

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

September 01, 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 August 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  
Six Months Ended June 30, 2010 and 2009 and  
Independent Auditors Report**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of June 30, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

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We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the six months ended June 30, 2010 on which we have issued an unqualified opinion and as of and for the six months ended June 30, 2009 on which we have issued an unqualified opinion with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standard, Accounting for Inventories.

July 22, 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 audit such financial statements are those generally accepted and applied in the Republic of China.*

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

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**Table of Contents****Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars, Except Par Value)**

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 131,854,140	20	\$ 171,474,261	30
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	378		38,883	
Held-to-maturity financial assets (Notes 2, 7 and 23)	7,031,587	1	5,476,955	1
Receivables from related parties (Note 24)	24,822,081	4	18,716,737	3
Notes and accounts receivable	27,261,560	4	20,561,613	4
Allowance for doubtful receivables (Notes 2 and 8)	(523,000)		(398,419)	
Allowance for sales returns and others (Notes 2 and 8)	(5,982,628)	(1)	(7,311,251)	(1)
Other receivables from related parties (Note 24)	634,274		794,151	
Other financial assets (Note 25)	718,908		1,333,913	
Inventories (Notes 2, 3 and 9)	22,122,521	3	17,153,932	3
Deferred income tax assets (Notes 2 and 18)	3,216,953	1	5,669,448	1
Prepaid expenses and other current assets	1,134,163		883,166	
<b>Total current assets</b>	<b>212,290,937</b>	<b>32</b>	<b>234,393,389</b>	<b>41</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>				
Investments accounted for using equity method	115,722,527	17	106,116,192	19
Available-for-sale financial assets	1,039,916		1,035,686	
Held-to-maturity financial assets	3,528,645	1	8,615,988	2
Financial assets carried at cost	497,835		501,060	
<b>Total long-term investments</b>	<b>120,788,923</b>	<b>18</b>	<b>116,268,926</b>	<b>21</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
<b>Cost</b>				
Buildings	126,586,981	19	114,927,509	20
Machinery and equipment	802,138,783	121	644,746,923	113
Office equipment	11,402,593	2	9,902,124	2
	940,128,357	142	769,576,556	135

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Accumulated depreciation	(665,861,387)	(100)	(592,207,395)	(104)
Advance payments and construction in progress	36,387,561	5	25,712,586	5
Net property, plant and equipment	310,654,531	47	203,081,747	36
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	5,504,428	1	5,666,736	1
Total intangible assets	7,072,184	1	7,234,492	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 18)	9,600,630	2	5,030,761	1
Refundable deposits	2,381,457		2,699,751	
Others (Notes 2 and 24)	459,256		469,209	
Total other assets	12,441,343	2	8,199,721	1
<b>TOTAL</b>	<b>\$ 663,247,918</b>	<b>100</b>	<b>\$ 569,178,275</b>	<b>100</b>



**Table of Contents****Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars, Except Par Value)**

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 14)	\$ 17,759,356	3	\$	
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	173,978		32,709	
Accounts payable	9,783,999	1	7,784,982	1
Payables to related parties (Note 24)	3,218,130		2,222,351	
Income tax payable (Notes 2 and 18)	3,484,996		2,997,283	1
Cash dividends payable (Note 20)	77,708,120	12	76,876,312	14
Accrued profit sharing to employees and bonus to directors (Notes 2 and 20)	11,777,660	2	11,599,659	2
Payables to contractors and equipment suppliers	25,443,411	4	15,549,894	3
Accrued expenses and other current liabilities (Notes 16 and 23)	11,875,119	2	8,128,016	1
<b>Total current liabilities</b>	<b>161,224,769</b>	<b>24</b>	<b>125,191,206</b>	<b>22</b>
<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)	161,390		590,724	
<b>Total long-term liabilities</b>	<b>4,661,390</b>	<b>1</b>	<b>5,090,724</b>	<b>1</b>
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,805,044	1	3,760,071	1
Guarantee deposits (Note 27)	872,331		1,212,250	
Deferred credits (Notes 2 and 24)			162,529	
<b>Total other liabilities</b>	<b>4,677,375</b>	<b>1</b>	<b>5,134,850</b>	<b>1</b>
<b>Total liabilities</b>	<b>170,563,534</b>	<b>26</b>	<b>135,416,780</b>	<b>24</b>
<b>CAPITAL STOCK NT\$10 PAR VALUE (Note 20)</b>				

