

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 08, 2010

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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 October 2010  
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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**SIGNATURES**

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**Taiwan Semiconductor Manufacturing Company Limited  
Financial Statements for the  
Nine Months Ended September 30, 2010 and 2009 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of September 30, 2010 and 2009, and the related statements of income and cash flows for the nine months then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be 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."

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We have also reviewed, in accordance with Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the nine months ended September 30, 2010 on which we have issued an unqualified review report and as of and for the nine months ended September 30, 2009 on which we have issued an unqualified review report with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standards No. 10, Accounting for Inventories.

October 21, 2010

*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 jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review 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 accountants' review report and financial statements shall prevail.*

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**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 90,399,569	14	\$ 102,286,286	20
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	14,383		367,461	
Available-for-sale financial assets (Notes 2, 6 and 23)	4,048,549	1		
Held-to-maturity financial assets (Notes 2, 7 and 23)	5,598,471	1	8,374,389	2
Receivables from related parties (Note 24)	25,218,595	4	22,464,807	4
Notes and accounts receivable	27,263,732	4	20,825,053	4
Allowance for doubtful receivables (Notes 2 and 8)	(540,000)		(436,000)	
Allowance for sales returns and others (Notes 2 and 8)	(6,590,121)	(1)	(8,874,199)	(2)
Other receivables from related parties (Note 24)	657,787		321,499	
Other financial assets (Note 25)	282,002		903,842	
Inventories (Notes 2, 3 and 9)	23,773,530	4	17,194,184	3
Deferred income tax assets (Notes 2 and 18)	1,965,666		4,287,040	1
Prepaid expenses and other current assets	1,243,888		613,580	
<b>Total current assets</b>	<b>173,336,051</b>	<b>27</b>	<b>168,327,942</b>	<b>32</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>				
Investments accounted for using equity method	115,519,229	18	105,085,064	20
Available-for-sale financial assets	1,036,502		1,033,473	
Held-to-maturity financial assets	1,658,671		13,278,683	3
Financial assets carried at cost	497,835		501,563	
<b>Total long-term investments</b>	<b>118,712,237</b>	<b>18</b>	<b>119,898,783</b>	<b>23</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
<b>Cost</b>				
Buildings	127,695,671	19	123,783,029	24
Machinery and equipment	836,615,885	129	674,274,132	129
Office equipment	11,310,109	2	10,337,123	2

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	975,621,665	150	808,394,284	155
Accumulated depreciation	(685,650,928)	(105)	(610,117,838)	(117)
Advance payments and construction in progress	40,621,708	6	18,320,302	4
Net property, plant and equipment	330,592,445	51	216,596,748	42
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	5,608,464	1	5,453,680	1
Total intangible assets	7,176,220	1	7,021,436	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 18)	10,200,761	2	6,973,800	1
Refundable deposits	9,059,889	1	2,754,296	1
Others (Notes 2 and 24)	437,617		487,358	
Total other assets	19,698,267	3	10,215,454	2
<b>TOTAL</b>	<b>\$ 649,515,220</b>	<b>100</b>	<b>\$ 522,060,363</b>	<b>100</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 14)	\$ 37,596,000	6	\$	
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	73,530			
Accounts payable	9,645,148	1	8,297,913	1
Payables to related parties (Note 24)	3,451,537	1	2,294,155	
Income tax payable (Notes 2 and 18)	5,252,509	1	5,726,656	1
Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)	8,201,440	1	8,618,411	2
Payables to contractors and equipment suppliers	26,017,941	4	15,520,005	3
Accrued expenses and other current liabilities (Notes 16 and 23)	13,471,370	2	8,675,196	2
Total current liabilities	103,709,475	16	49,132,336	9
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Notes 15 and 23)	4,500,000	1	4,500,000	1
Other long-term payables (Notes 16 and 23)	156,650		579,600	



Total long-term liabilities	4,656,650	1	5,079,600	1
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,815,765		3,786,616	1
Guarantee deposits (Note 27)	809,698		1,104,704	
Deferred credits (Notes 2 and 24)			71,809	
Total other liabilities	4,625,463		4,963,129	1
Total liabilities	112,991,588	17	59,175,065	11
<b>CAPITAL STOCK NT\$10 PAR VALUE (Note 20)</b>				
Authorized: 28,050,000 thousand shares				
Issued: 25,907,344 thousand shares in 2010				
25,900,662 thousand shares in 2009	259,073,440	40	259,006,623	50
CAPITAL SURPLUS (Notes 2 and 20)	55,634,070	9	55,439,919	10
<b>RETAINED EARNINGS (Note 20)</b>				
Appropriated as legal capital reserve	86,239,494	14	77,317,710	15
Appropriated as special capital reserve	1,313,047			
Unappropriated earnings	137,506,581	21	71,898,923	14
	225,059,122	35	149,216,633	29
<b>OTHERS (Notes 2 and 23)</b>				
Cumulative translation adjustments	(3,761,669)	(1)	(1,272,298)	
Unrealized gain on financial instruments	518,669		494,421	
	(3,243,000)	(1)	(777,877)	
Total shareholders' equity	536,523,632	83	462,885,298	89
TOTAL	\$ 649,515,220	100	\$ 522,060,363	100

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche review report dated October 21, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 308,832,522		\$ 206,462,258	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	8,715,191		9,715,735	
NET SALES	300,117,331	100	196,746,523	100
COST OF SALES (Notes 3, 9, 19 and 24)	154,784,733	52	113,516,518	58
GROSS PROFIT	145,332,598	48	83,230,005	42
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	136,536		128,152	
REALIZED GROSS PROFIT	145,196,062	48	83,101,853	42
OPERATING EXPENSES (Notes 19 and 24)				
Research and development	20,084,456	6	13,686,108	7
General and administrative	8,168,276	3	7,246,047	3
Marketing	2,175,006	1	1,427,041	1
Total operating expenses	30,427,738	10	22,359,196	11
INCOME FROM OPERATIONS	114,768,324	38	60,742,657	31
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 27)	6,343,524	2	494,070	
Equity in earnings of equity method investees, net (Notes 2 and 10)	4,677,062	2		
Interest income (Note 2)	555,085		938,369	1
Technical service income (Notes 24 and 27)	354,756		279,644	
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	156,175		576,910	
Others (Notes 2, 23 and 24)	266,309		409,157	

Total non-operating income and gains	12,352,911	4	2,698,150	1
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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Casualty loss (Note 9)	\$ 190,992		\$ 108,276	
Interest expense	142,824		2,772,157	1
Equity in losses of equity method investees, net (Notes 2 and 10)			611,098	
Foreign exchange loss, net (Note 2)			102,553	
Others (Note 2)	113,919			
Total non-operating expenses and losses	447,735		3,594,084	1
<b>INCOME BEFORE INCOME TAX</b>	126,673,500	42	59,846,723	31
<b>INCOME TAX EXPENSE</b> (Notes 2 and 18)	5,788,940	2	3,294,936	2
<b>NET INCOME</b>	\$ 120,884,560	40	\$ 56,551,787	29

	<b>2010</b>		<b>2009</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE</b> (NT\$, Note 22)				
Basic earnings per share	\$ 4.89	\$ 4.67	\$ 2.32	\$ 2.19
Diluted earnings per share	\$ 4.89	\$ 4.66	\$ 2.30	\$ 2.18

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche review report dated October 21, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 120,884,560	\$ 56,551,787
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,013,582	55,547,956
Unrealized gross profit from affiliates	136,536	128,152
Amortization of premium/discount of financial assets	13,756	(6,248)
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	(4,677,062)	2,772,157
Cash dividends received from equity method investees	422,490	1,402,592
Gain on disposal of property, plant and equipment and other assets, net	(40,510)	(77,173)
Settlement income from receiving equity securities	(4,434,364)	
Deferred income tax	(273,785)	(1,112,168)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	240,890	(408,619)
Receivables from related parties	(2,676,822)	(10,736,603)
Notes and accounts receivable	(7,379,212)	(9,383,877)
Allowance for doubtful receivables	109,000	(746)
Allowance for sales returns and others	(1,993,511)	3,005,617
Other receivables from related parties	23,875	160,152
Other financial assets	822,070	(192,087)
Inventories	(4,943,314)	(4,386,248)
Prepaid expenses and other current assets	(339,265)	578,895
Increase (decrease) in:		
Accounts payable	456,994	4,306,139
Payables to related parties	1,412,195	1,091,805
Income tax payable	(3,508,611)	(3,496,155)
Bonuses payable to employees and directors	1,430,102	965,342
Accrued expenses and other current liabilities	(3,522,931)	641,917
Accrued pension cost	8,589	76,607
Deferred credits	(47,873)	(206,551)
Net cash provided by operating activities	153,138,642	97,169,279

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	\$ (138,922,267)	\$ (44,452,382)
Held-to-maturity financial assets		(9,405,409)
Investments accounted for using equity method	(8,125,980)	(262,922)
Financial assets carried at cost	(480)	(986)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets		1,037,370
Held-to-maturity financial assets	14,893,000	5,418,000
Financial assets carried at cost	3,370	18,828
Property, plant and equipment and other assets	62,293	68,579
Proceeds from return of capital by investees		20,201
Increase in deferred charges	(1,177,741)	(438,308)
Increase in refundable deposits	(6,361,773)	(34,559)
Net cash used in investing activities	(139,629,578)	(48,031,588)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	37,596,000	
Repayment of bonds payable		(8,000,000)
Decrease in guarantee deposits	(191,678)	(374,448)
Proceeds from exercise of employee stock options	150,760	190,995
Cash dividends	(77,708,120)	(76,876,312)
Net cash used in financing activities	(40,153,038)	(85,059,765)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,643,974)	(35,922,074)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	117,043,543	138,208,360
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 90,399,569	\$ 102,286,286
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 171,888	\$ 351,803
Income tax paid	\$ 9,477,093	\$ 7,770,195

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH  
ITEMS

Acquisition of property, plant and equipment	\$ 135,815,549	\$ 52,075,005
Decrease (increase) in payables to contractors and equipment suppliers	3,229,638	(7,622,623)
Nonmonetary exchange trade-out price	(122,920)	
Cash paid	\$ 138,922,267	\$ 44,452,382

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2010</b>	<b>2009</b>
Disposal of property, plant and equipment and other assets	\$ 620,872	\$ 60,488
Decrease (increase) in other receivables from related parties	(435,659)	8,091
Nonmonetary exchange trade-out price	(122,920)	
Cash received	\$ 62,293	\$ 68,579
 <b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 614,061	\$ 775,567
Profit sharing to employees transferred to capital stock	\$	\$ 7,494,988

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche review report dated October 21, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**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 September 30, 2010 and 2009, the Company had 29,377 and 20,566 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.



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### **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 period. The fair value of debt securities is determined using the average of bid and asked prices at the end of the period.

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.

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**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 period 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.

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

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

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

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

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

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

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

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

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

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### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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**Table of Contents****Profit Sharing to Employees and Bonus to Directors**

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

**Foreign-currency Transactions**

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

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

**3. ACCOUNTING CHANGES**

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10, Accounting for Inventories. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period 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 period. Such changes in accounting principle did not have significant effect on the Company's financial statements for the nine months ended September 30, 2009.

**4. CASH AND CASH EQUIVALENTS**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Cash and deposits in banks	\$ 87,348,689	\$ 91,703,367
Repurchase agreements collateralized by government bonds	3,050,880	10,582,919
	\$ 90,399,569	\$ 102,286,286

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Trading financial assets		
Forward exchange contracts	\$ 3,241	\$
Cross currency swap contracts	11,142	367,461
	\$ 14,383	\$ 367,461
Trading financial liabilities		
Forward exchange contracts	\$ 73,530	\$



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The Company entered into derivative contracts during the nine months ended September 30, 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 (In Thousands)</b>
<u>September 30, 2010</u>		
Sell EUR/Buy NT\$	October 2010	EUR139,000/NT\$5,851,568
Sell US\$/Buy NT\$	October 2010	US\$30,000/NT\$939,400

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>September 30, 2010</u>			
October 2010	US\$ 90,000/NT\$2,830,540	0.46%	0.00%

September 30, 2009

October 2009 to December 2009	US\$ 950,000/NT\$30,935,532	0.30% 1.00%	0.00% 0.61%
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For the nine months ended September 30, 2010 and 2009, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$156,175 thousand and NT\$576,910 thousand, respectively.

**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Overseas publicly traded stock	\$ 4,048,549	\$
Corporate bonds	1,036,502	1,033,473
	5,085,051	1,033,473
Current portion	(4,048,549)	
	\$ 1,036,502	\$ 1,033,473

**Table of Contents****7. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 7,257,142	\$ 12,748,902
Structured time deposits		6,000,000
Government bonds		2,904,170
	7,257,142	21,653,072
Current portion	(5,598,471)	(8,374,389)
	\$ 1,658,671	\$ 13,278,683

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
September 30, 2009				
Callable domestic deposits	\$ 6,000,000	\$ 3,404	0.67%-0.95%	March 2011 to August 2011

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 431,000	\$ 436,746
Provision	109,000	243,061
Write-off		(243,807)
Balance, end of period	\$ 540,000	\$ 436,000

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

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 8,583,632	\$ 5,868,582
Provision	8,715,191	9,715,735
Write-off	(10,708,702)	(6,710,118)
Balance, end of period	\$ 6,590,121	\$ 8,874,199



**Table of Contents****9. INVENTORIES**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Finished goods	\$ 3,007,453	\$ 2,013,527
Work in process	18,087,605	13,654,961
Raw materials	1,490,972	907,655
Supplies and spare parts	1,187,500	618,041
	<b>\$ 23,773,530</b>	<b>\$ 17,194,184</b>

Write-down of inventories to net realizable value in the amount of NT\$582,149 thousand and NT\$313,175 thousand, respectively, were included in the cost of sales for the nine months ended September 30, 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 nine months ended September 30, 2010.

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

	<b>September 30</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)	\$ 44,892,711	100	\$ 45,492,790	100
TSMC Partners, Ltd. (TSMC Partners)	33,943,317	100	32,627,788	100
Vanguard International Semiconductor Corporation (VIS)	9,424,817	38	9,410,696	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,890,171	39	5,899,305	39
Motech Industries Inc. (Motech)	6,533,432	20		
TSMC China Company Limited (TSMC China)	3,654,158	100	3,606,012	100
VentureTech Alliance Fund III, L.P. (VTAF III)	2,852,802	99	1,341,398	98
TSMC North America	2,827,009	100	2,686,753	100
Xintec Inc. (Xintec)	1,618,701	41	1,372,699	41
VentureTech Alliance Fund II, L.P. (VTAF II)	1,093,417	98	1,059,820	98
Global UniChip Corporation (GUC)	1,061,303	35	960,442	36
Emerging Alliance Fund, L.P. (Emerging Alliance)	320,426	99	319,571	99
TSMC Europe B.V. (TSMC Europe)	182,022	100	152,965	100
TSMC Japan Limited (TSMC Japan)	150,896	100	136,710	100
TSMC Solar Europe B.V. (TSMC Solar Europe)	25,638	100		
TSMC Solar North America, Inc. (TSMC Solar NA)	24,717	100		
TSMC Korea Limited (TSMC Korea)	20,559	100	18,115	100
TSMC Lighting North America, Inc. (TSMC Lighting NA)	3,133	100		
	<b>\$ 115,519,229</b>		<b>\$ 105,085,064</b>	



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

For the nine months ended September 30, 2010, the Company increased its investment in VTAF III for the amount of NT\$1,786,701 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 nine months ended September 30, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT\$4,677,062 thousand and a net loss of NT\$2,772,157 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except those of VTAF II, Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea for the nine months ended September 30, 2010 and those of Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea for the nine months ended September 30, 2009. The Company believes that, had VTAF II, Emerging Alliance, TSMC Europe, TSMC Japan and TSMC Korea's financial statements been reviewed, any adjustments arising would have no material effect on the Company's financial statements.

As of September 30, 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\$13,789,014 thousand and NT\$15,891,684 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>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,429,118	\$ 2,053,253
Additions	2,055,660	
Amortizations	(726,392)	(468,101)
Balance, end of period	\$ 2,758,386	\$ 1,585,152

Movements of the difference allocated to goodwill were as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,061,885	\$ 1,061,885
Additions	353,680	
Balance, end of period	\$ 1,415,565	\$ 1,061,885





**Table of Contents****11. FINANCIAL ASSETS CARRIED AT COST**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Non-publicly traded stocks	\$ 338,584	\$ 338,584
Mutual funds	159,251	162,979
	<b>\$ 497,835</b>	<b>\$ 501,563</b>

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Nine Months Ended September 30, 2010</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
<b>Cost</b>					
Buildings	\$ 124,522,047	\$ 3,309,121	\$ (135,497)	\$	\$ 127,695,671
Machinery and equipment	713,426,126	124,067,387	(1,017,470)	139,842	836,615,885
Office equipment	10,781,099	1,185,072	(655,620)	(442)	11,310,109
	<b>848,729,272</b>	<b>\$ 128,561,580</b>	<b>\$ (1,808,587)</b>	<b>\$ 139,400</b>	<b>975,621,665</b>
<b>Accumulated depreciation</b>					
Buildings	73,525,160	\$ 6,012,896	\$ (128,466)	\$	79,409,590
Machinery and equipment	545,693,910	52,869,076	(1,017,066)	139,842	597,685,762
Office equipment	8,545,253	666,347	(655,582)	(442)	8,555,576
	<b>627,764,323</b>	<b>\$ 59,548,319</b>	<b>\$ (1,801,114)</b>	<b>\$ 139,400</b>	<b>685,650,928</b>
Advance payments and construction in progress	33,786,577	\$ 7,253,969	\$ (418,838)	\$	40,621,708
	<b>\$ 254,751,526</b>				<b>\$ 330,592,445</b>

	<b>Nine Months Ended September 30, 2009</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
<b>Cost</b>					
Buildings	\$ 114,014,588	\$ 9,778,198	\$ (9,823)	\$ 66	\$ 123,783,029
Machinery and equipment	635,008,261	40,995,876	(1,732,570)	2,565	674,274,132
Office equipment	9,748,869	738,667	(150,347)	(66)	10,337,123
	<b>758,771,718</b>	<b>\$ 51,512,741</b>	<b>\$ (1,892,740)</b>	<b>\$ 2,565</b>	<b>808,394,284</b>

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Accumulated depreciation					
Buildings	65,351,514	\$ 6,067,051	\$ (9,823)	\$ 66	71,408,808
Machinery and equipment	484,046,160	47,404,997	(1,129,563)	2,565	530,324,159
Office equipment	7,849,580	685,519	(150,162)	(66)	8,384,871
	557,247,254	\$ 54,157,567	\$ (1,289,548)	\$ 2,565	610,117,838
Advance payments and construction in progress	17,758,038	\$ 562,264	\$	\$	18,320,302
	\$ 219,282,502				\$ 216,596,748

No interest was capitalized during the nine months ended September 30, 2010 and 2009.

