

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: \_\_\_\_\_.)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**Financial Statements for the**  
**Years Ended December 31, 2010 and 2009 and**  
**Independent Auditors Report**

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**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)**

|  | <b>2010</b>        |           | <b>2009</b>        |           |
|--|--------------------|-----------|--------------------|-----------|
|  | <b>Amount</b>      | <b>%</b>  | <b>Amount</b>      | <b>%</b>  |
| <b>ASSETS</b>  |                    |           |                    |           |
| <b>CURRENT ASSETS</b>  |                    |           |                    |           |
| 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<br>(Notes 2, 5 and 23) |                    |           | 181,743            |           |
| Available-for-sale financial assets (Notes 2, 6 and<br>23)                   | 3,918,274          |           |                    |           |
| Held-to-maturity financial assets (Notes 2, 7 and<br>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<br>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          |           |
| <b>Total current assets</b>  | <b>192,234,282</b> | <b>27</b> | <b>185,831,537</b> | <b>32</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10,<br/>11 and 23)</b>              |                    |           |                    |           |
| 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            |           |
| <b>Total long-term investments</b>   | <b>117,913,756</b> | <b>17</b> | <b>118,427,813</b> | <b>21</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes<br/>2, 12 and 24)</b>                |                    |           |                    |           |
| <b>Cost</b>  |                    |           |                    |           |
| 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<br>(706,605,445) | 142<br>(101) | 848,729,272<br>(627,764,323) | 147<br>(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           |
| <b>INTANGIBLE ASSETS</b>                      |                              |              |                              |              |
| 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            |
| <b>OTHER ASSETS</b>                           |                              |              |                              |              |
| 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            |
| <b>TOTAL</b>                                  | <b>\$ 701,239,666</b>        | <b>100</b>   | <b>\$ 577,426,622</b>        | <b>100</b>   |

|  | <b>2010</b>   |          | <b>2009</b>   |          |
|--|---------------|----------|---------------|----------|
|  | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                                     |               |          |               |          |
| <b>CURRENT LIABILITIES</b>   |               |          |               |          |
| Short-term loans (Note 14)   | \$ 30,908,637 | 4        | \$            |          |
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23) | 7,834         |          |               |          |
| Accounts payable   | 10,559,283    | 2        | 9,678,849     | 2        |
| Payables to related parties (Note 24)  | 2,574,450     |          | 2,039,342     |          |
| Income tax payable (Notes 2 and 18)  | 7,108,869     | 1        | 8,761,120     | 2        |
| Salary and bonus payable   | 5,287,751     | 1        | 8,677,299     | 1        |
| Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)    | 10,959,469    | 2        | 6,771,338     | 1        |
| Payables to contractors and equipment suppliers                                | 41,992,198    | 6        | 28,756,884    | 5        |
| Accrued expenses and other current liabilities (Notes 16 and 23)               | 8,623,769     | 1        | 7,886,263     | 1        |
| Total current liabilities  | 118,022,260   | 17       | 72,571,095    | 12       |

## LONG-TERM LIABILITIES

|  |           |  |           |   |
|--|-----------|--|-----------|---|
| Bonds payable (Notes 15 and 23)            | 4,500,000 |  | 4,500,000 | 1 |
| Other long-term payables (Notes 16 and 23) |           |  | 416,390   |   |

|                             |           |  |           |   |
|-----------------------------|-----------|--|-----------|---|
| Total long-term liabilities | 4,500,000 |  | 4,916,390 | 1 |
|-----------------------------|-----------|--|-----------|---|

## OTHER LIABILITIES

|                                       |           |   |           |   |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 17) | 3,824,601 | 1 | 3,807,176 | 1 |
| Guarantee deposits (Note 27)          | 747,887   |   | 1,001,376 |   |
| Deferred credits (Notes 2 and 24)     |           |   | 47,873    |   |

|                         |           |   |           |   |
|-------------------------|-----------|---|-----------|---|
| Total other liabilities | 4,572,488 | 1 | 4,856,425 | 1 |
|-------------------------|-----------|---|-----------|---|

|                   |             |    |            |    |
|-------------------|-------------|----|------------|----|
| Total liabilities | 127,094,748 | 18 | 82,343,910 | 14 |
|-------------------|-------------|----|------------|----|

## CAPITAL STOCK NT\$10 PAR VALUE (Note 20)

|  |             |    |             |    |
|--|-------------|----|-------------|----|
| Authorized: 28,050,000 thousand shares     |             |    |             |    |
| Issued: 25,910,078 thousand shares in 2010 |             |    |             |    |
| 25,902,706 thousand shares in 2009         | 259,100,787 | 37 | 259,027,066 | 45 |

|                                  |            |   |            |    |
|----------------------------------|------------|---|------------|----|
| CAPITAL SURPLUS (Notes 2 and 20) | 55,698,434 | 8 | 55,486,010 | 10 |
|----------------------------------|------------|---|------------|----|

## RETAINED EARNINGS (Note 20)

|   |             |    |             |    |
|---|-------------|----|-------------|----|
| Appropriated as legal capital reserve   | 86,239,494  | 12 | 77,317,710  | 13 |
| Appropriated as special capital reserve | 1,313,047   |    |             |    |
| Unappropriated earnings                 | 178,227,030 | 26 | 104,564,972 | 18 |
|   | 265,779,571 | 38 | 181,882,682 | 31 |

## OTHERS (Notes 2 and 23)

|  |             |     |             |  |
|--|-------------|-----|-------------|--|
| Cumulative translation adjustments       | (6,543,163) | (1) | (1,766,667) |  |
| Unrealized gain on financial instruments | 109,289     |     | 453,621     |  |
|  | (6,433,874) | (1) | (1,313,046) |  |

|                            |             |    |             |    |
|----------------------------|-------------|----|-------------|----|
| Total shareholders' equity | 574,144,918 | 82 | 495,082,712 | 86 |
|----------------------------|-------------|----|-------------|----|

|       |                |     |                |     |
|-------|----------------|-----|----------------|-----|
| TOTAL | \$ 701,239,666 | 100 | \$ 577,426,622 | 100 |
|-------|----------------|-----|----------------|-----|

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

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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 |
|--------------------------------------|------------|---|-----------|---|

(Continued)

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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)

|  | <b>2010</b>        |          | <b>2009</b>       |          |
|--|--------------------|----------|-------------------|----------|
|  | <b>Amount</b>      | <b>%</b> | <b>Amount</b>     | <b>%</b> |
| <b>NON-OPERATING EXPENSES AND LOSSES</b>                             |                    |          |                   |          |
| Loss on disposal of property, plant and equipment<br>(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<br>(Notes 2 and 10) |                    |          | 2,695,720         | 1        |
| Others (Note 2)  | 161,152            |          | 136,397           |          |
| <br>Total non-operating expenses and losses                          | <br>1,464,272      |          | <br>3,662,840     | <br>1    |
| <br>INCOME BEFORE INCOME TAX   | <br>169,290,204    | <br>42   | <br>94,981,022    | <br>33   |
| INCOME TAX EXPENSE (Notes 2 and 18)                                  | 7,685,195          | 2        | 5,763,186         | 2        |
| <br>NET INCOME   | <br>\$ 161,605,009 | <br>40   | <br>\$ 89,217,836 | <br>31   |

|   | <b>2010</b>                      |                                 | <b>2009</b>                      |                                 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> |
| <b>EARNINGS PER SHARE (NT\$, Note 22)</b> |                                  |                                 |                                  |                                 |
| 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)



|            |             |            |            |           |              |              |             |             |           |
|------------|-------------|------------|------------|-----------|--------------|--------------|-------------|-------------|-----------|
|            |             |            |            |           |              |              |             | (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    |

1,  
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          |
|---|----------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                |               |
| 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)     |
| <br>  |                |               |
| 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)

|   | <b>2010</b>      | <b>2009</b>     |
|---|------------------|-----------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                  |                 |
| 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)      |                 |
| <br>  |                  |                 |
| Net cash used in investing activities                   | (182,747,441)    | (91,973,308)    |
| <br>  |                  |                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                  |                 |
| 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)    |
| <br>  |                  |                 |
| Net cash used in financing activities                   | (46,808,148)     | (85,093,555)    |
| <br>  |                  |                 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS               | (7,532,413)      | (21,164,817)    |
| <br>  |                  |                 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR            | 117,043,543      | 138,208,360     |
| <br>  |                  |                 |
| CASH AND CASH EQUIVALENTS, END OF YEAR                  | \$ 109,511,130   | \$ 117,043,543  |
| <br>  |                  |                 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b> |                  |                 |
| Interest paid   | \$ 200,892       | \$ 351,803      |

|                 |              |              |
|-----------------|--------------|--------------|
| Income tax paid | \$ 9,640,396 | \$ 7,791,196 |
|-----------------|--------------|--------------|

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS

|   |                |                |
|---|----------------|----------------|
| Acquisition of property, plant and equipment                | \$ 195,950,918 | \$ 108,592,471 |
| Increase in payables to contractors and equipment suppliers | (13,491,140)   | (21,620,819)   |
| Nonmonetary exchange trade-out price                        | (124,746)      | (809)          |

|           |                |               |
|-----------|----------------|---------------|
| Cash paid | \$ 182,335,032 | \$ 86,970,843 |
|-----------|----------------|---------------|

(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)**

|  | <b>2010</b>  | <b>2009</b> |
|--|--------------|-------------|
| 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   |
| <br>   |              |             |
| <b>NON-CASH FINANCING ACTIVITIES</b>   |              |             |
| 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

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

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

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2010</b>        | <b>2009</b> |
| 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:

|                   | <b>Maturity Date</b>          | <b>Contract Amount<br/>(In Thousands)</b> |
|-------------------|-------------------------------|---|
| 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:

| <b>Maturity Date</b>          | <b>Contract Amount<br/>(In Thousands)</b> | <b>Range of<br/>Interest Rates Paid</b> | <b>Range of<br/>Interest Rates<br/>Received</b> |
|-------------------------------|---|---|---|
| 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

|                                | <b>December 31</b> |              |
|--------------------------------|--------------------|--------------|
|                                | <b>2010</b>        | <b>2009</b>  |
| 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

|                          | <b>December 31</b> |               |
|--------------------------|--------------------|---------------|
|                          | <b>2010</b>        | <b>2009</b>   |
| 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:

|                   | <b>Principal<br/>Amount</b> | <b>Interest<br/>Receivable</b> | <b>Range of<br/>Interest<br/>Rates</b> | <b>Maturity<br/>Date</b> |
|-------------------|-----------------------------|--------------------------------|--|--------------------------|
| December 31, 2009 |                             |                                |  |                          |

|                            |              |          |             |   |
|----------------------------|--------------|----------|-------------|---|
| Callable domestic deposits | \$ 7,000,000 | \$ 4,308 | 0.36%-0.95% | July 2010 to<br>August<br><br>2011<br>(redeemed by<br>the issuer<br>from<br>February 2010<br>to<br>July 2010) |
|----------------------------|--------------|----------|-------------|---|

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

Movements of the allowance for doubtful receivables were as follows:

|                            | <b>Years Ended December 31</b> |             |
|----------------------------|--------------------------------|-------------|
|                            | <b>2010</b>                    | <b>2009</b> |
| Balance, beginning of year | \$ 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:

|                            | <b>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2010</b>                    | <b>2009</b>  |
| 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**

|                          | <b>December 31</b> |               |
|--------------------------|--------------------|---------------|
|                          | <b>2010</b>        | <b>2009</b>   |
| 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**

|  | <b>December 31</b>    |               |                       |               |
|--|-----------------------|---------------|-----------------------|---------------|
|  | <b>2010</b>           | <b>% of</b>   | <b>2009</b>           | <b>% of</b>   |
|  | <b>Carrying</b>       | <b>Owner-</b> | <b>Carrying</b>       | <b>Owner-</b> |
|  | <b>Amount</b>         | <b>Ship</b>   | <b>Amount</b>         | <b>ship</b>   |
| 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           |                       |               |
|  | <b>\$ 114,977,174</b> |               | <b>\$ 104,660,098</b> |               |

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:

|                            | <b>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2010</b>                    | <b>2009</b>  |
| 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:

|                            | <b>Years Ended December 31</b> |              |
|----------------------------|--------------------------------|--------------|
|                            | <b>2010</b>                    | <b>2009</b>  |
| 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

|                            | <b>December 31</b> |             |
|----------------------------|--------------------|-------------|
|                            | <b>2010</b>        | <b>2009</b> |
| 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**

|  | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Additions</b> | <b>Disposals</b> | <b>Reclassification</b> | <b>Balance,<br/>End of Year</b> |
|--|---|------------------|------------------|-------------------------|---------------------------------|
| 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<br>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**

|  | <b>Balance,<br/>Beginning<br/>of Year</b> | <b>Additions</b> | <b>Disposals</b> | <b>Reclassification</b> | <b>Balance,<br/>End of Year</b> |
|--|---|------------------|------------------|-------------------------|---------------------------------|
| 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<br>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**

|                                  | <b>Balance,<br/>Beginning<br/>of<br/>Year</b> | <b>Year Ended December 31, 2010</b> |                     | <b>Balance,<br/>End of Year</b> |
|----------------------------------|---|-------------------------------------|---------------------|---------------------------------|
|                                  |   | <b>Additions</b>                    | <b>Amortization</b> |                                 |
| 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,<br>Beginning<br>of<br>Year | Year Ended December 31, 2009 |                | Balance,<br>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,<br>2010 |
|---|----------------------|
| Unsecured loans:<br>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:<br>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

|                                 | <b>2010</b>    | <b>2009</b>    |
|---------------------------------|----------------|----------------|
| 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         |
| <br>Net periodic pension cost   | <br>\$ 235,825 | <br>\$ 288,721 |

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

|  | <b>2010</b>      | <b>2009</b>      |
|--|------------------|------------------|
| Benefit obligation                           |                  |                  |
| Vested benefit obligation                    | \$ 189,047       | \$ 123,524       |
| Nonvested benefit obligation                 | 5,390,113        | 3,754,388        |
| <br>Accumulated benefit obligation           | <br>5,579,160    | <br>3,877,912    |
| Additional benefits based on future salaries | 3,634,495        | 2,614,358        |
| <br>Projected benefit obligation             | <br>9,213,655    | <br>6,492,270    |
| Fair value of plan assets                    | (2,853,535)      | (2,612,295)      |
| <br>Funded status                            | <br>6,360,120    | <br>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)        |
| <br>Accrued pension cost                     | <br>\$ 3,824,601 | <br>\$ 3,807,176 |
| <br>Vested benefit                           | <br>\$ 208,176   | <br>\$ 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 |
|---|------------|------------|

|  |           |           |
|--|-----------|-----------|
| e. Payments from the Fund for the year | \$ 19,991 | \$ 37,801 |
|--|-----------|-----------|

**18. INCOME TAX**

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

|  | <b>Years Ended December 31</b> |               |
|--|--------------------------------|---------------|
|  | <b>2010</b>                    | <b>2009</b>   |
| 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)   |
| <br>   |                                |               |
| Income tax currently payable   | \$ 6,708,800                   | \$ 8,580,759  |

- b. Income tax expense consisted of the following:

|  | <b>Years Ended December 31</b> |              |
|--|--------------------------------|--------------|
|  | <b>2010</b>                    | <b>2009</b>  |
| Income tax currently payable             | \$ 6,708,800                   | \$ 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)    |
| <br>                                     |                                |              |
| Income tax expense                       | \$ 7,685,195                   | \$ 5,763,186 |

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

|   | <b>December 31</b> |              |
|---|--------------------|--------------|
|   | <b>2010</b>        | <b>2009</b>  |
| Current deferred income tax assets            |                    |              |
| Investment tax credits                        | \$ 4,182,893       | \$ 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       |
| <br>  |                    |              |
|   | \$ 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 |
|-----------------------------------|---------------------------------------|--------------|----|------|

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

|                                    | <b>Tax-exemption Period</b> |
|------------------------------------|-----------------------------|
| 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**

|                            | <b>Year Ended December 31, 2010</b>            |   |               |
|----------------------------|--|---|---------------|
|                            | <b>Classified<br/>as<br/>Cost of<br/>Sales</b> | <b>Classified as<br/>Operating<br/>Expenses</b> | <b>Total</b>  |
| 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  |

|                            | <b>Year Ended December 31, 2009</b>            |   |               |
|----------------------------|--|---|---------------|
|                            | <b>Classified<br/>as<br/>Cost of<br/>Sales</b> | <b>Classified as<br/>Operating<br/>Expenses</b> | <b>Total</b>  |
| 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:

