

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

March 21, 2011

1934 Act Registration No. 1-14700
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2011

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: _____.)

Taiwan Semiconductor Manufacturing Company Limited
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.
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)**

	2010		2009	
	Amount	%	Amount	%
ASSETS				
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

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Accumulated depreciation	993,111,071 (706,605,445)	142 (101)	848,729,272 (627,764,323)	147 (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

	2010		2009	
	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS EQUITY				
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
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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
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Total liabilities	127,094,748	18	82,343,910	14
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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
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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
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TOTAL	\$ 701,239,666	100	\$ 577,426,622	100
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The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 24, 2011)

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

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

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

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

(Concluded)

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

Capital Stock	Common			Retained Earnings			Others	
Stock	Stock		Legal	Special	Unappropriated		Cumulative	Unrealized
Shares	Amount	Capital	Capital	Capital	Earnings	Total	Translation	Gain
(In		Surplus	Reserve	Reserve	Earnings		Adjustments	(Loss) on
Thousands)							Instruments	
25,625,437	\$ 256,254,373	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 170,053,667	\$ 481,158	\$ (287,342)
			9,993,317		(9,993,317)			
				(391,857)	391,857			
					(76,876,312)	(76,876,312)		
51,251	512,509				(512,509)	(512,509)		
141,870	1,418,699	6,076,289						
76,876	768,763	(768,763)						
					89,217,836	89,217,836		
		115,418						

								(2,247,825)	
7,272	72,722	187,811							14,014
									726,949
25,902,706	259,027,066	55,486,010	77,317,710		104,564,972	181,882,682	(1,766,667)		453,621
			8,921,784		(8,921,784)				
				1,313,047	(1,313,047)				
					(77,708,120)	(77,708,120)			
					161,605,009	161,605,009			
								(17,885)	
									(4,776,496)
7,372	73,721	171,103							
									(441,978)
		59,206							97,646

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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

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

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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

(Continued)

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

	2010	2009
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
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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
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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
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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
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

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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

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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.

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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)
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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	% of	2009	% of
	Carrying	Owner-	Carrying	Owner-
	Amount	Ship	Amount	ship
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

	Balance, Beginning of Year	Year Ended December 31, 2010		Balance, End of Year
		Additions	Amortization	
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

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	Balance, Beginning of Year	Year Ended December 31, 2009		Balance, End of Year
		Additions	Amortization	
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

2010 **2009**

c. Actuarial assumptions at December 31, 2010 and 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	\$ 209,459	\$ 191,554
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e. Payments from the Fund for the year	\$ 19,991	\$ 37,801
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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

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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
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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

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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

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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.

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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\$)	Number of Options (In Thousands)	Options Outstanding	
		Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)
\$21.7- \$30.5	16,438	2.20	\$ 28.2
38.0-50.1	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:

Year ended December 31, 2010	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax

Basic EPS

Earnings available to common shareholders	\$ 169,290,204	\$ 161,605,009	25,905,832	\$ 6.53	\$ 6.24
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Effect of dilutive potential common shares

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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
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(Continued)

	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, 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

(Concluded)

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

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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

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- 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	Equity- method Investments	Total

	Financial Assets		
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

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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

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	2010		2009	
	Amount	%	Amount	%
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		\$	
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

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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)

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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.

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- 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:

	2010		December 31		2009	
	Foreign Currency (In Thousands)	Exchange Rate (Note)	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:

- Financing provided: Please see Table 1 attached;
- Endorsement/guarantee provided: None;
- Marketable securities held: Please see Table 2 attached;
- 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;
- 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;

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- 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 swap 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:

	Fair Value December 31,	Expected Cash Flow	Expected Timing for the Recognition of Gains
Hedging Financial			

Hedged Item	Instrument	2010	Generated Period	or Losses from Hedge
Long-term bank loans	Interest rate swap contract	\$ (814)	2010 to 2012	2010 to 2012

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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.	Name	Account	Partner	Company	Financing Limit for Each Period (US\$ Thousands)	Maximum Balance for the Period (US\$ Thousands)	Ending Balance (US\$ in Thousands)	Interest Rate	Financing Reason	Allowance for Collateral Bad Debt Items	Value	Transaction Amounts	Financing Company's Financing Amount Limits
													(US\$ in Thousands)
1	TSMC	Long-term	TSMC	(Note 1)	\$3,644,160	\$3,644,160	0.25%-0.26%	Purchase equipment		\$	\$	\$33,565,775	
		receivable from related parties	China		(US\$120,000)	(US\$120,000)							