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**Table of Contents****13. DEFERRED CHARGES, NET****Nine Months Ended September 30, 2010**

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 2,979,801	\$	\$ (534,476)	\$ 2,445,325
Software and system design costs	1,646,973	966,623	(652,432)	1,961,164
Patent and others	1,264,911	211,118	(274,054)	1,201,975
	\$ 5,891,685	\$ 1,177,741	\$ (1,460,962)	\$ 5,608,464

**Nine Months Ended September 30, 2009**

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 3,786,251	\$	\$ (614,959)	\$ 3,171,292
Software and system design costs	1,559,857	438,308	(569,672)	1,428,493
Patent and others	1,055,353		(201,458)	853,895
	\$ 6,401,461	\$ 438,308	\$ (1,386,089)	\$ 5,453,680

**14. SHORT-TERM LOANS**

	<b>September 30, 2010</b>
Unsecured loans	
US\$1,200,000 thousand, due in October 2010, and annual interest at 0.39%-0.54%	\$ 37,596,000

**15. BONDS PAYABLE**

	<b>September 30 2010</b>	<b>2009</b>
Domestic unsecured bonds:		
Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually	\$ 4,500,000	\$ 4,500,000





**Table of Contents****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>Nine Months Ended September 30</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)	\$ 21,534,495	\$ 14,961,671
Tax effect of the following:		
Tax-exempt income	(12,295,454)	(6,678,202)
Temporary and permanent differences	(616,048)	2,854,793
Others		69,174
Additional tax at 10% on unappropriated earnings	127,489	
Income tax credits used	(3,678,333)	(5,603,718)
Income tax currently payable	\$ 5,072,149	\$ 5,603,718

- b. Income tax expense consisted of the following:

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Income tax currently payable	\$ 5,072,149	\$ 5,603,718
Income tax adjustments on prior years	980,428	(1,155,113)
Other income tax adjustments	10,148	(41,501)
Net change in deferred income tax assets		
Investment tax credits	(6,965,003)	(3,159,546)
Temporary differences	65,697	143,079
Valuation allowance	6,625,521	1,904,299
Income tax expense	\$ 5,788,940	\$ 3,294,936

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Current deferred income tax assets		
Investment tax credits	\$ 1,096,995	\$ 3,442,000
Temporary differences		
Allowance for sales returns and others	566,750	757,656
Unrealized gain/loss on financial instruments	65,589	
Others	236,332	87,384

	\$ 1,965,666	\$ 4,287,040
Noncurrent deferred income tax assets		
Investment tax credits	\$ 20,599,749	\$ 13,329,764
Temporary differences		
Depreciation	1,990,080	1,740,215
Others	35,785	207,766
Valuation allowance	(12,424,853)	(8,303,945)
	\$ 10,200,761	\$ 6,973,800



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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 period in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that period. 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 September 30, 2010 and 2009 was NT\$1,669,533 thousand and NT\$214,826 thousand, respectively.

The estimated and actual creditable ratios for distribution of earnings of 2009 and 2008 were 9.85% and 9.10%, 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 September 30, 2010, investment tax credits consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 3,212,913	\$ 3,147,180	2012
		6,039,644	6,039,644	2013
		5,442,649	5,442,649	2014
		\$ 14,695,206	\$ 14,629,473	
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	

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Statute for Upgrading Industries	Personnel training expenditures	\$	19,293	\$	2011
			30,624		2012
			17,121		2013
	\$	67,038	\$	47,745	
Statute for Industrial Innovation	Research and development expenditures	\$	1,539,113	\$	2010

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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>Nine Months Ended September 30, 2010</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 17,941,777	\$ 13,265,190	\$ 31,206,967
Labor and health insurance	670,276	382,460	1,052,736
Pension	540,957	308,912	849,869
Meal	403,413	163,910	567,323
Welfare	161,132	95,271	256,403
Others	50,792	18,560	69,352
	<b>\$ 19,768,347</b>	<b>\$ 14,234,303</b>	<b>\$ 34,002,650</b>
Depreciation	\$ 55,796,317	\$ 3,739,803	\$ 59,536,120
Amortization	\$ 933,660	\$ 527,302	\$ 1,460,962

	<b>Nine Months Ended September 30, 2009</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 11,010,069	\$ 8,299,658	\$ 19,309,727
Labor and health insurance	458,611	278,310	736,921
Pension	409,387	248,524	657,911
Meal	305,276	132,322	437,598
Welfare	107,465	67,310	174,775
Others	79,471	14,697	94,168

	\$ 12,370,279	\$ 9,040,821	\$ 21,411,100
Depreciation	\$ 51,354,934	\$ 2,790,434	\$ 54,145,368
Amortization	\$ 897,733	\$ 488,356	\$ 1,386,089

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**Table of Contents****20. SHAREHOLDERS EQUITY**

As of September 30, 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>September 30</b>	
	<b>2010</b>	<b>2009</b>
Additional paid-in capital	\$ 23,562,191	\$ 23,408,710
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	373,244	332,574
Donations	55	55
	<b>\$ 55,634,070</b>	<b>\$ 55,439,919</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 employee 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 shareholders' approval in the following year.

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The Company accrued profit sharing to employees as a charge to earnings of certain percentage of net income during the period amounted to NT\$8,162,440 thousand and NT\$8,556,862 thousand for the nine months ended September 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' meeting held on June 15, 2010 and June 10, 2009, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal</b>	<b>For Fiscal</b>	<b>For</b>	<b>For</b>
	<b>Year 2009</b>	<b>Year 2008</b>	<b>Fiscal</b>	<b>Fiscal</b>
			<b>Year</b>	<b>Year</b>
			<b>2009</b>	<b>2008</b>
Legal capital reserve	\$ 8,921,784	\$ 9,993,317		
Special capital reserve	1,313,047	(391,857)		
Cash dividends to shareholders	77,708,120	76,876,312	\$ 3.00	\$ 3.00
Stock dividends to shareholders		512,509		0.02
	\$ 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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The information about 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 exercisable. 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 September 30, 2010.

Information about outstanding options for the nine months ended September 30, 2010 and 2009 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Nine months ended September 30, 2010		
Balance, beginning of period	28,810	\$ 32.4
Options exercised	(4,638)	32.5
Balance, end of period	24,172	32.5
Nine months ended September 30, 2009		
Balance, beginning of period	36,234	34.0
Options granted	175	34.0
Options exercised	(5,228)	36.5
Options canceled	(321)	46.5
Balance, end of period	30,860	33.5

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





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As of September 30, 2010, information about outstanding options was as follows:

Range of Exercise Price (NT\$)	Number of Options (In Thousands)	Options Outstanding Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)
\$21.7 \$30.5	18,013	2.44	\$ 28.0
38.0 50.1	6,159	4.16	45.6
	24,172	2.88	32.5

As of September 30, 2010, all of the above outstanding options were exercisable.

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 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 nine months ended September 30, 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	

	Nine Months Ended September 30	
	2010	2009
Net income:		
Net income as reported	\$ 120,884,560	\$ 56,551,787
Pro forma net income	120,871,974	56,173,879
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 4.67	\$ 2.19
Pro forma basic EPS	4.67	2.18
Diluted EPS as reported	4.66	2.18
Pro forma diluted EPS	4.66	2.16

**22. EARNINGS PER SHARE**

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Nine months ended September 30, 2010					

Basic EPS

Earnings available to common shareholders	\$ 126,673,500	\$ 120,884,560	25,904,889	\$ 4.89	\$ 4.67
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Effect of dilutive potential common shares

13,286

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 126,673,500	\$ 120,884,560	25,918,175	\$ 4.89	\$ 4.66
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(Continued)

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	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before	After		Before Income Tax	After Income Tax
Nine months ended September 30, 2009					
Basic EPS					
Earnings available to common shareholders	\$ 59,846,723	\$ 56,551,787	25,813,614	\$ 2.32	\$ 2.19
Effect of dilutive potential common shares			166,923		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 59,846,723	\$ 56,551,787	25,980,537	\$ 2.30	\$ 2.18

(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 nine months ended September 30, 2009 to remain at NT\$2.19 and NT\$2.18 respectively.

**23. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	September 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	\$ 14,383	\$ 14,383	\$ 367,461	\$ 367,461
Available-for-sale financial assets	5,085,051	5,085,051	1,033,473	1,033,473
Held-to-maturity financial assets	7,257,142	7,348,294	21,653,072	21,747,720
Financial assets carried at cost	497,835		501,563	

Liabilities

Financial liabilities at fair value through profit or loss	73,530	73,530		
Bonds payable	4,500,000	4,547,696	4,500,000	4,583,826
Other long-term payable (including current portion)	770,711	770,711	1,355,167	1,355,167
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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 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 September 30, 2010 and 2009 estimated using valuation techniques were recognized as a net loss of NT\$59,147 thousand and a net gain of NT\$367,461 thousand, respectively.
- d. As of September 30, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$8,308,027 thousand and NT\$23,054,006 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$42,169,530 thousand and NT\$4,500,000 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the nine months ended September 30, 2010 and 2009 were as follows:

	<b>Nine Months Ended September 30, 2010</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>Equity- method Investments</b>	<b>Total</b>
Balance, beginning of period	\$ 46,672	\$ 406,949	\$ 453,621
Recognized directly in shareholders equity	(330,396)	395,444	65,048
Balance, end of period	\$ (283,724)	\$ 802,393	\$ 518,669

	<b>Nine Months Ended September 30, 2009</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>Equity- method Investments</b>	<b>Total</b>
Balance, beginning of period	\$ 32,658	\$ (320,000)	\$ (287,342)
Recognized directly in shareholders equity	38,185	780,948	819,133
Removed from shareholders equity and recognized in earnings	(37,370)		(37,370)

Balance, end of period	\$ 33,473	\$ 460,948	\$ 494,421
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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  
TSMC Korea

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)  
Motech (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.





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## 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 nine months ended September 30				
Sales				
TSMC North America	\$ 160,415,902	52	\$ 111,683,024	54
Others	2,094,763	1	1,662,378	1
	\$ 162,510,665	53	\$ 113,345,402	55
Purchases				
TSMC China	\$ 6,206,526	17	\$ 2,611,248	12
WaferTech	5,958,529	17	3,872,117	18
VIS	3,643,305	10	2,433,937	11
SSMC	3,383,596	10	2,530,044	11
	\$ 19,191,956	54	\$ 11,447,346	52
Manufacturing expenses				
Xintec (rent and outsourcing)	\$ 214,590		\$ 22,550	
VisEra (outsourcing)	34,434			
	\$ 249,024		\$ 22,550	
Marketing expenses commission				
TSMC Europe	\$ 321,483	15	\$ 234,892	16
TSMC Japan	196,939	9	166,109	12
TSMC China	42,140	2		
TSMC Korea	14,362		10,667	1
	\$ 574,924	26	\$ 411,668	29
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 425,892	2	\$ 299,636	2
TSMC Canada (primarily consulting fee)	141,212	1	115,534	1

VIS (primarily rent)	8,730		1,988	
Others	38,950		39,790	
	\$ 614,784	3	\$ 456,948	3

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	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sales of property, plant and equipment and other assets				
TSMC China	\$ 383,473	62	\$	
VIS	37,011	6		
WaferTech	31,679	5	263	
Others	10,660	2	58,450	97
	\$ 462,823	75	\$ 58,713	97
Purchases of property, plant and equipment				
TSMC China	\$ 66,097		\$	
VIS	15,865			
WaferTech	9,624			
	\$ 91,586		\$	
Non-operating income and gains				
VIS (primarily technical service income, see Note 27e)	\$ 226,256	2	\$ 179,168	7
SSMC (primarily technical service income, see Note 27d)	145,625	1	98,806	4
TSMC China	42,425		146,585	5
Others	9,655		263	
	\$ 423,961	3	\$ 424,822	16
As of September 30				
Receivables				
TSMC North America	\$ 24,574,148	97	\$ 22,009,288	98
Others	644,447	3	455,519	2
	\$ 25,218,595	100	\$ 22,464,807	100
Other receivables				
TSMC China	\$ 383,334	58	\$ 119,544	37
VIS	150,589	23	141,358	44
SSMC	49,752	8	42,588	13

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WaferTech	39,956	6	3,921	1
Others	34,156	5	14,088	5
	\$ 657,787	100	\$ 321,499	100
Payables				
VIS	\$ 1,122,687	33	\$ 759,737	33
TSMC China	873,981	25	456,026	20
WaferTech	671,004	19	605,006	26
SSMC	434,236	13	273,184	12
TSMC Technology	84,463	2	126,074	6
Others	265,166	8	74,128	3
	\$ 3,451,537	100	\$ 2,294,155	100

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	2010		2009	
	Amount	%	Amount	%
Deferred debits (credits)				
TSMC China	\$ 20,821	5	\$ (43,730)	(61)

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 from VIS. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was prepaid by the Company and the related expenses were classified under research and development 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.

**25. PLEDGED OR MORTGAGED ASSETS**

As of September 30, 2010 and 2009, the Company had pledged time deposits of NT\$25,864 thousand and NT\$605,602 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 December 2010 to July 2030 and can be renewed upon expiration.

As of September 30, 2010, future lease payments were as follows:

Year	Amount
2010 (4 <sup>th</sup> quarter)	\$ 101,812
2011	414,128
2012	412,977
2013	388,729
2014	375,171
2015 and thereafter	3,443,302
	\$ 5,136,119

**Table of Contents****27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of September 30, 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 September 30, 2010 the Company had a total of US\$23,979 thousand of guarantee deposits.
- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- f. In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referred to as SMIC) in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People's High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People's High Court ruled in favor of TSMC and dismissed SMIC's lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC's trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of

SMIC's appeal against the Beijing High Court's finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant

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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 US International Trade Commission (US ITC) accusing the Company and one other company of allegedly infringing a single US patent. The US ITC has initiated an investigation in July 2010. The outcome of this investigation cannot be determined at this time.

**28. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 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 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 6 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 nine months ended September 30, 2010 to manage exposures due to foreign exchange rate fluctuations. There are no outstanding forward exchange contracts as of September 30, 2010.

For the nine months ended September 30, 2010, net losses arising from forward exchange contracts of TSMC China amounted to NT\$1,602 thousand.



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Xintec entered into forward exchange contracts during the nine months ended September 30, 2010 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of September 30, 2010 consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell US\$/Buy NT\$	October 2010 to November 2010	US\$12,500/NT\$397,255

For the nine months ended September 30, 2010, net gains arising from forward exchange contracts of Xintec amounted to NT\$1,464 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 September 30, 2010, the outstanding interest rate swap contract of Xintec consisted of the following:

<b>Hedged Item</b>	<b>Hedging Financial Instrument</b>	<b>Fair Value September 30, 2010</b>	<b>Expected Cash Flow Generated Period</b>	<b>Expected Timing for the Recognition of Gains or Losses from Hedge</b>
Long-term bank loans	Interest rate swap contract	\$(1,065)	2010 to 2012	2010 to 2012

The adjustment to shareholders' equity of Xintec as a result of the above interest rate swap contract amounted to NT\$1,065 thousand for the nine months period ended September 30, 2010.

**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 7 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.

Table of Contents**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Investees****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2010****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Marketable Held Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	September 30, 2010			Market Value or Net Asset Value (US\$ in Thousands) Note
					Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)		
TSMC	Corporate bond							
	Taiwan Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,036,502	N/A	\$ 1,036,502	
	Taiwan Power Company Formosa		Held-to-maturity financial assets		1,730,004	N/A	1,744,264	
	Petrochemical Corporation		"		1,639,288	N/A	1,653,850	
	China Steel Corporation		"		1,508,598	N/A	1,521,155	
	Nan Ya Plastics Corporation		"		1,303,204	N/A	1,345,262	
	Formosa Plastics Corporation		"		576,062	N/A	583,792	
	CPC Corporation, Taiwan		"		499,986	N/A	499,971	
	Stock Semiconductor Manufacturing International Corporation TSMC Global		Available-for-sale financial assets	1,789,493	4,048,549	7	4,048,549	
		Subsidiary	Investments accounted for using equity method	1	44,892,711	100	44,892,711	
	TSMC Partners	Subsidiary	"	988,268	33,943,317	100	33,943,317	
	VIS	Investee accounted for using equity method	"	628,223	9,424,817	38	8,606,662	

SSMC	Investee accounted for using equity method	"	314	6,890,171	39	6,462,772
Motech	Investee accounted for using equity method	"	76,069	6,533,432	20	4,382,382
TSMC North America	Subsidiary	"	11,000	2,827,009	100	2,827,009
Xintec	Investee with a controlling financial interest	"	93,081	1,618,701	41	1,599,842
GUC	Investee with a controlling financial interest	"	46,688	1,061,303	35	5,182,352
TSMC Europe	Subsidiary	"		182,022	100	182,022
TSMC Japan	Subsidiary	"	6	150,896	100	150,896
TSMC Solar Europe	Subsidiary	"		25,638	100	25,638
TSMC Solar NA	Subsidiary	"	1	24,717	100	24,717
TSMC Korea	Subsidiary	"	80	20,559	100	20,559
TSMC Lighting NA	Subsidiary	"	1	3,133	100	3,133
United Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	10	308,603
Shin-Etsu Handotai Taiwan Co., Ltd.		"	10,500	105,000	7	358,047
W.K. Technology Fund IV		"	4,000	40,000	2	42,945
Fund Horizon Ventures Fund		Financial assets carried at cost		103,992	12	103,992
		"		55,259	1	55,259

Crimson Asia  
Capital

Capital  
TSMC China

	Subsidiary	Investments accounted for using equity method	3,654,158	100	3,662,459
VTAF III	Subsidiary	"	2,852,802	99	2,833,933
VTAF II	Subsidiary	"	1,093,417	98	1,087,647
Emerging Alliance	Subsidiary	"	320,426	99	320,426

TSMC Partners

Corporate bond General Elec Cap Corp. Mtn		Held-to-maturity financial assets	US\$ 20,350	N/A	US\$ 21,303
General Elec Cap Corp. Mtn		"	US\$ 20,161	N/A	US\$ 21,546

(Continued)

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Company Name	Marketable Held Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010			Market Value or Net Asset Value (US\$ in Thousands) Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	
	Common stock TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 386,744	100	US\$ 386,744
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 77,292	49	US\$ 77,292
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 24,529	97	US\$ 24,529
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	21,415	US\$ 17,413	97	US\$ 17,413
	TSMC Technology	Subsidiary	"	1	US\$ 9,677	100	US\$ 9,677
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,543	100	US\$ 3,543
	Mcube Inc.	Investee accounted for using equity method	"	5,333		70	
	Preferred stock Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 214	10	US\$ 214
	Corporate bond						

TSMC Development	GE Capital Corp.		Held-to-maturity financial assets		US\$ 20,245	N/A	US\$ 21,546
	JP Morgan Chase & Co.		"		US\$ 15,000	N/A	US\$ 15,068
	Stock WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 200,265	100	US\$ 200,265
Emerging Alliance	Common stock						
	RichWave Technology Corp.		Financial assets carried at cost	4,074	US\$ 1,545	10	US\$ 1,545
	Global Investment Holding Inc.		"	11,124	US\$ 3,065	6	US\$ 3,065
	Preferred stock Audience, Inc.		Financial assets carried at cost	1,654	US\$ 250		US\$ 250
	Axiom Microdevices, Inc.		"	1,000	US\$ 13	1	US\$ 13
	Next IO, Inc.		"	800	US\$ 500	1	US\$ 500
	Optichron, Inc.		"	1,276	US\$ 1,145	2	US\$ 1,145
	Pixim, Inc.		"	4,641	US\$ 1,137	2	US\$ 1,137
	QST Holdings, LLC		"		US\$ 142	4	US\$ 142
	Capital VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method				7
VTAF II	Common stock Leadtrend		Available-for-sale financial assets	854	US\$ 3,747	2	US\$ 3,747
	Aether Systems, Inc.		Financial assets carried at cost	1,600	US\$ 1,503	25	US\$ 1,503
	RichWave Technology		"	1,267	US\$ 1,036	3	US\$ 1,036



Corp. Sentelic	"	1,806	US\$	2,607	9	US\$	2,607
Preferred stock 5V Technologies, Inc.	Financial assets carried at cost	2,890	US\$	2,168	4	US\$	2,168
Aquantia	"	3,974	US\$	3,816	3	US\$	3,816
Audience, Inc.	"	12,378	US\$	2,378	3	US\$	2,378
Beceem Communications	"	797	US\$	1,701	1	US\$	1,701
Impinj, Inc.	"	475	US\$	1,000		US\$	1,000
Next IO, Inc.	"	3,795	US\$	953	2	US\$	953
Optichron, Inc.	"	2,847	US\$	2,825	4	US\$	2,825
Pixim, Inc.	"	33,347	US\$	1,878	2	US\$	1,878
Power Analog Microelectronics	"	7,027	US\$	3,383	19	US\$	3,383

(Continued)

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		September 30, 2010						
Held	Marketable Securities	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
							Value	Note
	QST Holdings, LLC		Financial assets carried at cost		US\$ 593	13	US\$ 593	
	Xceive		"	4,210	US\$ 1,554	3	US\$ 1,554	
	Capital VTA Holdings	Subsidiary	Investments accounted for using equity method			31		
VTAF III	Common stock Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 1,461	59	US\$ 1,461	
	Aiconn Technology Corporation	Investee accounted for using equity method	"	5,623	US\$ 682	43	US\$ 682	
	Preferred stock Auramicro, Inc.		Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408	
	BridgeLux, Inc.		"	6,113	US\$ 7,781	4	US\$ 7,781	
	Exclara, Inc.		"	21,587	US\$ 4,568	18	US\$ 4,568	
	GTBF, Inc.		"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	InvenSense, Inc.		"	816	US\$ 1,000	1	US\$ 1,000	
	LiquidLeds Lighting Corp.		"	1,600	US\$ 800	11	US\$ 800	
	Neoconix, Inc.		"	3,283	US\$ 4,608	6	US\$ 4,608	
	Powervation, Ltd.		"	310	US\$ 4,678	16	US\$ 4,678	
	Quellan, Inc.		"	3,106	US\$ 369	N/A	US\$ 369	
	Silicon Technical Services, LLC		"	1,055	US\$ 1,208		US\$ 1,208	
	Stion Corp.		"	7,347	US\$ 50,000	23	US\$ 50,000	
	Tilera, Inc.		"	3,222	US\$ 2,781	2	US\$ 2,781	
	Validity Sensors, Inc.		"	9,340	US\$ 3,456	4	US\$ 3,456	