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

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<br>Year 2009   | For Fiscal<br>Year 2008 | For<br>Fiscal<br>Year<br>2009 | For<br>Fiscal<br>Year<br>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:

|                              | <b>Number of<br/>Options<br/>(In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|------------------------------|---|--|
| 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<br>(NT\$) | Number of<br>Options<br>(In<br>Thousands) | Options Outstanding   |  |
|-----------------------------------|---|---|--|
|                                   |   | Weighted-average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted-average<br>Exercise Price<br>(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<br>Shares<br>(Denominator)<br>(In<br>Thousands) | EPS (NT\$)              |                        |
|------------------------------|----------------------|---------------------|---|-------------------------|------------------------|
|                              | Before<br>Income Tax | After<br>Income Tax |   | Before<br>Income<br>Tax | After<br>Income<br>Tax |
|                              |                      |                     |   |                         |                        |

Basic EPS

|   |                |                |            |         |         |
|---|----------------|----------------|------------|---------|---------|
| Earnings available to common shareholders | \$ 169,290,204 | \$ 161,605,009 | 25,905,832 | \$ 6.53 | \$ 6.24 |
|---|----------------|----------------|------------|---------|---------|

Effect of dilutive potential common shares

14,262

Diluted EPS

|  |                |                |            |         |         |
|--|----------------|----------------|------------|---------|---------|
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 169,290,204 | \$ 161,605,009 | 25,920,094 | \$ 6.53 | \$ 6.23 |
|--|----------------|----------------|------------|---------|---------|

(Continued)

|  | Amounts (Numerator)  |                     | Number of<br>Shares<br>(Denominator)<br>(In<br>Thousands) | EPS (NT\$)              |                        |
|--|----------------------|---------------------|---|-------------------------|------------------------|
|  | Before<br>Income Tax | After<br>Income Tax |   | Before<br>Income<br>Tax | After<br>Income<br>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<br>Amount | Fair Value | Carrying<br>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:

|  | <b>Year Ended December 31, 2010</b>                              |   |              |
|--|--|---|--------------|
|  | <b>From<br/>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity-<br/>method<br/>Investments</b> | <b>Total</b> |
| 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   |

|  | <b>Year Ended December 31, 2009</b>     |   |              |
|--|---|---|--------------|
|  | <b>From<br/>Available-<br/>for-sale</b> | <b>Equity-<br/>method<br/>Investments</b> | <b>Total</b> |

|  | <b>Financial<br/>Assets</b> |              |              |
|--|-----------------------------|--------------|--------------|
| 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:

|                               | <b>2010</b>    |          | <b>2009</b>    |          |
|-------------------------------|----------------|----------|----------------|----------|
|                               | <b>Amount</b>  | <b>%</b> | <b>Amount</b>  | <b>%</b> |
| 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:

|   | <b>Years Ended December 31</b> |                   |
|---|--------------------------------|-------------------|
|   | <b>2010</b>                    | <b>2009</b>       |
| Salaries, incentives and special compensation | \$ 773,134                     | \$ 572,464        |
| Bonus   | 578,343                        | 395,313           |
|   | <b>\$ 1,351,477</b>            | <b>\$ 967,777</b> |

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<br>Currency<br>(In Thousands) | Exchange<br>Rate<br>(Note) | Foreign<br>Currency<br>(In Thousands) | Exchange<br>Rate<br>(Note) | Foreign<br>Currency<br>(In Thousands) | Exchange<br>Rate<br>(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<br>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:

|                    | <b>Maturity Date</b>  | <b>Contract Amount<br/>(In Thousands)</b> |
|--------------------|-----------------------|---|
| 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:

|                    | <b>Maturity Date</b>       | <b>Contract Amount<br/>(In Thousands)</b> |
|--------------------|----------------------------|---|
| 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:

|                          | <b>Fair Value<br/>December<br/>31,</b> | <b>Expected<br/>Cash Flow</b> | <b>Expected Timing for<br/>the<br/>Recognition of Gains</b> |
|--------------------------|--|-------------------------------|---|
| <b>Hedging Financial</b> |  |                               |   |

| <b>Hedged Item</b>   | <b>Instrument</b>           | <b>2010</b> | <b>Generated Period</b> | <b>or Losses from Hedge</b> |
|----------------------|-----------------------------|-------------|-------------------------|-----------------------------|
| 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<br>Limit<br>for<br>Each<br>Period<br>(US\$<br>Thousands) | Maximum<br>Balance<br>for<br>the<br>Period<br>(US\$<br>Thousands) | Ending<br>Balance<br>(US\$<br>Thousands) | Interest<br>Rate      | Financing<br>Reason | Allowance<br>for<br>Collateral<br>Bad<br>Debt | Item<br>Value | Transaction<br>Amounts | (Note 2)     | Financing<br>Company's<br>Financing<br>Amount<br>Limits |
|-----|------|--|---------|-------------|--|---|--|-----------------------|---------------------|---|---------------|------------------------|--------------|---|
|     |      |  |         |             |  |   |  |                       |                     |   |               |                        |              | (US\$ in<br>thousands)                                  |
| 1   | TSMC | Long-term                                | TSMC    | (Note<br>1) | \$3,644,160  | \$3,644,160   | 0.25%-0.26%                              | Purchase<br>equipment |                     |   | \$            | \$                     | \$33,565,775 |   |
|     |      | receivable<br>from<br>related<br>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<br>(In Thousands) | Carrying Value<br>(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<br>(In Thousands) | Carrying<br>Value<br>(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                               |
| Cube Inc.  | Investee accounted for using equity method |   | 5,333                          |  |
| Preferred stock  |  |   |                                |  |
| Cube 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                                 |
| &R Block Bank  |  |   | 249                            | US\$ 249                                 |
| Common stock   |  |   |                                |  |
| ichWave 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                      |            |                                  |       |      |             |
| deal Bk                            |            | Available-for-sale financial     | 249   | US\$ | 249         |
|                                    |            | assets                           |       |      |             |
| deal Bk Ssb                        |            |                                  | 249   | US\$ | 249         |
| d Ally Bank                        |            |                                  | 249   | US\$ | 249         |
| d 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                          |
| Marketable Securities Type and Name                       | Relationship with the Company | Financial Statement Account                   | Shares/Units<br>(In thousands) | Value<br>(US\$ in 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, 2018

| 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 + Nz Banking Group               |                               | Held-to-maturity financial assets   | 3,345                       | US\$ 3,657                | N/A              |
| Wells Fargo + Nz Banking Group               |                               |                                     | 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                           |                               | Available-for-sale financial assets | 11,100                      | US\$ 11,096               | N/A              |
| State of Tennessee                           |                               |                                     | 3,900                       | US\$ 3,861                | N/A              |
| State of Tennessee                           |                               |                                     | 16,104                      | US\$ 16,102               | N/A              |
| State of Tennessee                           |                               |                                     | 8,765                       | US\$ 8,763                | N/A              |
| State of Tennessee                           |                               |                                     | 4,600                       | US\$ 4,589                | N/A              |
| State of Tennessee                           |                               |                                     | 3,000                       | US\$ 2,994                | N/A              |
| State of Tennessee                           |                               |                                     | 4,000                       | US\$ 4,003                | N/A              |
| State of Tennessee Im Ln Pc Pool 1b2830      |                               |                                     | 1,836                       | US\$ 1,922                | N/A              |
| State of Tennessee Im Ln Pc Pool 1g0115      |                               |                                     | 2,023                       | US\$ 2,086                | N/A              |
| State of Tennessee Im Ln Pc Pool 1g1114      |                               |                                     | 799                         | US\$ 837                  | N/A              |
| State of Tennessee Im Ln Pc Pool 1k1210      |                               |                                     | 1,550                       | US\$ 1,613                | N/A              |
| State of Tennessee Im Ln Pc Pool 780741      |                               |                                     | 1,800                       | US\$ 1,879                | N/A              |
| State of Tennessee Central Farm Credit Bank  |                               |                                     | 4,000                       | US\$ 3,984                | N/A              |
| State of Tennessee Central Farm Credit Bank  |                               |                                     | 4,000                       | US\$ 3,994                | N/A              |
| State of Tennessee Central Farm Credit Bank  |                               |                                     | 5,000                       | US\$ 5,004                | N/A              |
| State of Tennessee Central Farm Credit Bank  |                               |                                     | 5,000                       | US\$ 5,008                | N/A              |
| State of Tennessee Central Home Ln Bks       |                               |                                     | 5,000                       | US\$ 5,046                | N/A              |
| State of Tennessee Central Home Ln Mtg Assn  |                               |                                     | 2,768                       | US\$ 2,810                | N/A              |
| State of Tennessee Central Home Ln Mtg Corp. |                               |                                     | 3,732                       | US\$ 3,727                | N/A              |
| State of Tennessee 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 |
| Equity 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<br>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                 | US\$ 3,086                         |
|   |   |  |                             |                            | 3,400                       | US\$ 3,548                 | 3,400                       | US\$ 3,539                 | 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  |
|  |       |      | 4,745  | US\$ |  | 4,744  | 2,100  | US\$ | 2,084  |
|  |       |      | 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  |
|  | 5,000 | US\$ | 4,996  |      |  |        | 5,000  | US\$ | 5,023  |
|  |       |      | 10,000 | US\$ |  | 10,094 | 10,000 | US\$ | 10,104 |
|  |       |      | 16,000 | US\$ |  | 16,262 |        |      |        |
|  |       |      | 7,300  | US\$ |  | 7,448  |        |      |        |
|  |       |      | 4,165  | US\$ |  | 4,167  | 4,165  | US\$ | 4,167  |
|  |       |      | 4,800  | US\$ |  | 4,768  | 4,800  | US\$ | 4,761  |
|  |       |      | 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 1)           |                            | Carryover 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) |                                     |
|                     | 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\$ 7,999                          |
|                     |                                     |               |              |                             |                            | 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\$ 4,023                          |
|                     |                                     |               |              |                             |                            | 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\$ 3,100                          |
|                     |                                     |               |              |                             |                            | 5,000                       | US\$ 5,049                 |                             |                            |                                     |
|                     |                                     |               |              |                             |                            | 11,000                      | US\$ 11,028                |                             |                            |                                     |
|                     |                                     |               |              |                             |                            |                             |                            | 11,000                      | US\$ 11,049                | US\$ 11,049                         |
|                     |                                     |               |              |                             |                            | 5,000                       | US\$ 5,098                 |                             |                            |                                     |
|                     |                                     |               |              |                             |                            | 4,634                       | US\$ 4,726                 |                             |                            |                                     |

|    |        |            |        |            |        |            |        |  |
|----|--------|------------|--------|------------|--------|------------|--------|--|
| tg |        |            |        |            |        |            |        |  |
| tg | 1,350  | US\$ 1,352 | 2,300  | US\$ 2,304 | 3,650  | US\$ 3,653 | US\$ 3 |  |
| tg |        |            | 4,289  | US\$ 4,282 | 4,289  | US\$ 4,292 | US\$ 4 |  |
| tg |        |            | 4,717  | US\$ 4,719 |        |            |        |  |
| tg |        |            | 3,840  | US\$ 4,027 |        |            |        |  |
| tg |        |            | 3,720  | US\$ 3,953 |        |            |        |  |
| tg |        |            | 4,121  | US\$ 4,261 |        |            |        |  |
| tg |        |            | 4,197  | US\$ 4,261 |        |            |        |  |
|    |        |            | 10,000 | US\$ 9,985 |        |            |        |  |
|    |        |            | 8,000  | US\$ 7,996 | 8,000  | US\$ 7,996 | US\$ 7 |  |
|    |        |            | 5,000  | US\$ 4,996 | 5,000  | US\$ 5,001 | US\$ 4 |  |
|    |        |            | 4,000  | US\$ 3,999 | 4,000  | US\$ 3,999 | US\$ 3 |  |
|    | 10,000 | US\$ 9,987 |        |            | 10,000 | US\$10,007 | US\$ 9 |  |
|    |        |            | 10,000 | US\$ 9,998 | 10,000 | US\$10,010 | US\$ 9 |  |
|    | 8,000  | US\$ 7,992 |        |            | 8,000  | US\$ 8,009 | US\$ 8 |  |
|    |        |            | 6,050  | US\$ 6,050 | 6,050  | US\$ 6,060 | US\$ 6 |  |
|    |        |            | 5,000  | US\$ 5,009 |        |            |        |  |
|    |        |            | 6,800  | US\$ 6,811 |        |            |        |  |
|    |        |            | 8,000  | US\$ 7,990 |        |            |        |  |
|    | 10,000 | US\$10,012 |        |            | 10,000 | US\$10,047 | US\$10 |  |
|    | 4,700  | US\$ 4,715 |        |            | 4,700  | US\$ 4,716 | US\$ 4 |  |
|    |        |            | 4,500  | US\$ 4,497 | 3,100  | US\$ 3,098 | US\$ 3 |  |
|    | 11,200 | US\$11,186 | 1,500  | US\$ 1,498 | 4,300  | US\$ 4,294 | US\$ 4 |  |
|    |        |            | 4,000  | US\$ 4,012 | 4,000  | US\$ 4,002 | US\$ 4 |  |
|    |        |            | 8,000  | US\$ 8,082 | 8,000  | US\$ 8,057 | US\$ 8 |  |
|    | 3,000  | US\$ 2,989 |        |            | 3,000  | US\$ 3,001 | US\$ 2 |  |

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| Financial Statement<br>Account         | Counter-party | Relationship | Beginning Balance                 |                                  | Acquisition                       |                                  | Disposal (Note 1)                 |                                  |                                  |        |
|--|---------------|--------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|--------|
|  |               |              | Shares/Units<br>(In<br>Thousands) | Amount<br>(US\$ in<br>Thousands) | Shares/Units<br>(In<br>Thousands) | Amount<br>(US\$ in<br>Thousands) | Shares/Units<br>(In<br>Thousands) | Amount<br>(US\$ in<br>Thousands) | Amount<br>(US\$ in<br>Thousands) |        |
|  |               |              | (In<br>Thousands)                 | (US\$ in<br>Thousands)           | (In<br>Thousands)                 | (US\$ in<br>Thousands)           | (In<br>Thousands)                 | (US\$ in<br>Thousands)           | (US\$ in<br>Thousands)           |        |
| Available-for-sale<br>financial assets |               |              | US\$                              | 8,000                            | US\$                              | 8,193                            | 8,000                             | US\$                             | 8,123                            | US\$   |
|  |               |              |                                   |                                  | 6,397                             | US\$                             | 6,394                             |                                  |                                  |        |
|  |               |              | 4,000                             | US\$                             | 4,228                             |                                  |                                   | 4,000                            | US\$                             | 4,205  |
|  |               |              |                                   |                                  | 3,426                             | US\$                             | 3,494                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 3,343                             | US\$                             | 3,466                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 4,000                             | US\$                             | 4,149                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 3,638                             | US\$                             | 3,827                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 4,686                             | US\$                             | 4,681                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 3,123                             | US\$                             | 3,261                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 3,000                             | US\$                             | 3,141                             | 3,000                            | US\$                             | 3,134  |
|  |               |              |                                   |                                  | 3,252                             | US\$                             | 3,405                             | 3,252                            | US\$                             | 3,397  |
|  |               |              |                                   |                                  | 24,000                            | US\$                             | 25,241                            | 24,000                           | US\$                             | 25,233 |
|  |               |              |                                   |                                  |                                   |                                  |                                   |                                  |                                  |        |
|  |               |              |                                   |                                  | 14,200                            | US\$                             | 14,863                            | 14,200                           | US\$                             | 14,981 |
|  |               |              |                                   |                                  |                                   |                                  |                                   |                                  |                                  |        |
|  |               |              |                                   |                                  | 14,200                            | US\$                             | 14,790                            | 14,200                           | US\$                             | 14,901 |
|  |               |              |                                   |                                  |                                   |                                  |                                   |                                  |                                  |        |
|  |               |              |                                   |                                  | 4,092                             | US\$                             | 4,090                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 4,390                             | US\$                             | 4,712                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 10,420                            | US\$                             | 10,412                            |                                  |                                  |        |
|  |               |              | 4,500                             | US\$                             | 4,491                             |                                  |                                   | 4,500                            | US\$                             | 4,496  |
|  |               |              |                                   |                                  | 8,000                             | US\$                             | 8,002                             | 8,000                            | US\$                             | 7,997  |
|  |               |              |                                   |                                  | 7,000                             | US\$                             | 6,994                             | 7,000                            | US\$                             | 6,995  |
|  |               |              |                                   |                                  | 4,500                             | US\$                             | 4,507                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 5,750                             | US\$                             | 5,771                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 7,855                             | US\$                             | 7,869                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 4,300                             | US\$                             | 4,308                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 4,010                             | US\$                             | 4,024                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 7,004                             | US\$                             | 7,305                             |                                  |                                  |        |
|  |               |              |                                   |                                  | 3,050                             | US\$                             | 3,278                             |                                  |                                  |        |
|  |               |              |                                   |                                  |                                   |                                  |                                   |                                  |                                  |        |
|  |               |              |                                   |                                  | 3,800                             | US\$                             | 3,800                             |                                  |                                  |        |
| Available-for-sale<br>financial assets |               |              |                                   |                                  | 24,000                            | US\$                             | 24,116                            | 24,000                           | US\$                             | 24,105 |