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

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

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)

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)
Corporate bond				
China Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,033,049
Steel Corporation		Held-to-maturity financial assets		1,507,400
Yasa Petrochemical Corporation				1,463,791
Yan Power Company				1,352,022
Yasa Plastics Corporation				1,303,298
Yasa Plastics Corporation				575,776
Semiconductor Manufacturing International Corporation		Available-for-sale financial assets	1,789,493	3,918,274
SMC Global	Subsidiary	Investments accounted for using equity method	1	43,710,543
SMC Partners	Subsidiary	Investee accounted for using equity method	988,268	33,565,775
			628,223	9,422,452
		Investee accounted for using equity method	314	7,120,714
		Investee accounted for using equity method	76,069	6,733,369
SMC North America	Subsidiary		11,000	2,873,888
		Investee with a controlling financial interest	93,081	1,645,201
		Investee with a controlling financial interest	46,688	1,113,516
SMC Europe	Subsidiary			177,784
SMC Japan	Subsidiary		6	150,312
SMC Solar NA	Subsidiary		1	26,527
SMC Solar Europe	Subsidiary			23,971
SMC Korea	Subsidiary		80	20,929
SMC Lighting NA	Subsidiary		1	3,133
Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584
Etsu Handotai Taiwan Co., Ltd.			10,500	105,000

Technology Fund IV			4,000	40,000
on Ventures Fund		Financial assets carried at cost		103,992
on Asia Capital				55,259
al				
C China	Subsidiary	Investments accounted for using equity method		4,252,270
F III	Subsidiary			2,769,423
F II	Subsidiary			1,063,057
ging Alliance	Subsidiary			304,310
orate bond				
al Elec Cap Corp. Mtn		Held-to-maturity financial assets	US\$	20,283
al Elec Cap Corp. Mtn			US\$	20,141

(Continued)

			December 31, 2019	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)
Common stock				
SMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 403,257
WisEra Holding Company	Investee accounted for using equity method		43,000	US\$ 83,057
VeStar Semiconductor Development and, Inc. (ISDF)	Subsidiary		4,088	US\$ 21,523
VeStar Semiconductor Development and, Inc. (II) LDC. (ISDF II)	Subsidiary		16,532	US\$ 13,660
SMC Technology	Subsidiary		1	US\$ 9,878
SMC Canada	Subsidiary		2,300	US\$ 3,714
Microcube Inc.	Investee accounted for using equity method		5,333	
Preferred stock				
Microcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	
Corporate bond				
GE Capital Corp.		Held-to-maturity financial assets		US\$ 20,215
JP Morgan Chase & Co.				US\$ 15,000
Common stock				
WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 165,211
Corporate bond				
Real Bk		Available-for-sale financial assets	249	US\$ 249
Real Bk Ssb			249	US\$ 249
Ally Bank			249	US\$ 249
Banco Popular De P R			249	US\$ 249
Bank of America Block Bank			249	US\$ 249
Common stock				
ArchWave Technology Corp.		Financial assets carried at cost	4,074	US\$ 1,545
Global Investment Holding Inc.			11,124	US\$ 3,065
Preferred stock				

audience, Inc.		Financial assets carried at cost	1,654	US\$	250
ext IO, Inc.			800	US\$	500
ptichron, Inc.			1,276	US\$	1,145
xim, Inc.			4,641	US\$	1,137
ST Holdings, LLC				US\$	142
apital					
ventureTech Alliance Holdings, LLC	Subsidiary	Investments accounted for			
(VTA Holdings)		using equity method			
orporate bond					
real Bk		Available-for-sale financial	249	US\$	249
		assets			
real Bk Ssb			249	US\$	249
id Ally Bank			249	US\$	249
id Banco Popular De P R			249	US\$	249
&R Block Bank			249	US\$	249
ommon stock					
eadtrend		Available-for-sale financial	738	US\$	3,159
		assets			
ether Systems, Inc.		Financial assets carried at cost	1,600	US\$	1,503
chWave Technology Corp.			1,267	US\$	1,036
entelic			1,806	US\$	2,607
					(Continued)