	Capital Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method		US\$	829	100	US\$	829
	VTA Holdings	Subsidiary	"				62		
Growth Fund	Common stock SiliconBlue Technologies, Inc. Staccato		Financial assets carried at cost	5,107	US\$	762	1	US\$	762
			"	10	US\$	25		US\$	25
ISDF	Common stock Integrated Memory Logic, Inc. Memsic, Inc.		Available-for-sale financial assets	4,838	US\$	18,496	7	US\$	18,496
			"	1,286	US\$	3,060	5	US\$	3,060
	Capella Microsystems (Taiwan), Inc.		"	372	US\$	2,108	1	US\$	2,108
	Preferred stock IP Unity, Inc. Sonics, Inc.		Financial assets carried at cost	1,008	US\$	290	1	US\$	290
			"	230	US\$	497	2	US\$	497
ISDF II	Common stock Memsic, Inc.		Available-for-sale financial assets	1,072	US\$	2,552	5	US\$	2,552
	Capella Microsystems (Taiwan), Inc.		"	374	US\$	2,118	1	US\$	2,118
	Alchip Technologies Limited		Financial assets carried at cost	7,520	US\$	3,664	15	US\$	3,664
	Sonics, Inc.		"	278	US\$	10	3	US\$	10
	EON Technology, Corp.		"	409	US\$	113	1	US\$	113
	Goyatek Technology, Corp.		"	932	US\$	545	6	US\$	545
	Auden Technology MFG. Co., Ltd.		"	1,049	US\$	223	3	US\$	223
	Preferred stock FangTek, Inc.			1,032	US\$	686	6	US\$	686

	Financial assets carried at cost					
Sonics, Inc.	"	264	US\$	456	3	US\$ 456
						(Continued)

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								September 30, 2010			
								Market Value or Net Asset Value			
Held	Marketable Securities	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Value (US\$ in Thousands)	Carrying Percentage of Ownership (%)	Value (US\$ in Thousands)				
Company Name	Type and Name	Company	Account			(%)	Value (US\$ in Thousands)	Note			
GUC	Common stock GUC-NA	Subsidiary	Investments accounted for using equity method	800	\$ 59,576	100	\$ 59,576				
	GUC-Japan	Subsidiary	"	1	14,969	100	14,969				
	GUC-BVI	Subsidiary	"	550	9,370	100	9,370				
	GUC-Europe	Subsidiary	"		4,432	100	4,432				
GUC-BVI	Capital Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method		7,969	100	7,969				
Xintec	Capital Compositech Ltd.		Financial assets carried at cost	587		3					
TSMC Global	Corporate bond African Development Bank		Available-for-sale financial assets	2,600	US\$ 2,618	N/A	US\$ 2,618				
	Allstate Life Gbl Fdg Secd		"	4,430	US\$ 4,896	N/A	US\$ 4,896				
	Alltel Corp.		"	100	US\$ 110	N/A	US\$ 110				
	American Honda Fin Corp. Mtn		"	4,000	US\$ 3,995	N/A	US\$ 3,995				
	Anz National Intl Ltd.		"	3,500	US\$ 3,549	N/A	US\$ 3,549				
	Asian Development Bank		"	2,500	US\$ 2,499	N/A	US\$ 2,499				
	Astrazeneca Plc		"	3,150	US\$ 3,432	N/A	US\$ 3,432				
	AT+T Wireless		"	3,500	US\$ 3,888	N/A	US\$ 3,888				
	Australia + New Zealand Bkg		"	2,000	US\$ 2,061	N/A	US\$ 2,061				
			"	3,250	US\$ 3,249	N/A	US\$ 3,249				

Banco Bilbao Vizcaya P R Bank New York Inc.	"	1,615	US\$	1,609	N/A	US\$	1,609
Bank New York Inc. Medium	"	2,100	US\$	2,278	N/A	US\$	2,278
Bank of America Bank of America Corp.	"	1,900	US\$	2,026	N/A	US\$	2,026
Bank of New York Mellon	"	2,100	US\$	2,167	N/A	US\$	2,167
Bank of Nova Scotia	"	2,200	US\$	2,206	N/A	US\$	2,206
Bank of Scotland Plc	"	5,000	US\$	4,991	N/A	US\$	4,991
Barclays Bank Plc	"	4,000	US\$	3,998	N/A	US\$	3,998
Barclays Bank Plc NY	"	12,000	US\$	11,996	N/A	US\$	11,996
Barclays Bank Plc NY	"	400	US\$	400	N/A	US\$	400
Barclays Bank Plc NY	"	5,000	US\$	4,999	N/A	US\$	4,999
Bbva US Senior SA Uniper	"	2,645	US\$	2,631	N/A	US\$	2,631
Bear Stearns Cos Inc.	"	2,200	US\$	2,195	N/A	US\$	2,195
Bear Stearns Cos Inc.	"	3,500	US\$	3,524	N/A	US\$	3,524
Bear Stearns Cos Inc. Med Term	"	2,400	US\$	2,653	N/A	US\$	2,653
Berkshire Hathaway Inc. Del	"	3,500	US\$	3,517	N/A	US\$	3,517
Bhp Billiton Fin USA Ltd.	"	2,000	US\$	2,118	N/A	US\$	2,118
Bk Tokyo Mitsubishi Ufj	"	2,000	US\$	2,062	N/A	US\$	2,062
Bmw US Capital LLC	"	1,600	US\$	1,602	N/A	US\$	1,602
Bnp Paribas SA	"	3,810	US\$	3,848	N/A	US\$	3,848
Boeing Cap Corp.	"	2,925	US\$	3,238	N/A	US\$	3,238
Boeing Co.	"	450	US\$	459	N/A	US\$	459
Bp Captial Markets Plc	"	3,900	US\$	3,976	N/A	US\$	3,976
Cello Part/Veri Wirelss	"	3,000	US\$	3,050	N/A	US\$	3,050
Cie Financement Foncier	"	200	US\$	200	N/A	US\$	200
Cie Financement Foncier	"	4,000	US\$	4,016	N/A	US\$	4,016
	"	16,000	US\$	16,404	N/A	US\$	16,404

Citigroup Funding Inc.							
Citigroup Inc.	"	1,400	US\$ 1,376	N/A	US\$ 1,376		
Citigroup Inc.	"	800	US\$ 806	N/A	US\$ 806		
Citigroup Inc.	"	400	US\$ 429	N/A	US\$ 429		
Citigroup Inc. Commonwealth Bank Aust	"	5,000	US\$ 5,524	N/A	US\$ 5,524		
		2,800	US\$ 2,794	N/A	US\$ 2,794		(Continued)

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Company Name	Marketable Held Securities	Relationship with the Company	Financial Statement Account	September 30, 2010			Market Value or Net Asset Value (US\$ in Thousands) Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	
			Available-for-sale financial assets			N/A	
				4,000	US\$ 4,249		US\$ 4,249
						N/A	
				2,150	US\$ 2,275		US\$ 2,275
						N/A	
				3,945	US\$ 4,103		US\$ 4,103
						N/A	
				2,500	US\$ 2,492		US\$ 2,492
						N/A	
				6,000	US\$ 5,970		US\$ 5,970
						N/A	
				4,000	US\$ 3,983		US\$ 3,983
						N/A	
				4,000	US\$ 3,991		US\$ 3,991
						N/A	
				5,000	US\$ 4,982		US\$ 4,982
						N/A	
				2,475	US\$ 2,707		US\$ 2,707
						N/A	
				3,800	US\$ 3,799		US\$ 3,799
						N/A	
				1,000	US\$ 995		US\$ 995
						N/A	
				7,000	US\$ 7,004		US\$ 7,004
						N/A	
				1,000	US\$ 1,003		US\$ 1,003
						N/A	
				4,000	US\$ 4,127		US\$ 4,127
						N/A	
				2,000	US\$ 1,971		US\$ 1,971
				6,000	US\$ 6,018	N/A	US\$ 6,018
						N/A	
				2,000	US\$ 1,946		US\$ 1,946
				1,000	US\$ 999	N/A	US\$ 999
						N/A	
				3,000	US\$ 3,001		US\$ 3,001



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Hewlett Packard Co.	"	2,030	US\$ 2,027	N/A	US\$ 2,027
Hewlett Packard Co.	"	1,365	US\$ 1,383	N/A	US\$ 1,383
Household Fin Corp.	"	4,330	US\$ 4,736	N/A	US\$ 4,736
HSBC Bank Plc	"	3,400	US\$ 3,413	N/A	US\$ 3,413
HSBC Fin Corp.	"	2,315	US\$ 2,296	N/A	US\$ 2,296
HSBC Fin Corp.	"	2,900	US\$ 3,082	N/A	US\$ 3,082
Hutchison Whampoa Intl	"	1,750	US\$ 1,761	N/A	US\$ 1,761
IBM Corp.	"	2,300	US\$ 2,303	N/A	US\$ 2,303
IBM Corp.	"	6,800	US\$ 6,823	N/A	US\$ 6,823
Intl Bk Recon + Develop	"	5,000	US\$ 5,006	N/A	US\$ 5,006
Intl Bk Recon + Develop	"	2,000	US\$ 2,059	N/A	US\$ 2,059
John Deer Capital Corp.	"			N/A	
Fdic GT	"	3,500	US\$ 3,638	N/A	US\$ 3,638
JP Morgan Chase + Co.	"	2,500	US\$ 2,516	N/A	US\$ 2,516
JP Morgan Chase + Co.	"	5,000	US\$ 5,019	N/A	US\$ 5,019
Kfw Medium Term Nts Book Entry	"	1,950	US\$ 1,951	N/A	US\$ 1,951
Kreditanstalt Fur Wiederaufbau	"	650	US\$ 669	N/A	US\$ 669
Lloyds Tsb Bank Plc Ser 144A	"	4,850	US\$ 4,864	N/A	US\$ 4,864
Lloyds Tsb Bank Plc Ser 144A	"	5,950	US\$ 6,016	N/A	US\$ 6,016
Macquarie Bk Ltd. Sr	"	3,900	US\$ 3,999	N/A	US\$ 3,999
Massmutual Global Fdg II	"			N/A	
Mediu Mellon Fdg Corp.	"	4,000	US\$ 3,951	N/A	US\$ 3,951
Merck + Co. Inc.	"	3,500	US\$ 3,447	N/A	US\$ 3,447
Merck + Co. Inc.	"	4,000	US\$ 4,046	N/A	US\$ 4,046
Merrill Lynch + Co. Inc.	"	2,000	US\$ 2,098	N/A	US\$ 2,098
Met Life Glob Funding I	"	4,691	US\$ 4,620	N/A	US\$ 4,620
Metlife Inc.	"	500	US\$ 509	N/A	US\$ 509
Metlife Inc.	"	2,000	US\$ 2,015	N/A	US\$ 2,015
Metropolitan Life Global Fdg	"	6,500	US\$ 6,548	N/A	US\$ 6,548
	"	750	US\$ 751	N/A	US\$ 751
	"	3,340	US\$ 3,343	N/A	US\$ 3,343

Metropolitan Life Global Fdg I					
Microsoft Corp.	"	2,500	US\$ 2,504	N/A	US\$ 2,504
Monumental Global Fdg III	"	750	US\$ 727	N/A	US\$ 727
Morgan Stanley	"	1,000	US\$ 1,019	N/A	US\$ 1,019
Morgan Stanley Dean Witter	"	8,000	US\$ 8,603	N/A	US\$ 8,603
Morgan Stanley for Equity	"	2,000	US\$ 1,968	N/A	US\$ 1,968
National Australia Bank	"	1,000	US\$ 1,021	N/A	US\$ 1,021

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Company Name	Marketable Held Securities	Relationship with the Company	Financial Statement Account	September 30, 2010			Market Value or Net Asset Value (US\$ in Thousands)
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	
			Available-for-sale financial assets				N/A
	New York Life Global Fdg			2,000	US\$ 2,051		US\$ 2,051
	Nordea Bank Fld Plc		"	2,250	US\$ 2,246	N/A	US\$ 2,246
	Occidental Pete Corp.		"	3,200	US\$ 3,764	N/A	US\$ 3,764
	Oesterreichische Kontrollbank		"				N/A
	Ontario (Province of)		"	2,000	US\$ 2,000		US\$ 2,000
	Pepsico Inc.		"	2,000	US\$ 2,049	N/A	US\$ 2,049
	Pnc Funding Corp.		"	3,000	US\$ 3,002	N/A	US\$ 3,002
	Pricoa Global Fdg I Med Term		"	2,000	US\$ 1,993	N/A	US\$ 1,993
	Pricoa Global Funding 1		"				N/A
	Princoa Global Fdg I Medium		"	1,750	US\$ 1,719		US\$ 1,719
	Rabobank Nederland		"				N/A
	Regions Bank Fdic		"	5,050	US\$ 5,005		US\$ 5,005
	Gtd Tlgp		"	5,000	US\$ 5,000	N/A	US\$ 5,000
	Royal Bk of Scotland Plc		"				N/A
	Royal Bk of Scotland Plc		"	1,700	US\$ 1,755		US\$ 1,755
	Royal Bk Scotland Plc		"				N/A
	Royal Bk Scotland Plc		"	4,000	US\$ 3,997		US\$ 3,997
	Royal Bk Scotlnd Grp Plc 144A		"				N/A
	Shell International Fin		"	5,000	US\$ 5,054		US\$ 5,054
	Shell International Fin		"	2,550	US\$ 2,602		US\$ 2,602
	Shell International Fin		"	9,450	US\$ 9,504		US\$ 9,504
	Shell International Fin		"				N/A
	Shell International Fin		"	4,515	US\$ 4,535		US\$ 4,535
	Sovereign Bancorp Fdic Gtd Tlg		"				N/A
	State Str Corp.		"	1,200	US\$ 1,211		US\$ 1,211
	Sun Life Finl Global Sun Life Finl Global Fdg II Lp		"				N/A
			"	2,000	US\$ 2,047		US\$ 2,047
			"				N/A
			"	2,200	US\$ 2,273		US\$ 2,273
			"	6,420	US\$ 6,417	N/A	US\$ 6,417
			"	4,400	US\$ 4,277	N/A	US\$ 4,277
			"				N/A
			"	1,500	US\$ 1,489		US\$ 1,489

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Suncorp Metway Ltd.	"	2,000	US\$ 2,001	N/A	US\$ 2,001
Suncorp Metway Ltd.	"	8,800	US\$ 9,011	N/A	US\$ 9,011
Svenska	"			N/A	
Handelsbanken AB		2,200	US\$ 2,263		US\$ 2,263
Swedbank AB	"	2,000	US\$ 1,995	N/A	US\$ 1,995
Swedbank	"			N/A	
Foreningssparbanken A		1,500	US\$ 1,542		US\$ 1,542
Teva Pharma Fin III LLC	"			N/A	
		4,000	US\$ 4,015		US\$ 4,015
Tiaa Global Mkts Inc. Mtn	"			N/A	
		1,500	US\$ 1,651		US\$ 1,651
Ubs Ag Stamford CT	"	800	US\$ 806	N/A	US\$ 806
US Central Federal Cred	"			N/A	
		10,200	US\$ 10,287		US\$ 10,287
US Central Federal Cred	"			N/A	
		4,000	US\$ 4,103		US\$ 4,103
Verizon Communications Inc.	"			N/A	
		1,500	US\$ 1,655		US\$ 1,655
Wachovia Corp. New	"	1,400	US\$ 1,394	N/A	US\$ 1,394
Wal Mart Stores Inc.	"	3,770	US\$ 4,393	N/A	US\$ 4,393
Wells Fargo + Company	"			N/A	
		2,000	US\$ 2,010		US\$ 2,010
Westfield Cap Corp. Ltd.	"			N/A	
		500	US\$ 502		US\$ 502
Westpac Banking Corp.	"			N/A	
		2,100	US\$ 2,110		US\$ 2,110
Westpac Banking Corp.	"			N/A	
		4,000	US\$ 4,006		US\$ 4,006
Westpac Banking Corp.	"			N/A	
		2,170	US\$ 2,173		US\$ 2,173
Wyeth	"	3,345	US\$ 3,703	N/A	US\$ 3,703
Aust + Nz Banking Group				Held-to-maturity financial assets	N/A
		20,000	US\$ 20,000		US\$ 20,042
Commonwealth Bank of Australia	"			N/A	
		25,000	US\$ 25,000		US\$ 24,710
Commonwealth Bank of Australia	"			N/A	
		25,000	US\$ 25,000		US\$ 24,929
JP Morgan Chase + Co.	"			N/A	
		35,000	US\$ 35,084		US\$ 35,128
Nationwide Building Society-UK	"			N/A	
Government Guarantee		8,000	US\$ 8,000		US\$ 7,993
Westpac Banking Corp.	"			N/A	
		25,000	US\$ 25,000		US\$ 24,526
Westpac Banking Corp. 12/12 Frn Agency bond	"			N/A	
		5,000	US\$ 5,000		US\$ 5,006
Fannie Mae				Available-for-sale financial assets	
		8,765	US\$ 8,761	N/A	US\$ 8,761
Fannie Mae	"	16,104	US\$ 16,099	N/A	US\$ 16,099



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					September 30, 2010			Market
					Carrying		Percentage	Value
Held	Marketable	Relationship	Financial			of	or	Net
Company Name	Securities	with the	Statement	Shares/Units	Value	Ownership	Asset	Value
Type and Name	Company	Account			(In	(US\$ in	(%)	in
				Thousands)	Thousands)			Thousands)
	Fannie Mae		Available-for-sale financial assets	4,600	US\$ 4,602	N/A	US\$ 4,602	
	Fannie Mae		"	4,000	US\$ 4,004	N/A	US\$ 4,004	
	Fannie Mae		"	4,000	US\$ 4,015	N/A	US\$ 4,015	
	Fannie Mae		"	5,900	US\$ 5,942	N/A	US\$ 5,942	
	Fed Hm Ln Pc		"			N/A		
	Pool 1b2830			1,944	US\$ 2,047		US\$ 2,047	
	Fed Hm Ln Pc		"			N/A		
	Pool 1g0115			2,236	US\$ 2,318		US\$ 2,318	
	Fed Hm Ln Pc		"			N/A		
	Pool 1k1210			1,584	US\$ 1,647		US\$ 1,647	
	Fed Hm Ln Pc		"			N/A		
	Pool 780741			1,898	US\$ 1,984		US\$ 1,984	
	Federal Farm		"			N/A		
	Credit Bank			4,000	US\$ 3,993		US\$ 3,993	
	Federal Farm		"			N/A		
	Credit Bank			5,000	US\$ 5,022		US\$ 5,022	
	Federal Farm		"			N/A		
	Credit Bank			5,000	US\$ 5,028		US\$ 5,028	
	Federal Home		"			N/A		
	Ln Bks			5,000	US\$ 5,073		US\$ 5,073	
	Federal Home		"			N/A		
	Ln Mtg Assn			4,634	US\$ 4,710		US\$ 4,710	
	Federal Home		"			N/A		
	Ln Mtg Corp.			4,085	US\$ 4,078		US\$ 4,078	
	Federal Home		"			N/A		
	Ln Mtg Corp.			1,659	US\$ 1,730		US\$ 1,730	
	Federal Home		"			N/A		
	Ln Mtg Corp.			3,024	US\$ 3,175		US\$ 3,175	
	Federal Home		"			N/A		
	Ln Mtg Corp.			2,381	US\$ 2,448		US\$ 2,448	
	Federal Home		"			N/A		
	Ln Mtg Corp.			2,004	US\$ 2,082		US\$ 2,082	
	Federal Home		"			N/A		
	Ln Mtg Corp.			922	US\$ 930		US\$ 930	
	Federal Home		"			N/A		
	Ln Mtg Corp.			848	US\$ 854		US\$ 854	
	Federal Home		"	1,607	US\$ 1,665	N/A	US\$ 1,665	