|  |        |            |         |             |  |         |             |       |
|--|--------|------------|---------|-------------|--|---------|-------------|-------|
|  |        |            | 45,070  | US\$ 45,309 |  | 45,070  | US\$ 45,258 | US\$  |
|  |        |            | 43,900  | US\$ 43,832 |  | 43,900  | US\$ 44,134 | US\$  |
|  |        |            | 53,000  | US\$ 53,069 |  | 53,000  | US\$ 53,316 | US\$  |
|  |        |            | 16,800  | US\$ 16,889 |  | 16,800  | US\$ 16,897 | US\$  |
|  |        |            | 49,700  | US\$ 49,742 |  | 8,000   | US\$ 8,066  | US\$  |
|  | 21,400 | US\$21,394 |         |             |  | 21,400  | US\$ 21,487 | US\$  |
|  |        |            | 7,000   | US\$ 7,078  |  |         |             |       |
|  | 37,700 | US\$39,012 |         |             |  | 37,700  | US\$ 38,784 | US\$  |
|  |        |            | 8,000   | US\$ 8,040  |  | 8,000   | US\$ 8,028  | US\$  |
|  |        |            | 10,000  | US\$ 10,040 |  | 10,000  | US\$ 10,045 | US\$  |
|  |        |            | 5,250   | US\$ 5,195  |  |         |             |       |
|  |        |            | 11,100  | US\$ 11,084 |  |         |             |       |
|  |        |            | 4,400   | US\$ 4,380  |  | 4,400   | US\$ 4,464  | US\$  |
|  |        |            | 5,000   | US\$ 5,009  |  | 5,000   | US\$ 4,977  | US\$  |
| Available-for-sale<br>financial assets | 8,858  | US\$ 8,858 | 337,008 | US\$337,008 |  | 333,479 | US\$333,479 | US\$3 |

(Continued)

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

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

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

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

(Concluded)

**TABLE 4**

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

| Transaction Date                 | Transaction Amount | Payment Term                 | Counter-party                    | Nature of Relationships | Prior Transaction of Owner | Related Counter-party Relationships | Transfer Date | Amount | Price Referenced |
|----------------------------------|--------------------|------------------------------|----------------------------------|-------------------------|----------------------------|-------------------------------------|---------------|--------|------------------|
| January 28, 2010 to December 27, | \$1,169,132        | By the construction progress | China Steel Structure Co., Ltd.  |                         | N/A                        | N/A                                 | N/A           | N/A    | Public bidding   |
| January 28, 2010 to December 29, | 1,959,787          | By the construction progress | Fu Tsu Construction Co., Ltd.    |                         | N/A                        | N/A                                 | N/A           | N/A    | Public bidding   |
| January 19, 2010 to December 29, | 2,800,940          | By the construction progress | Da Cin Constructure Co., Ltd.    |                         | N/A                        | N/A                                 | N/A           | N/A    | Public bidding   |
| January 25, 2010 to December 30, | 493,403            | By the construction progress | Tasa Construction Corporation    |                         | N/A                        | N/A                                 | N/A           | N/A    | Public bidding   |
| January 1, 2010 to December 30,  | 125,277            | By the construction progress | I-Domain Industrial Co., Ltd.    |                         | N/A                        | N/A                                 | N/A           | N/A    | Public bidding   |
| January 26, 2010 to December 30, | 195,831            | By the construction progress | Mirle Automation Corporation     |                         | N/A                        | N/A                                 | N/A           | N/A    | Public bidding   |
| January 30, 2010 to December 30, | 2,900,000          | Based on the agreement       | Powerchip Technology Corporation |                         | N/A                        | N/A                                 | N/A           | N/A    | Pricing report   |

**TABLE 5**

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

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

Parent  
company  
of director  
(represented  
for  
Xintec)

Net 30 days after  
monthly closing

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

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**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

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

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited and Investees  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2010**

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

| Company | Location                        | Main Businesses and Products  | Original Investment Amount        |                                   | Balance as of December 31, 2010 |                | Net Income (Losses) of Investee   |            |
|---------|---------------------------------|---|-----------------------------------|-----------------------------------|---------------------------------|----------------|-----------------------------------|------------|
|         |                                 |   | December 31, 2010                 | December 31, 2009                 | Share Percentage                | Carrying Value |                                   |            |
|         |                                 |   | (Foreign Currencies in Thousands) | (Foreign Currencies in Thousands) | (In Thousands)                  | of Ownership   | (Foreign Currencies in Thousands) |            |
|         | Tortola, British Virgin Islands | Investment activities   | \$42,327,245                      | \$42,327,245                      | 1                               | 100            | \$43,710,543                      | \$ 660,930 |
|         | Tortola, British Virgin Islands | Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry  | 31,456,130                        | 31,456,130                        | 988,268                         | 100            | 33,565,775                        | 2,313,650  |
|         | Hsin-Chu, Taiwan                | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts                              | 13,232,288                        | 13,232,288                        | 628,223                         | 38             | 9,422,452                         | 1,952,380  |
|         | Singapore                       | Fabrication and supply of integrated circuits   | 5,120,028                         | 5,120,028                         | 314                             | 39             | 7,120,714                         | 3,881,060  |
|         | Taipei, Taiwan                  | Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems | 6,228,661                         |                                   | 76,069                          | 20             | 6,733,369                         | 4,584,720  |
|         | Shanghai, China                 | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers                            | 12,180,367                        | 12,180,367                        |                                 | 100            | 4,252,270                         | 1,386,570  |
|         | San Jose, California,           | Selling and marketing of integrated circuits and  | 333,718                           | 333,718                           | 11,000                          | 100            | 2,873,888                         | 302,570    |

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|                            |  |             |             |        |           |              |             |  |  |  |  |  |
|----------------------------|--|-------------|-------------|--------|-----------|--------------|-------------|--|--|--|--|--|
| U.S.A.                     | semiconductor devices  |             |             |        |           |              |             |  |  |  |  |  |
| Cayman Islands             | Investing in new start-up technology companies   | 3,565,441   | 1,703,163   | 99     | 2,769,423 | (247,270)    |             |  |  |  |  |  |
| Taoyuan, Taiwan            | Wafer level chip size packaging service  | 1,357,890   | 1,357,890   | 93,081 | 41        | 1,645,201    | 505,201     |  |  |  |  |  |
| Hsin-Chu, Taiwan           | Researching, developing, manufacturing, testing and marketing of integrated circuits                                     | 386,568     | 386,568     | 46,688 | 35        | 1,113,516    | 604,500     |  |  |  |  |  |
| Cayman Islands             | Investing in new start-up technology companies   | 1,166,470   | 1,093,943   | 98     | 1,063,057 | 120,613      |             |  |  |  |  |  |
| Cayman Islands             | Investing in new start-up technology companies   | 971,785     | 959,044     | 99     | 304,310   | 2,344        |             |  |  |  |  |  |
| Amsterdam, the Netherlands | Marketing and engineering supporting activities  | 15,749      | 15,749      | 100    | 177,784   | 38,895       |             |  |  |  |  |  |
| Yokohama, Japan            | Marketing activities   | 83,760      | 83,760      | 6      | 100       | 150,312      | 4,700       |  |  |  |  |  |
| Delaware, U.S.A.           | Engaged in selling and marketing of solar related products   | 60,962      |             | 1      | 100       | 26,527       | (35,513)    |  |  |  |  |  |
| Amsterdam, the Netherlands | Engaged in investing activities of solar related business  | 25,350      |             |        | 100       | 23,971       | (43,000)    |  |  |  |  |  |
| Seoul, Korea               | Customer service and technical supporting activities   | 13,656      | 13,656      | 80     | 100       | 20,929       | 2,700       |  |  |  |  |  |
| Delaware, U.S.A.           | Engaged in selling and marketing of LED related products   | 3,133       |             | 1      | 100       | 3,133        |             |  |  |  |  |  |
| Delaware, U.S.A.           | Investment activities  | US\$ 0.001  | US\$ 0.001  | 1      | 100       | US\$ 403,257 | US\$ 62,800 |  |  |  |  |  |
| Cayman Islands             | Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry | US\$ 43,000 | US\$ 43,000 | 43,000 | 49        | US\$ 83,057  | US\$ 11,320 |  |  |  |  |  |
| Cayman Islands             | Investing in new start-up technology companies   | US\$ 4,088  | US\$ 7,680  | 4,088  | 97        | US\$ 21,523  | US\$ 8,900  |  |  |  |  |  |
| Cayman Islands             | Investing in new start-up technology companies   | US\$ 16,532 | US\$ 21,415 | 16,532 | 97        | US\$ 13,660  | US\$ 4,900  |  |  |  |  |  |
| Delaware, U.S.A.           | Engineering support activities   | US\$ 0.001  | US\$ 0.001  | 1      | 100       | US\$ 9,878   | US\$ 800    |  |  |  |  |  |
| Ontario, Canada            | Engineering support activities   | US\$ 2,300  | US\$ 2,300  | 2,300  | 100       | US\$ 3,714   | US\$ 340    |  |  |  |  |  |

(Continued)



| Investee Company          | Location           | Main Businesses and Products  | Original Investment Amount        |                                   | Balance as of December 31, 2010 |                      |                                   | Net Income (Losses) for the year ended December 31, 2010 |
|---------------------------|--------------------|---|-----------------------------------|-----------------------------------|---------------------------------|----------------------|-----------------------------------|--|
|                           |                    |   | December 31, 2010                 | December 31, 2009                 | Shareholders' Equity            | Percentage Ownership | Value                             |  |
|                           |                    |   | (Foreign Currencies in Thousands) | (Foreign Currencies in Thousands) | (In Thousands)                  | of                   | (Foreign Currencies in Thousands) |  |
| Be Inc. (Common Stock)    | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device   | US\$ 800                          | US\$ 800                          | 5,333                           | 70                   | US\$                              | US\$ (6,000)   |
| Be Inc. (Preferred Stock) | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device   | US\$ 1,000                        | US\$ 1,000                        | 1,000                           | 10                   |                                   | (6,000)  |
| erTech                    | Washington, U.S.A. | Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices | US\$280,000                       | US\$330,000                       | 293,637                         | 100                  | US\$ 165,211                      | US\$60,000   |
| ual-Pak Technology Co.,   | Taipei, Taiwan     | Manufacturing and selling of electronic parts and researching, developing, and testing of RFID                      | US\$ 3,937                        | US\$ 3,088                        | 11,868                          | 57                   | US\$ 2,058                        | US\$ (1,000)   |
| nn Technology Co.,        | Taipei, Taiwan     | Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments             | US\$ 2,206                        | US\$ 1,777                        | 5,623                           | 43                   | US\$ 546                          | US\$ (1,000)   |
| th Fund                   | Cayman Islands     | Investing in new start-up technology companies  | US\$ 1,700                        | US\$ 1,550                        |                                 | 100                  | US\$ 846                          | US\$ (1,000)   |
| A Holdings                | Delaware, U.S.A.   | Investing in new start-up technology companies  |                                   |                                   |                                 | 62                   |                                   |  |
| A Holdings                | Delaware, U.S.A.   | Investing in new start-up technology companies  |                                   |                                   |                                 | 31                   |                                   |  |

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|                    |                        |  |            |            |     |     |           |       |   |
|--------------------|------------------------|--|------------|------------|-----|-----|-----------|-------|---|
| C-NA               | U.S.A.                 | Consulting services in main products   | US\$ 1,249 | US\$ 800   | 800 | 100 | \$ 58,045 | \$10, |   |
| C-Japan            | Japan                  | Consulting services in main products   | JPY 30,000 | JPY 30,000 | 1   | 100 | 14,706    | 1,    |   |
| C-BVI              | British Virgin Islands | Investment activities  | US\$ 550   | US\$ 550   | 550 | 100 | 8,761     | (8,   |   |
| C-Europe           | The Netherlands        | Consulting services in main products   | EUR 100    | EUR 100    |     | 100 | 3,747     | (     |   |
| C-Shanghai         | Shanghai, China        | Consulting services in main products   | US\$ 500   |            |     | 100 | 7,468     | (7,   |   |
| Holdings           | Delaware, U.S.A.       | Investing in new start-up technology companies   |            |            |     | 7   |           |       |   |
| C Solar<br>pe GmbH | Hamburg, Germany       | Engaged in the selling and customer service of solar cell modules and related products | EUR 100    |            |     | 1   | 100       | 3,658 | ( |

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

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

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

(Concluded)

**TABLE 8**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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

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

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

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

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

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

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

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**Taiwan Semiconductor  
Manufacturing Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Years Ended December 31, 2010 and  
2009 and Independent Auditors Report**

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**REPRESENTATION LETTER**

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

Very truly yours,

TAIWAN SEMICONDUCTOR  
MANUFACTURING COMPANY LIMITED

By /s/ MORRIS CHANG  
MORRIS CHANG  
Chairman  
January 24, 2011

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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

January 24, 2011

Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Par Value)

|   | 2010               |           | 2009               |           |
|---|--------------------|-----------|--------------------|-----------|
|   | Amount             | %         | Amount             | %         |
| <b>ASSETS</b>   |                    |           |                    |           |
| <b>CURRENT ASSETS</b>   |                    |           |                    |           |
| Cash and cash equivalents (Notes 2 and 4)                                 | \$ 147,886,955     | 20        | \$ 171,276,341     | 29        |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 25) | 6,886              |           | 186,081            |           |
| Available-for-sale financial assets (Notes 2, 6 and 25)                   | 28,883,728         | 4         | 14,389,946         | 2         |
| Held-to-maturity financial assets (Notes 2, 7 and 25)                     | 4,796,589          | 1         | 9,944,843          | 2         |
| Receivables from related parties  | 2,722              |           | 12,524             |           |
| Notes and accounts receivable   | 51,029,885         | 7         | 44,637,642         | 7         |
| Allowance for doubtful receivables (Notes 2 and 8)                        | (504,029)          |           | (543,325)          |           |
| Allowance for sales returns and others (Notes 2 and 8)                    | (7,546,264)        | (1)       | (8,724,481)        | (1)       |
| Other receivables from related parties (Note 26)                          | 124,586            |           | 121,292            |           |
| Other financial assets (Note 27)  | 1,021,552          |           | 1,849,987          |           |
| Inventories (Notes 2, 3 and 9)  | 28,405,984         | 4         | 20,913,751         | 4         |
| Deferred income tax assets (Notes 2 and 20)                               | 5,373,076          | 1         | 4,370,309          | 1         |
| Prepaid expenses and other current assets                                 | 2,037,647          |           | 1,368,838          |           |
| <b>Total current assets</b>   | <b>261,519,317</b> | <b>36</b> | <b>259,803,748</b> | <b>44</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)</b>               |                    |           |                    |           |
| Investments accounted for using equity method                             | 25,815,385         | 4         | 17,871,208         | 3         |
| Available-for-sale financial assets                                       | 1,033,049          |           | 1,358,049          |           |
| Held-to-maturity financial assets   | 8,502,887          | 1         | 15,553,242         | 3         |
| Financial assets carried at cost  | 4,424,207          | 1         | 3,063,004          | 1         |
| <b>Total long-term investments</b>  | <b>39,775,528</b>  | <b>6</b>  | <b>37,845,503</b>  | <b>7</b>  |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)</b>             |                    |           |                    |           |
| Cost  |                    |           |                    |           |
| Land and land improvements  | 891,197            |           | 934,090            |           |