December 31, 2010

(Continued)

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			December 31, 2013	
			Carrying	Per
			Shares/Units	Value
			(In	(US\$ in Ow
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Thousands)	Thousands)
Alchip Technologies Limited		Financial assets carried at cost	7,520	US\$ 3,664
Sonics, Inc.			278	US\$ 10
Goyatek Technology, Corp.			932	US\$ 545
Auden Technology MFG. Co., Ltd.			1,049	US\$ 223
Preferred stock				
FangTek, Inc.		Financial assets carried at cost	1,032	US\$ 686
Sonics, Inc.			264	US\$ 456
Common stock				
GUC-NA	Subsidiary	Investments accounted for using equity method	800	\$58,045
GUC-Japan	Subsidiary		1	14,706
GUC-BVI	Subsidiary		550	8,761
GUC-Europe	Subsidiary			3,747
Capital				
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method		7,468
Capital				
Compositech Ltd.		Financial assets carried at cost	587	
Stock				
TSMC Solar Europe GmbH	Subsidiary	Investments accounted for using equity method	1	3,658
Corporate bond				
African Development Bank		Available-for-sale financial assets	2,600	US\$ 2,622
Allstate Life Gbl Fdg Secd			4,430	US\$ 4,824
Alltel Corp.			100	US\$ 108
American Honda Fin Corp. Mtn			4,000	US\$ 3,995
Anz National Intl Ltd.			3,500	US\$ 3,554
Asian Development Bank			2,500	US\$ 2,501
Astrazeneca Plc			3,150	US\$ 3,397
AT+T Wireless			3,500	US\$ 3,823
Australia + New Zealand Bkg			2,000	US\$ 2,047
Banco Bilbao Vizcaya P R			3,250	US\$ 3,249

Bank New York Inc.	1,615	US\$	1,613
Bank New York Inc. Medium	2,100	US\$	2,253
Bank of America Corp.	2,100	US\$	2,154
Bank of New York Mellon	2,200	US\$	2,206
Bank of Nova Scotia	5,000	US\$	5,000
Barclays Bank Plc	12,000	US\$	11,997
Barclays Bank Plc NY	400	US\$	400
Bbva US Senior SA Uniper	2,645	US\$	2,638
Bear Stearns Cos Inc.	2,200	US\$	2,199
Bear Stearns Cos Inc.	3,500	US\$	3,494
Bear Stearns Cos Inc. Med Term	2,400	US\$	2,618
Berkshire Hathaway Inc. Del	3,500	US\$	3,517
Bhp Billiton Fin USA Ltd.	2,000	US\$	2,104
Bk Tokyo Mitsubishi Ufj	2,000	US\$	2,042
Bmw US Capital LLC	1,600	US\$	1,602
Bnp Paribas SA	3,810	US\$	3,844
Boeing Cap Corp.	2,925	US\$	3,192
Boeing Co.	450	US\$	458
Bp Captial Markets Plc	3,900	US\$	3,988

(Continued)

December 31, 2010

(Continued)

