ 89,293,459
Attributable to		
Shareholders of the parent	163,638,659	89,102,226
Noncontrolling interests	681,783	191,233
	$ 164,320,442	$ 89,293,459

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TSMC's depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM. The information relating to TSM is available at http://www.nyse.com and http://newmops.tse.com.tw