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Federal Home Ln Mtg Corp.					
Federal Home Ln Mtg Corp.	"			N/A	
Federal Home Ln Mtg Corp.		3,444	US\$ 3,604		US\$ 3,604
Federal Home Ln Mtg Corp.	"			N/A	
Federal Home Ln Mtg Corp.		3,279	US\$ 3,362		US\$ 3,362
Multi	"	1,154	US\$ 1,157	N/A	US\$ 1,157
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		10,000	US\$ 9,998		US\$ 9,998
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		5,000	US\$ 5,011		US\$ 5,011
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		8,000	US\$ 7,996		US\$ 7,996
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		8,400	US\$ 8,393		US\$ 8,393
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		1,400	US\$ 1,398		US\$ 1,398
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		6,800	US\$ 6,823		US\$ 6,823
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		8,000	US\$ 8,050		US\$ 8,050
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		3,000	US\$ 3,002		US\$ 3,002
Federal Home Loan Bank	"			N/A	
Federal Home Loan Bank		5,000	US\$ 4,998		US\$ 4,998
Federal Home Loan Mtg Corp.	"			N/A	
Federal Home Loan Mtg Corp.		5,638	US\$ 5,616		US\$ 5,616
Federal Home Loan Mtg Corp.	"			N/A	
Federal Home Loan Mtg Corp.		259	US\$ 260		US\$ 260
Federal Home Loan Mtg Corp.	"			N/A	
Federal Home Loan Mtg Corp.		1,226	US\$ 1,241		US\$ 1,241
Federal National Mort Assoc	"			N/A	
Federal National Mort Assoc		922	US\$ 933		US\$ 933
Federal National Mort Assoc	"			N/A	
Federal Natl Mtg Assn		97	US\$ 97		US\$ 97
Federal Natl Mtg Assn	"			N/A	
Federal Natl Mtg Assn Gtd		1,694	US\$ 1,705		US\$ 1,705
Federal Natl Mtg Assn Gtd	"			N/A	
Federal Natl Mtg Assn Gtd Remi		2,578	US\$ 2,661		US\$ 2,661
Federal Natl Mtg Assn Gtd Remi	"			N/A	
Federal Natl Mtg Assn Gtd Remi		2,202	US\$ 2,283		US\$ 2,283
Federal Natl Mtg Assn Gtd Remi	"			N/A	
Federal Natl Mtg Assn Mtn		1,027	US\$ 1,036		US\$ 1,036
Federal Natl Mtg Assn Mtn	"			N/A	
Federal Natl Mtg Assn Remic		1,799	US\$ 1,840		US\$ 1,840
Federal Natl Mtg Assn Remic	"			N/A	
Federal Natl Mtge Assn		1,486	US\$ 1,513		US\$ 1,513
Federal Natl Mtge Assn	"			N/A	
Federal Natl Mtge Assn		1,610	US\$ 1,705		US\$ 1,705

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Fhr 2647 Pb	"	3,787	US\$ 3,872	N/A	US\$ 3,872
Fhr 3087 Jb	"	1,787	US\$ 1,866	N/A	US\$ 1,866
Fhr 3184 Fa	"	4,314	US\$ 4,305	N/A	US\$ 4,305
Fnma Pool	"				N/A
745131		1,752	US\$ 1,819		US\$ 1,819
Fnma Pool	"				N/A
745688		1,514	US\$ 1,589		US\$ 1,589
Fnma Pool	"				N/A
790772		1,215	US\$ 1,256		US\$ 1,256
Fnma Pool	"				N/A
819649		1,878	US\$ 1,966		US\$ 1,966
Fnma Pool	"				N/A
829989		1,637	US\$ 1,718		US\$ 1,718
Fnma Pool	"				N/A
846233		1,730	US\$ 1,803		US\$ 1,803

(Continued)

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Company Name	Marketable Held Securities	Relationship with the Company	Financial Statement Account	September 30, 2010			Market Value or Net Asset Value (US\$ in Thousands)
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	
			Available-for-sale financial assets			N/A	
	Fnma Pool 870884			1,716	US\$ 1,796	US\$ 1,796	1,796
	Fnma Pool 879908		"	1,486	US\$ 1,561	US\$ 1,561	1,561
	Fnma Tba Oct 30 Single Fam		"	14,200	US\$ 14,786	US\$ 14,786	14,786
	Fnr 2005 47 HA		"	2,065	US\$ 2,168	N/A US\$ 2,168	2,168
	Fnr 2006 60 CO		"	3,705	US\$ 3,689	N/A US\$ 3,689	3,689
	Fnr 2006 60 CO		"	1,510	US\$ 1,536	N/A US\$ 1,536	1,536
	Fnr 2009 70 NT		"	2,074	US\$ 2,185	N/A US\$ 2,185	2,185
	Freddie Mac		"	10,420	US\$ 10,409	N/A US\$ 10,409	10,409
	Freddie Mac		"	4,500	US\$ 4,495	N/A US\$ 4,495	4,495
	Freddie Mac		"	4,500	US\$ 4,511	N/A US\$ 4,511	4,511
	Freddie Mac		"	5,750	US\$ 5,785	N/A US\$ 5,785	5,785
	Freddie Mac		"	7,855	US\$ 7,873	N/A US\$ 7,873	7,873
	Freddie Mac		"	4,300	US\$ 4,324	N/A US\$ 4,324	4,324
	Freddie Mac		"	4,010	US\$ 4,027	N/A US\$ 4,027	4,027
	Gnma II Pool 082431		"	1,934	US\$ 1,991	US\$ 1,991	1,991
	Gnr 2008 9 SA		"	2,442	US\$ 2,451	N/A US\$ 2,451	2,451
	Gnr 2009 45 AB		"	5,309	US\$ 5,476	N/A US\$ 5,476	5,476
	Government bond						
	US Treasury N/B		Available-for-sale financial assets	44,700	US\$ 45,336	N/A US\$ 45,336	45,336
	US Treasury N/B		"	1,660	US\$ 1,691	N/A US\$ 1,691	1,691
	Wi Treasury Sec		"	5,000	US\$ 5,016	N/A US\$ 5,016	5,016
	Societe De Financement De Lec		Held-to-maturity financial assets			N/A	
	Money market fund			15,000	US\$ 15,000	US\$ 15,026	15,026
	Ssga Cash Mgmt Global Offshore		Available-for-sale financial assets	1,838	US\$ 1,838	N/A US\$ 1,838	1,838

(Concluded)

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**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 NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement	Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carryover Value (US\$ 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	\$ 6,228,661	\$	\$	
Investments accounted for using equity method			Investee accounted for using equity method		1,309,615		1,786,701			
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	180,192
"	PCA Securities Investment Trust Co., Ltd.					7,692	100,000	7,692	100,075	100,075
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	1,000	US\$ 1,077	US\$ 1,077
"						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			
"			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			
"			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\$	4,291			
"			6,000	US\$	6,000			

(Continued)

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Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value (US\$ in thousands)
			Amount (US\$ in thousands)	Shares/Units (In thousands)	Amount (US\$ in thousands)	Shares/Units (In thousands)	Amount (US\$ in thousands)	Shares/Units (In thousands)	
Available-for-sale financial assets					4,000	US\$ 4,000			US\$ 4,000
"					4,000	US\$ 4,000			
"					5,000	US\$ 5,000			
"					4,000	US\$ 4,117			
"					6,000	US\$ 6,000			
"			3,000	US\$ 3,012			3,000	US\$ 3,012	US\$ 3,016
"					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	US\$ 3,801
"			3,000	US\$ 3,027			3,000	US\$ 3,020	US\$ 3,029
"					6,800	US\$ 6,772			
"					5,000	US\$ 5,014			
"					3,500	US\$ 3,634			
"					5,000	US\$ 5,000			
"			3,000	US\$ 3,030			3,000	US\$ 3,028	US\$ 3,030
"					3,800	US\$ 3,800	3,800	US\$ 3,801	US\$ 3,800
"					4,850	US\$ 4,895			
"					3,900	US\$ 3,984			
"					4,000	US\$ 3,926			
"					4,000	US\$ 4,066			
"					4,691	US\$ 4,603			
"					5,000	US\$ 5,004	5,000	US\$ 5,003	US\$ 5,004

	"	2,100	US\$ 2,142	2,575	US\$ 2,623	4,675	US\$ 4,757	US\$ 4,755
	"			6,500	US\$ 6,527			
	"			8,000	US\$ 8,796			
	"			3,200	US\$ 3,752			
	"			3,000	US\$ 3,000			
erland	"			5,000	US\$ 4,997			
dic	"			10,000	US\$ 10,372	8,300	US\$ 8,599	US\$ 8,608
otland	"			4,000	US\$ 4,015			
nal	"			4,515	US\$ 4,528			
	"	1,940	US\$ 1,920	5,080	US\$ 5,065	600	US\$ 597	US\$ 596
p.	"			5,500	US\$ 5,585	5,500	US\$ 5,559	US\$ 5,585
lobal	"			4,400	US\$ 4,304			
y	"	5,000	US\$ 5,170	3,800	US\$ 3,933			
n III	"			4,000	US\$ 4,000			
eral	"	4,800	US\$ 4,799	8,000	US\$ 8,074	2,600	US\$ 2,622	US\$ 2,600
eral	"			4,000	US\$ 4,093			
. New	"	4,000	US\$ 4,246			4,000	US\$ 4,205	US\$ 4,239
s Inc.	"			3,770	US\$ 4,383			
ng	"			4,000	US\$ 4,044			
	"			3,345	US\$ 3,699			
ing	Held-to-maturity			20,000	US\$ 20,000			
	financial assets							
	"			25,000	US\$ 25,000			
ia	"			25,000	US\$ 25,000			
ia	"			35,000	US\$ 35,103			
e +	"			25,000	US\$ 25,000			
ng	"			25,000	US\$ 25,000			
	Available-for-sale			8,000	US\$ 7,995	8,000	US\$ 7,999	US\$ 7,995
	financial assets							

(Continued)

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Financial Statement	Account	Counter-party	Relationship	Nature of Shares/Units (US\$ in Thousands)	Beginning Balance	Acquisition		Disposal (Note 2)		Carrying Value (US\$ in Thousands)	
					Amount	Shares/Units	Amount	Shares/Units	Amount		Shares/Units
					(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)		(In Thousands)
	Available-for-sale financial assets				US\$ 8,765	US\$ 8,760		US\$	US\$		
	"					16,104 US\$ 16,097					
	"					4,600 US\$ 4,598					
	"					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					
it	"					4,020 US\$ 4,017	4,020	US\$ 4,023	US\$ 4,		
it	"					4,000 US\$ 3,995					
it	"					5,000 US\$ 4,997					
it	"					3,100 US\$ 3,100	3,100	US\$ 3,100	US\$ 3,		
it	"					5,000 US\$ 5,049					
	"				11,000	US\$ 11,028			11,000	US\$ 11,049	US\$ 11,
	"					5,000 US\$ 5,098					
	"					4,634 US\$ 4,726					
	"				1,350	US\$ 1,352	2,300	US\$ 2,304	3,650	US\$ 3,653	US\$ 3,
	"					4,289 US\$ 4,282	4,289	US\$ 4,292	US\$ 4,		
	"					4,717 US\$ 4,719					
	"					3,840 US\$ 4,027					
	"					3,720 US\$ 3,953					
	"					4,121 US\$ 4,261					

"		4,197	US\$ 4,261			
"		10,000	US\$ 9,985			
"		8,000	US\$ 7,996			
"		5,000	US\$ 4,996	5,000	US\$ 5,001	US\$ 4,996
"		4,000	US\$ 3,999	4,000	US\$ 3,999	US\$ 3,999
"	10,000	US\$ 9,987		10,000	US\$ 10,007	US\$ 9,987
"		10,000	US\$ 9,998	10,000	US\$ 10,010	US\$ 9,998
"	8,000	US\$ 7,992		8,000	US\$ 8,009	US\$ 7,992
"		6,050	US\$ 6,050	6,050	US\$ 6,060	US\$ 6,050
"		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\$ 10,012
"	4,700	US\$ 4,715		4,700	US\$ 4,716	US\$ 4,715
"	11,200	US\$ 11,186	1,500	US\$ 1,498	4,300	US\$ 4,294
"		4,000	US\$ 4,012	4,000	US\$ 4,002	US\$ 4,012
"		8,000	US\$ 8,082	8,000	US\$ 8,057	US\$ 8,082
"		8,000	US\$ 8,193	8,000	US\$ 8,123	US\$ 8,193
"		6,397	US\$ 6,394			
"	4,000	US\$ 4,228		4,000	US\$ 4,205	US\$ 4,228
"		3,426	US\$ 3,494			
"		3,343	US\$ 3,466			
"		4,000	US\$ 4,149			
"		4,686	US\$ 4,681			
"		3,123	US\$ 3,261			
"		3,000	US\$ 3,141	3,000	US\$ 3,134	US\$ 3,141
"		3,252	US\$ 3,405	3,252	US\$ 3,397	US\$ 3,405
"		14,200	US\$ 14,790			

"	4,092	US\$	4,090
"	10,420	US\$	10,412

(Continued)



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Financial Statement	Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value in Thousands
				Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	
Available-for-sale financial assets				US\$ 8,000	8,000	US\$ 8,002	8,000	US\$ 7,997	US\$	
"					7,000	US\$ 6,994	7,000	US\$ 6,995	US\$	
"						US\$ 4,507				
"						US\$ 5,771				
"						US\$ 7,869				
"						US\$ 4,308				
"						US\$ 4,024				
"						US\$ 7,305				
Available-for-sale financial assets					24,000	US\$ 24,116	24,000	US\$ 24,105	US\$ 2	
"					45,070	US\$ 45,309	45,070	US\$ 45,258	US\$ 4	
"						US\$ 43,832	43,900	US\$ 44,134	US\$ 4	
"						US\$ 53,069	53,000	US\$ 53,316	US\$ 5	
"						US\$ 16,889	16,800	US\$ 16,897	US\$ 1	
"						US\$ 49,742	5,000	US\$ 5,046	US\$	
"				21,400	US\$ 21,394		21,400	US\$ 21,487	US\$ 2	
"				37,700	US\$ 39,012		37,700	US\$ 38,784	US\$ 3	
"						US\$ 8,040	8,000	US\$ 8,028	US\$	
"						US\$ 10,040	10,000	US\$ 10,045	US\$ 1	
"						US\$ 4,380	4,400	US\$ 4,464	US\$	
"						US\$ 5,009			US\$	
Available-for-sale financial assets				8,858	US\$ 8,858	290,371	US\$ 290,371	297,391	US\$ 297,391	US\$ 29
Available-for-sale financial assets				4,500	US\$ 4,489			4,500	US\$ 4,489	US\$

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

from investees.

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

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

(Concluded)

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**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 NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Transaction Date	Transaction		Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party			Price Reference	
	Amount	Payment Term			Owner Relationships	Transfer Date	Amount		Refere
January 28, 2010		By the	China Steel		N/A	N/A	N/A	N/A	Public
September 2,	\$ 802,489	construction progress	Structure Co., Ltd.						bidding
January 28, 2010		By the	Fu Tsu		N/A	N/A	N/A	N/A	Public
September 26,	1,217,815	construction progress	Construction Co., Ltd.						bidding
January 19, 2010		By the	Da Cin		N/A	N/A	N/A	N/A	Public
September 26,	1,540,064	construction progress	Constructure Co., Ltd.						bidding
January 25, 2010		By the	Tasa		N/A	N/A	N/A	N/A	Public
September 28,	223,771	construction progress	Construction Corporation						bidding

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**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 NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Transaction Details			Abnormal Transaction		Notes/A or Endin Balanc
		Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	
C North ca	Subsidiary	Sales	\$ 160,415,902	52	Net 30 days after invoice date		\$ 24,574
	Investee with a controlling financial interest	Sales	1,893,205	1	Net 30 days after monthly closing		644
	Investee accounted for using equity method	Sales	189,984		Net 30 days after monthly closing		
C China	Subsidiary	Purchases	6,206,526	17	Net 30 days after monthly closing		(873)
Tech	Indirect subsidiary	Purchases	5,958,529	17	Net 30 days after monthly closing		(671)
	Investee accounted for using equity method	Purchases	3,643,305	10	Net 30 days after monthly closing		(1,122)
	Investee accounted for using equity method	Purchases	3,383,596	10	Net 30 days after monthly closing		(434)
C North ca	Same parent company	Purchases	589,175	18	Net 30 days after invoice date/net 30 days after monthly closing		(75)
Vision	Parent company of director (represented for Xintec)	Sales	1,962,883	63	Net 30 days after monthly closing		256

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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**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  
SEPTEMBER 30, 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 Allowance Subsequent to Balance Sheet Date
TSMC	TSMC North America	Subsidiary	\$ 24,600,032	40	\$ 5,674,665		\$ 8,233,250
	GUC	Investee with a controlling financial interest	644,287	71	1,120		295,170
	TSMC China	Subsidiary	383,334	(Note 2)			
	VIS	Investee accounted for using equity method	150,589	(Note 2)	366		19,644
Xintec	OmniVision	Parent company of director (represented for Xintec)	256,872	46			

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

The ending balance primarily consisted of other receivables, which is not applicable for the calculation of

Note 2: turnover days.

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**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010		Net In (Losses th
		September 30, 2010	December 31, 2009	Shares Percentage	Carrying Value (Foreign Currencies in Thousands)	
		(Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)	(In Thousands)	of Ownership	
Portola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 44,892,711 \$ 4
Portola, 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	33,943,317 1,6
Keelung, 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	9,424,817 1,6
Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,890,171 2,6
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	6,533,432 3,0
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	3,654,158 7
Cayman Islands	Investing in new start-up technology companies	3,489,864	1,703,163		99	2,852,802 (1

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San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,827,009	1
Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,618,701	4
Cayman Islands	Investing in new start-up technology companies	1,166,470	1,093,943		98	1,093,417	1
Keelung, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,061,303	4
Cayman Islands	Investing in new start-up technology companies	971,785	959,044		99	320,426	
Amsterdam, The Netherlands	Marketing and engineering supporting activities	15,749	15,749		100	182,022	
Yokohama, Japan	Marketing activities	83,760	83,760	6	100	150,896	
Amsterdam, The Netherlands	Engaged in investing activities of solar related business	25,350			100	25,638	
Delaware, U.S.A.	Engaged in selling and marketing of solar related products	31,330		1	100	24,717	
Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	20,559	
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\$ 386,744	US\$
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\$ 77,292	US\$
Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 24,529	US\$
Cayman Islands	Investing in new start-up technology companies	US\$ 21,415	US\$ 21,415	21,415	97	US\$ 17,413	US\$
Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 9,677	US\$
Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,543	US\$

(Continued)





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Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010		Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
			September 30, 2010	December 31, 2009	Shares (In Thousands)	Percentage			
	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$ 800	5,333	70	US\$	US\$ (4,500)	
	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	US\$ 1,000	1,000	10	US\$ 214	US\$ (4,500)	
	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 330,000	US\$ 330,000	293,637	100	US\$ 200,265	US\$ 45,830	
	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 3,088	US\$ 3,088	9,180	59	US\$ 1,461	US\$ (1,140)	
	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 2,206	US\$ 1,777	5,623	43	US\$ 682	US\$ (600)	
	Cayman Islands	Investing in new start-up technology companies	US\$ 1,650	US\$ 1,550		100	US\$ 829	US\$ (900)	
	Delaware, U.S.A.	Investing in new start-up technology companies				62			
	Delaware, U.S.A.	Investing in new start-up technology companies				31			
	U.S.A.	Consulting services in main products	US\$ 1,234	US\$ 800	800	100	\$ 59,576	\$ 8,430	

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Japan	Consulting services in main products	JPY	30,000	JPY	30,000	1	100	14,969	98
British Virgin Islands	Investment activities								
The Netherlands	Consulting services in main products	US\$	550	US\$	550	550	100	9,370	(8,02)
		EUR	100	EUR	100		100	4,432	(37)
Shanghai, China	Consulting services in main products	US\$	500				100	7,969	(7,98)
Delaware, U.S.A.	Investing in new start-up technology companies						7		

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 unreviewed financial statements.