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December 31, 2017

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Percentage Owned
			Shares/Units (In thousands)	Value (US\$ in thousands)	
Equarie Bk Ltd. Sr		Available-for-sale financial assets	3,900	US\$3,975	N/A
ssmutual Global Fdg II Mediu			4,000	US\$3,955	N/A
lon Fdg Corp.			3,500	US\$3,475	N/A
ck + Co. Inc.			4,000	US\$4,032	N/A
ck + Co. Inc.			2,000	US\$2,077	N/A
errill Lynch + Co. Inc.			4,691	US\$4,647	N/A
e Life Glob Funding I			500	US\$ 508	N/A
life Inc.			6,500	US\$6,600	N/A
life Inc.			2,000	US\$2,013	N/A
icrosoft Corp.			3,250	US\$3,232	N/A
numental Global Fdg II			1,500	US\$1,446	N/A
numental Global Fdg III			750	US\$ 729	N/A
rgan Stanley			1,000	US\$1,036	N/A
rgan Stanley Dean Witter			8,000	US\$8,524	N/A
rgan Stanley for Equity			2,000	US\$1,996	N/A
ional Australia Bank			1,000	US\$1,019	N/A
w York Life Global Fdg			2,000	US\$2,049	N/A
dea Bank Fld Plc			2,250	US\$2,241	N/A
idental Pete Corp.			3,200	US\$3,700	N/A
idental Petroleum Cor			1,000	US\$1,004	N/A
ario (Province of)			2,000	US\$2,038	N/A
ific Gas + Electric			2,000	US\$1,999	N/A
Funding Corp.			2,000	US\$2,000	N/A
coa Global Fdg I Med Term			1,750	US\$1,724	N/A
ncipal Life Income Fundings			1,500	US\$1,483	N/A
coa Global Fdg I Medium			5,050	US\$5,011	N/A
obank Nederland			5,000	US\$5,000	N/A
yal Bk of Scotland Plc			4,000	US\$4,002	N/A
yal Bk of Scotland Plc			5,000	US\$5,052	N/A
yal Bk Scotland Plc			2,550	US\$2,589	N/A
yal Bk Scotlnd Grp Plc 144A			9,450	US\$9,516	N/A
Communications Inc.			2,000	US\$2,106	N/A
ll International Fin			4,515	US\$4,536	N/A
ll International Fin			3,200	US\$3,248	N/A
ereign Bancorp Fdic Gtd Tlg			2,200	US\$2,260	N/A
e Str Corp.			6,420	US\$6,417	N/A
Life Finl Global			4,400	US\$4,332	N/A
Life Finl Global Fdg II Lp			1,500	US\$1,496	N/A

corp Metway Ltd.	8,800	US\$8,982	N/A
nska Handelsbanken AB	2,200	US\$2,253	N/A
edbank AB	2,000	US\$1,998	N/A
edbank Foreningssparbanken A	1,500	US\$1,536	N/A
edbank Hypotek AB	4,000	US\$3,993	N/A
a Pharma Fin III LLC	4,000	US\$4,016	N/A
a Global Mkts Inc.	2,000	US\$2,141	N/A
a Global Mkts Inc. Mtn	1,500	US\$1,631	N/A
s Ag Stamford CT	2,200	US\$2,199	N/A
s Ag Stamford CT	800	US\$ 807	N/A
Central Federal Cred	4,000	US\$4,084	N/A
izon Communications Inc.	1,500	US\$1,631	N/A
chovia Corp.	550	US\$ 545	N/A
chovia Corp. Global Medium	5,000	US\$5,141	N/A
chovia Corp. New	1,400	US\$1,398	N/A
l Mart Stores Inc.	4,000	US\$3,964	N/A

(Continued)

December 31, 2012

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Percentage Owned
			Shares/Units (In thousands)	Value (US\$ in thousands)	
Walmart Stores Inc.		Available-for-sale financial assets	3,770	US\$ 4,325	N/A
Wells Fargo + Company			2,000	US\$ 2,007	N/A
Wells Fargo Banking Corp.			3,500	US\$ 3,514	N/A
Wells Fargo Banking Corp.			2,100	US\$ 2,110	N/A
Wells Fargo Banking Corp.			4,000	US\$ 4,005	N/A
Wells Fargo Banking Group			3,345	US\$ 3,657	N/A
Wells Fargo + Nz Banking Group		Held-to-maturity financial assets	20,000	US\$ 20,000	N/A
Commonwealth Bank of Australia			25,000	US\$ 25,000	N/A
Commonwealth Bank of Australia			25,000	US\$ 25,000	N/A
JPMorgan Chase + Co.			35,000	US\$ 35,067	N/A
First Nationwide Building Society-UK			8,000	US\$ 8,000	N/A
Government Guarantee					
Wells Fargo Banking Corp.			25,000	US\$ 25,000	N/A
Wells Fargo Banking Corp. 12/12 Frn			5,000	US\$ 5,000	N/A
Municipal bond					
State of Tennessee Mae		Available-for-sale financial assets	11,100	US\$ 11,096	N/A
State of Tennessee Mae			3,900	US\$ 3,861	N/A
State of Tennessee Mae			16,104	US\$ 16,102	N/A
State of Tennessee Mae			8,765	US\$ 8,763	N/A
State of Tennessee Mae			4,600	US\$ 4,589	N/A
State of Tennessee Mae			3,000	US\$ 2,994	N/A
State of Tennessee Mae			4,000	US\$ 4,003	N/A
Home Ln Pc Pool 1b2830			1,836	US\$ 1,922	N/A
Home Ln Pc Pool 1g0115			2,023	US\$ 2,086	N/A
Home Ln Pc Pool 1g1114			799	US\$ 837	N/A
Home Ln Pc Pool 1k1210			1,550	US\$ 1,613	N/A
Home Ln Pc Pool 780741			1,800	US\$ 1,879	N/A
Central Farm Credit Bank			4,000	US\$ 3,984	N/A
Central Farm Credit Bank			4,000	US\$ 3,994	N/A
Central Farm Credit Bank			5,000	US\$ 5,004	N/A
Central Farm Credit Bank			5,000	US\$ 5,008	N/A
Central Home Ln Bks			5,000	US\$ 5,046	N/A
Central Home Ln Mtg Assn			2,768	US\$ 2,810	N/A
Central Home Ln Mtg Corp.			3,732	US\$ 3,727	N/A
Central Home Ln Mtg Corp.			1,443	US\$ 1,505	N/A