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Authorized: 28,050,000 thousand shares				
Issued: 25,905,017 thousand shares in 2010				
25,626,356 thousand shares in 2009	259,050,172	39	256,263,562	45
To be issued			2,699,971	
	259,050,172	39	258,963,533	45
CAPITAL SURPLUS (Notes 2 and 20)	55,566,995	8	55,331,535	10
RETAINED EARNINGS (Note 20)				
Appropriated as legal capital reserve	86,239,494	13	77,317,710	14
Appropriated as special capital reserve	1,313,047			
Unappropriated earnings	90,567,054	14	41,347,655	7
	178,119,595	27	118,665,365	21
OTHERS (Notes 2 and 23)				
Cumulative translation adjustments	(1,034,256)		456,824	
Unrealized gain on financial instruments	981,878		344,238	
	(52,378)		801,062	
Total shareholders equity	492,684,384	74	433,761,495	76
TOTAL	\$ 663,247,918	100	\$ 569,178,275	100

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated July 22, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 196,370,319		\$ 114,227,264	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	5,560,054		4,671,054	
NET SALES	190,810,265	100	109,556,210	100
COST OF SALES (Notes 3, 9, 19 and 24)	98,822,613	52	67,820,643	62
GROSS PROFIT	91,987,652	48	41,735,567	38
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)	1,646		(79,066)	
REALIZED GROSS PROFIT	91,989,298	48	41,656,501	38
OPERATING EXPENSES (Notes 19 and 24)				
Research and development	12,596,905	7	7,934,763	7
General and administrative	4,809,249	2	3,975,992	4
Marketing	1,358,880	1	822,469	1
Total operating expenses	18,765,034	10	12,733,224	12
INCOME FROM OPERATIONS	73,224,264	38	28,923,277	26
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	2,179,835	1		
Settlement income (Note 27)	1,278,400	1	494,070	1
Interest income (Note 2)	388,318		740,068	1
Technical service income (Notes 24 and 27)	236,790		149,052	
Foreign exchange gain, net (Note 2)	92,744			
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	29,739			

Gain on settlement and disposal of financial assets, net (Notes 2 and 23)			53,461	
Others (Notes 2 and 24)	169,924		219,593	
Total non-operating income and gains	4,375,750	2	1,656,244	2
				(Continued)
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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Casualty loss (Note 9)	\$ 194,137		\$ 74,526	
Interest expense	79,188		74,526	
Equity in losses of equity method investees, net (Notes 2 and 10)			3,276,491	3
Valuation loss on financial instruments, net (Notes 2, 5 and 23)			42,347	
Foreign exchange loss, net (Note 2)			32,612	
Others (Note 2)	76,974		63,174	
<b>Total non-operating expenses and losses</b>	<b>350,299</b>		<b>3,489,150</b>	<b>3</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>77,249,715</b>	<b>40</b>	<b>27,090,371</b>	<b>25</b>
<b>INCOME TAX EXPENSE (Notes 2 and 18)</b>	<b>3,304,682</b>	<b>1</b>	<b>1,089,852</b>	<b>1</b>
<b>NET INCOME</b>	<b>\$ 73,945,033</b>	<b>39</b>	<b>\$ 26,000,519</b>	<b>24</b>

	<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 (NT\$, Note 22)</b>				
Basic earnings per share	\$ 2.98	\$ 2.85	\$ 1.05	\$ 1.01
Diluted earnings per share	\$ 2.98	\$ 2.85	\$ 1.04	\$ 1.00

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

(With Deloitte & Touche audit report dated July 22, 2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