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|   |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
| Buildings                                     | 145,966,024           | 20         | 142,294,558           | 24         |
| Machinery and equipment                       | 913,155,252           | 127        | 775,653,489           | 130        |
| Office equipment                              | 14,856,582            | 2          | 13,667,747            | 2          |
| Leased assets                                 | 701,552               |            | 714,424               |            |
|   | 1,075,570,607         | 149        | 933,264,308           | 156        |
| Accumulated depreciation                      | (773,278,157)         | (107)      | (693,743,886)         | (117)      |
| Advance payments and construction in progress | 86,151,573            | 12         | 34,154,365            | 6          |
| Net property, plant and equipment             | 388,444,023           | 54         | 273,674,787           | 45         |
| <b>INTANGIBLE ASSETS</b>                      |                       |            |                       |            |
| Goodwill (Note 2)                             | 5,704,897             | 1          | 5,931,318             | 1          |
| Deferred charges, net (Notes 2 and 14)        | 6,027,085             | 1          | 6,458,554             | 1          |
| Total intangible assets                       | 11,731,982            | 2          | 12,389,872            | 2          |
| <b>OTHER ASSETS</b>                           |                       |            |                       |            |
| Deferred income tax assets (Notes 2 and 20)   | 7,362,784             | 1          | 7,988,303             | 1          |
| Refundable deposits                           | 8,677,970             | 1          | 2,733,143             | 1          |
| Others (Notes 2 and 27)                       | 1,417,300             |            | 260,864               |            |
| Total other assets                            | 17,458,054            | 2          | 10,982,310            | 2          |
| <b>TOTAL</b>                                  | <b>\$ 718,928,904</b> | <b>100</b> | <b>\$ 594,696,220</b> | <b>100</b> |

|   | <b>2010</b>   |          | <b>2009</b>   |          |
|---|---------------|----------|---------------|----------|
|   | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |               |          |               |          |
| <b>CURRENT LIABILITIES</b>  |               |          |               |          |
| Short-term loans (Note 15)  | \$ 31,213,944 | 4        | \$            |          |
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)              | 19,002        |          | 25            |          |
| Hedging derivative financial liabilities (Notes 2, 11 and 25)                               | 814           |          |               |          |
| Accounts payable  | 12,104,173    | 2        | 10,905,884    | 2        |
| Payables to related parties (Note 26)   | 867,085       |          | 783,007       |          |
| Income tax payable (Notes 2 and 20)   | 7,184,697     | 1        | 8,800,249     | 1        |
| Salary and bonus payable  | 6,424,064     | 1        | 9,317,035     | 2        |
| Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22) | 11,096,147    | 2        | 6,818,343     | 1        |

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|  |                    |           |                   |           |
|--|--------------------|-----------|-------------------|-----------|
| Payables to contractors and equipment suppliers  | 43,259,857         | 6         | 28,924,265        | 5         |
| Accrued expenses and other current liabilities (Notes 18, 25 and 29)   | 10,779,923         | 1         | 12,635,182        | 2         |
| Current portion of long-term bank loans (Notes 17, 25 and 27)  | 241,407            |           | 949,298           |           |
| <b>Total current liabilities</b>   | <b>123,191,113</b> | <b>17</b> | <b>79,133,288</b> | <b>13</b> |
| <b>LONG-TERM LIABILITIES</b>   |                    |           |                   |           |
| Bonds payable (Notes 16 and 25)  | 4,500,000          | 1         | 4,500,000         | 1         |
| Long-term bank loans (Notes 17, 25 and 27)   | 301,561            |           | 578,560           |           |
| Other long-term payables (Notes 18, 25 and 29)   | 6,554,208          | 1         | 5,602,420         | 1         |
| Obligations under capital leases (Notes 2, 13 and 25)  | 694,986            |           | 707,499           |           |
| <b>Total long-term liabilities</b>   | <b>12,050,755</b>  | <b>2</b>  | <b>11,388,479</b> | <b>2</b>  |
| <b>OTHER LIABILITIES</b>   |                    |           |                   |           |
| Accrued pension cost (Notes 2 and 19)  | 3,812,351          | 1         | 3,797,032         | 1         |
| Guarantee deposits (Note 29)   | 789,098            |           | 1,006,023         |           |
| Deferred credits   | 126,539            |           | 185,689           |           |
| Others   | 254,643            |           | 137,161           |           |
| <b>Total other liabilities</b>   | <b>4,982,631</b>   | <b>1</b>  | <b>5,125,905</b>  | <b>1</b>  |
| <b>Total liabilities</b>   | <b>140,224,499</b> | <b>20</b> | <b>95,647,672</b> | <b>16</b> |
| <b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>   |                    |           |                   |           |
| Capital stock NT\$10 par value (Note 22)<br>Authorized: 28,050,000 thousand shares<br>Issued: 25,910,078 thousand shares in 2010<br>25,902,706 thousand shares in 2009 | 259,100,787        | 36        | 259,027,066       | 43        |
| Capital surplus (Notes 2 and 22)   | 55,698,434         | 8         | 55,486,010        | 9         |
| Retained earnings (Note 22)<br>Appropriated as legal capital reserve   | 86,239,494         | 12        | 77,317,710        | 13        |
| Appropriated as special capital reserve  | 1,313,047          |           |                   |           |
| Unappropriated earnings  | 178,227,030        | 24        | 104,564,972       | 18        |
|  | 265,779,571        | 36        | 181,882,682       | 31        |
| Others (Notes 2, 11 and 25)<br>Cumulative translation adjustments  | (6,543,163)        | (1)       | (1,766,667)       |           |

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|   |                |     |                |     |
|---|----------------|-----|----------------|-----|
| Unrealized gain on financial instruments          | 109,289        |     | 453,621        |     |
|   | (6,433,874)    | (1) | (1,313,046)    |     |
| Equity attributable to shareholders of the parent | 574,144,918    | 79  | 495,082,712    | 83  |
| MINORITY INTERESTS (Note 2)                       | 4,559,487      | 1   | 3,965,836      | 1   |
| Total shareholders equity                         | 578,704,405    | 80  | 499,048,548    | 84  |
| TOTAL   | \$ 718,928,904 | 100 | \$ 594,696,220 | 100 |

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

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

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

|  |            |   |           |   |
|--|------------|---|-----------|---|
| Technical service income (Notes 26 and 29)                       | 450,503    |   | 367,013   |   |
| Valuation gain on financial instruments, net (Notes 2, 5 and 25) | 320,730    |   | 594,660   |   |
| Others (Notes 2 and 26)  | 724,880    |   | 564,042   |   |
| <br>   |            |   |           |   |
| Total non-operating income and gains                             | 13,136,072 | 3 | 5,653,548 | 2 |

(Continued)

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

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

|  | 2010  |       | 2009  |       |
|--|---|-------|---|-------|
|  | Income Attributable to Shareholders of the Parent |       | Income Attributable to Shareholders of the Parent |       |
|  | Before  | After | Before  | After |

|                                    | <b>Income<br/>Tax</b> | <b>Income<br/>Tax</b> | <b>Income<br/>Tax</b> | <b>Income<br/>Tax</b> |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| EARNINGS PER SHARE (NT\$, Note 24) |                       |                       |                       |                       |
| Basic earnings per share           | \$ 6.54               | \$ 6.24               | \$ 3.68               | \$ 3.45               |
| Diluted earnings per share         | \$ 6.54               | \$ 6.23               | \$ 3.67               | \$ 3.44               |

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

(Concluded)

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

| Stock  | Common         | Equity Attributable to Shareholders of the Parent |                       |                         |   |                                    | Others  |              | Total          |
|--------|----------------|---|-----------------------|-------------------------|---|------------------------------------|---|--------------|----------------|
|        |                | Capital Surplus                                   | Legal Capital Reserve | Special Capital Reserve | Retained Earnings Unappropriated Earnings | Cumulative Translation Adjustments | Unrealized Gain (Loss) on Financial Instruments |              |                |
| Amount | Amount         | Amount  | Amount                | Amount                  | Amount                                    | Amount                             | Amount  | Amount       |                |
| 7      | \$ 256,254,373 | \$ 49,875,255                                     | \$ 67,324,393         | \$ 391,857              | \$ 102,337,417                            | \$ 170,053,667                     | \$ 481,158                                      | \$ (287,342) | \$ 476,377,111 |
|        |                |   | 9,993,317             |                         | (9,993,317)                               |                                    |   |              |                |
|        |                |   |                       | (391,857)               | 391,857                                   |                                    |   |              |                |
|        |                |   |                       |                         | (76,876,312)                              | (76,876,312)                       |   |              | (76,876,312)   |
| 1      | 512,509        |   |                       |                         | (512,509)                                 | (512,509)                          |   |              |                |
| 0      | 1,418,699      | 6,076,289   |                       |                         |   |                                    |   |              | 7,494,988      |
| 5      | 768,763        | (768,763)   |                       |                         |   |                                    |   |              |                |
|        |                | 115,418   |                       |                         | 89,217,836                                | 89,217,836                         |   |              | 89,217,836     |
|        |                |   |                       |                         |   |                                    |   |              | 115,418        |

|   |             |            |            |           |              |              |             |           |                      |
|---|-------------|------------|------------|-----------|--------------|--------------|-------------|-----------|----------------------|
|   |             |            |            |           |              |              | (2,247,825) |           | (2,247,825)          |
| 2 | 72,722      | 187,811    |            |           |              |              |             |           | 260,533              |
|   |             |            |            |           |              |              |             | 622,541   | 622,541              |
|   |             |            |            |           |              |              |             | 118,422   | 118,422              |
| 6 | 259,027,066 | 55,486,010 | 77,317,710 |           | 104,564,972  | 181,882,682  | (1,766,667) | 453,621   | 495,082,712          |
|   |             |            | 8,921,784  |           | (8,921,784)  |              |             |           |                      |
|   |             |            |            | 1,313,047 | (1,313,047)  |              |             |           |                      |
|   |             |            |            |           | (77,708,120) | (77,708,120) |             |           | (77,708,120)         |
|   |             |            |            |           | 161,605,009  | 161,605,009  |             |           | 161,605,009          |
|   |             | (17,885)   |            |           |              |              |             |           | (17,885)             |
|   |             |            |            |           |              |              | (4,776,496) |           | (4,776,496)          |
| 2 | 73,721      | 171,103    |            |           |              |              |             | (337,970) | 244,824<br>(337,970) |

59,206

(6,031)

53,175

(331)

(331)

\$ 259,100,787 \$ 55,698,434 \$ 86,239,494 \$ 1,313,047 \$ 178,227,030 \$ 265,779,571 \$(6,543,163) \$ 109,289 \$ 574,144,918

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

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

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

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

(Continued)



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

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

|  |                |                |
|--|----------------|----------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 147,886,955 | \$ 171,276,341 |
|--|----------------|----------------|

(Continued)

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

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

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

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. GENERAL**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Principles of Consolidation**

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

The consolidated entities were as follows:

| Name of Investor                           | Name of Investee                                     | Percentage of<br>Ownership December<br>31 |                               | Remark   |
|--|--|---|-------------------------------|--|
|  |  | 2010                                      | 2009                          |  |
| TSMC                                       | TSMC North America                                   | 100%                                      | 100%                          |  |
|  | TSMC Japan Limited (TSMC Japan)                      | 100%                                      | 100%                          |  |
|  | TSMC Partners, Ltd. (TSMC Partners)                  | 100%                                      | 100%                          |  |
|  | TSMC Korea Limited (TSMC Korea)                      | 100%                                      | 100%                          |  |
|  | TSMC Europe B.V. (TSMC Europe)                       | 100%                                      | 100%                          |  |
|  | TSMC Global Ltd. (TSMC Global)                       | 100%                                      | 100%                          |  |
|  | TSMC China Company Limited (TSMC China)              | 100%                                      | 100%                          |  |
|  | VentureTech Alliance Fund III, L.P. (VTAF III)       | 99%                                       | 98%                           |  |
|  | VentureTech Alliance Fund II, L.P. (VTAF II)         | 98%                                       | 98%                           |  |
|  | Emerging Alliance Fund, L.P. (Emerging Alliance)     | 99.5%                                     | 99.5%                         |  |
|  | Global Unichip Corporation (GUC)                     | 35%                                       | 35%                           | TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC. |
|  | Xintec Inc. (Xintec)                                 | 41%                                       | 41%                           | TSMC obtained three out of five director positions and has a controlling interest in Xintec.         |
|  | TSMC Solar North America, Inc. (TSMC Solar NA)       | 100%                                      |                               | Established in September 2010  |
|  | TSMC Lighting North America, Inc. (TSMC Lighting NA) | 100%                                      |                               | Established in September 2010  |
| TSMC Solar Europe B.V. (TSMC Solar Europe) | 100%   |   | Established in September 2010 |  |
| TSMC Partners                              | TSMC Design Technology Canada Inc. (TSMC Canada)     | 100%                                      | 100%                          |  |
|  | TSMC Technology, Inc. (TSMC Technology)              | 100%                                      | 100%                          |  |
|  | TSMC Development, Inc. (TSMC Development)            | 100%                                      | 100%                          |  |
|  |  | 97%                                       | 97%                           |  |

|   |   |      |                              |
|---|---|------|------------------------------|
|   | InveStar Semiconductor Development Fund, Inc. (ISDF)              |      |                              |
|   | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | 97%  | 97%                          |
| TSMC Development                        | WaferTech, LLC (WaferTech)  | 100% | 99.9%                        |
| VTAF III                                | Mutual-Pak Technology Co., Ltd. (Mutual-Pak)                      | 57%  | 59%                          |
|   | Growth Fund Limited (Growth Fund)                                 | 100% | 100%                         |
| VTAF III, VTAF II and Emerging Alliance | VentureTech Alliance Holdings, LLC (VTA Holdings)                 | 100% | 100%                         |
| GUC                                     | Global Unichip Corp.-NA (GUC-NA)                                  | 100% | 100%                         |
|   | Global Unichip Japan Co., Ltd. (GUC-Japan)                        | 100% | 100%                         |
|   | Global Unichip Europe B.V. (GUC-Europe)                           | 100% | 100%                         |
|   | Global Unichip (BVI) Corp. (GUC-BVI)                              | 100% | 100%                         |
| GUC-BVI                                 | Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)         | 100% | Established in January 2010  |
| TSMC Solar Europe                       | TSMC Solar Europe GmbH  | 100% | Established in December 2010 |

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of December 31, 2010: TSMC North America is engaged in selling and marketing of integrated circuits and semiconductor devices. TSMC Japan, TSMC Korea and TSMC Europe are engaged mainly in marketing or customer service, engineering and technical supporting activities. TSMC Partners is engaged in investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. TSMC Global and TSMC Development are engaged in investing activities. TSMC China is engaged in the manufacturing and selling of integrated circuits pursuant to the orders from and product design specifications provided by customers. Emerging Alliance, VTAF II, VTAF III, VTA Holdings, ISDF, ISDF II, and Growth Fund are engaged in investing in new start-up technology companies. TSMC Canada and TSMC Technology are engaged mainly in engineering support activities. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in researching, developing, manufacturing, testing and marketing of integrated circuits. GUC-NA, GUC-Japan, GUC-Europe, and GUC-Shanghai are engaged in providing products consulting in North America, Japan, Europe, and China, respectively. GUC-BVI is engaged in investing activities. Xintec is engaged in the provision of wafer packaging service. TSMC Solar NA is engaged in selling and marketing of solar related products. TSMC Lighting NA is engaged in selling and marketing of LED related products. TSMC Solar Europe is engaged in investing activities of solar related business. TSMC Solar Europe GmbH is engaged in the selling and customer service of solar cell modules and related products. Mutual-Pak is engaged in the manufacturing and selling of electronic parts, and researching, developing and testing of RFID.