al Home Ln Mtg Corp.	2,664	US\$	2,793	N/A
al Home Ln Mtg Corp.	1,915	US\$	1,969	N/A
al Home Ln Mtg Corp.	1,778	US\$	1,849	N/A
al Home Ln Mtg Corp.	422	US\$	423	N/A
al Home Ln Mtg Corp.	246	US\$	247	N/A
al Home Ln Mtg Corp.	1,298	US\$	1,341	N/A
al Home Ln Mtg Corp.	3,324	US\$	3,453	N/A
al Home Ln Mtg Corp.	2,450	US\$	2,491	N/A
al Home Loan Bank	5,000	US\$	5,007	N/A
al Home Loan Bank	6,800	US\$	6,817	N/A
al Home Loan Bank	8,000	US\$	8,040	N/A
al Home Loan Bank	1,400	US\$	1,399	N/A
al Home Loan Bank	1,400	US\$	1,399	N/A
al Home Loan Bank	10,000	US\$	9,998	N/A
al Home Loan Bank	8,400	US\$	8,397	N/A
al Home Loan Bank	5,000	US\$	4,998	N/A
al Home Loan Mtg Corp.	5,183	US\$	5,168	N/A
al Home Loan Mtg Corp.	710	US\$	718	N/A
al National Mort Assoc	535	US\$	539	N/A
al Natl Mtg Assn	471	US\$	471	N/A

(Continued)

December 31, 2019

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Percentage Owned
			Shares/Units (In thousands)	(US\$ in thousands)	
Government Natl Mtg Assn Gtd		Available-for-sale financial assets	2,346	US\$ 2,425	N/A
Government Natl Mtg Assn Gtd Remi			1,917	US\$ 1,988	N/A
Government Natl Mtg Assn Gtd Remi			436	US\$ 437	N/A
Government Natl Mtg Assn Mtn			1,276	US\$ 1,304	N/A
Government Natl Mtg Assn Remic			1,080	US\$ 1,094	N/A
Government Natl Mtg Assn			1,428	US\$ 1,506	N/A
2016 47 Pb			2,561	US\$ 2,595	N/A
2015 53 Da			3,284	US\$ 3,466	N/A
2010 87 Jb			1,520	US\$ 1,602	N/A
2011 84 Fa			4,096	US\$ 4,084	N/A
Pool 745131			1,743	US\$ 1,803	N/A
Pool 745688			1,384	US\$ 1,440	N/A
Pool 775852			340	US\$ 343	N/A
Pool 790772			1,162	US\$ 1,215	N/A
Pool 819649			1,876	US\$ 1,950	N/A
Pool 829989			1,626	US\$ 1,695	N/A
Pool 841068			482	US\$ 505	N/A
Pool 846233			1,729	US\$ 1,800	N/A
Pool 870884			1,609	US\$ 1,684	N/A
Pool 879908			1,349	US\$ 1,417	N/A
Pool AB0035			2,000	US\$ 2,055	N/A
Pool AC9580			100	US\$ 103	N/A
2005 47 HA			1,785	US\$ 1,875	N/A
2006 60 CO			3,485	US\$ 3,483	N/A
2006 60 CO			1,009	US\$ 1,016	N/A
2009 116 A			4,271	US\$ 4,640	N/A
2009 70 NT			1,890	US\$ 1,965	N/A
2012 05 Mac			10,420	US\$ 10,411	N/A
2012 05 Mac			4,500	US\$ 4,502	N/A
2012 05 Mac			5,750	US\$ 5,764	N/A
2012 05 Mac			7,855	US\$ 7,859	N/A
2012 05 Mac			4,300	US\$ 4,316	N/A
2012 05 Mac			4,010	US\$ 4,014	N/A
2012 05 Mac II Pool 082431			1,897	US\$ 1,943	N/A
2008 9 SA			2,259	US\$ 2,274	N/A
2009 45 AB			4,417	US\$ 4,496	N/A
Government Natl Mtg Assn			3,050	US\$ 3,285	N/A
Government Natl Mtg Assn Gtd			1,692	US\$ 1,780	N/A