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Total Amount of		Accumulated Outflow of Investment from Taiwan as of	Investment Flows		Accumulated Outflow of Investment from Taiwan as of	Percentage of Ownership
	Paid-in Capital	Method of Investment	January 1, 2010 (US\$ in Thousand)	Outflow (US\$ in Thousand)	Inflow (US\$ in Thousand)	September 30, 2010 (US\$ in Thousand)	
<b>Main Businesses and Products</b>	(Thousand)	(Note 1)					
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)		\$ 12,180,367 (US\$ 371,000)	\$	\$	\$ 12,180,367 (US\$ 371,000)	100%
Consulting services in main products	16,160 (US\$ 500)	(Note 2)		16,160 (US\$ 500)		16,160 (US\$ 500)	100%
	<b>Accumulated Investment in Mainland China as of September 30, 2010</b>		<b>Investment Amounts Authorized by Investment Commission, MOEA</b>		<b>Upper Limit on Investment</b>		
<b>Investor Company</b>	<b>(US\$ in Thousand)</b>		<b>(US\$ in Thousand)</b>		<b>(US\$ in Thousand)</b>		
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)		1,819,784 (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 reviewed financial statements.

Note 4: Equity in earnings/losses was determined based on the unreviewed 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  
Nine Months Ended September 30, 2010 and 2009 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of September 30, 2010 and 2009, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements, issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be 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.

October 21, 2010

*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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review 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 accountants' review report and consolidated financial statements shall prevail.*

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 132,268,758	20	\$ 156,935,077	28
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	20,360		370,669	
Available-for-sale financial assets (Notes 2, 6 and 25)	29,320,698	5	14,638,990	3
Held-to-maturity financial assets (Notes 2, 7 and 25)	5,598,471	1	8,374,389	2
Receivables from related parties	11,295		987	
Notes and accounts receivable	54,754,753	8	45,421,657	8
Allowance for doubtful receivables (Notes 2 and 8)	(587,974)		(535,383)	
Allowance for sales returns and others (Notes 2 and 8)	(6,796,624)	(1)	(9,006,496)	(2)
Other receivables from related parties (Note 26)	204,665		183,946	
Other financial assets (Note 27)	1,017,211		3,165,465	1
Inventories (Notes 2, 3 and 9)	26,663,415	4	19,176,052	4
Deferred income tax assets (Notes 2 and 20)	2,201,161		4,531,774	1
Prepaid expenses and other current assets	1,960,989		983,812	
<b>Total current assets</b>	<b>246,637,178</b>	<b>37</b>	<b>244,240,939</b>	<b>45</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)</b>				
Investments accounted for using equity method	25,298,067	4	17,587,438	3
Available-for-sale financial assets	1,036,502		1,329,853	
Held-to-maturity financial assets	8,984,875	1	16,473,164	3
Financial assets carried at cost	4,464,801	1	3,162,849	1
<b>Total long-term investments</b>	<b>39,784,245</b>	<b>6</b>	<b>38,553,304</b>	<b>7</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)</b>				
Cost				
Land and land improvements	916,213		938,509	



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Buildings	145,349,549	22	141,644,558	26
Machinery and equipment	898,675,883	135	736,712,546	136
Office equipment	14,414,922	2	13,165,301	2
Leased assets	713,821		714,012	
	1,060,070,388	159	893,174,926	164
Accumulated depreciation	(753,541,185)	(113)	(675,028,153)	(124)
Advance payments and construction in progress	42,650,005	6	18,669,251	4
Net property, plant and equipment	349,179,208	52	236,816,024	44
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	5,835,954	1	5,954,477	1
Deferred charges, net (Notes 2 and 14)	6,218,321	1	6,060,452	1
Total intangible assets	12,054,275	2	12,014,929	2
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 20)	10,414,275	2	7,196,676	1
Refundable deposits	9,099,831	1	2,789,170	1
Others (Notes 2 and 27)	383,037		286,076	
Total other assets	19,897,143	3	10,271,922	2
<b>TOTAL</b>	<b>\$ 667,552,049</b>	<b>100</b>	<b>\$ 541,897,118</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)	\$ 37,910,282	6	\$	
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	74,741		97	
Hedging derivative financial liabilities (Notes 2, 11 and 25)	1,065			
Accounts payable	11,474,968	2	9,593,847	2
Payables to related parties (Note 26)	1,617,629		1,039,482	
Income tax payable (Notes 2 and 20)	5,303,113	1	5,749,028	1
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	8,310,705	1	8,680,353	2
Payables to contractors and equipment suppliers	26,644,580	4	15,666,356	3
	17,028,193	2	13,971,034	2

Accrued expenses and other current liabilities (Notes 18, 25 and 29)				
Current portion of long-term bank loans (Notes 17, 25 and 27)	870,663		308,525	
<b>Total current liabilities</b>	<b>109,235,939</b>	<b>16</b>	<b>55,008,722</b>	<b>10</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)	362,952		1,418,469	
Other long-term payables (Notes 18, 25 and 29)	6,827,878	1	8,342,346	2
Obligations under capital leases (Notes 2, 13 and 25)	707,047		707,050	
<b>Total long-term liabilities</b>	<b>12,397,877</b>	<b>2</b>	<b>14,967,865</b>	<b>3</b>
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 19)	3,803,882	1	3,776,757	1
Guarantee deposits (Note 29)	836,908		1,157,131	
Deferred credits	131,790		225,577	
Others	241,576		134,395	
<b>Total other liabilities</b>	<b>5,014,156</b>	<b>1</b>	<b>5,293,860</b>	<b>1</b>
<b>Total liabilities</b>	<b>126,647,972</b>	<b>19</b>	<b>75,270,447</b>	<b>14</b>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock \$10 par value (Note 22) Authorized: 28,050,000 thousand shares Issued: 25,907,344 thousand shares in 2010 25,900,662 thousand shares in 2009	259,073,440	39	259,006,623	48
Capital surplus (Notes 2 and 22)	55,634,070	8	55,439,919	10
Retained earnings (Note 22)				
Appropriated as legal capital reserve	86,239,494	13	77,317,710	14
Appropriated as special capital reserve	1,313,047			
Unappropriated earnings	137,506,581	21	71,898,923	13
	225,059,122	34	149,216,633	27
Others (Notes 2, 11 and 25)				
Cumulative translation adjustments	(3,761,669)	(1)	(1,272,298)	

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Unrealized gain on financial instruments	518,669		494,421	
	(3,243,000)	(1)	(777,877)	
Equity attributable to shareholders of the parent	536,523,632	80	462,885,298	85
MINORITY INTEREST (Note 2)	4,380,445	1	3,741,373	1
Total shareholders equity	540,904,077	81	466,626,671	86
TOTAL	\$ 667,552,049	100	\$ 541,897,118	100

The accompanying notes are an integral part of the consolidated financial statements.  
 (With Deloitte & Touche review report dated October 21, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 26)	\$ 318,388,370		\$ 213,468,240	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	8,992,668		9,820,449	
NET SALES	309,395,702	100	203,647,791	100
COST OF SALES (Notes 3, 9, 21 and 26)	157,159,327	51	119,013,880	58
GROSS PROFIT	152,236,375	49	84,633,911	42
OPERATING EXPENSES (Notes 21 and 26)				
Research and development	21,634,730	7	15,026,333	7
General and administrative	8,978,513	3	8,016,976	4
Marketing	3,961,275	1	3,270,590	2
Total operating expenses	34,574,518	11	26,313,899	13
INCOME FROM OPERATIONS	117,661,857	38	58,320,012	29
NON-OPERATING INCOMES AND GAINS				
Settlement income (Note 29)	6,343,524	2	494,070	
Equity in earnings of equity method investees, net (Notes 2 and 10)	1,608,430	1		
Interest income (Note 2)	1,245,000		2,156,083	1
Technical service income (Notes 26 and 29)	359,320		273,225	
Gain on settlement and disposal of financial assets, net (Notes 2 and 25)	309,160			
Valuation gain on financial instruments, net (Notes 2, 5 and 25)	156,038		580,706	1
Others (Notes 2 and 26)	541,057		379,439	
Total non-operating incomes and gains	10,562,529	3	3,883,523	2





The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche review report dated October 21, 2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 120,884,560	\$ 56,551,787
Net income attributable to minority interest	530,446	54,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,505,818	60,537,339
Amortization of premium/discount of financial assets	25,208	6,613
Impairment of financial assets	112,759	804,409
Loss (gain) on disposal of available-for-sale financial assets, net	(192,877)	56,619
Gain on held-to-maturity financial assets redeemed by the issuer		(16,091)
Gain on disposal of financial assets carried at cost, net	(116,283)	(14,493)
Equity in losses (earnings) of equity method investees, net	(1,608,430)	253,185
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	(143,916)	6,351
Settlement income from receiving equity securities	(4,434,364)	
Loss on impairment of idle assets	319	
Deferred income tax	(256,824)	(1,122,247)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	240,437	(400,029)
Receivables from related parties	1,229	(580)
Notes and accounts receivable	(10,117,111)	(20,398,336)
Allowance for doubtful receivables	44,649	79,632
Allowance for sales returns and others	(1,927,857)	2,935,470
Other receivables from related parties	(83,373)	(84,028)
Other financial assets	794,787	(1,300,426)
Inventories	(5,749,664)	(4,299,407)
Prepaid expenses and other current assets	(677,574)	829,880
Increase (decrease) in:		
Accounts payable	1,055,181	4,369,663
Payables to related parties	834,622	549,625
Income tax payable	(3,497,136)	(3,582,797)
Accrued profit sharing to employees and bonus to directors and supervisors	1,492,362	805,611
Accrued expenses and other current liabilities	(3,078,054)	231,960
Accrued pension cost	6,850	75,173
Deferred credits	(53,899)	(201,353)
Net cash provided by operating activities	158,911,867	97,967,044

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	\$ (141,008,323)	\$ (45,070,370)
Available-for-sale financial assets	(41,358,621)	(20,375,729)
Held-to-maturity financial assets	(4,150,549)	(10,669,821)
Investments accounted for using equity method	(6,242,350)	(32,200)
Financial assets carried at cost	(1,753,712)	(270,609)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	31,520,283	20,509,336
Held-to-maturity financial assets	14,893,000	7,081,700
Financial assets carried at cost	222,416	93,684
Property, plant and equipment and other assets	133,091	6,892
Increase in deferred charges	(1,413,869)	(534,716)
Increase in refundable deposits	(6,366,688)	(21,971)
Increase in other assets	(3,724)	(82,985)
Net cash used in investing activities	(155,529,046)	(49,366,789)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	37,910,282	
Proceeds from long-term bank loans		287,865
Repayments of:		
Long-term bank loans	(283,850)	(183,710)
Bonds payable		(8,000,000)
Decrease in other long-term payables	(1,126,383)	
Decrease in guarantee deposits	(185,115)	(327,364)
Proceeds from donation	49,021	
Proceeds from exercise of employee stock options	150,760	190,995
Cash dividends	(77,708,120)	(76,876,312)
Decrease in minority interest	(141,933)	(285,325)
Net cash used in financing activities	(41,335,338)	(85,193,851)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,952,517)	(36,593,596)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,055,066)	(1,085,079)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	171,276,341	194,613,752
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 132,268,758	\$ 156,935,077
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 318,542	\$ 525,575
Income tax paid	\$ 9,598,719	\$ 7,996,390

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2010</b>	<b>2009</b>
INVESTING ACTIVITY AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 138,365,461	\$ 52,408,986
Decrease (increase) in payables to contractors and equipment suppliers	2,765,782	(7,338,616)
Nonmonetary exchange trade out price	(122,920)	
Cash paid	\$ 141,008,323	\$ 45,070,370
Disposal of property, plant and equipment and other assets	\$ 256,011	\$ 6,892
Nonmonetary exchange trade out price	(122,920)	
Cash received	\$ 133,091	\$ 6,892
Acquisition of available-for-sale financial assets	\$ 41,853,306	\$ 23,399,615
Increase in accrued expenses and other current liabilities	(494,685)	(3,023,886)
Cash paid	\$ 41,358,621	\$ 20,375,729
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	\$ 870,663	\$ 308,525
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,317,492	\$ 1,476,550
Profit sharing to employees transferred to capital stock	\$	\$ 7,494,988

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche review report dated October 21, 2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009**

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

**(Reviewed, Not Audited)**

**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 September 30, 2010 and 2009, TSMC and its subsidiaries had 34,130 and 24,479 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.

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The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership September 30		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%	36%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	41%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
	TSMC Solar North America, Inc. (TSMC Solar NA)	100%		Established in September 2010
TSMC Lighting North America, Inc. (TSMC Lighting NA)	100%		Established in September 2010	
TSMC Solar Europe B.V. (TSMC Solar Europe)	100%		Established in September 2010	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	
	TSMC Technology, Inc. (TSMC Technology)	100%	100%	
	TSMC Development, Inc. (TSMC Development)	100%	100%	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	
TSMC Development	WaferTech, LLC (WaferTech)	100%	99.9%	

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VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	59%	51%
	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.

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The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of September 30, 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. 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.



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**Cash Equivalents**

Repurchase agreements collateralized by government bonds, corporate bonds and agency 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.

**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 period or period 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 period; publicly traded stocks' closing prices at the end of the period; and other debt securities' average of bid and asked prices at the end of the period.

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 period 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.

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**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 period 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 period 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 period-end; shareholders equity historical rates; income and expenses average rates during the period. 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 period 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 period. Such changes in accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the nine months ended September 30, 2009.

**Table of Contents****4. CASH AND CASH EQUIVALENTS**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Cash and deposits in bank	\$ 127,654,510	\$ 144,018,278
Repurchase agreements collateralized by government bonds	4,457,598	10,582,919
Corporation bonds	156,650	
Agency bonds		2,333,880
	\$ 132,268,758	\$ 156,935,077

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Trading financial assets		
Forward exchange contracts	\$ 9,218	\$ 3,208
Cross currency swap contracts	11,142	367,461
	\$ 20,360	\$ 370,669
Trading financial liabilities		
Forward exchange contracts	\$ 74,741	\$ 97

The Company entered into derivative contracts during the nine months ended September 30, 2010 and 2009 to manage exposures due to fluctuations of foreign exchange rates. The above 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 the above derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
September 30, 2010		
Sell EUR/Buy NT\$	October 2010	EUR139,000/NT\$5,851,568
Sell US\$/Buy NT\$	October 2010 to November 2010	US\$42,500/NT\$1,336,655
September 30, 2009		
Sell US\$/Buy RMB	October 2009	US\$3,950/RMB26,974
Sell US\$/Buy NT\$	October 2009 to November 2009	US\$9,100/NT\$295,973

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Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
September 30, 2010			
October 2010	US\$90,000/NT\$2,830,540	0.46%	0.00%
September 30, 2009			
October 2009 to December 2009	US\$950,000/NT\$30,935,532	0.30%-1.00%	0.00%-0.61%

For the nine months ended September 30, 2010 and 2009, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$156,038 thousand and NT\$580,706 thousand, respectively.

**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 14,963,843	\$ 2,870,817
Agency bonds	8,651,644	129,850
Publicly traded stocks	5,053,616	641,286
Government bonds	1,630,518	4,595,397
Money market funds	57,579	7,276,497
Corporate issued notes		304,977
Open-end mutual funds		150,019
	30,357,200	15,968,843
Current portion	(29,320,698)	(14,638,990)
	\$ 1,036,502	\$ 1,329,853

For the nine months ended September 30, 2009, the Company recognized impairment on available-for-sale financial assets of NT\$202,797 thousand.

**7. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 14,113,396	\$ 15,460,383
Government bonds	469,950	3,387,170
Structured time deposits		6,000,000
	14,583,346	24,847,553
Current portion	(5,598,471)	(8,374,389)
	\$ 8,984,875	\$ 16,473,164





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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
September 30, 2009				
Callable domestic deposits	\$ 6,000,000	\$ 3,404	0.67%-0.95%	March 2011 to August 2011

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 543,325	\$ 455,751
Provision	44,649	323,538
Write-off		(243,906)
Balance, end of period	\$ 587,974	\$ 535,383

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

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 8,724,481	\$ 6,071,026
Provision	8,992,668	9,820,449
Write-off	(10,920,525)	(6,884,979)
Balance, end of period	\$ 6,796,624	\$ 9,006,496

**9. INVENTORIES**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Finished goods	\$ 3,418,321	\$ 2,419,467
Work in process	19,449,683	14,576,638
Raw materials	1,864,695	1,036,651
Supplies and spare parts	1,930,716	1,143,296
	\$ 26,663,415	\$ 19,176,052

Write-down of inventories to net realizable value in the amount of NT\$664,631 thousand were included in the cost of sales for the nine months ended September 30, 2010. The reversal of previously recognized inventory write-downs amounting to NT\$225,966 thousand was recorded for the nine months ended September 30, 2009. Inventories losses related to earthquake damage in the amount of NT\$190,992 thousand were classified under

non-operating expenses and losses for the nine months ended September 30, 2010.

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	September 30			
	2010	% of Owner- ship	2009	% of Owner- ship
	Carrying Amount		Carrying Amount	
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,424,817	38	\$ 9,410,696	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,890,171	39	5,899,305	39
Motech Industries Inc. (Motech)	6,533,432	20		
VisEra Holding Company (VisEra Holding)	2,421,569	49	2,195,970	49
Aiconn Technology Corporation (Aiconn)	21,370	43	23,507	41
Mcube Inc. (Mcube)		70	25,760	74
Preferred stock				
Mcube	6,708	10	32,200	10
	\$ 25,298,067		\$ 17,587,438	

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 nine months ended September 30, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT\$1,608,430 thousand and a net loss of NT\$253,185 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except for Aiconn and Mcube. The Company believes that, had Aiconn and Mcube's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's consolidated financial statements.

As of September 30, 2010 and 2009, the quoted market price of publicly traded stock in unrestricted investments accounted for using the equity method (VIS) were NT\$8,606,662 thousand and NT\$8,795,129 thousand, respectively.

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

	Nine Months Ended September 30	
	2010	2009
Balance, beginning of period	\$ 1,391,500	\$ 1,990,621
Additions	2,055,660	
Amortizations	(707,631)	(449,341)

Balance, end of period	\$ 2,739,529	\$ 1,541,280
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Movements of the difference allocated to goodwill were as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,061,885	\$ 1,061,885
Additions	353,680	
Balance, end of period	\$ 1,415,565	\$ 1,061,885

**11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>September 30, 2010</b>
Hedging derivative financial liabilities	
Interest rate swap contract	\$ 1,065

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 September 30, 2010, the outstanding interest rate swap contract consisted of the following:

<b>Contract Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
NT\$140,000	August 31, 2012	1.38%	0.56%

The Company recognized NT\$1,065 thousand as an adjustment in shareholders' equity for the above interest rate swap contract for the nine months ended September 30, 2010.

**12. FINANCIAL ASSETS CARRIED AT COST**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Non-publicly traded stocks	\$ 4,305,550	\$ 2,999,870
Mutual funds	159,251	162,979
	\$ 4,464,801	\$ 3,162,849

In June 2010, the Company invested in Stion Corporation (Stion, an United States corporation) for US\$50,000 thousand and obtained Stion's preferred stock of 7,347 thousand shares with 23.4% of ownership. Stion is engaged in the manufacturing of high-efficiency thin-film solar photovoltaic modules. Due to certain restrictions contained in the investment agreements, the Company does not have the ability to exert significant influence over Stion's operating and financial policy. Therefore, the investment was classified under financial assets carried at cost. The common stocks of Capella Microsystems (Taiwan), Inc., Integrated Memory Logic Limited and Leadtrend Technology Corporation were listed on the Taiwan GreTai Securities Market or Taiwan Stock Exchange in June 2010, May 2010, and August 2009, respectively. Thus, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.