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

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

### **Use of Estimates**

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

### **Classification of Current and Noncurrent Assets and Liabilities**

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

### **Cash Equivalents**

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

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

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

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

### **Hedging Derivative Financial Instruments**

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

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

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

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

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



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

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

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

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

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

### **Financial Assets Carried at Cost**

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

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### **Stock-based Compensation**

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

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

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

### **Foreign-currency Transactions**

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

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

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

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

## **3. ACCOUNTING CHANGES**

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

**4. CASH AND CASH EQUIVALENTS**

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

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

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

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

Outstanding forward exchange contracts consisted of the following:

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

Sell US\$/Buy NT\$

February 2010  
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US\$21,300/NT\$686,788

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Outstanding cross currency swap contracts consisted of the following:

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

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

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

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



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

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

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

Movements of the allowance for doubtful receivables were as follows:

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

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

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

#### 9. INVENTORIES

| <b>December 31</b> |             |
|--------------------|-------------|
| <b>2010</b>        | <b>2009</b> |

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|                          |               |               |
|--------------------------|---------------|---------------|
| Finished goods           | \$ 5,118,060  | \$ 2,743,450  |
| Work in process          | 19,376,372    | 15,302,010    |
| Raw materials            | 1,947,396     | 1,541,599     |
| Supplies and spare parts | 1,964,156     | 1,326,692     |
|                          | \$ 28,405,984 | \$ 20,913,751 |

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

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**10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

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

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

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

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

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

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

|                            | Years Ended December 31 |              |
|----------------------------|-------------------------|--------------|
|                            | 2010                    | 2009         |
| Balance, beginning of year | \$ 1,391,500            | \$ 1,990,621 |
| Additions                  | 2,055,660               |              |
| Amortization               | (955,269)               | (599,121)    |

|                      |              |              |
|----------------------|--------------|--------------|
| Balance, end of year | \$ 2,491,891 | \$ 1,391,500 |
|----------------------|--------------|--------------|

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Movements of the difference allocated to goodwill were as follows:

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

## 11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

|  | <b>December 31,<br/>2010</b> |
|--|------------------------------|
| Hedging derivative financial liabilities |                              |
| Interest rate swap contract              | \$ 814                       |

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

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

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

## 12. FINANCIAL ASSETS CARRIED AT COST

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

In June 2010, the Company invested in Stion Corporation (Stion, a United States corporation) for US\$50,000 thousand and obtained Stion's preferred stock of 7,347 thousand shares with 23.4% of ownership. Stion is engaged in the manufacturing of high-efficiency thin-film solar photovoltaic modules. Due to certain restrictions

contained in the investment agreements, the Company does not have the ability to exert significant influence over Stion's operating and financial policy. Therefore, the investment was classified under financial assets carried at cost.



|  | of Year        | Additions     | Disposals      | Reclassification | Rate<br>Changes | End of Year    |
|--|----------------|---------------|----------------|------------------|-----------------|----------------|
| <b>Cost</b>  |                |               |                |                  |                 |                |
| Land and land improvements                           | \$ 953,857     | \$            | \$             | \$ 1,817         | \$ (21,584)     | \$ 934,090     |
| Buildings  | 132,249,996    | 10,530,802    | (12,978)       | (19,910)         | (453,352)       | 142,294,558    |
| Machinery and equipment                              | 697,498,743    | 81,548,279    | (1,872,721)    | 9,964            | (1,530,776)     | 775,653,489    |
| Office equipment                                     | 12,430,800     | 1,491,370     | (226,779)      | 22,821           | (50,465)        | 13,667,747     |
| Leased asset   | 722,339        | 4,171         |                | 7,143            | (19,229)        | 714,424        |
|  | 843,855,735    | \$ 93,574,622 | \$ (2,112,478) | \$ 21,835        | \$ (2,075,406)  | 933,264,308    |
| <b>Accumulated depreciation</b>                      |                |               |                |                  |                 |                |
| Land and land improvements                           | 295,898        | \$ 30,072     | \$             | \$               | \$ (8,390)      | 317,580        |
| Buildings  | 72,681,699     | 9,379,371     | (12,971)       | (5,779)          | (220,602)       | 81,821,718     |
| Machinery and equipment                              | 535,962,291    | 68,064,750    | (1,791,122)    | (6,271)          | (1,434,174)     | 600,795,474    |
| Office equipment                                     | 9,693,809      | 1,168,317     | (224,769)      | (158)            | (47,850)        | 10,589,349     |
| Leased asset   | 182,570        | 36,126        |                | 7,143            | (6,074)         | 219,765        |
|  | 618,816,267    | \$ 78,678,636 | \$ (2,028,862) | \$ (5,065)       | \$ (1,717,090)  | 693,743,886    |
| <b>Advance payments and construction in progress</b> |                |               |                |                  |                 |                |
|  | 18,605,882     | \$ 15,576,604 | \$             | \$ (26,426)      | \$ (1,695)      | 34,154,365     |
|  | \$ 243,645,350 |               |                |                  |                 | \$ 273,674,787 |

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of December 31, 2010 were NT\$773,172 thousand.

**14. DEFERRED CHARGES, NET**

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

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

**15. SHORT-TERM LOANS**

|   | December 31,<br>2010 |
|---|----------------------|
| Unsecured loans:<br>US\$874,000 thousand and EUR114,900 thousand, due from January 2011 to February 2011,<br>annual interest at 0.38%-1.84% | \$ 31,213,944        |

**16. BONDS PAYABLE**

December 31

|   | 2010         | 2009         |
|---|--------------|--------------|
| Domestic unsecured bonds:   |              |              |
| Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually | \$ 4,500,000 | \$ 4,500,000 |

**17. LONG-TERM BANK LOANS**

|   | December 31 |            |
|---|-------------|------------|
|   | 2010        | 2009       |
| Secured loans:  |             |            |
| Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.24% in 2010 and 0.67%-2.70% in 2009 | \$ 542,968  | \$ 788,263 |
| US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68%-0.97% in 2009 |             | 640,895    |
| Repayable from December 2007 in 8 semi-annual installments, fully repaid in June 2010, annual interest at 1.10%-2.42%   |             | 98,700     |
|   | 542,968     | 1,527,858  |
| Current portion   | (241,407)   | (949,298)  |
|   | \$ 301,561  | \$ 578,560 |

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

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

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

## 18. OTHER LONG-TERM PAYABLES

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

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

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

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

## 19. PENSION PLANS

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

December 31, 2010 and 2009, respectively.

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

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

a. Components of net periodic pension cost for the year

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

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

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

c. Actuarial assumptions at December 31, 2010 and 2009

|  | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|
| Discount rate used in determining present values | 1.75%-2.25% | 2.25%       |

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|  |             |             |
|--|-------------|-------------|
| Future salary increase rate                | 3.00%       | 3.00%       |
| Expected rate of return on plan assets     | 2.00%-2.50% | 1.50%-2.00% |
| d. Contributions to the Funds for the year | \$ 212,248  | \$ 194,221  |
| e. Payments from the Funds for the year    | \$ 19,991   | \$ 37,801   |

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**20. INCOME TAX**

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

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

- b. Income tax expense consisted of the following:

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

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

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

\$ 5,373,076      \$ 4,370,309

(Continued)

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

(Concluded)

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

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

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

d. Integrated income tax information:

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

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

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

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

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

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

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

|  | Tax-Exemption Period |
|--|----------------------|
| Construction and expansion of 2001 by TSMC | 2006 to 2010         |
| Construction and expansion of 2003 by TSMC | 2007 to 2011         |

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

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

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**21. LABOR COST, DEPRECIATION AND AMORTIZATION**

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

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

**22. SHAREHOLDERS EQUITY**

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

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

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Capital surplus consisted of the following:

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

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
  - b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
  - c. Bonus to directors and profit sharing to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
  - d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.
- TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

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

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

The appropriation for legal capital reserve shall be made until the reserve equals TSMC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of

50% of the paid-in capital if TSMC has no unappropriated earnings and the reserve balance has exceeded 50% of TSMC's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of TSMC's paid-in capital, up to 50% of the reserve may be transferred to capital.

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

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

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

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

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

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

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

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

**23. STOCK-BASED COMPENSATION PLANS**

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

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

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

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

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

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

**Options Outstanding**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assumptions:

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

**Years Ended December 31**

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

**24. EARNINGS PER SHARE**

EPS is computed as follows:

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

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of

dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders meeting in the following year.

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

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**25. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

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

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Except for derivatives and structured time deposits, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
- 5) Fair value of the bonds payable was based on their quoted market price.
- 6) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.

c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2010 and 2009 estimated using valuation techniques were recognized as a net loss of NT\$12,116 thousand and a net gain of NT\$186,056 thousand, respectively.

d.

As of December 31, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$38,588,969 thousand and NT\$40,857,296 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$43,235,611 thousand and NT\$13,542,919 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$848,275 thousand and NT\$1,527,858 thousand, respectively.

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

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

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

f. Information about financial risk

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

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

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

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

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

## 26. RELATED PARTY TRANSACTIONS

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

- a. Investees of TSMC

VIS (accounted for using equity method)  
SSMC (accounted for using equity method)

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

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

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

\$ 317,576

\$ 155,305

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

As of December 31

Other receivables

|      |            |     |            |     |
|------|------------|-----|------------|-----|
| VIS  | \$ 70,798  | 57  | \$ 81,663  | 67  |
| SSMC | 53,788     | 43  | 39,629     | 33  |
|      | \$ 124,586 | 100 | \$ 121,292 | 100 |

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

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

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

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

Compensation of directors and management personnel:

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

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

## 27. PLEDGED OR MORTGAGED ASSETS

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

| December 31 |      |
|-------------|------|
| 2010        | 2009 |

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|                                    |              |              |
|------------------------------------|--------------|--------------|
| Other financial assets             | \$ 163,531   | \$ 949,368   |
| Property, plant and equipment, net | 1,109,249    | 2,808,057    |
| Others assets                      | 40,000       | 20,000       |
|                                    | \$ 1,312,780 | \$ 3,777,425 |

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**28. SIGNIFICANT LONG-TERM LEASES**

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

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

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

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

**29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

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

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



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



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

**30. OTHERS**

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

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

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

### 31. ADDITIONAL DISCLOSURES

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

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

### 32. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

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

## b. Geographic information:

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

|                          |                |                |                 |                |
|--------------------------|----------------|----------------|-----------------|----------------|
| Income before income tax |                |                |                 | \$ 95,462,647  |
| Identifiable assets      | \$ 113,023,501 | \$ 468,112,330 | \$ (24,285,114) | \$ 556,850,717 |
| Long-term investments    |                |                |                 | 37,845,503     |
| Total assets             |                |                |                 | \$ 594,696,220 |

c. Export sales

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

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

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

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

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**FINANCINGS PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Statement<br>Item | Counter-party | Financing Limit<br>for Each<br>Borrowing<br>Company | Maximum<br>Balance for<br>the Period (US\$ in<br>Thousands) | Ending Balance<br>(US\$ in<br>Thousands) | Interest Rate | Reason for<br>Financing | Allowance for<br>Bad Debt | Collateral<br>Item |
|-------------------|---------------|---|---|--|---------------|-------------------------|---------------------------|--------------------|
|                   | TSMC China    | (Note 1)  | \$3,644,160<br>(US\$120,000)                                | \$3,644,160<br>(US\$120,000)             | 0.25%-0.26%   | Purchase<br>equipment   | \$                        |                    |

l parties

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.

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**TABLE 2****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****DECEMBER 31, 2010****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

|  |                               |  | December 31, 2010              |                                       |
|--|-------------------------------|--|--------------------------------|---------------------------------------|
| Marketable Securities Type and Name                          | Relationship with the Company | Financial Statement Account                    | Shares/Units<br>(In Thousands) | Carrying Value<br>(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                             |
| Yonfa Petrochemical Corporation                              |                               |  |                                | 1,463,791                             |
| Yonfa Power Company  |                               |  |                                | 1,352,022                             |
| Yonfa Plastics Corporation                                   |                               |  |                                | 1,303,298                             |
| Yonfa Plastics Corporation                                   |                               |  |                                | 575,776                               |
| Taiwan Semiconductor Manufacturing International Corporation |                               | Available-for-sale financial assets            | 1,789,493                      | 3,918,274                             |
| TSMC Global  | Subsidiary                    | Investments accounted for using equity method  | 1                              | 43,710,543                            |
| TSMC Partners  | Subsidiary                    | Investee accounted for using equity method     | 988,268                        | 33,565,775                            |
| TSMC   |                               | Investee accounted for using equity method     | 628,223                        | 9,422,452                             |
| TSMC   |                               | Investee accounted for using equity method     | 314                            | 7,120,714                             |
| TSMC   |                               | Investee accounted for using equity method     | 76,069                         | 6,733,369                             |
| TSMC North America   | Subsidiary                    | Investee with a controlling financial interest | 11,000                         | 2,873,888                             |
| TSMC   |                               | Investee with a controlling financial interest | 93,081                         | 1,645,201                             |
| TSMC   |                               | Investee with a controlling financial interest | 46,688                         | 1,113,516                             |
| TSMC Europe  | Subsidiary                    |  |                                | 177,784                               |
| TSMC Japan   | Subsidiary                    |  | 6                              | 150,312                               |
| TSMC Solar NA  | Subsidiary                    |  | 1                              | 26,527                                |
| TSMC Solar Europe  | Subsidiary                    |  |                                | 23,971                                |
| TSMC Korea   | Subsidiary                    |  | 80                             | 20,929                                |
| TSMC Lighting NA   | Subsidiary                    |  | 1                              | 3,133                                 |
| TSMC Industrial Gases Co., Ltd.                              |                               | Financial assets carried at cost               | 16,783                         | 193,584                               |
| TSMC 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<br>(In Thousands) | Carrying<br>Value<br>(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                               |
| Cube Inc.  | Investee accounted for using equity method |   | 5,333                          |  |
| Preferred stock  |  |   |                                |  |
| Cube 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                                 |
| &R Block Bank  |  |   | 249                            | US\$ 249                                 |
| Common stock   |  |   |                                |  |
| ichWave 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                      |            |                                  |       |      |             |
| deal Bk                            |            | Available-for-sale financial     | 249   | US\$ | 249         |
|                                    |            | assets                           |       |      |             |
| deal Bk Ssb                        |            |                                  | 249   | US\$ | 249         |
| d Ally Bank                        |            |                                  | 249   | US\$ | 249         |
| d 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, 2017              |                              |
|-------------------------------------|--|---|--------------------------------|------------------------------|
|                                     |  |   | Carrying                       | Per                          |
| Marketable Securities Type and Name | Relationship with the Company              | Financial Statement Account                   | Shares/Units<br>(In thousands) | Value<br>(US\$ in thousands) |
| Preferred stock                     |  |   |                                |                              |
| 5V Technologies, Inc.               |  | Financial assets carried at cost              | 2,890                          | US\$ 2,168                   |
| Aquantia                            |  |   | 3,974                          | US\$ 3,816                   |
| Audience, Inc.                      |  |   | 12,378                         | US\$ 2,378                   |
| Beceem Communications               |  |   | 797                            | US\$ 1,701                   |
| Impinj, Inc.                        |  |   | 475                            | US\$ 1,000                   |
| Next IO, Inc.                       |  |   | 3,795                          | US\$ 953                     |
| Optichron, Inc.                     |  |   | 2,847                          | US\$ 2,825                   |
| Pixim, Inc.                         |  |   | 33,347                         | US\$ 1,878                   |
| Power Analog Microelectronics       |  |   | 7,027                          | US\$ 3,383                   |
| QST Holdings, LLC                   |  |   |                                | US\$ 593                     |
| Xceive                              |  |   | 4,210                          | US\$ 1,554                   |
| Capital                             |  |   |                                |                              |
| VTA Holdings                        | Subsidiary                                 | Investments accounted for using equity method |                                |                              |
| Common stock                        |  |   |                                |                              |
| Mutual-Pak Technology Co., Ltd.     | Subsidiary                                 | Investments accounted for using equity method | 11,868                         | US\$ 2,058                   |
| Aiconn Technology Corporation       | Investee accounted for using equity method |   | 5,623                          | US\$ 546                     |
| Preferred stock                     |  |   |                                |                              |
| Auramicro, Inc.                     |  | Financial assets carried at cost              | 4,694                          | US\$ 1,408                   |
| BridgeLux, Inc.                     |  |   | 6,113                          | US\$ 7,781                   |
| Exclara, Inc.                       |  |   | 59,695                         | US\$ 5,897                   |
| GTBF, Inc.                          |  |   | 1,154                          | US\$ 1,500                   |
| InvenSense, Inc.                    |  |   | 816                            | US\$ 1,000                   |
| LiquidLeds Lighting Corp.           |  |   | 1,600                          | US\$ 800                     |
| Neoconix, Inc.                      |  |   | 3,686                          | US\$ 4,717                   |
| Powervation, Ltd.                   |  |   | 380                            | US\$ 5,797                   |
| Quellan, Inc.                       |  |   | 3,106                          | US\$ 369                     |
| Silicon Technical Services, LLC     |  |   | 1,055                          | US\$ 1,208                   |
| Stion Corp.                         |  |   | 7,347                          | US\$ 50,000                  |
| Tilera, Inc.                        |  |   | 3,890                          | US\$ 3,025                   |
| Validity Sensors, Inc.              |  |   | 9,340                          | US\$ 3,456                   |
| Capital                             |  |   |                                |                              |