2010 C1 A1		1,968	US\$ 1,928	N/A
2010 R2 1A		3,732	US\$ 3,731	N/A
Government bond				
Treasury N/B	Available-for-sale financial assets	41,700	US\$42,042	N/A
Treasury N/B		7,000	US\$ 7,079	N/A
Treasury N/B		1,000	US\$ 1,015	N/A
Treasury N/B		5,250	US\$ 5,212	N/A
Treasury Sec		11,100	US\$10,976	N/A
Crédit De Financement De Lec	Held-to-maturity financial assets	15,000	US\$15,000	N/A
Money market fund				
Cash Mgmt Global Offshore	Available-for-sale financial assets	12,387	US\$12,387	N/A

(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)

Financial Statement	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 1)		Carrying Value (US\$ in Thousands)
				Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	
Investments accounted for using equity method			Investee accounted for using equity method		\$ 75,316	US\$ 6,228,661		\$	\$	
Investments accounted for using equity method			Investee accounted for using equity method	1,309,615		1,862,278				
Financial assets carried at cost						7,347 US\$ 50,000				
Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.			5,668	80,008	7,072	100,000	12,740	180,192	100,000
	PCA Securities Investment Trust Co., Ltd.					7,692	100,000	7,692	100,075	100,000
Available-for-sale financial assets						4,430 US\$ 4,834				
						4,000 US\$ 3,985				
						3,500 US\$ 3,515				
						3,500 US\$ 3,979				
						2,900 US\$ 3,121	2,900 US\$ 3,086			
						3,400 US\$ 3,548	3,400 US\$ 3,539			
						5,000 US\$ 5,000				

			4,000	US\$	3,984				
			12,000	US\$	12,035				
			5,000	US\$	5,000	5,000	US\$	5,036	US\$
			4,745	US\$	4,744	2,100	US\$	2,084	US\$
			3,500	US\$	3,500				
			2,925	US\$	3,235				
			3,900	US\$	3,969				
			4,000	US\$	4,029				
			4,020	US\$	4,021	4,020	US\$	4,016	US\$
5,000	US\$	4,996				5,000	US\$	5,023	US\$
			10,000	US\$	10,094	10,000	US\$	10,104	US\$
			16,000	US\$	16,262				
			7,300	US\$	7,448				
			4,165	US\$	4,167	4,165	US\$	4,167	US\$
			4,800	US\$	4,768	4,800	US\$	4,761	US\$
			5,000	US\$	5,360				
			4,000	US\$	4,000				
			4,000	US\$	4,291				
			6,000	US\$	6,000				

(Continued)