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For the nine months ended September 30, 2010 and 2009, the Company recognized impairment on financial assets carried at cost of NT\$112,759 thousand and NT\$601,612 thousand, respectively.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Nine Months Ended September 30, 2010</b>					
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, End of Period</b>
Cost						
Land and land improvements	\$ 934,090	\$	\$	\$ 324	\$ (18,201)	\$ 916,213
Buildings	142,294,558	3,353,817	(135,497)	4,414	(167,743)	145,349,549
Machinery and equipment	775,653,489	124,966,538	(1,226,898)	215,989	(933,235)	898,675,883
Office equipment	13,667,747	1,446,535	(673,085)	1,776	(28,051)	14,414,922
Leased asset	714,424				(603)	713,821
	933,264,308	\$ 129,766,890	\$ (2,035,480)	\$ 222,503	\$ (1,147,833)	1,060,070,388
Accumulated depreciation						
Land and land improvements	317,580	\$ 21,815	\$	\$	\$ (7,332)	332,063
Buildings	81,821,718	6,880,336	(128,466)		(106,283)	88,467,305
Machinery and equipment	600,795,474	55,052,858	(1,188,485)	132,823	(1,048,986)	653,743,684
Office equipment	10,589,349	860,766	(672,909)	(440)	(24,594)	10,752,172
Leased asset	219,765	26,483			(287)	245,961
	693,743,886	\$ 62,842,258	\$ (1,989,860)	\$ 132,383	\$ (1,187,482)	753,541,185
Advance payments and construction in progress	34,154,365	\$ 8,626,111	\$ (26,890)	\$ (98,914)	\$ (4,667)	42,650,005
	\$ 273,674,787					\$ 349,179,208

	<b>Nine Months Ended September 30, 2009</b>					
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, End of Period</b>
Cost						
Land and land improvements	\$ 953,857	\$	\$	\$ 1,830	\$ (17,178)	\$ 938,509
Buildings	132,249,996	9,768,373	(9,822)	66	(364,055)	141,644,558

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Machinery and equipment	697,498,743	41,591,076	(1,176,786)	25,358	(1,225,845)	736,712,546
Office equipment	12,430,800	967,582	(189,608)	(5,201)	(38,272)	13,165,301
Leased asset	722,339			7,194	(15,521)	714,012
	843,855,735	\$ 52,327,031	\$ (1,376,216)	\$ 29,247	\$ (1,660,871)	893,174,926
Accumulated depreciation						
Land and land improvements	295,898	\$ 22,705	\$	\$	\$ (6,676)	311,927
Buildings	72,681,699	6,962,102	(9,823)	66	(176,627)	79,457,417
Machinery and equipment	535,962,291	51,017,742	(1,165,488)	2,565	(1,143,190)	584,673,920
Office equipment	9,693,809	911,478	(187,662)	(7,260)	(37,561)	10,372,804
Leased asset	182,570	27,285		7,194	(4,964)	212,085
	618,816,267	\$ 58,941,312	\$ (1,362,973)	\$ 2,565	\$ (1,369,018)	675,028,153
Advance payments and construction in progress	18,605,882	\$ 81,955	\$	\$ (22,342)	\$ 3,756	18,669,251
	\$ 243,645,350					\$ 236,816,024

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 September 30, 2010 are NT\$786,589 thousand.

**14. DEFERRED CHARGES, NET**

	<b>Nine Months Ended September 30, 2010</b>					<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Technology license fee	\$ 3,230,624	\$ 2,000	\$ (597,513)	\$	\$ (19)	\$ 2,635,092
Software and system design costs	1,834,528	1,176,073	(769,009)	5,192	45	2,246,829
Patent and others	1,393,402	235,796	(292,734)		(64)	1,336,400
	\$ 6,458,554	\$ 1,413,869	\$ (1,659,256)	\$ 5,192	\$ (38)	\$ 6,218,321



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	<b>Nine Months Ended September 30, 2009</b>					
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, End of Period</b>
Technology license fee	\$ 4,125,212	\$	\$ (687,538)	\$	\$ 4,244	\$ 3,441,918
Software and system design costs	1,801,831	523,365	(684,458)	(4,340)	(10)	1,636,388
Patent and others	1,198,785	11,351	(219,728)	(6,035)	(2,227)	982,146
	\$ 7,125,828	\$ 534,716	\$ (1,591,724)	\$ (10,375)	\$ 2,007	\$ 6,060,452

**15. SHORT-TERM LOANS**

	<b>September 30, 2010</b>
Unsecured loans US\$1,210,000 thousand, due in February 2011, annual interest at 0.39% 1.84%	\$ 37,910,282

**16. BONDS PAYABLE**

	<b>September 30 2010</b>	<b>2009</b>
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**

	<b>September 30 2010</b>	<b>2009</b>
Secured loans US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68%-0.83% in 2010 and 0.70%-0.97% in 2009	\$ 628,563	\$ 644,248
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.18% in 2010 and 0.68%-2.70% in 2009	605,052	950,971
Repayable from December 2007 in 8 semi-annual installments, fully repaid in June 2010, annual interest at 1.11%-2.42%		131,775
Current portion	1,233,615 (870,663)	1,726,994 (308,525)
	\$ 362,952	\$ 1,418,469

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC China as well as semi-annual and annual financial statements of Xintec must comply with predetermined financial covenants.

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As of September 30, 2010, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2010 (4 <sup>th</sup> quarter)	\$ 689,089
2011	242,099
2012	242,099
2013	60,328
	\$ 1,233,615

**18. OTHER LONG-TERM PAYABLES**

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Payables for acquisition of property, plant and equipment (Note 29h)	\$ 7,235,592	\$ 8,398,125
Payables for royalties	909,778	1,420,771
	8,145,370	9,818,896
Current portion (classified under accrued expenses and other current liabilities)	(1,317,492)	(1,476,550)
	\$ 6,827,878	\$ 8,342,346

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

As of September 30, 2010, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2010 (4 <sup>th</sup> quarter)	\$ 363,421
2011	1,110,722
2012	690,679
2013	579,543
2014	5,401,005
	\$ 8,145,370

**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 and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$774,327 thousand and NT\$549,457 thousand for the nine months ended September 30, 2010 and 2009, respectively.

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TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service 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. The Company recognized pension costs of NT\$193,180 thousand and NT\$217,193 thousand for the nine months ended September 30, 2010 and 2009, respectively.

Movements of the Funds and accrued pension cost under the defined benefit plans were summarized as follows:

	<b>Nine Months Ended September</b>	
	<b>30</b>	
	<b>2010</b>	<b>2009</b>
The Funds		
Balance, beginning of period	\$ 2,644,988	\$ 2,434,876
Contributions	162,591	145,685
Interest	41,379	53,066
Payments	(11,050)	(37,801)
Balance, end of period	\$ 2,837,908	\$ 2,595,826
Accrued pension cost		
Balance, beginning of period	\$ 3,797,032	\$ 3,701,584
Accruals	6,850	75,173
Balance, end of period	\$ 3,803,882	\$ 3,776,757

**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>Nine Months Ended September</b>	
	<b>30</b>	
	<b>2010</b>	<b>2009</b>
Income tax expense based on income before income tax at statutory rates	\$ 22,833,745	\$ 15,088,240
Tax effect of the following:		
Tax-exempt income	(12,828,404)	(6,609,978)
Temporary and permanent differences	(806,847)	2,958,278
Others		69,174
Additional tax at 10% on unappropriated earnings	138,243	30,707
Net operating loss carryforwards used	(390,410)	(54,459)
Income tax credits used	(3,727,985)	(5,668,306)
Income tax currently payable	\$ 5,218,342	\$ 5,813,656

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b. Income tax expense consisted of the following:

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
Income tax currently payable	\$ 5,218,342	\$ 5,813,656
Income tax adjustments on prior years	978,295	(1,157,674)
Other income tax adjustments	(27,442)	(40,056)
Net change in deferred income tax assets		
Investment tax credits	(6,952,518)	(3,332,014)
Net operating loss carryforwards	402,214	(66,114)
Temporary differences	33,005	26,336
Valuation allowance	6,321,184	2,244,729
Income tax expense	\$ 5,973,080	\$ 3,488,863

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Current deferred income tax assets		
Investment tax credits	\$ 1,197,701	\$ 3,542,275
Temporary differences		
Allowance for sales returns and others	592,958	773,787
Unrealized gain/loss on financial instruments	65,589	
Others	480,459	354,789
Valuation allowance	(135,546)	(139,077)
	\$ 2,201,161	\$ 4,531,774
Noncurrent deferred income tax assets		
Investment tax credits	\$ 21,243,533	\$ 13,987,353
Net operating loss carryforwards	2,973,983	3,583,246
Temporary differences		
Depreciation	2,148,209	1,789,193
Others	409,732	555,928
Valuation allowance	(16,361,182)	(12,719,044)
	\$ 10,414,275	\$ 7,196,676

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 period in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that period. This incentive is retroactive to January 1, 2010 and effective until December 31, 2019.

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As of September 30, 2010, the net operating loss carryforwards were generated by WaferTech, TSMC Development and Mutual-Pak and would expire on various dates through 2026.

## d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of September 30, 2010 and 2009 was NT\$1,669,533 thousand and NT\$214,826 thousand, respectively.

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2009 and 2008 were 9.85% and 9.10%, 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 September 30, 2010, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 114,677	\$ 100,145	2010
		66,368	66,368	2011
		3,220,393	3,154,660	2012
		6,051,074	6,051,074	2013
		5,443,947	5,443,947	2014
		\$ 14,896,459	\$ 14,816,194	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,021,544	\$	2010
		1,192,759	125,748	2011
		2,924,808	2,924,808	2012
		4,523,367	4,523,367	2013
		\$ 9,662,478	\$ 7,573,923	
Statute for Upgrading Industries	Personnel training expenditures	\$759	\$	2010
		20,081	788	2011
		32,534	32,534	2012
		17,795	17,795	2013
		\$ 71,169	\$ 51,117	
		\$ 1,539,113	\$	2010

Statute for Industrial  
Innovation

Research and development  
expenditures

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

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

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

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

	<b>Nine Months Ended September 30, 2010</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 20,151,190	\$ 16,310,025	\$ 36,461,215
Labor and health insurance	728,802	555,298	1,284,100
Pension	580,208	387,299	967,507
Meal	436,489	177,435	613,924
Welfare	517,534	198,946	716,480
Other	92,861	210,063	302,924
	\$ 22,507,084	\$ 17,839,066	\$ 40,346,150
Depreciation	\$ 58,880,734	\$ 3,949,325	\$ 62,830,059
Amortization	\$ 982,878	\$ 676,378	\$ 1,659,256

	<b>Nine Months Ended September 30, 2009</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 12,631,169	\$ 10,938,484	\$ 23,569,653
Labor and health insurance	509,889	422,070	931,959
Pension	444,923	321,727	766,650

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Meal	324,895	143,092	467,987
Welfare	365,194	144,646	509,840
Other	110,587	183,107	293,694
	\$ 14,386,657	\$ 12,153,126	\$ 26,539,783
Depreciation	\$ 55,879,597	\$ 3,049,516	\$ 58,929,113
Amortization	\$ 942,756	\$ 648,968	\$ 1,591,724

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**Table of Contents****22. SHAREHOLDERS EQUITY**

As of September 30, 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. Also, the capital surplus from long-term investments may not be used for any purpose. Capital surplus consisted of the following:

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Additional paid-in capital	\$ 23,562,191	\$ 23,408,710
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	373,244	332,574
Donations	55	55
	<b>\$ 55,634,070</b>	<b>\$ 55,439,919</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 subjected to shareholders' approval in the following year.

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TSMC accrued profit sharing to employees as a charge to earnings of certain percentage of net income during the period amounted to NT\$8,162,440 thousand and NT\$8,556,862 thousand for the nine months ended September 30, 2010 and 2009, respectively; bonuses to directors were accrued with an estimate based on historical experience. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2009 and 2008 had been approved in the TSMC's shareholders meeting 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	For Fiscal	For	For
	Year 2009	Year 2008	Fiscal Year 2009	Fiscal Year 2008
Legal capital reserve	\$ 8,921,784	\$ 9,993,317		
Special capital reserve	1,313,047	(391,857)		
Cash dividends to shareholders	77,708,120	76,876,312	\$ 3.00	\$ 3.00
Stock dividends to shareholders		512,509		0.02
	\$ 87,942,951	\$ 86,990,281		

TSMC's profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT\$6,691,338 thousand and NT\$67,692 thousand for 2009, respectively, and profit sharing to employees to be paid in cash and in stock as well as bonus to directors in the amounts of NT\$7,494,988 thousand, NT\$7,494,988 thousand and NT\$158,080 thousand for 2008, respectively, had been approved in the shareholders' meeting held on June 15, 2010 and June 10, 2009, respectively. The profit sharing to employees in stock of 141,870 thousand shares for 2008 was determined by the closing price of the TSMC's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting, which is 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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The information about 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 exercisable. 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 September 30, 2010.

Information about TSMC's outstanding stock options for the nine months ended September 30, 2010 and 2009 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Nine months ended September 30, 2010		
Balance, beginning of period	28,810	\$ 32.4
Options exercised	(4,638)	32.5
Balance, end of period	24,172	32.5
Nine months ended September 30, 2009		
Balance, beginning of period	36,234	34.0
Options granted	175	34.0
Options exercised	(5,228)	36.5
Options canceled	(321)	46.5
Balance, end of period	30,860	33.5

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



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As of September 30, 2010, information about TSMC's outstanding options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Options Outstanding Weighted-average Remaining Contractual Life (Years)</b>	<b>Weighted-average Exercise Price (NT\$)</b>
\$21.7 - \$30.5	18,013	2.44	\$ 28.0
38.0 - 50.1	6,159	4.16	45.6
	24,172	2.88	32.5

As of September 30, 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 exercisable. 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 exercisable. 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 were 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 stock options for the nine months ended September 30, 2010 and 2009 was as follows:

	<b>Number of Options</b>	<b>Weighted-average Exercise Price (NT\$)</b>
Nine months ended September 30, 2010		
Balance, beginning of period	3,810	\$ 83.4
Options exercised	(1,251)	14.1
Options canceled	(354)	136.9
Balance, end of period	2,205	114.0
Nine months ended September 30, 2009		
Balance, beginning of period	5,557	66.6
Options granted	87	13.8
Options exercised	(1,004)	10.8



Options canceled	(287)	53.8
Balance, end of period	4,353	75.8

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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 September 30, 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\$)
\$8.3	156	0.25	\$ 8.3	156	\$ 8.3
15.3	679	0.92	15.3	679	15.3
175.0	1,370	3.25	175.0	684	175.0
	2,205	2.32	114.0	1,519	86.5

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 exercisable. 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 stock options for the nine months ended September 30, 2010 and 2009 was as follows:

	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Nine months ended September 30, 2010		
Balance, beginning of period	3,960	\$ 14.7
Options exercised	(1,440)	14.2
Options canceled	(266)	17.2
Balance, end of period	2,254	14.8
Nine months ended September 30, 2009		
Balance, beginning of period	7,442	14.8
Options exercised	(1,789)	13.5
Options canceled	(754)	16.5

Balance, end of period	4,899	14.8
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The exercise prices have been adjusted to reflect the distribution of earnings by Xintec in accordance with the plans.

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As of September 30, 2010, information about Xintec's outstanding options 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\$)
\$12.2- \$14.1	1,124	6.04	\$ 12.5	974	\$ 12.2
15.2- 19.1	1,130	6.91	17.1	357	16.2
	2,254	6.48	14.8	1,331	13.3

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 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 nine months ended September 30, 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

**Nine Months Ended September  
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	<b>2010</b>	<b>2009</b>
Net income attributable to shareholders of the parent:		
As reported	\$ 120,884,560	\$ 56,551,787
Pro forma	120,871,974	56,173,879
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 4.67	\$ 2.19
Pro forma basic EPS	4.67	2.18
Diluted EPS as reported	4.66	2.18

Pro forma diluted EPS

4.66

2.16

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**Table of Contents****24. EARNINGS PER SHARE**

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Nine months ended September 30, 2010					
Basic EPS					
Earnings attributable to common shareholders of the parent	\$ 126,801,996	\$ 120,884,560	25,904,889	\$ 4.89	\$ 4.67
Effect of dilutive potential common shares			13,286		
Diluted EPS					
Earnings attributable to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 126,801,996	\$ 120,884,560	25,918,175	\$ 4.89	\$ 4.66
Nine months ended September 30, 2009					
Basic EPS					
Earnings attributable to common shareholders of the parent	\$ 60,021,689	\$ 56,551,787	25,813,614	\$ 2.33	\$ 2.19
Effect of dilutive potential common shares			166,923		
Diluted EPS					
Earnings attributable to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 60,021,689	\$ 56,551,787	25,980,537	\$ 2.31	\$ 2.18

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 share, 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 nine months ended September 30, 2009 to remain at NT\$2.19 and NT\$2.18 respectively.

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**Table of Contents****25. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	September 30			
	2010			2009
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	\$ 20,360	\$ 20,360	\$ 370,669	\$ 370,669
Available-for-sale financial assets	30,357,200	30,357,200	15,968,843	15,968,843
Held-to-maturity financial assets	14,583,346	14,767,973	24,847,553	25,029,053
Financial assets carried at cost	4,464,801		3,162,849	
Liabilities				
Financial liabilities at fair value through profit or loss	74,741	74,741	97	97
Hedging derivative financial liabilities	1,065	1,065		
Bonds payable	4,500,000	4,547,696	4,500,000	4,583,826
Long-term bank loans (including current portion)	1,233,615	1,233,615	1,726,994	1,726,994
Other long-term payables (including current portion)	8,145,370	8,145,370	9,818,896	9,818,896
Obligations under capital leases	707,047	707,047	707,050	707,050

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 value 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 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 approximates their carrying amount.

c. The changes in fair value of derivatives contracts which were outstanding as of September 30, 2010 and 2009 estimated using valuation techniques were recognized a net loss of NT\$54,381 thousand and a net gain of NT\$370,572 thousand, respectively.

d.



As of September 30, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$39,907,290 thousand and NT\$40,545,779 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$50,114,445 thousand and NT\$13,605,272 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,547,897 thousand and NT\$1,726,994 thousand, respectively.

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- e. Movements of the unrealized gains or losses on financial instruments for the nine months ended September 30, 2010 and 2009 were as follows:

**Nine Months Ended September 30, 2010**

	<b>From Available- for-sale Financial Assets</b>	<b>Equity Method Investments</b>	<b>Gain (Loss) on Cash Flow Hedges</b>	<b>Total</b>
Balance, beginning of period	\$ 424,128	\$ 29,493	\$	\$ 453,621
Recognized directly in shareholders' equity	242,902	8,895	(434)	251,363
Removed from shareholders' equity and recognized in earnings	(186,315)			(186,315)
Balance, end of period	\$ 480,715	\$ 38,388	\$ (434)	\$ 518,669

**Nine Months Ended September 30, 2009**

	<b>From Available- for-sale Financial Assets</b>	<b>Equity Method Investments</b>	<b>Gain (Loss) on Cash Flow Hedges</b>	<b>Total</b>
Balance, beginning of period	\$ (198,413)	\$ (88,929)	\$	\$ (287,342)
Recognized directly in shareholders' equity	418,581	95,757		514,338
Removed from shareholders' equity and recognized in earnings	267,425			267,425
Balance, end of period	\$ 487,593	\$ 6,828	\$	\$ 494,421

## 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 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.



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- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates. A portion of the short-term loans and the long-term bank loans were floating-rate loans. Therefore, changes in the market interest rates will result in changes in the interest rate of the long-term bank loans, which will affect future cash flows.
- g. The Company seeks to reduce the effects of future cash flow related interest rate changes by primarily using derivative financial instruments.