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|   |            |   |            |        |
|---|------------|---|------------|--------|
| Growth Fund Limited (Growth Fund)                         | Subsidiary | Investments accounted for using equity method | US\$       | 846    |
| VTA Holdings  | Subsidiary |   |            |        |
| Common stock<br>SiliconBlue Technologies, Inc.<br>Veebeam |            | Financial assets carried at cost              | 5,107 US\$ | 762    |
|   |            |   | 10 US\$    | 25     |
| Common stock<br>Integrated Memory Logic, Inc.             |            | Available-for-sale financial assets           | 3,541 US\$ | 12,400 |
| Memsic, Inc.  |            |   | 1,286 US\$ | 4,371  |
| Preferred stock<br>IP Unity, Inc.<br>Sonics, Inc.         |            | Financial assets carried at cost              | 1,008 US\$ | 290    |
|   |            |   | 230 US\$   | 497    |
| Common stock<br>Memsic, Inc.                              |            | Available-for-sale financial assets           | 1,072 US\$ | 3,645  |

(Continued)

|   |                               |   | December 31, 2013 |                                    |
|---|-------------------------------|---|-------------------|------------------------------------|
| Marketable Securities Type and Name                       | Relationship with the Company | Financial Statement Account (In Thousands)    | Shares/Units      | Carrying Value (US\$ in Thousands) |
| Chip Technologies Limited                                 |                               | Financial assets carried at cost              | 7,520             | US\$ 3,660                         |
| ics, Inc.   |                               |   | 278               | US\$ 1,000                         |
| yatek Technology, Corp.                                   |                               |   | 932               | US\$ 540                           |
| len Technology MFG. Co., Ltd.                             |                               |   | 1,049             | US\$ 220                           |
| ferred stock  |                               |   |                   |                                    |
| gTek, Inc.  |                               | Financial assets carried at cost              | 1,032             | US\$ 680                           |
| ics, Inc.   |                               |   | 264               | US\$ 450                           |
| Common stock  |                               |   |                   |                                    |
| C-NA  | Subsidiary                    | Investments accounted for using equity method | 800               | \$58,000                           |
| C-Japan   | Subsidiary                    |   | 1                 | 14,700                             |
| C-BVI   | Subsidiary                    |   | 550               | 8,700                              |
| C-Europe  | Subsidiary                    |   |                   | 3,740                              |
| Capital   |                               |   |                   |                                    |
| Global Unichip (Shanghai) Company, Limited (GUC-Shanghai) | Subsidiary                    | Investments accounted for using equity method |                   | 7,460                              |
| Capital   |                               |   |                   |                                    |
| Compositech Ltd.  |                               | Financial assets carried at cost              | 587               |                                    |
| Bank  |                               |   |                   |                                    |
| MC Solar Europe GmbH                                      | Subsidiary                    | Investments accounted for using equity method | 1                 | 3,650                              |
| Corporate bond  |                               |   |                   |                                    |
| American Development Bank                                 |                               | Available-for-sale financial assets           | 2,600             | US\$ 2,620                         |
| State Life Gbl Fdg Secd                                   |                               |   | 4,430             | US\$ 4,820                         |
| el Corp.  |                               |   | 100               | US\$ 100                           |
| American Honda Fin Corp. Mtn                              |                               |   | 4,000             | US\$ 3,990                         |
| z National Intl Ltd.                                      |                               |   | 3,500             | US\$ 3,550                         |
| an Development Bank                                       |                               |   | 2,500             | US\$ 2,500                         |
| razeneca Plc  |                               |   | 3,150             | US\$ 3,390                         |
| +T Wireless   |                               |   | 3,500             | US\$ 3,820                         |
| ustralia + New Zealand Bkg                                |                               |   | 2,000             | US\$ 2,040                         |

|                             |                   |
|-----------------------------|-------------------|
| anco Bilbao Vizcaya P R     | 3,250 US\$ 3,24   |
| nk New York Inc.            | 1,615 US\$ 1,61   |
| nk New York Inc. Medium     | 2,100 US\$ 2,25   |
| nk of America Corp.         | 2,100 US\$ 2,15   |
| nk of New York Mellon       | 2,200 US\$ 2,20   |
| nk of Nova Scotia           | 5,000 US\$ 5,00   |
| clays Bank Plc              | 12,000 US\$ 11,99 |
| clays Bank Plc NY           | 400 US\$ 40       |
| va US Senior SA Uniper      | 2,645 US\$ 2,63   |
| r Stearns Cos Inc.          | 2,200 US\$ 2,19   |
| r Stearns Cos Inc.          | 3,500 US\$ 3,49   |
| r Stearns Cos Inc. Med Term | 2,400 US\$ 2,61   |
| rkshire Hathaway Inc. Del   | 3,500 US\$ 3,51   |
| o Billiton Fin USA Ltd.     | 2,000 US\$ 2,10   |
| Tokyo Mitsubishi Ufj        | 2,000 US\$ 2,04   |
| w US Capital LLC            | 1,600 US\$ 1,60   |
| o Paribas SA                | 3,810 US\$ 3,84   |
| eing Cap Corp.              | 2,925 US\$ 3,19   |
| eing Co.                    | 450 US\$ 45       |
| Capital Markets Plc         | 3,900 US\$ 3,98   |

(Continued)

December 31, 2013

| Investable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Carrying Value              |                     | Percentage Owned |
|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------|------------------|
|                                     |                               |                                     | Shares/Units (In thousands) | (US\$ in thousands) |                  |
| Pillar Financial Services           |                               | Available-for-sale financial assets | 900                         | US\$ 901            | N/A              |
| Qualcomm Part/Veri Wireless         |                               |                                     | 1,000                       | US\$ 1,159          | N/A              |
| Qualcomm Part/Veri Wireless         |                               |                                     | 2,000                       | US\$ 2,020          | N/A              |
| Financemen Foncier                  |                               |                                     | 200                         | US\$ 200            | N/A              |
| Financemen Foncier                  |                               |                                     | 4,000                       | US\$ 4,019          | N/A              |
| Group Funding Inc.                  |                               |                                     | 16,000                      | US\$ 16,323         | N/A              |
| Group Funding Inc.                  |                               |                                     | 7,300                       | US\$ 7,446          | N/A              |
| Group Inc.                          |                               |                                     | 1,400                       | US\$ 1,390          | N/A              |
| Group Inc.                          |                               |                                     | 800                         | US\$ 814            | N/A              |
| Group Inc.                          |                               |                                     | 400                         | US\$ 426            | N/A              |
| Group Inc.                          |                               |                                     | 5,000                       | US\$ 5,490          | N/A              |
| Cola Co.                            |                               |                                     | 4,000                       | US\$ 4,002          | N/A              |
| Commonwealth Bank Aust              |                               |                                     | 2,800                       | US\$ 2,806          | N/A              |
| Countrywide Finl Corp.              |                               |                                     | 4,000                       | US\$ 4,208          | N/A              |
| Crédit Suisse First Boston USA      |                               |                                     | 2,150                       | US\$ 2,253          | N/A              |
| Crédit Suisse New York              |                               |                                     | 3,945                       | US\$ 4,090          | N/A              |
| Crédit Suisse Bank AG NY            |                               |                                     | 2,500                       | US\$ 2,487          | N/A              |
| Crédit Local                        |                               |                                     | 6,000                       | US\$ 5,976          | N/A              |
| Crédit Local                        |                               |                                     | 4,000                       | US\$ 3,984          | N/A              |
| Crédit Local S.A                    |                               |                                     | 4,000                       | US\$ 3,992          | N/A              |
| Crédit Local SA NY                  |                               |                                     | 5,000                       | US\$ 4,983          | N/A              |
| Mont E I De Nemours + Co.           |                               |                                     | 825                         | US\$ 886            | N/A              |
| Inc.                                |                               |                                     | 1,375                       | US\$ 1,361          | N/A              |
| Resources Inc.                      |                               |                                     | 1,500                       | US\$ 1,501          | N/A              |
| Service for Danish Ind              |                               |                                     | 3,800                       | US\$ 3,799          | N/A              |
| Central Elec Cap Corp.              |                               |                                     | 1,000                       | US\$ 999            | N/A              |
| Central Elec Cap Corp.              |                               |                                     | 7,000                       | US\$ 7,002          | N/A              |
| Central Elec Cap Corp.              |                               |                                     | 1,000                       | US\$ 1,001          | N/A              |
| Central Elec Cap Corp.              |                               |                                     | 4,000                       | US\$ 4,110          | N/A              |
| Central Electric Capital Corp.      |                               |                                     | 2,000                       | US\$ 1,967          | N/A              |
| Georgia Pwr Co.                     |                               |                                     | 1,000                       | US\$ 1,005          | N/A              |
| Georgia Pwr Co.                     |                               |                                     | 4,000                       | US\$ 4,006          | N/A              |
| LLC                                 |                               |                                     | 4,600                       | US\$ 4,731          | N/A              |
| Goldman Sachs Group Inc.            |                               |                                     | 2,000                       | US\$ 1,956          | N/A              |
| Boise Bpce                          |                               |                                     | 1,150                       | US\$ 1,140          | N/A              |
| Hewlett Packard Co.                 |                               |                                     | 3,000                       | US\$ 3,003          | N/A              |
| Hewlett Packard Co.                 |                               |                                     | 2,030                       | US\$ 2,032          | N/A              |
| Hold Fin Corp.                      |                               |                                     | 4,330                       | US\$ 4,694          | N/A              |

|                            |       |      |       |     |
|----------------------------|-------|------|-------|-----|
| C Bank Plc                 | 3,400 | US\$ | 3,405 | N/A |
| C Fin Corp.                | 2,315 | US\$ | 2,304 | N/A |
| C Fin Corp.                | 2,900 | US\$ | 3,074 | N/A |
| Corp.                      | 2,300 | US\$ | 2,301 | N/A |
| Corp.                      | 6,800 | US\$ | 6,775 | N/A |
| Corp.                      | 1,500 | US\$ | 1,500 | N/A |
| k Recon + Develop          | 5,000 | US\$ | 5,002 | N/A |
| k Recon + Develop          | 2,000 | US\$ | 2,046 | N/A |
| Deer Capital Corp. Fdic GT | 3,500 | US\$ | 3,616 | N/A |
| rgan Chase + Co.           | 2,500 | US\$ | 2,513 | N/A |
| rgan Chase + Co.           | 5,000 | US\$ | 5,021 | N/A |
| Medium Term Nts Book Entry | 1,950 | US\$ | 1,950 | N/A |
| tanstalt Fur Wiederaufbau  | 650   | US\$ | 664   | N/A |
| Eli + Co.                  | 1,500 | US\$ | 1,548 | N/A |
| ls Tsb Bank Plc Ser 144A   | 4,850 | US\$ | 4,857 | N/A |
| ls Tsb Bank Plc Ser 144A   | 5,950 | US\$ | 6,009 | N/A |

(Continued)

December 31

| 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              |
| smutual 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              |
| rill Lynch + Co. Inc.               |                               |                                     | 4,691                       | US\$4,647                 | N/A              |
| 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              |
| rosoft Corp.                        |                               |                                     | 3,250                       | US\$3,232                 | N/A              |
| umental Global Fdg II               |                               |                                     | 1,500                       | US\$1,446                 | N/A              |
| umental 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              |
| onal Australia Bank                 |                               |                                     | 1,000                       | US\$1,019                 | N/A              |
| y 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              |
| fic Gas + Electric                  |                               |                                     | 2,000                       | US\$1,999                 | N/A              |
| Funding Corp.                       |                               |                                     | 2,000                       | US\$2,000                 | N/A              |
| oa Global Fdg I Med Term            |                               |                                     | 1,750                       | US\$1,724                 | N/A              |
| incipal 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              |
| al Bk of Scotland Plc               |                               |                                     | 4,000                       | US\$4,002                 | N/A              |
| al Bk of Scotland Plc               |                               |                                     | 5,000                       | US\$5,052                 | N/A              |
| al Bk Scotland Plc                  |                               |                                     | 2,550                       | US\$2,589                 | N/A              |
| al Bk Scotlnd Grp Plc 144A          |                               |                                     | 9,450                       | US\$9,516                 | N/A              |
| Communications Inc.                 |                               |                                     | 2,000                       | US\$2,106                 | N/A              |
| l International Fin                 |                               |                                     | 4,515                       | US\$4,536                 | N/A              |
| l International Fin                 |                               |                                     | 3,200                       | US\$3,248                 | N/A              |
| oreign 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 |
| Global Mkts Inc.             | 2,000 | US\$2,141 | N/A |
| Global Mkts Inc. Mtn         | 1,500 | US\$1,631 | N/A |
| Ag Stamford CT               | 2,200 | US\$2,199 | N/A |
| 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 |
| Mart Stores Inc.             | 4,000 | US\$3,964 | N/A |

(Continued)

December 31

| Investable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Shares/Units<br>(In Thousands) | Carrying Value<br>(US\$ in Thousands) | Percentage Owned |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|------------------|
| 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 Corp.           |                               |                                     | 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              |
| Prudential 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              |
| Agency bond                         |                               |                                     |                                |                                       |                  |
| Agency bond Mae                     |                               | Available-for-sale financial assets | 11,100                         | US\$ 11,096                           | N/A              |
| Agency bond Mae                     |                               |                                     | 3,900                          | US\$ 3,861                            | N/A              |
| Agency bond Mae                     |                               |                                     | 16,104                         | US\$ 16,102                           | N/A              |
| Agency bond Mae                     |                               |                                     | 8,765                          | US\$ 8,763                            | N/A              |
| Agency bond Mae                     |                               |                                     | 4,600                          | US\$ 4,589                            | N/A              |
| Agency bond Mae                     |                               |                                     | 3,000                          | US\$ 2,994                            | N/A              |
| Agency bond Mae                     |                               |                                     | 4,000                          | US\$ 4,003                            | N/A              |
| Agency bond Mae                     |                               |                                     | 1,836                          | US\$ 1,922                            | N/A              |
| Agency bond Mae                     |                               |                                     | 2,023                          | US\$ 2,086                            | N/A              |
| Agency bond Mae                     |                               |                                     | 799                            | US\$ 837                              | N/A              |
| Agency bond Mae                     |                               |                                     | 1,550                          | US\$ 1,613                            | N/A              |
| Agency bond Mae                     |                               |                                     | 1,800                          | US\$ 1,879                            | N/A              |
| Agency bond Mae                     |                               |                                     | 4,000                          | US\$ 3,984                            | N/A              |
| Agency bond Mae                     |                               |                                     | 4,000                          | US\$ 3,994                            | N/A              |
| Agency bond Mae                     |                               |                                     | 5,000                          | US\$ 5,004                            | N/A              |
| Agency bond Mae                     |                               |                                     | 5,000                          | US\$ 5,008                            | N/A              |
| Agency bond Mae                     |                               |                                     | 5,000                          | US\$ 5,046                            | N/A              |
| Agency bond Mae                     |                               |                                     | 2,768                          | US\$ 2,810                            | N/A              |
| Agency bond Mae                     |                               |                                     | 3,732                          | US\$ 3,727                            | N/A              |
| Agency bond Mae                     |                               |                                     | 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