Preferred Stock	Common Stock	To Be Issued	Retained Earnings					Other	Cumulative Translation Adjustments
			Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total		
(Shares)	(Amount)	(Shares (In Thousands))	(Amount)	(Amount)	(Amount)	(Amount)	(Amount)	(Amount)	
706	\$ 259,027,066		\$	\$ 55,486,010	\$ 77,317,710	\$	\$ 104,564,972	\$ 181,882,682	\$ (1,766,667)
					8,921,784		(8,921,784)		
						1,313,047	(1,313,047)		
							(77,708,120)	(77,708,120)	
							73,945,033	73,945,033	
				711					
									732,411
311	23,106			62,508					

17,766

017 \$ 259,050,172 \$ \$ 55,566,995 \$ 86,239,494 \$ 1,313,047 \$ 90,567,054 \$ 178,119,595 \$ (1,034,256)

437 \$ 256,254,373 \$ \$ 49,875,255 \$ 67,324,393 \$ 391,857 \$ 102,337,417 \$ 170,053,667 \$ 481,158

9,993,317

(9,993,317)

(391,857)

391,857

(76,876,312)

(76,876,312)

51,251 512,509

(512,509)

(512,509)

141,870 1,418,699 6,076,289

76,876 768,763 (768,763)

26,000,519

26,000,519

129,081

919 9,189

19,673

(24,334)

356 \$ 256,263,562 269,997 \$ 2,699,971 \$ 55,331,535 \$ 77,317,710 \$ \$ 41,347,655 \$ 118,665,365 \$ 456,824

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated July 22, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
**(In Thousands of New Taiwan Dollars)**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 73,945,033	\$ 26,000,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,684,919	37,142,624
Unrealized (realized) gross profit from affiliates	(1,646)	79,066
Amortization of premium/discount of financial assets	8,666	(15,843)
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, net	1,263	
Equity in losses (earnings) of equity method investees, net	(2,179,835)	3,276,491
Cash dividends received from equity method investees		988,201
Gain on disposal of property, plant and equipment and other assets, net	(9,334)	(55,936)
Deferred income tax	(990,530)	(551,537)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	355,343	(47,332)
Receivables from related parties	(2,280,308)	(6,988,533)
Notes and accounts receivable	(7,377,040)	(9,120,437)
Allowance for doubtful receivables	92,000	(38,327)
Allowance for sales returns and others	(2,601,004)	1,442,669
Other receivables from related parties	33,182	168,432
Other financial assets	385,164	(603,233)
Inventories	(3,292,305)	(4,345,996)
Prepaid expenses and other current assets	(230,184)	309,309
Increase (decrease) in:		
Accounts payable	492,889	3,470,717
Payables to related parties	1,178,788	1,020,001
Income tax payable	(5,276,124)	(6,225,528)
Accrued profit sharing to employees and bonus to directors	5,006,322	3,946,590
Accrued expenses and other current liabilities	(4,941,797)	154,947
Accrued pension cost	(2,132)	50,062
Deferred credits	(47,873)	(115,831)
Net cash provided by operating activities	91,953,457	49,887,634
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(98,190,906)	(12,638,153)
Held-to-maturity financial assets		(662,685)

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Investments accounted for using equity method	(8,018,146)	(210,999)
Financial assets carried at cost	(480)	(483)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets		1,037,370
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
**(In Thousands of New Taiwan Dollars)**