Priorities	Financial Statement	Counter-party	Relationship	Nature of	Beginning	Acquisition		Disposal (Note 2)		Carry
					Balance	Shares/Units	Amount	Shares/Units	Amount	
Item	Account				(In	(US\$ in	(In	(US\$ in	(US\$ in	(US\$ in
					Thousands)	Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
	Available-for-sale financial assets				US\$	4,000	US\$ 4,000		US\$	US\$
						4,000	US\$ 4,000			
						5,000	US\$ 5,000			
						4,000	US\$ 4,117			
						6,000	US\$ 6,000	5,000	US\$ 5,015	US\$ 5,015
						4,000	US\$ 4,024			
						4,600	US\$ 4,727			
Group					3,000	US\$3,012		3,000	US\$ 3,012	US\$ 3,012
						4,330	US\$ 4,781			
						3,400	US\$ 3,407			
						2,900	US\$ 3,142			
					1,800	US\$1,796	4,300	US\$ 4,302	3,800	US\$ 3,804
					3,000	US\$3,027		3,000	US\$ 3,020	US\$ 3,020
						6,800	US\$ 6,772			
						5,000	US\$ 5,014			
						3,500	US\$ 3,634			
+ Co.						5,000	US\$ 5,000			
+ Co.					3,000	US\$3,030		3,000	US\$ 3,028	US\$ 3,028
						3,800	US\$ 3,800	3,800	US\$ 3,801	US\$ 3,801
Plc						4,850	US\$ 4,895			
d. Sr						3,900	US\$ 3,984			
al						4,000	US\$ 3,926			
						4,000	US\$ 4,066			
Co.						4,691	US\$ 4,603			
nding						5,000	US\$ 5,004	5,000	US\$ 5,003	US\$ 5,003
nding					2,100	US\$2,142	2,575	US\$ 2,623	4,675	US\$ 4,757

		6,500	US\$ 6,527			
	3,340	US\$3,278			3,340	US\$ 3,327 US\$ 3
Dean			3,250	US\$ 3,249		
			8,000	US\$ 8,796		
Corp.			3,200	US\$ 3,752		
			3,000	US\$ 3,000	3,000	US\$ 3,001 US\$ 3
and			5,000	US\$ 4,997		
ic Gtd			10,000	US\$10,372	10,000	US\$10,347 US\$10
land			4,000	US\$ 4,015		
l Fin			4,515	US\$ 4,528		
l Fin			3,200	US\$ 3,227		
	1,940	US\$1,920	5,080	US\$ 5,065	600	US\$ 597 US\$
			5,500	US\$ 5,585	5,500	US\$ 5,559 US\$ 5
bal			4,400	US\$ 4,304		
Ltd.	5,000	US\$5,170	3,800	US\$ 3,933		
ek AB			4,000	US\$ 4,002		
III			4,000	US\$ 4,000		
al	4,800	US\$4,799	8,000	US\$ 8,074	12,800	US\$12,899 US\$12
al			4,000	US\$ 4,093		
Global			5,000	US\$ 5,138		
New	4,000	US\$4,246			4,000	US\$ 4,205 US\$ 4
Inc.			4,000	US\$ 3,986		
Inc.			3,770	US\$ 4,383		
Corp.			3,500	US\$ 3,500		
Corp.			4,000	US\$ 4,044		
			3,345	US\$ 3,699		

(Continued)

Financial Statement	Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal (Note		Carri Va (U i Thous	
				Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)		
	Held-to-maturity financial assets			US\$	20,000	US\$	20,000	US\$	US\$		
					25,000	US\$	25,000				
					25,000	US\$	25,000				
					35,000	US\$	35,103				
					25,000	US\$	25,000				
	Available-for-sale financial assets				8,000	US\$	7,995	8,000	US\$	7,999	US\$
					8,765	US\$	8,760				
					11,100	US\$	11,096				
					3,900	US\$	3,899				
					16,104	US\$	16,097				
					4,600	US\$	4,598				
					3,000	US\$	3,009				
					3,770	US\$	3,770				
					4,000	US\$	4,014				
					4,000	US\$	4,007				
					4,000	US\$	4,011				
					5,900	US\$	5,975				
					4,020	US\$	4,017	4,020	US\$	4,023	US\$
					4,000	US\$	3,997				
					4,000	US\$	3,995				
					5,000	US\$	4,997				
					3,100	US\$	3,100	3,100	US\$	3,100	US\$
					5,000	US\$	5,049				
				11,000	US\$	11,028		11,000	US\$	11,049	US\$
					5,000	US\$	5,098				
					4,634	US\$	4,726				

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1,350	US\$ 1,352	2,300	US\$ 2,304	3,650	US\$ 3,653	US\$
		4,289	US\$ 4,282	4,289	US\$ 4,292	US\$
		4,717	US\$ 4,719			
		3,840	US\$ 4,027			
		3,720	US\$ 3,953			
		4,121				
			&			