| Schedule | Securities Type and Name          | Relationship with the Company | Financial Statement Account         | Carrying                       |                              | Percentage Owned |
|----------|-----------------------------------|-------------------------------|-------------------------------------|--------------------------------|------------------------------|------------------|
|          |                                   |                               |                                     | Shares/Units<br>(In Thousands) | Value<br>(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              |
|          | 547 Pb                            |                               |                                     | 2,561                          | US\$ 2,595                   | N/A              |
|          | 053 Da                            |                               |                                     | 3,284                          | US\$ 3,466                   | N/A              |
|          | 087 Jb                            |                               |                                     | 1,520                          | US\$ 1,602                   | N/A              |
|          | 184 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              |
|          | 005 47 HA                         |                               |                                     | 1,785                          | US\$ 1,875                   | N/A              |
|          | 006 60 CO                         |                               |                                     | 3,485                          | US\$ 3,483                   | N/A              |
|          | 006 60 CO                         |                               |                                     | 1,009                          | US\$ 1,016                   | N/A              |
|          | 009 116 A                         |                               |                                     | 4,271                          | US\$ 4,640                   | N/A              |
|          | 009 70 NT                         |                               |                                     | 1,890                          | US\$ 1,965                   | N/A              |
|          | ie Mac                            |                               |                                     | 10,420                         | US\$ 10,411                  | N/A              |
|          | ie Mac                            |                               |                                     | 4,500                          | US\$ 4,502                   | N/A              |
|          | ie Mac                            |                               |                                     | 5,750                          | US\$ 5,764                   | N/A              |
|          | ie Mac                            |                               |                                     | 7,855                          | US\$ 7,859                   | N/A              |
|          | ie Mac                            |                               |                                     | 4,300                          | US\$ 4,316                   | N/A              |
|          | ie Mac                            |                               |                                     | 4,010                          | US\$ 4,014                   | N/A              |
|          | II Pool 082431                    |                               |                                     | 1,897                          | US\$ 1,943                   | N/A              |
|          | 008 9 SA                          |                               |                                     | 2,259                          | US\$ 2,274                   | N/A              |
|          | 009 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              |

|                              |                                     |        |            |     |
|------------------------------|-------------------------------------|--------|------------|-----|
| 010 C1 A1                    |                                     | 1,968  | US\$ 1,928 | N/A |
| 010 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 |
| Equity 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 and Subsidiaries**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financial Statement<br>Account                | Counter-party                             | Nature of Relationship                     | Beginning Balance           |                            | Acquisition                 |                            | Disposal (Note 1)           |                            | Carrying Value (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                 | US\$ 3,086                 |
|   |   |  |                             |                            | 3,400                       | US\$ 3,548                 | 3,400                       | US\$ 3,539                 | 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 |
| Corp.      |                                     |               |              |           |            | 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 2)           |                            | Carryover 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) |                                     |
|                     | 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                               |
|                     |                                     |               |              |                             | 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                               |
|                     |                                     |               |              |                             | 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                               |
|                     |                                     |               |              |                             | 5,000                      | US\$                        | 5,049                      |                             |                            |                                     |
|                     |                                     |               |              | 11,000                      | US\$                       | 11,028                      |                            | 11,000                      | US\$                       | 11,049                              |
|                     |                                     |               |              |                             | 5,000                      | US\$                        | 5,098                      |                             |                            |                                     |
|                     |                                     |               |              |                             | 4,634                      | US\$                        | 4,726                      |                             |                            |                                     |

|    |        |            |        |            |        |            |        |
|----|--------|------------|--------|------------|--------|------------|--------|
| tg |        |            |        |            |        |            |        |
| tg | 1,350  | US\$ 1,352 | 2,300  | US\$ 2,304 | 3,650  | US\$ 3,653 | US\$ 3 |
| tg |        |            | 4,289  | US\$ 4,282 | 4,289  | US\$ 4,292 | US\$ 4 |
| tg |        |            | 4,717  | US\$ 4,719 |        |            |        |
| tg |        |            | 3,840  | US\$ 4,027 |        |            |        |
| tg |        |            | 3,720  | US\$ 3,953 |        |            |        |
| tg |        |            | 4,121  | US\$ 4,261 |        |            |        |
| tg |        |            | 4,197  | US\$ 4,261 |        |            |        |
|    |        |            | 10,000 | US\$ 9,985 |        |            |        |
|    |        |            | 8,000  | US\$ 7,996 | 8,000  | US\$ 7,996 | US\$ 7 |
|    |        |            | 5,000  | US\$ 4,996 | 5,000  | US\$ 5,001 | US\$ 4 |
|    |        |            | 4,000  | US\$ 3,999 | 4,000  | US\$ 3,999 | US\$ 3 |
|    | 10,000 | US\$ 9,987 |        |            | 10,000 | US\$10,007 | US\$ 9 |
|    |        |            | 10,000 | US\$ 9,998 | 10,000 | US\$10,010 | US\$ 9 |
|    | 8,000  | US\$ 7,992 |        |            | 8,000  | US\$ 8,009 | US\$ 8 |
|    |        |            | 6,050  | US\$ 6,050 | 6,050  | US\$ 6,060 | US\$ 6 |
|    |        |            | 5,000  | US\$ 5,009 |        |            |        |
|    |        |            | 6,800  | US\$ 6,811 |        |            |        |
|    |        |            | 8,000  | US\$ 7,990 |        |            |        |
|    | 10,000 | US\$10,012 |        |            | 10,000 | US\$10,047 | US\$10 |
|    | 4,700  | US\$ 4,715 |        |            | 4,700  | US\$ 4,716 | US\$ 4 |
|    |        |            | 4,500  | US\$ 4,497 | 3,100  | US\$ 3,098 | US\$ 3 |
|    | 11,200 | US\$11,186 | 1,500  | US\$ 1,498 | 4,300  | US\$ 4,294 | US\$ 4 |
|    |        |            | 4,000  | US\$ 4,012 | 4,000  | US\$ 4,002 | US\$ 4 |
|    |        |            | 8,000  | US\$ 8,082 | 8,000  | US\$ 8,057 | US\$ 8 |
|    | 3,000  | US\$ 2,989 |        |            | 3,000  | US\$ 3,001 | US\$ 2 |

(Continued)

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| Financial Statement                 | Account | Counter-party | Relationship | Beginning Balance           |                            | Acquisition                 |                            | Disposal (Note              |                            | Carrying Value |      |
|-------------------------------------|---------|---------------|--------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|----------------|------|
|                                     |         |               |              | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) |                |      |
| Available-for-sale financial assets |         |               |              | US\$                        | 8,000                      | US\$                        | 8,193                      | 8,000                       | US\$                       | 8,123          | US\$ |
|                                     |         |               |              |                             | 6,397                      | US\$                        | 6,394                      |                             |                            |                |      |
|                                     |         |               |              | 4,000                       | US\$ 4,228                 |                             |                            | 4,000                       | US\$                       | 4,205          | US\$ |
|                                     |         |               |              |                             | 3,426                      | US\$                        | 3,494                      |                             |                            |                |      |
|                                     |         |               |              |                             | 3,343                      | US\$                        | 3,466                      |                             |                            |                |      |
|                                     |         |               |              |                             | 4,000                      | US\$                        | 4,149                      |                             |                            |                |      |
|                                     |         |               |              |                             | 3,638                      | US\$                        | 3,827                      |                             |                            |                |      |
|                                     |         |               |              |                             | 4,686                      | US\$                        | 4,681                      |                             |                            |                |      |
|                                     |         |               |              |                             | 3,123                      | US\$                        | 3,261                      |                             |                            |                |      |
|                                     |         |               |              |                             | 3,000                      | US\$                        | 3,141                      | 3,000                       | US\$                       | 3,134          | US\$ |
|                                     |         |               |              |                             | 3,252                      | US\$                        | 3,405                      | 3,252                       | US\$                       | 3,397          | US\$ |
|                                     |         |               |              |                             | 24,000                     | US\$                        | 25,241                     | 24,000                      | US\$                       | 25,233         | US\$ |
|                                     |         |               |              |                             | 14,200                     | US\$                        | 14,863                     | 14,200                      | US\$                       | 14,981         | US\$ |
|                                     |         |               |              |                             | 14,200                     | US\$                        | 14,790                     | 14,200                      | US\$                       | 14,901         | US\$ |
|                                     |         |               |              |                             | 4,092                      | US\$                        | 4,090                      |                             |                            |                |      |
|                                     |         |               |              |                             | 4,390                      | US\$                        | 4,712                      |                             |                            |                |      |
|                                     |         |               |              |                             | 10,420                     | US\$                        | 10,412                     |                             |                            |                |      |
|                                     |         |               |              | 4,500                       | US\$ 4,491                 |                             |                            | 4,500                       | US\$                       | 4,496          | US\$ |
|                                     |         |               |              |                             | 8,000                      | US\$                        | 8,002                      | 8,000                       | US\$                       | 7,997          | US\$ |
|                                     |         |               |              |                             | 7,000                      | US\$                        | 6,994                      | 7,000                       | US\$                       | 6,995          | US\$ |
|                                     |         |               |              |                             | 4,500                      | US\$                        | 4,507                      |                             |                            |                |      |
|                                     |         |               |              |                             | 5,750                      | US\$                        | 5,771                      |                             |                            |                |      |
|                                     |         |               |              |                             | 7,855                      | US\$                        | 7,869                      |                             |                            |                |      |
|                                     |         |               |              |                             | 4,300                      | US\$                        | 4,308                      |                             |                            |                |      |
|                                     |         |               |              |                             | 4,010                      | US\$                        | 4,024                      |                             |                            |                |      |
|                                     |         |               |              |                             | 7,004                      | US\$                        | 7,305                      |                             |                            |                |      |
|                                     |         |               |              |                             | 3,050                      | US\$                        | 3,278                      |                             |                            |                |      |
|                                     |         |               |              |                             | 3,800                      | US\$                        | 3,800                      |                             |                            |                |      |
| Available-for-sale financial assets |         |               |              |                             | 24,000                     | US\$                        | 24,116                     | 24,000                      | US\$                       | 24,105         | US\$ |

|  |        |            |         |             |         |             |             |
|--|--------|------------|---------|-------------|---------|-------------|-------------|
|  |        |            | 45,070  | US\$ 45,309 | 45,070  | US\$ 45,258 | US\$        |
|  |        |            | 43,900  | US\$ 43,832 | 43,900  | US\$ 44,134 | US\$        |
|  |        |            | 53,000  | US\$ 53,069 | 53,000  | US\$ 53,316 | US\$        |
|  |        |            | 16,800  | US\$ 16,889 | 16,800  | US\$ 16,897 | US\$        |
|  |        |            | 49,700  | US\$ 49,742 | 8,000   | US\$ 8,066  | US\$        |
|  | 21,400 | US\$21,394 |         |             | 21,400  | US\$ 21,487 | US\$        |
|  |        |            | 7,000   | US\$ 7,078  |         |             |             |
|  | 37,700 | US\$39,012 |         |             | 37,700  | US\$ 38,784 | US\$        |
|  |        |            | 8,000   | US\$ 8,040  | 8,000   | US\$ 8,028  | US\$        |
|  |        |            | 10,000  | US\$ 10,040 | 10,000  | US\$ 10,045 | US\$        |
|  |        |            | 5,250   | US\$ 5,195  |         |             |             |
|  |        |            | 11,100  | US\$ 11,084 |         |             |             |
|  |        |            | 4,400   | US\$ 4,380  | 4,400   | US\$ 4,464  | US\$        |
|  |        |            | 5,000   | US\$ 5,009  | 5,000   | US\$ 4,977  | US\$        |
| Available-for-sale<br>financial assets | 8,858  | US\$ 8,858 | 337,008 | US\$337,008 | 333,479 | US\$333,479 | US\$333,479 |

(Continued)

| Marketable Securities        | Financial Statement                 | Nature of                  | Beginning                              | Acquisition                      | Disposal (Note 2)                      | Carrying                         |
|------------------------------|-------------------------------------|----------------------------|--|----------------------------------|--|----------------------------------|
|                              |                                     |                            | Balance                                | Amount                           | Amount                                 | Value                            |
| Type and Name                | Account                             | Counter-party Relationship | Shares/Units<br>(In US\$<br>Thousands) | Amount<br>(In US\$<br>Thousands) | Shares/Units<br>(In US\$<br>Thousands) | Amount<br>(In US\$<br>Thousands) |
| <u>Corporate issued note</u> |                                     |                            |  |                                  |  |                                  |
| Barclays U.S. Fdg LLC        | Available-for-sale financial assets |                            | 4,500 US<br>\$4,489                    | US\$                             | 4,500                                  | US\$4,489                        |

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

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

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

(Concluded)

**TABLE 4**

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

| Transaction Date                 | Transaction Amount | Payment Term                 | Counter-party                    | Nature of Relationships | Prior Transaction Owner | Relationships of Related Counter-party | Transfer Date | Transaction Amount | Price Reference |
|----------------------------------|--------------------|------------------------------|----------------------------------|-------------------------|-------------------------|--|---------------|--------------------|-----------------|
| January 28, 2010 to December 27, | \$1,169,132        | By the construction progress | China Steel Structure Co., Ltd.  |                         | N/A                     | N/A                                    | N/A           | N/A                | Public bidding  |
| January 28, 2010 to December 29, | 1,959,787          | By the construction progress | Fu Tsu Construction Co., Ltd.    |                         | N/A                     | N/A                                    | N/A           | N/A                | Public bidding  |
| January 19, 2010 to December 29, | 2,800,940          | By the construction progress | Da Cin Constructure Co., Ltd.    |                         | N/A                     | N/A                                    | N/A           | N/A                | Public bidding  |
| January 25, 2010 to December 30, | 493,403            | By the construction progress | Tasa Construction Corporation    |                         | N/A                     | N/A                                    | N/A           | N/A                | Public bidding  |
| January 1, 2010 to December 30,  | 125,277            | By the construction progress | I-Domain Industrial Co., Ltd.    |                         | N/A                     | N/A                                    | N/A           | N/A                | Public bidding  |
| January 26, 2010 to December 28, | 195,831            | By the construction progress | Mirle Automation Corporation     |                         | N/A                     | N/A                                    | N/A           | N/A                | Public bidding  |
| December 30,                     | 2,900,000          | Based on the agreement       | Powerchip Technology Corporation |                         | N/A                     | N/A                                    | N/A           | N/A                | Pricing report  |

**TABLE 5**

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

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

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

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN**  
**CAPITAL**  
**DECEMBER 31, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

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

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2010**

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

| Investee Company | Location                        | Main Businesses and Products  | Original Investment Amount                          |   | Balance as of December 31, 2010 |                         |  | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) |
|------------------|---------------------------------|---|---|---|---------------------------------|-------------------------|--|---|
|                  |                                 |   | December 31, 2010 (Foreign Currencies in Thousands) | December 31, 2009 (Foreign Currencies in Thousands) | Shares (In Thousands)           | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) |   |
| Global           | Tortola, British Virgin Islands | Investment activities   | \$42,327,245  | \$42,327,245  | 1                               | 100                     | \$43,710,543                                     | \$ 660,931  |
| Partners         | Tortola, British Virgin Islands | Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry  | 31,456,130  | 31,456,130  | 988,268                         | 100                     | 33,565,775                                       | 2,313,657   |
|                  | Hsin-Chu, Taiwan                | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts                              | 13,232,288  | 13,232,288  | 628,223                         | 38                      | 9,422,452  | 1,952,385   |
|                  | Singapore                       | Fabrication and supply of integrated circuits   | 5,120,028   | 5,120,028   | 314                             | 39                      | 7,120,714  | 3,881,067   |
| h                | Taipei, Taiwan                  | Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems | 6,228,661   |   | 76,069                          | 20                      | 6,733,369  | 4,584,720   |
| China            | Shanghai, China                 | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers                            | 12,180,367  | 12,180,367  |                                 | 100                     | 4,252,270  | 1,386,574   |
| North ca         | San Jose, California, U.S.A.    | Selling and marketing of integrated circuits and semiconductor devices  | 333,718   | 333,718   | 11,000                          | 100                     | 2,873,888  | 302,598   |