	<b>2010</b>	<b>2009</b>
Held-to-maturity financial assets	\$ 11,595,000	\$ 4,245,000
Financial assets carried at cost	3,370	
Property, plant and equipment and other assets	20,903	383
Proceeds from return of capital by investees		20,201
Increase in deferred charges	(585,185)	(194,313)
Decrease in refundable deposits	316,659	19,986
Net cash used in investing activities	(94,858,785)	(8,383,693)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	17,759,356	
Repayment of bonds payable		(8,000,000)
Decrease in guarantee deposits	(129,045)	(266,902)
Proceeds from exercise of employee stock options	85,614	28,862
Net cash provided by (used in) financing activities	17,715,925	(8,238,040)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>14,810,597</b>	<b>33,265,901</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>117,043,543</b>	<b>138,208,360</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 131,854,140</b>	<b>\$ 171,474,261</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 145,179	\$ 351,803
Income tax paid	\$ 9,452,574	\$ 7,694,716
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 94,612,614	\$ 20,613,156
Decrease (increase) in payables to contractors and equipment suppliers	3,701,212	(7,975,003)
Nonmonetary exchange trade-out price	(122,920)	
Cash paid	\$ 98,190,906	\$ 12,638,153

Disposal of property, plant and equipment and other assets	\$ 143,823	\$ 58,833
Increase in other payables to related parties		(58,450)
Nonmonetary exchange trade-out price	(122,920)	
Cash received	\$ 20,903	\$ 383

NON-CASH FINANCING ACTIVITIES

Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 569,149	\$ 935,825
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 audit report dated July 22, 2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited  
NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**

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

**1. GENERAL**

Taiwan Semiconductor Manufacturing Company Limited (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. The Company is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided designing 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 June 30, 2010 and 2009, the Company had 25,306 and 19,759 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.

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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 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 others 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.

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





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deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are recorded until they are realized through transactions with third parties. If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency of the Company. Such differences are charged or credited to cumulative translation adjustments, a separate component of shareholders' equity.

**Financial Assets Carried at Cost**

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

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

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

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

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

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

**Intangible Assets**

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

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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 expenses 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.

### **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.

**Table of Contents****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 six months ended June 30, 2009.

**4. CASH AND CASH EQUIVALENTS**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Cash and deposits in banks	\$ 129,953,580	\$ 164,060,131
Repurchase agreements collateralized by government bonds	1,900,560	7,414,130
	\$ 131,854,140	\$ 171,474,261

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Trading financial assets		
Cross currency swap contracts	\$ 378	\$ 38,883
Trading financial liabilities		
Forward exchange contracts	\$ 13,893	\$ 6,284
Cross currency swap contracts	160,085	26,425
	\$ 173,978	\$ 32,709

The Company entered into derivative contracts during the six months ended June 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.



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Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>June 30, 2010</u>		
Sell EUR/Buy NT\$	July 2010	EUR14,000/NT\$549,304
Sell US\$/Buy NT\$	July 2010	US\$40,000/NT\$1,277,000

June 30, 2009

Sell EUR/Buy US\$	July 2009	EUR12,200/US\$17,019
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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>
<u>June 30, 2010</u>			
July 2010 to August 2010	US\$615,000/NT\$19,689,710	0.41%-0.67%	0.00%-0.00%

June 30, 2009

July 2009	US\$767,000/NT\$25,197,800	0.46%-9.26%	0.00%-0.76%
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For the six months ended June 30, 2010 and 2009, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$29,739 thousand and a net loss of NT\$42,347 thousand, respectively.

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 1,039,916	\$ 1,035,686

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 9,560,232	\$ 13,209,510
Structured time deposits	1,000,000	
Government bonds		883,433
	10,560,232	14,092,943
Current portion	(7,031,587)	(5,476,955)

\$ 3,528,645      \$ 8,615,988

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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>
June 30, 2010				
Callable domestic deposits	\$ 1,000,000	\$ 819	0.36%	July 2010

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 431,000	\$ 436,746
Provision	92,000	205,480
Write-off		(243,807)
Balance, end of period	\$ 523,000	\$ 398,419

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

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 8,583,632	\$ 5,868,582
Provision	5,560,054	4,671,054
Write-off	(8,161,058)	(3,228,385)
Balance, end of period	\$ 5,982,628	\$ 7,311,251

**9. INVENTORIES**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Finished goods	\$ 2,266,830	\$ 1,762,370
Work in process	16,884,693	13,832,628
Raw materials	1,953,960	872,203
Supplies and spare parts	1,017,038	686,731
	\$ 22,122,521	\$ 17,153,932

Write-down of inventories to net realizable value in the amount of NT\$47,183 thousand and NT\$691,760 thousand, respectively, were included in the cost of sales for the six months ended June 30, 2010 and 2009. And

inventories losses related to earthquake in the amount of NT \$194,137 thousand were classified under non-operating expenses and losses for the six months ended June 30, 2010.