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

<b>Hedged Item</b>	<b>Hedging Financial Instrument</b>	<b>Fair Value September 30, 2010</b>	<b>Expected Cash Flow Generated Period</b>	<b>Expected Timing for the Recognition of Gains or Losses from Hedge</b>
Long-term bank loans	Interest rate swap contract	\$ (1,065)	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 nine months ended September 30				
Sales				
VIS	\$ 190,016		\$ 107,607	
VisEra	73,030		2,725	
Others	9,089		36	
	\$ 272,135		\$ 110,368	



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	2010		2009	
	Amount	%	Amount	%
Purchases				
VIS	\$ 3,664,124	2	\$ 2,446,687	2
SSMC	3,383,596	2	2,530,044	2
	\$ 7,047,720	4	\$ 4,976,731	4
Manufacturing expenses				
VisEra (primarily outsourcing and rent)	\$ 77,695		\$ 55,443	
Research and development expenses				
VIS (primarily rent)	\$ 8,730		\$ 1,988	
VisEra	7,198		306	
Others	110			
	\$ 16,038		\$ 2,294	
Sales of property, plant and equipment				
VIS	\$ 37,011	30	\$	
VisEra	4,418	4	1,050	15
SSMC	2,401	2		
	\$ 43,830	36	\$ 1,050	15
Purchase of property, plant and equipment				
VIS	\$ 15,865		\$	
Non-operating incomes and gains				
VIS (primarily technical service income, see Note 29e)	\$ 226,256	2	\$ 179,168	5
SSMC (primarily technical service income, see Note 29d)	145,625	1	98,806	2
Others			129	
	\$ 371,881	3	\$ 278,103	7

As of September 30

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Other receivables				
VIS	\$ 150,589	74	\$ 141,358	77
SSMC	49,752	24	42,588	23
Others	4,324	2		
	\$ 204,665	100	\$ 183,946	100
Payables				
VIS	\$ 1,124,109	69	\$ 761,346	73
SSMC	434,236	27	273,184	26
Others	59,284	4	4,952	1
	\$ 1,617,629	100	\$ 1,039,482	100

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

**27. PLEDGED OR MORTGAGED ASSETS**

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

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Other financial assets	\$ 169,028	\$ 634,287
Property, plant and equipment, net	1,953,613	2,455,643
Other assets	20,000	20,000
	<b>\$ 2,142,641</b>	<b>\$ 3,109,930</b>

**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 October 2010 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 State, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2010 and 2018 and can be renewed upon expiration.

As of September 30, 2010, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2010 (4 <sup>th</sup> quarter)	\$ 146,262
2011	582,240
2012	560,617
2013	531,316
2014	510,605
2015 and thereafter	3,892,061
	<b>\$ 6,223,101</b>





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**29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of September 30, 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 September 30, 2010 TSMC had a total of US\$23,979 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

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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 US International Trade Commission (US ITC) accusing TSMC and one other company of allegedly infringing a single US patent. The US ITC has initiated an investigation in July 2010. The outcome of this investigation cannot be determined at this time.
- h. 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\$7,235,592 thousand and NT\$8,398,125 thousand as of September 30, 2010 and 2009, respectively, which is included in other long-term payables.
- i. Amounts available under unused letters of credit as of September 30, 2010 were NT\$112,443 thousand.

**30. 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: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 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 2 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 3 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 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;

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- 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 investment: Please see Table 7 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 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

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**Table of Contents****TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2010****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	September 30, 2010 Carrying Value (US\$ in Thousands)
Corporate bond				
Taiwan Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,036,502
Taiwan Power Company		Held-to-maturity financial assets		1,730,004
Formosa Petrochemical Corporation		"		1,639,288
Formosa Steel Corporation		"		1,508,598
Formosa Ya Plastics Corporation		"		1,303,204
Formosa Plastics Corporation		"		576,062
Formosa Plastics Corporation, Taiwan		"		499,986
Taiwan Semiconductor Manufacturing International Corporation		Available-for-sale financial assets	1,789,493	4,048,549
Formosa IC Global	Subsidiary	Investments accounted for using equity method	1	44,892,711
Formosa IC Partners	Subsidiary	"	988,268	33,943,317
Formosa IC	Investee accounted for using equity method	"	628,223	9,424,817
Formosa IC	Investee accounted for using equity method	"	314	6,890,171
Formosa IC Tech	Investee accounted for using equity method	"	76,069	6,533,432
Formosa IC North America	Subsidiary	"	11,000	2,827,009
Formosa IC	Investee with a controlling financial interest	"	93,081	1,618,701
Formosa IC	Investee with a controlling financial interest	"	46,688	1,061,303
Formosa IC Europe	Subsidiary	"		182,022
Formosa IC Japan	Subsidiary	"	6	150,896
Formosa IC Solar Europe	Subsidiary	"		25,638
Formosa IC Solar NA	Subsidiary	"	1	24,717
Formosa IC Korea	Subsidiary	"	80	20,559
Formosa IC Lighting NA	Subsidiary	"	1	3,133
Formosa Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584
Formosa 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
son Asia Capital		"		55,259
tal				
IC China	Subsidiary	Investments accounted for using equity method		3,654,158
F III	Subsidiary	"		2,852,802
F II	Subsidiary	"		1,093,417
rging Alliance	Subsidiary	"		320,426
porate bond				
eral Elec Cap Corp. Mtn		Held-to-maturity financial assets		US\$ 20,350
eral Elec Cap Corp. Mtn		"		US\$ 20,161

(Continued)

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			September	
			CarryingPe	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Value (US\$ in Thousands)
Common stock				
TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 386,744
VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 77,292
FiveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 24,529
FiveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	21,415	US\$ 17,413
TSMC Technology	Subsidiary	"	1	US\$ 9,677
TSMC Canada	Subsidiary	"	2,300	US\$ 3,543
Mcube Inc.	Investee accounted for using equity method	"	5,333	
Preferred stock				
Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 214
Corporate bond				
GE Capital Corp.		Held-to-maturity financial assets		US\$ 20,245
J.P. Morgan Chase & Co.		"		US\$ 15,000
Stock				
WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 200,265
Common stock				
RichWave 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
Axiom Microdevices, Inc.		"	1,000	US\$ 13
Next IO, Inc.		"	800	US\$ 500
Optichron, Inc.		"	1,276	US\$ 1,145
Pixim, Inc.		"	4,641	US\$ 1,137
QST Holdings, LLC		"		US\$ 142
Capital				



VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method			
Common stock					
Leadtrend		Available-for-sale financial assets	854	US\$	3,747
Aether Systems, Inc.		Financial assets carried at cost	1,600	US\$	1,503
RichWave Technology Corp.		"	1,267	US\$	1,036
Sentelic		"	1,806	US\$	2,607
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
mpinj, 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

(Continued)

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			<b>September</b>	
			<b>Carrying</b>	
			<b>Shares/Units</b>	<b>Value</b>
			<b>(In</b>	<b>(US\$ in Ov</b>
<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Thousands)</b>	<b>Thousands)</b>
QST Holdings, LLC		Financial assets carried at cost		US\$ 593
Xceive		"	4,210	US\$ 1,554
<b>Capital</b>				
VTA Holdings	Subsidiary	Investments accounted for using equity method		
<b>Common stock</b>				
Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 1,461
Aiconn Technology Corporation	Investee accounted for using equity method	"	5,623	US\$ 682
<b>Preferred stock</b>				
Auramicro, Inc.		Financial assets carried at cost	4,694	US\$ 1,408
BridgeLux, Inc.		"	6,113	US\$ 7,781
Exclara, Inc.		"	21,587	US\$ 4,568
GTBF, Inc.		"	1,154	US\$ 1,500
InvenSense, Inc.		"	816	US\$ 1,000
LiquidLeds Lighting Corp.		"	1,600	US\$ 800
Neoconix, Inc.		"	3,283	US\$ 4,608
Powervation, Ltd.		"	310	US\$ 4,678
Quellan, Inc.		"	3,106	US\$ 369
Silicon Technical Services, LLC		"	1,055	US\$ 1,208
Stion Corp.		"	7,347	US\$ 50,000
Tilera, Inc.		"	3,222	US\$ 2,781
Validity Sensors, Inc.		"	9,340	US\$ 3,456
<b>Capital</b>				
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method		US\$ 829
VTA Holdings	Subsidiary	"		
<b>Common stock</b>				
SiliconBlue Technologies, Inc.		Financial assets carried at cost	5,107	US\$ 762
Staccato		"	10	US\$ 25
<b>Common stock</b>				
Integrated Memory Logic, Inc.		Available-for-sale financial assets	4,838	US\$ 18,496

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Memsic, Inc.	"	1,286	US\$	3,060
Capella Microsystems (Taiwan), Inc.	"	372	US\$	2,108
Preferred stock				
IP Unity, Inc.	Financial assets carried at cost	1,008	US\$	290
Sonics, Inc.	"	230	US\$	497
Common stock				
Memsic, Inc.	Available-for-sale financial assets	1,072	US\$	2,552
Capella Microsystems (Taiwan), Inc.	"	374	US\$	2,118
Alchip Technologies Limited	Financial assets carried at cost	7,520	US\$	3,664
Sonics, Inc.	"	278	US\$	10
EON Technology, Corp.	"	409	US\$	113
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

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			September	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying	
			Shares/Units (In Thousands)	Value (US\$ in Thousands)
Common stock				
C-NA	Subsidiary	Investments accounted for using equity method	800	\$ 59,576
C-Japan	Subsidiary	"	1	14,969
C-BVI	Subsidiary	"	550	9,370
C-Europe	Subsidiary	"		4,432
Capital				
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method		7,969
Capital				
Compositech Ltd.		Financial assets carried at cost	587	
Corporate bond				
American Development Bank		Available-for-sale financial assets	2,600	US\$ 2,618
State Life Gbl Fdg Secd		"	4,430	US\$ 4,896
Del Corp.		"	100	US\$ 110
American Honda Fin Corp. Mtn		"	4,000	US\$ 3,995
National Intl Ltd.		"	3,500	US\$ 3,549
an Development Bank		"	2,500	US\$ 2,499
azeneca Plc		"	3,150	US\$ 3,432
FT Wireless		"	3,500	US\$ 3,888
ustralia + New Zealand Bkg		"	2,000	US\$ 2,061
co Bilbao Vizcaya P R		"	3,250	US\$ 3,249
Bank New York Inc.		"	1,615	US\$ 1,609
Bank New York Inc. Medium		"	2,100	US\$ 2,278
Bank of America		"	1,900	US\$ 2,026
Bank of America Corp.		"	2,100	US\$ 2,167
Bank of New York Mellon		"	2,200	US\$ 2,206
Bank of Nova Scotia		"	5,000	US\$ 4,991
Bank of Scotland Plc		"	4,000	US\$ 3,998
Clays Bank Plc		"	12,000	US\$ 11,996
Clays Bank Plc NY		"	400	US\$ 400
Clays Bank Plc NY		"	5,000	US\$ 4,999
na US Senior SA Uniper		"	2,645	US\$ 2,631
r Stearns Cos Inc.		"	2,200	US\$ 2,195
r Stearns Cos Inc.		"	3,500	US\$ 3,524

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Stearns Cos Inc. Med Term	"	2,400	US\$ 2,653
Bankshire Hathaway Inc. Del	"	3,500	US\$ 3,517
Billiton Fin USA Ltd.	"	2,000	US\$ 2,118
Tokyo Mitsubishi Ufj	"	2,000	US\$ 2,062
W US Capital LLC	"	1,600	US\$ 1,602
Paribas SA	"	3,810	US\$ 3,848
ing Cap Corp.	"	2,925	US\$ 3,238
ing Co.	"	450	US\$ 459
Capital Markets Plc	"	3,900	US\$ 3,976
o Part/Veri Wirelss	"	3,000	US\$ 3,050
Financement Foncier	"	200	US\$ 200
Financement Foncier	"	4,000	US\$ 4,016
group Funding Inc.	"	16,000	US\$ 16,404
group Inc.	"	1,400	US\$ 1,376
group Inc.	"	800	US\$ 806
group Inc.	"	400	US\$ 429
group Inc.	"	5,000	US\$ 5,524
Commonwealth Bank Aust	"	2,800	US\$ 2,794

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			September		
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Percentage Owned
			Shares/Units (In thousands)	Value (US\$ in thousands)	
Countrywide Finl Corp.		Available-for-sale financial assets	4,000	US\$ 4,249	
Credit Suisse First Boston USA		"	2,150	US\$ 2,275	
Credit Suisse New York		"	3,945	US\$ 4,103	
Deutsche Bank AG NY		"	2,500	US\$ 2,492	
Exia Credit Local		"	6,000	US\$ 5,970	
Exia Credit Local		"	4,000	US\$ 3,983	
Exia Credit Local S.A		"	4,000	US\$ 3,991	
Exia Credit Local SA NY		"	5,000	US\$ 4,982	
Le Pont E I De Nemours + Co.		"	2,475	US\$ 2,707	
Finance for Danish Ind		"	3,800	US\$ 3,799	
General Elec Cap Corp.		"	1,000	US\$ 995	
General Elec Cap Corp.		"	7,000	US\$ 7,004	
General Elec Cap Corp.		"	1,000	US\$ 1,003	
General Elec Cap Corp.		"	4,000	US\$ 4,127	
General Electric Capital Corp.		"	2,000	US\$ 1,971	
Georgia Pwr Co.		"	6,000	US\$ 6,018	
Goldman Sachs Group Inc.		"	2,000	US\$ 1,946	
Groupe Bpce		"	1,000	US\$ 999	
Hewlett Packard Co.		"	3,000	US\$ 3,001	
Hewlett Packard Co.		"	2,030	US\$ 2,027	
Hewlett Packard Co.		"	1,365	US\$ 1,383	
Household Fin Corp.		"	4,330	US\$ 4,736	
SBC Bank Plc		"	3,400	US\$ 3,413	
SBC Fin Corp.		"	2,315	US\$ 2,296	
SBC Fin Corp.		"	2,900	US\$ 3,082	
Hutchison Whampoa Intl		"	1,750	US\$ 1,761	
M Corp.		"	2,300	US\$ 2,303	
M Corp.		"	6,800	US\$ 6,823	
Il Bk Recon + Develop		"	5,000	US\$ 5,006	
Il Bk Recon + Develop		"	2,000	US\$ 2,059	
John Deer Capital Corp. Fdic GT		"	3,500	US\$ 3,638	
Morgan Chase + Co.		"	2,500	US\$ 2,516	
Morgan Chase + Co.		"	5,000	US\$ 5,019	
17w Medium Term Nts Book Entry		"	1,950	US\$ 1,951	
Kreditanstalt Fur Wiederaufbau		"	650	US\$ 669	
Boyd's Tsb Bank Plc Ser 144A		"	4,850	US\$ 4,864	
Boyd's Tsb Bank Plc Ser 144A		"	5,950	US\$ 6,016	
Acquarie Bk Ltd. Sr		"	3,900	US\$ 3,999	

Massmutual Global Fdg II Mediu	"	4,000	US\$ 3,951
Mellon Fdg Corp.	"	3,500	US\$ 3,447
Merck + Co. Inc.	"	4,000	US\$ 4,046
Merck + Co. Inc.	"	2,000	US\$ 2,098
Merrill Lynch + Co. Inc.	"	4,691	US\$ 4,620
Met Life Glob Funding I	"	500	US\$ 509
Metlife Inc.	"	2,000	US\$ 2,015
Metlife Inc.	"	6,500	US\$ 6,548
Metropolitan Life Global Fdg	"	750	US\$ 751
Metropolitan Life Global Fdg I	"	3,340	US\$ 3,343
Microsoft Corp.	"	2,500	US\$ 2,504
Monumental Global Fdg III	"	750	US\$ 727
Morgan Stanley	"	1,000	US\$ 1,019
Morgan Stanley Dean Witter	"	8,000	US\$ 8,603
Morgan Stanley for Equity	"	2,000	US\$ 1,968
National Australia Bank	"	1,000	US\$ 1,021

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Percentage Owned
			Shares/Units (In Thousands)	Value (US\$ in Thousands)	
York Life Global Fdg		Available-for-sale financial assets	2,000	US\$ 2,051	
dea Bank Fld Plc		"	2,250	US\$ 2,246	
idental Pete Corp.		"	3,200	US\$ 3,764	
erreichische Kontrollbank		"	2,000	US\$ 2,000	
rio (Province of)		"	2,000	US\$ 2,049	
ico Inc.		"	3,000	US\$ 3,002	
Funding Corp.		"	2,000	US\$ 1,993	
oa Global Fdg I Med Term		"	1,750	US\$ 1,719	
oa Global Funding I		"	1,200	US\$ 1,192	
coa Global Fdg I Medium		"	5,050	US\$ 5,005	
obank Nederland		"	5,000	US\$ 5,000	
ons Bank Fdic Gtd Tlgp		"	1,700	US\$ 1,755	
al Bk of Scotland Plc		"	4,000	US\$ 3,997	
al Bk of Scotland Plc		"	5,000	US\$ 5,054	
al Bk Scotland Plc		"	2,550	US\$ 2,602	
al Bk Scotlnd Grp Plc 144A		"	9,450	US\$ 9,504	
l International Fin		"	4,515	US\$ 4,535	
l International Fin		"	1,200	US\$ 1,211	
l International Fin		"	2,000	US\$ 2,047	
oreign Bancorp Fdic Gtd Tlg		"	2,200	US\$ 2,273	
e Str Corp.		"	6,420	US\$ 6,417	
Life Finl Global		"	4,400	US\$ 4,277	
Life Finl Global Fdg II Lp		"	1,500	US\$ 1,489	
corp Metway Ltd.		"	2,000	US\$ 2,001	
corp Metway Ltd.		"	8,800	US\$ 9,011	
aska Handelsbanken AB		"	2,200	US\$ 2,263	
dbank AB		"	2,000	US\$ 1,995	
dbank Foreningssparbanken A		"	1,500	US\$ 1,542	
a Pharma Fin III LLC		"	4,000	US\$ 4,015	
Global Mkts Inc. Mtn		"	1,500	US\$ 1,651	
Ag Stamford CT		"	800	US\$ 806	
Central Federal Cred		"	10,200	US\$ 10,287	
Central Federal Cred		"	4,000	US\$ 4,103	
zon Communications Inc.		"	1,500	US\$ 1,655	
hovia Corp. New		"	1,400	US\$ 1,394	
Mart Stores Inc.		"	3,770	US\$ 4,393	
s Fargo + Company		"	2,000	US\$ 2,010	
tfield Cap Corp. Ltd.		"	500	US\$ 502	



tpac Banking Corp.	"	2,100	US\$ 2,110
tpac Banking Corp.	"	4,000	US\$ 4,006
tpac Banking Corp.	"	2,170	US\$ 2,173
th	"	3,345	US\$ 3,703
+ Nz Banking Group			
	Held-to-maturity financial		
	assets	20,000	US\$ 20,000
monwealth Bank of Australia	"	25,000	US\$ 25,000
monwealth Bank of Australia	"	25,000	US\$ 25,000
Morgan Chase + Co.	"	35,000	US\$ 35,084
onwide Building Society-UK	"		
ernment Guarantee		8,000	US\$ 8,000
tpac Banking Corp.	"	25,000	US\$ 25,000
tpac Banking Corp. 12/12 Frn	"	5,000	US\$ 5,000
ncy bond			
ie Mae			
	Available-for-sale financial		
	assets	8,765	US\$ 8,761
ie Mae	"	16,104	US\$ 16,099

(Continued)