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|                  |                            |  |             |             |        |     |              |             |
|------------------|----------------------------|--|-------------|-------------|--------|-----|--------------|-------------|
| III              | Cayman Islands             | Investing in new start-up technology companies   | 3,565,441   | 1,703,163   |        | 99  | 2,769,423    | (247,274)   |
|                  | Taoyuan, Taiwan            | Wafer level chip size packaging service  | 1,357,890   | 1,357,890   | 93,081 | 41  | 1,645,201    | 505,260     |
|                  | Hsin-Chu, Taiwan           | Researching, developing, manufacturing, testing and marketing of integrated circuits                                     | 386,568     | 386,568     | 46,688 | 35  | 1,113,516    | 604,501     |
| II               | Cayman Islands             | Investing in new start-up technology companies   | 1,166,470   | 1,093,943   |        | 98  | 1,063,057    | 120,612     |
| ing Alliance     | Cayman Islands             | Investing in new start-up technology companies   | 971,785     | 959,044     |        | 99  | 304,310      | 2,345       |
| Europe           | Amsterdam, the Netherlands | Marketing and engineering supporting activities  | 15,749      | 15,749      |        | 100 | 177,784      | 38,893      |
| Japan            | Yokohama, Japan            | Marketing activities   | 83,760      | 83,760      | 6      | 100 | 150,312      | 4,704       |
| Solar NA         | Delaware, U.S.A.           | Engaged in selling and marketing of solar related products   | 60,962      |             | 1      | 100 | 26,527       | (35,512)    |
| Solar            | Amsterdam, the Netherlands | Engaged in investing activities of solar related business  | 25,350      |             |        | 100 | 23,971       | (433)       |
| Korea            | Seoul, Korea               | Customer service and technical supporting activities   | 13,656      | 13,656      | 80     | 100 | 20,929       | 2,709       |
| Lighting         | Delaware, U.S.A.           | Engaged in selling and marketing of LED related products   | 3,133       |             | 1      | 100 | 3,133        |             |
| Development      | Delaware, U.S.A.           | Investment activities  | US \$0.001  | US \$0.001  | 1      | 100 | US \$403,257 | US \$62,870 |
| Holdings Company | Cayman Islands             | Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry | US \$43,000 | US \$43,000 | 43,000 | 49  | US \$83,057  | US \$11,320 |
|                  | Cayman Islands             | Investing in new start-up technology companies   | US \$4,088  | US \$7,680  | 4,088  | 97  | US \$21,523  | US \$8,934  |
| II               | Cayman Islands             | Investing in new start-up technology companies   | US \$16,532 | US \$21,415 | 16,532 | 97  | US \$13,660  | US \$4,957  |
| Technology       | Delaware, U.S.A.           | Engineering support activities   | US \$0.001  | US \$0.001  | 1      | 100 | US \$9,878   | US \$807    |
| Canada           | Ontario, Canada            | Engineering support activities   | US \$2,300  | US \$2,300  | 2,300  | 100 | US \$3,714   | US \$348    |

| Parent Company | Investee Company                | Location           | Main Businesses and Products   | Original Investment Amount as of December 31, 2009 (In thousands of U.S. dollars) | Balance as of December 31, 2010 (In thousands of U.S. dollars) | Share Percentage of Ownership | Carrying Value (Foreign Currencies in thousands of U.S. dollars) | Net Income (Losses) of the Investee (Foreign Currencies in thousands of U.S. dollars) | Equity in the Earnings (Losses) of the Investee (Foreign Currencies in thousands of U.S. dollars) |
|----------------|---------------------------------|--------------------|--|---|--|-------------------------------|--|---|---|
|                | Mcube Inc. (Common Stock)       | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device  | US\$800   | US\$800  | 5,333 70                      | US \$  | US \$(6,915)  | Note 2  |
|                | Mcube Inc. (Preferred Stock)    | Delaware, U.S.A.   | Research, development, and sale of micro-semiconductor device  | US\$1,000   | US\$1,000  | 1,000 10                      |  | US \$(6,915)  | Note 2  |
| Investment     | WaferTech                       | Washington, U.S.A. | Manufacturing, selling, testing and computer-aided designing integrated circuits and other semiconductor devices | US\$283,000   | US\$293,637  | 293,637 100                   | US \$165,211   | US \$60,779   | Note 2  |
| III            | Mutual-Pak Technology Co., Ltd. | Taipei, Taiwan     | Manufacturing and selling of electronic parts and researching, developing, and testing of RFID                   | US\$3,937,088   | US\$3,937,088  | 11,868 57                     | US \$2,058   | US \$(1,879)  | Note 2  |
|                | Aiconn Technology Corp.         | Taipei, Taiwan     | Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments          | US\$2,306,777   | US\$2,306,777  | 5,623 43                      | US \$546   | US \$(1,030)  | Note 2  |
|                | Growth Fund                     | Cayman Islands     | Investing in new start-up technology companies   | US\$1,300,550   | US\$1,300,550  |                               | US \$846   | US \$(127)  | Note 2  |
|                | VTA Holdings                    | Delaware, U.S.A.   | Investing in new start-up technology companies   |   |  |                               |  |   | Note 2  |
| II             | VTA Holdings                    | Delaware, U.S.A.   | Investing in new start-up technology companies   |   |  | 800 31                        |  |   | Note 2  |
|                | GUC-NA                          | U.S.A.             |  |   |  | 800 100                       | US \$58,045  | US \$10,599   | Sub   |

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|             |                        |                        |  |                               |     |     |        |         |                  |
|-------------|------------------------|------------------------|--|-------------------------------|-----|-----|--------|---------|------------------|
|             |                        |                        | Consulting services in main products   | USUS<br>\$1,2 <del>9</del> 00 |     |     |        |         | Note<br>2        |
|             | GUC-Japan              | Japan                  | Consulting services in main products   | JPY<br>30,000,000             | 1   | 100 | 14,706 | 1,404   | NoteSub<br>2 (No |
|             | GUC-BVI                | British Virgin Islands | Investment activities  | USUS<br>\$55 <del>5</del> 0   | 550 | 100 | 8,761  | (8,021) | NoteSub<br>2 (No |
|             | GUC-Europe             | The Netherlands        | Consulting services in main products   | EUR<br>100                    |     | 100 | 3,747  | (703)   | NoteSub<br>2 (No |
| BVI         | GUC-Shanghai           | Shanghai, China        | Consulting services in main products   | US<br>\$500                   |     | 100 | 7,468  | (7,971) | NoteSub<br>2 (No |
| ng Alliance | VTA Holdings           | Delaware, U.S.A.       | Investing in new start-up technology companies   |                               |     | 7   |        |         | NoteSub<br>2 (No |
| Solar       | TSMC Solar Europe GmbH | Hamburg, Germany       | Engaged in the selling and customer service of solar cell modules and related products | EUR<br>100                    | 1   | 100 | 3,658  | (421)   | NoteSub<br>2 (No |

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

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

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

(Concluded)

**TABLE 8**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
INFORMATION OF INVESTMENT IN MAINLAND CHINA**

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

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

| Investor<br>Company | Main<br>Businesses<br>Produced   | Total<br>Amount of<br>Paid-in<br>Capital<br>(Thousands<br>of<br>New<br>Taiwan<br>Dollars) | Method<br>of<br>Investment<br>(Note<br>1) | Accumulated   | Investment                 | Accumulated  | Equity in<br>the<br>Earnings<br>(Losses) | Accumulated                | December<br>31,<br>2010 | December              |
|---------------------|--|---|---|---|----------------------------|--|--|----------------------------|-------------------------|-----------------------|
|                     |  |   |   | Outflow of<br>Investment<br>from<br>Taiwan as<br>of<br>January 1,<br>2010 | Flows<br>Outflow<br>Inflow | Outflow of<br>Investment<br>from<br>Taiwan as<br>of<br>December<br>31, |  | Carrying<br>Value<br>as of |                         | 31,<br>2010           |
|                     |  | (US\$ in<br>thousand)   | (US\$ in<br>thousand)                     | (US\$ in<br>thousand)   | (US\$ in<br>thousand)      | Percentage<br>of<br>Ownership  |  | (US\$ in<br>thousand)      |                         | (US\$ in<br>thousand) |
| TSMC                | China  | \$ 12,180,367   | 1)  | \$ 12,180,367   | \$                         | \$ 12,180,367  | 100%                                     | \$ 1,358,492               | \$ 4,252,270            | \$                    |
|                     | selling<br>of<br>integrated<br>circuits<br>at<br>the<br>order<br>of<br>and<br>pursuant<br>to<br>product<br>design<br>specifications<br>provided<br>by<br>customers | (RMB<br>3,070,623)  |   | (US<br>\$371,000)   |                            | (US<br>\$371,000)  |  | (Note 3)                   |                         |                       |
| GUCGUC-<br>Shanghai | Consulting<br>in<br>main<br>product  | 16,160  | 2)  |   | 16,160                     | 16,160   | 100%                                     | (7,971)                    | 7,468                   |                       |
|                     |  | (US \$500)  |   |   | (US<br>\$500)              | (US \$500)   |  | (Note 4)                   |                         |                       |
|                     |  |   |   | <b>Accumulated<br/>Investment<br/>in Mainland<br/>China</b>               |                            | <b>Investment Amounts<br/>Authorized by</b>                            |  |                            |                         |                       |

| <b>Investor Company</b> | <b>as of December<br/>31, 2010<br/>(US\$ in<br/>Thousand)</b> | <b>Investment<br/>Commission, MOEA<br/>(US\$ in Thousand)</b> | <b>Upper Limit on<br/>Investment<br/>(US\$ in<br/>Thousand)</b> |
|-------------------------|---|---|---|
| TSMC                    | \$ 12,180,367<br>(US \$371,000)                               | \$ 12,180,367<br>(US \$371,000)                               | \$ 12,180,367<br>(US \$371,000)                                 |
| GUC                     | 16,160<br>(US \$500)  | 16,160<br>(US \$500)  | 1,909,972<br>(Note 5)   |

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

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

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

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

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

**TABLE 9**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

A. For the year ended December 31, 2010

| No. | Company Name | Counter Party      | Nature of Relationship<br>(Note 1) | Intercompany Transactions                         |               | Percentage of Consolidated Total Gross Sales or Total Assets |
|-----|--------------|--------------------|------------------------------------|---|---------------|--|
|     |              |                    |                                    | Financial Statements Item                         | Amount        |  |
| 0   | TSMC         | TSMC North America | 1                                  | Sales   | \$220,529,792 | 51%  |
|     |              |                    |                                    | Receivables from related parties                  | 25,579,259    | 6%   |
|     |              |                    |                                    | Other receivables from related parties            | 3,673         |  |
|     |              |                    |                                    | Payables to related parties                       | 11,475        |  |
|     |              | TSMC China         | 1                                  | Sales   | 17,631        |  |
|     |              |                    |                                    | Purchases   | 8,748,101     | 2%   |
|     |              |                    |                                    | Marketing expenses commission                     | 59,180        |  |
|     |              |                    |                                    | Gain on disposal of property, plant and equipment | 45,251        |  |
|     |              |                    |                                    | Acquisition of property, plant and equipment      | 66,337        |  |
|     |              |                    |                                    | Disposal of property, plant and equipment         | 1,409,862     |  |
|     |              |                    |                                    | Technical service income                          | 4,487         |  |
|     |              |                    |                                    | Other receivables from related parties            | 1,170,407     |  |
|     |              |                    |                                    | Payables to related parties                       | 895,193       |  |
|     |              |                    |                                    | Deferred debits                                   | 27,327        |  |
|     |              | TSMC Japan         | 1                                  | Marketing expenses commission                     | 266,194       |  |
|     |              |                    |                                    | Payables to related parties                       | 26,115        |  |
|     |              | TSMC Europe        | 1                                  | Marketing expenses commission                     | 415,765       |  |
|     |              |                    |                                    | Research and development expenses                 | 33,907        |  |
|     |              |                    |                                    | Payables to related parties                       | 35,530        |  |
|     |              | TSMC Korea         | 1                                  | Marketing expenses commission                     | 19,318        |  |

|                 |   |  |           |    |
|-----------------|---|--|-----------|----|
|                 |   | Payables to related parties                  | 2,466     |    |
| GUC             | 1 | Sales  | 2,818,499 | 1% |
|                 |   | Research and development expenses            | 8,390     |    |
|                 |   | Receivables from related parties             | 154,589   |    |
|                 |   | Payables to related parties                  | 2,271     |    |
| TSMC Technology | 1 | Research and development expenses            | 547,838   |    |
|                 |   | Payables to related parties                  | 88,292    |    |
| WaferTech       | 1 | Sales  | 9,918     |    |
|                 |   | Purchases                                    | 7,878,260 | 2% |
|                 |   | Gain on disposal of other assets             | 9,655     |    |
|                 |   | Acquisition of property, plant and equipment | 9,624     |    |
|                 |   | Disposal of property, plant and equipment    | 27,010    |    |
|                 |   | Disposal of other assets                     | 9,655     |    |
|                 |   | Other receivables from related parties       | 3,543     |    |
|                 |   | Payables to related parties                  | 568,685   |    |
| TSMC Canada     | 1 | Research and development expenses            | 181,943   |    |
|                 |   | Payables to related parties                  | 13,495    |    |

(Continued)

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

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

No. 3 represents the transactions between subsidiaries.

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

(Continued)

B. For the year ended December 31, 2009

| No. | Company Name | Counter Party      | Nature of Relationship<br>(Note 1) | Intercompany Transactions                         |                | Percentage of Consolidated Total Gross Sales or Total Assets |
|-----|--------------|--------------------|------------------------------------|---|----------------|--|
|     |              |                    |                                    | Financial Statements Item                         | Amount         |  |
| 0   | TSMC         | TSMC North America | 1                                  | Sales   | \$ 161,251,368 | 52%  |
|     |              |                    |                                    | Receivables from related parties                  | 22,203,242     | 4%   |
|     |              |                    |                                    | Other receivables from related parties            | 8,676          |  |
|     |              |                    |                                    | Payables to related parties                       | 4,222          |  |
|     |              | TSMC China         | 1                                  | Sales   | 63,278         |  |
|     |              |                    |                                    | Purchases   | 3,787,113      | 1%   |
|     |              |                    |                                    | Gain on disposal of property, plant and equipment | 176,521        |  |
|     |              |                    |                                    | Technical service income                          | 8,105          |  |
|     |              |                    |                                    | Marketing expenses commission                     | 10,302         |  |
|     |              |                    |                                    | Other receivables from related parties            | 111,103        |  |
|     |              |                    |                                    | Payables to related parties                       | 481,500        |  |
|     |              |                    |                                    | Deferred credits                                  | 7,970          |  |
|     |              | TSMC Japan         | 1                                  | Marketing expenses commission                     | 233,855        |  |
|     |              |                    |                                    | Payables to related parties                       | 23,288         |  |
|     |              | TSMC Europe        | 1                                  | Marketing expenses commission                     | 325,463        |  |
|     |              |                    |                                    | Research and development expenses                 | 21,463         |  |
|     |              |                    |                                    | Payables to related parties                       | 31,342         |  |
|     |              | TSMC Korea         | 1                                  | Marketing expenses commission                     | 14,424         |  |
|     |              |                    |                                    | Payables to related parties                       | 1,418          |  |
|     |              | GUC                | 1                                  | Sales   | 2,023,612      | 1%   |
|     |              |                    |                                    | Research and development expenses                 | 26,488         |  |
|     |              |                    |                                    | Receivables from related parties                  | 338,502        |  |
|     |              | TSMC Technology    | 1                                  | Research and development expenses                 | 409,686        |  |
|     |              |                    |                                    | Payables to related parties                       | 109,220        |  |

|   |                    |   |   |           |    |
|---|--------------------|---|---|-----------|----|
|   | WaferTech          | 1 | Sales   | 4,482     |    |
|   |                    |   | Purchases   | 5,560,707 | 2% |
|   |                    |   | Other receivables from related parties                  | 4,932     |    |
|   |                    |   | Payables to related parties                             | 561,165   |    |
|   | TSMC Canada        | 1 | Research and development expenses                       | 157,527   |    |
|   |                    |   | Payables to related parties                             | 13,653    |    |
|   | Xintec             | 1 | Manufacturing overhead                                  | 36,101    |    |
|   |                    |   | Payables to related parties                             | 37,363    |    |
|   |                    |   | Sales of property, plant and equipment and other assets | 58,450    |    |
| 3 | GUC                |   |   |           |    |
|   | TSMC North America | 3 | Purchases   | 937,160   |    |
|   |                    |   | Manufacturing overhead                                  | 303,687   |    |
|   |                    |   | Payables to related parties                             | 173,789   |    |
|   | GUC-NA             | 3 | Operating expenses                                      | 157,345   |    |
|   |                    |   | Accrued expenses  | 14,618    |    |
|   | GUC-Japan          | 3 | Operating expenses                                      | 39,755    |    |
|   |                    |   | Accrued expenses  | 3,462     |    |
|   | GUC-Europe         | 3 | Operating expenses                                      | 7,305     |    |

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

No. 3 represents the transactions between subsidiaries.

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

(Concluded)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: March 14, 2011

By/s/ Lora Ho  
Lora Ho  
Senior Vice President & Chief Financial  
Officer