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			September	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying	
			Shares/Units (In Thousands)	Value (US\$ in thousands)
annie Mae		Available-for-sale financial	4,600	
		assets		US\$ 4,602
annie Mae		"	4,000	US\$ 4,004
annie Mae		"	4,000	US\$ 4,015
annie Mae		"	5,900	US\$ 5,942
d Hm Ln Pc Pool 1b2830		"	1,944	US\$ 2,047
d Hm Ln Pc Pool 1g0115		"	2,236	US\$ 2,318
d Hm Ln Pc Pool 1k1210		"	1,584	US\$ 1,647
d Hm Ln Pc Pool 780741		"	1,898	US\$ 1,984
ederal Farm Credit Bank		"	4,000	US\$ 3,993
ederal Farm Credit Bank		"	5,000	US\$ 5,022
ederal Farm Credit Bank		"	5,000	US\$ 5,028
ederal Home Ln Bks		"	5,000	US\$ 5,073
ederal Home Ln Mtg Assn		"	4,634	US\$ 4,710
ederal Home Ln Mtg Corp.		"	4,085	US\$ 4,078
ederal Home Ln Mtg Corp.		"	1,659	US\$ 1,730
ederal Home Ln Mtg Corp.		"	3,024	US\$ 3,175
ederal Home Ln Mtg Corp.		"	2,381	US\$ 2,448
ederal Home Ln Mtg Corp.		"	2,004	US\$ 2,082
ederal Home Ln Mtg Corp.		"	922	US\$ 930
ederal Home Ln Mtg Corp.		"	848	US\$ 854
ederal Home Ln Mtg Corp.		"	1,607	US\$ 1,665
ederal Home Ln Mtg Corp.		"	3,444	US\$ 3,604
ederal Home Ln Mtg Corp.		"	3,279	US\$ 3,362
ederal Home Ln Mtg Corp. Multi		"	1,154	US\$ 1,157
ederal Home Loan Bank		"	10,000	US\$ 9,998
ederal Home Loan Bank		"	5,000	US\$ 5,011
ederal Home Loan Bank		"	8,000	US\$ 7,996
ederal Home Loan Bank		"	8,400	US\$ 8,393
ederal Home Loan Bank		"	1,400	US\$ 1,398
ederal Home Loan Bank		"	6,800	US\$ 6,823
ederal Home Loan Bank		"	8,000	US\$ 8,050
ederal Home Loan Bank		"	3,000	US\$ 3,002
ederal Home Loan Bank		"	5,000	US\$ 4,998
ederal Home Loan Mtg Corp.		"	5,638	US\$ 5,616
ederal Home Loan Mtg Corp.		"	259	US\$ 260
ederal Home Loan Mtg Corp.		"	1,226	US\$ 1,241
ederal National Mort Assoc		"	922	US\$ 933
ederal National Mort Assoc		"	97	US\$ 97
ederal Natl Mtg Assn		"	1,694	US\$ 1,705

ederal Natl Mtg Assn Gtd	"	2,578	US\$ 2,661
ederal Natl Mtg Assn Gtd Remi	"	2,202	US\$ 2,283
ederal Natl Mtg Assn Gtd Remi	"	1,027	US\$ 1,036
ederal Natl Mtg Assn Mtn	"	1,799	US\$ 1,840
ederal Natl Mtg Assn Remic	"	1,486	US\$ 1,513
ederal Natl Mtge Assn	"	1,610	US\$ 1,705
r 2647 Pb	"	3,787	US\$ 3,872
r 3087 Jb	"	1,787	US\$ 1,866
r 3184 Fa	"	4,314	US\$ 4,305
ma Pool 745131	"	1,752	US\$ 1,819
ma Pool 745688	"	1,514	US\$ 1,589
ma Pool 790772	"	1,215	US\$ 1,256
ma Pool 819649	"	1,878	US\$ 1,966
ma Pool 829989	"	1,637	US\$ 1,718
ma Pool 846233	"	1,730	US\$ 1,803

(Continued)

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010		Ownership
			Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	
na Pool 870884		Available-for-sale financial assets	1,716	US\$ 1,796	
na Pool 879908		"	1,486	US\$ 1,561	
na Tba Oct 30 Single Fam		"	14,200	US\$ 14,786	
2005 47 HA		"	2,065	US\$ 2,168	
2006 60 CO		"	3,705	US\$ 3,689	
2006 60 CO		"	1,510	US\$ 1,536	
2009 70 NT		"	2,074	US\$ 2,185	
ddie Mac		"	10,420	US\$ 10,409	
ddie Mac		"	4,500	US\$ 4,495	
ddie Mac		"	4,500	US\$ 4,511	
ddie Mac		"	5,750	US\$ 5,785	
ddie Mac		"	7,855	US\$ 7,873	
ddie Mac		"	4,300	US\$ 4,324	
ddie Mac		"	4,010	US\$ 4,027	
na II Pool 082431		"	1,934	US\$ 1,991	
2008 9 SA		"	2,442	US\$ 2,451	
2009 45 AB		"	5,309	US\$ 5,476	
ernment bond					
Treasury N/B		Available-for-sale financial assets	44,700	US\$ 45,336	
Treasury N/B		"	1,660	US\$ 1,691	
Treasury Sec		"	5,000	US\$ 5,016	
ete De Financement De Lec		Held-to-maturity financial assets	15,000	US\$ 15,000	
ney market fund					
a Cash Mgmt Global Offshore		Available-for-sale financial assets	1,838	US\$ 1,838	

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited 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 NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Counter- party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carry Value (US\$ Thousa
			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	\$6,228,661		\$	\$
Investments accounted for using equity method		Investee accounted for using equity method		1,309,615		1,786,701			
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	180
"	PCA Securities Investment Trust Co., Ltd.				7,692	100,000	7,692	100,075	100
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	1,000	US\$	1,077	US\$ 1
"				3,400	US\$	3,548	3,400	US\$	3,539	US\$ 3
"				5,000	US\$	5,000				
"				4,000	US\$	3,984				
"				12,000	US\$	12,035				
"				5,000	US\$	5,000				
"				4,745	US\$	4,744	2,100	US\$	2,084	US\$ 2
"				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\$ 4
"		5,000	US\$	4,996			5,000	US\$	5,023	US\$ 4
"				10,000	US\$	10,094	10,000	US\$	10,104	US\$ 10
"				16,000	US\$	16,262				
"				4,165	US\$	4,167	4,165	US\$	4,167	US\$ 4
"				4,800	US\$	4,768	4,800	US\$	4,761	US\$ 4
"				5,000	US\$	5,360				
"				4,000	US\$	4,291				
"				6,000	US\$	6,000				

(Continued)

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Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (In Thousands)	Shares/Units (In Thousands)
				(In Thousands)	(US\$ in Thousands)	(Note 1)	(US\$ in Thousands)		
	Available-for-sale financial assets				US\$	4,000	US\$ 4,000		
	"					4,000	US\$ 4,000		
	"					5,000	US\$ 5,000		
	"					4,000	US\$ 4,117		
	"					6,000	US\$ 6,000		
	"			3,000	US\$ 3,012			3,000	
	"					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	
	"			3,000	US\$ 3,027			3,000	
	"					6,800	US\$ 6,772		
	"					5,000	US\$ 5,014		
	"					3,500	US\$ 3,634		
	"					5,000	US\$ 5,000		
	"			3,000	US\$ 3,030			3,000	
	"					3,800	US\$ 3,800	3,800	
	"					4,850	US\$ 4,895		
	"					3,900	US\$ 3,984		
	"					4,000	US\$ 3,926		
	"					4,000	US\$ 4,066		
	"					4,691	US\$ 4,603		
	"					5,000	US\$ 5,004	5,000	
	"			2,100	US\$ 2,142	2,575	US\$ 2,623	4,675	
	"					6,500	US\$ 6,527		
	"					8,000	US\$ 8,796		
	"					3,200	US\$ 3,752		
	"					3,000	US\$ 3,000		
	"					5,000	US\$ 4,997		
	"					10,000	US\$ 10,372	8,300	
	"					4,000	US\$ 4,015		
	"					4,515	US\$ 4,528		
	"			1,940	US\$ 1,920	5,080	US\$ 5,065	600	
	"					5,500	US\$ 5,585	5,500	
	"					4,400	US\$ 4,304		
	"			5,000	US\$ 5,170	3,800	US\$ 3,933		
	"					4,000	US\$ 4,000		
	"			4,800	US\$ 4,799	8,000	US\$ 8,074	2,600	

"		4,000	US\$ 4,093	
"	4,000	US\$ 4,246		4,000 U
"		3,770	US\$ 4,383	
"		4,000	US\$ 4,044	
"		3,345	US\$ 3,699	
Held-to-maturity financial assets		20,000	US\$ 20,000	
"		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 U

(Continued)



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Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)
			Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)					
			(In Thousands)	(US\$ in Thousands)	(Note 1)	(US\$ in Thousands)					
Available-for-sale financial assets				US\$		8,765	US\$ 8,760				
"						16,104	US\$ 16,097				
"						4,600	US\$ 4,598				
"						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	
"						4,000	US\$ 3,995				
"						5,000	US\$ 4,997				
"						3,100	US\$ 3,100			3,100	
"						5,000	US\$ 5,049				
"			11,000	US\$ 11,028						11,000	
"						5,000	US\$ 5,098				
"						4,634	US\$ 4,726				
"			1,350	US\$ 1,352		2,300	US\$ 2,304			3,650	
"						4,289	US\$ 4,282			4,289	
"						4,717	US\$ 4,719				
"						3,840	US\$ 4,027				
"						3,720	US\$ 3,953				
"						4,121	US\$ 4,261				
"						4,197	US\$ 4,261				
"						10,000	US\$ 9,985				
"						8,000	US\$ 7,996				
"						5,000	US\$ 4,996			5,000	
"						4,000	US\$ 3,999			4,000	
"			10,000	US\$ 9,987						10,000	
"						10,000	US\$ 9,998			10,000	
"			8,000	US\$ 7,992						8,000	
"						6,050	US\$ 6,050			6,050	
"						5,000	US\$ 5,009				
"						6,800	US\$ 6,811				
"						8,000	US\$ 7,990				
"			10,000	US\$ 10,012						10,000	
"			4,700	US\$ 4,715						4,700	
"			11,200	US\$ 11,186		1,500	US\$ 1,498			4,300	
"						4,000	US\$ 4,012			4,000	

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"		8,000	US\$ 8,082	8,000	U
"		8,000	US\$ 8,193	8,000	U
"		6,397	US\$ 6,394		
"	4,000	US\$ 4,228		4,000	U
"		3,426	US\$ 3,494		
"		3,343	US\$ 3,466		
"		4,000	US\$ 4,149		
"		4,686	US\$ 4,681		
"		3,123	US\$ 3,261		
"		3,000	US\$ 3,141	3,000	U
"		3,252	US\$ 3,405	3,252	U
"		14,200	US\$ 14,790		
"		4,092	US\$ 4,090		
"		10,420	US\$ 10,412		

(Continued)

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Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units		
			Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	
			(In Thousands)	(US\$ in Thousands)	(In Thousands)	(US\$ in Thousands)	(In Thousands)	(US\$ in Thousands)	
Available-for-sale financial assets				US\$	8,000	US\$	8,002	8,000	U
"					7,000	US\$	6,994	7,000	U
"					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		
Available-for-sale financial assets						- 24,000	US\$ 24,116	24,000	U
"						45,070	US\$ 45,309	45,070	U
"						43,900	US\$ 43,832	43,900	U
"						53,000	US\$ 53,069	53,000	U
"						16,800	US\$ 16,889	16,800	U
"						49,700	US\$ 49,742	5,000	U
"			21,400	US\$ 21,394				21,400	U
"			37,700	US\$ 39,012				37,700	U
"						8,000	US\$ 8,040	8,000	U
"						10,000	US\$ 10,040	10,000	U
"						4,400	US\$ 4,380	4,400	U
"						5,000	US\$ 5,009		
Available-for-sale financial assets			8,858	US\$ 8,858	290,371	US\$ 290,371		297,391	U
Available-for-sale financial assets			4,500	US\$ 4,489				4,500	U

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

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method investees and other adjustments to long-term investment using equity method.

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**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 NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

<b>Transaction Amount</b>	<b>Payment Term</b>	<b>Counter-party</b>	<b>Nature of Relationships</b>	<b>Prior Transaction of Owner</b>	<b>Relationships of Related Counter-party</b>	<b>Transfer Date</b>	<b>Amount</b>
802,489	By the construction progress	China Steel Structure Co., Ltd.		N/A	N/A	N/A	N
1,217,815	By the construction progress	Fu Tsu Construction Co., Ltd.		N/A	N/A	N/A	N
1,540,064	By the construction progress	Da Cin Constructure Co., Ltd.		N/A	N/A	N/A	N
223,771	By the construction progress	Tasa Construction Corporation		N/A	N/A	N/A	N

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**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 NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details		Payment Terms	Abnormal Transaction	
			Amount	% to		Unit Price	Payment Terms
						(Note)	(Note)
North America	Subsidiary	Sales	\$ 160,415,902	52	Net 30 days after invoice date		
	Investee with a controlling financial interest	Sales	1,893,205	1	Net 30 days after monthly closing		
	Investee accounted for using equity method	Sales	189,984		Net 30 days after monthly closing		
China	Subsidiary	Purchases	6,206,526	17	Net 30 days after monthly closing		
Tech	Indirect subsidiary	Purchases	5,958,529	17	Net 30 days after monthly closing		
	Investee accounted for using equity method	Purchases	3,643,305	10	Net 30 days after monthly closing		
	Investee accounted for using equity method	Purchases	3,383,596	10	Net 30 days after monthly closing		
North America	Same parent company	Purchases	589,175	18	Net 30 days after invoice date/net 30 days after monthly closing		
Vision	Parent company of director (represented for Xintec)	Sales	1,962,883	63	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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**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**  
**SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue Amounts	Amounts	Bad Debts
				Days (Note 1)		Received in Subsequent Period	
TSMC	TSMC North America	Subsidiary	\$ 24,600,032	40	\$ 5,674,665	\$ 8,233,250	\$
	GUC	Investee with a controlling financial interest	644,287	71	1,120	295,170	
	TSMC China	Subsidiary	383,334	(Note 2)			
	VIS	Investee accounted for using equity method	150,589	(Note 2)	366	19,644	
Xintec	OmniVision	Parent company of director (represented for Xintec)	256,872	46			

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.



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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 SEPTEMBER 30, 2010**

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

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010		Net Income (Loss) of the Investee (Thousands of Dollars)	
			September 30, 2010	December 31, 2009	Carrying Value			
			(Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)	(Foreign Currencies in Thousands)		
	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 44,892,711	\$ 4
ers	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	33,943,317	1,6
	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	9,424,817	1,6
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,890,171	2,6
	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	6,533,432	3,0
a	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	3,654,158	7
	Cayman Islands	Investing in new start-up technology companies	3,489,864	1,703,163		99	2,852,802	(1

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	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,827,009	1
	Taoyuan, Taiwan	Wafer level chip size packaging service						
			1,357,890	1,357,890	93,081	41	1,618,701	4
	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,093,943		98	1,093,417	1
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits						
			386,568	386,568	46,688	35	1,061,303	4
liance	Cayman Islands	Investing in new start-up technology companies	971,785	959,044		99	320,426	
pe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749		100	182,022	
	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	150,896	
	Amsterdam, the Netherlands	Engaged in investing activities of solar related business	25,350			100	25,638	
NA	Delaware, U.S.A.	Engaged in selling and marketing of solar related products	31,330		1	100	24,717	
a	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	20,559	
ing	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\$ 386,744	US\$
ing	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\$ 77,292	US\$
	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 24,529	US\$
	Cayman Islands	Investing in new start-up technology companies	US\$ 21,415	US\$ 21,415	21,415	97	US\$ 17,413	US\$
nology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 9,677	US\$
da	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,543	US\$

(Continued)



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Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010			Net Income (Losses) the Invested (Foreign) Currencies in Thousands
			September 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shareholders	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
Steel Company Inc. (Common Stock)	Delaware, U.S.A.							
Steel Company Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$ 800	5,333	70	US\$	US\$ (4,500)
SteelTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 330,000	US\$ 330,000	293,637	100	US\$ 200,265	US\$ 45,800
Steel-Pak Technology Co.,	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 3,088	US\$ 3,088	9,180	59	US\$ 1,461	US\$ (1,100)
Steel Technology	Taipei, Taiwan							
Steel Fund	Cayman Islands	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 2,206	US\$ 1,777	5,623	43	US\$ 682	US\$ (600)
Steel Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	US\$ 1,650	US\$ 1,550		100	US\$ 829	US\$ (600)
		Investing in new start-up technology companies				62		



based on the  
unreviewed  
financial  
statements.

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

	Total Amount of Method	January 1, 2010 (US\$ in Thousand)	Accumulated Outflow of Investment from	Investment Flows	Accumulated Outflow of Investment from	September 30, 2010 (US\$ in Thousand)	Percentage Ownership	Equity in the	as of September 30, 2010
			Taiwan as of	(US\$ in Thousand)	Taiwan as of			Earnings (Losses)	
<b>Main Businesses and Products</b>	<b>Paid-in Capital of Investment</b>								
Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	(Note 1)	\$ 12,180,367 RMB (3,070,623)	\$ 12,180,367 US\$ (371,000)	\$	\$ 12,180,367 US\$ (371,000)	100%	\$ 695,070 (Note 3)	\$ 3,654,158	
Consulting services in main products	(Note 2)	US\$ 16,160 (500)	US\$ 16,160 (500)	US\$	US\$ 16,160 (500)	100%	(7,983) (Note 4)	7,969	

Investor Company	Accumulated Investment in Mainland China as of September 30, 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	US\$ 16,160 (500)	US\$ 16,160 (500)	1,819,784 (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 reviewed financial statements.

Note 4: Equity in earnings/losses was determined based on the unreviewed 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**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

A. For the nine months ended September 30, 2010

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Items	Amount	
0	TSMC	TSMC North America	1	Sales	\$ 160,415,902	50%
				Receivables from related parties	24,574,148	4%
				Other receivables from related parties	25,884	
				Payables to related parties	48,973	
		TSMC China	1	Sales	2,049	
				Purchases	6,206,526	2%
				Marketing expenses commission	42,140	
				Gain on disposal of property, plant and equipment	38,745	
				Acquisition of property, plant and equipment	66,097	
				Disposal of property, plant and equipment	383,473	
				Technical service income	3,680	
				Other receivables from related parties	383,334	
				Payables to related parties	873,981	
				Deferred debits	20,821	
		TSMC Japan	1	Marketing expenses commission	196,939	
				Payables to related parties	23,143	
		TSMC Europe	1	Marketing expenses commission	321,483	
				Research and development expenses	18,989	
				Payables to related parties	44,475	
		TSMC Korea	1	Marketing expenses commission	14,362	
				Payables to related parties	1,609	

GUC	1	Sales	1,893,205	1%
		Research and development expenses	7,928	
		Receivables from related parties	644,287	
		Payables to related parties	8,601	
TSMC Technology	1	Research and development expenses	425,892	
		Payables to related parties	84,463	
WaferTech	1	Sales	7,743	2%
		Purchases	5,958,529	
		Gain on disposal of other assets	9,655	
		Acquisition of property, plant and equipment	9,624	
		Disposal of property, plant and equipment	22,024	
		Disposal of other assets	9,655	
		Other receivables from related parties	39,956	
		Payables to related parties	671,004	
Xintec	1	Manufacturing overhead	214,590	
		Research and development expenses	5,369	
		Disposal of property, plant and equipment	3,841	
		Other receivables from related parties	3,948	
		Payables to related parties	69,583	
TSMC Canada	1	Research and development expenses	141,212	
		Payables to related parties	14,647	

(Continued)

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No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Items	Amount	
1	GUC	TSMC North America	3	Purchases	\$ 589,175	
				Manufacturing overhead	161,306	
				Payables to related parties	75,901	
		GUC-NA	3	Manufacturing overhead	35,009	
				Operating expenses	124,926	
				Accrued expenses	15,920	
		GUC-Japan	3	Operating expenses	32,687	
				Accrued expenses	3,450	
		GUC-Europe	3	Operating expenses	1,467	
		GUC-Shanghai	3	Operating expenses	16,014	
				Accrued expenses	2,744	

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)

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B. For the nine months ended September 30, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statement Items	Intercompany Transactions	
					Amount	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 111,683,024	52%
				Receivables from related parties	22,009,288	4%
				Other receivables from related parties	13,851	
				Payables to related parties	1,370	
		TSMC China	1	Sales	53,839	
				Purchases	2,611,248	1%
				Gain on disposal of property, plant and equipment	140,166	
				Technical service income	6,419	
				Other receivables from related parties	119,544	
				Payables to related parties	456,026	
				Deferred credits	43,730	
		TSMC Japan	1	Marketing expenses-commission	166,109	
				Payables to related parties	21,021	
		TSMC Europe	1	Marketing expenses-commission	234,892	
				Research and development expenses	13,172	
				Payables to related parties	35,717	
		TSMC Korea	1	Marketing expenses-commission	10,667	
				Payables to related parties	1,020	
		GUC	1	Sales	1,497,213	1%
				Research and development expenses	26,488	
				Receivables from related parties	455,417	
		TSMC Technology	1	Research and development expenses	299,636	
				Payables to related parties	126,074	

	WaferTech	1	Sales	3,357	
			Purchases	3,872,117	2%
			Other receivables from related parties	3,921	
			Payables to related parties	605,006	
	Xintec	1	Sales of property, plant and equipment and other assets	58,450	
	TSMC Canada	1	Research and development expenses	115,534	
			Payables to related parties	12,889	
1	GUC				
	TSMC North America	3		701,967	
			Purchases		
			Manufacturing overhead	216,059	
			Payables to related parties	97,319	
	GUC-NA	3	Operating expenses	115,524	
			Accrued expenses	14,015	
	GUC-Japan	3	Operating expenses	29,296	
			Accrued expenses	3,478	
	GUC-Europe	3	Operating expenses	6,632	

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

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.

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**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: October 29, 2010

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