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	<b>June 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)	\$ 46,004,067	100	\$ 46,275,534	100
TSMC Partners, Ltd. (TSMC Partners)	34,361,272	100	32,889,200	100
Vanguard International Semiconductor Corporation (VIS)	9,233,879	38	9,209,323	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,727,380	39	5,744,178	39
Motech Industries Inc. (Motech)	6,225,880	20		
TSMC China Company Limited (TSMC China)	3,134,321	100	4,286,079	100
VentureTech Alliance Fund III, L.P. (VTAF III)	2,890,551	99	1,418,421	98
TSMC North America	2,800,334	100	2,593,228	100
Xintec Inc. (Xintec)	1,576,835	41	1,349,779	42
VentureTech Alliance Fund II, L.P. (VTAF II)	1,128,923	98	807,446	98
Global UniChip Corporation (GUC)	1,000,709	35	920,198	36
Emerging Alliance Fund, L.P. (Emerging Alliance)	315,832	99	332,124	99
TSMC Europe B.V. (TSMC Europe)	156,985	100	141,821	100
TSMC Japan Limited (TSMC Japan)	146,335	100	132,285	100
TSMC Korea Limited (TSMC Korea)	19,224	100	16,576	100
	<b>\$ 115,722,527</b>		<b>\$ 106,116,192</b>	

For the six months ended June 30, 2010, the Company increased its investment in VTAF III for the amount of NT\$1,710,588 thousand, and the Company's percentage of ownership in VTAF III increased from 98% to 99%.

In February 2010, the Company subscribed 75,316 thousand shares in 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.

TSMC Partners and TSMC International were both 100% owned subsidiaries of the Company. To simplify the organization structure of investment, TSMC Partners merged TSMC International in June 2009.

For the six months ended June 30, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT\$2,179,835 thousand and a net loss of NT\$3,276,491 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except for Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea. The Company believes that, had Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea's financial statements been audited, any adjustments arising would have no material effect on the Company's financial statements.

As of June 30, 2010 and 2009, quoted market price of publicly traded stocks in unrestricted investments accounted for using equity method (VIS and GUC) were NT\$13,692,207 thousand and NT\$15,082,092 thousand, respectively.



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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>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,429,118	\$ 2,053,253
Additions	2,055,660	
Amortizations	(472,501)	(312,068)
Balance, end of period	\$ 3,012,277	\$ 1,741,185

Movements of the difference allocated to goodwill were as follows:

	<b>Six Months Ended June 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. FINANCIAL ASSETS CARRIED AT COST**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Non-publicly traded stocks	\$ 338,584	\$ 338,584
Mutual funds	159,251	162,476
	\$ 497,835	\$ 501,060

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Six Months Ended June 30, 2010</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 124,522,047	\$ 2,065,029	\$ (95)	\$	\$ 126,586,981
Machinery and equipment	713,426,126	89,052,436	(479,621)	139,842	802,138,783
Office equipment	10,781,099	894,165	(272,229)	(442)	11,402,593
	848,729,272	\$ 92,011,630	\$ (751,945)	\$ 139,400	940,128,357
Accumulated depreciation					

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Buildings	73,525,160	\$ 4,059,404	\$ (95)	\$	77,584,469
Machinery and equipment	545,693,910	34,213,131	(479,621)	139,842	579,567,262
Office equipment	8,545,253	437,074	(272,229)	(442)	8,709,656
	627,764,323	\$ 38,709,609	\$ (751,945)	\$ 139,400	665,861,387
Advance payments and construction in progress	33,786,577	\$ 2,600,984	\$	\$	36,387,561
	\$ 254,751,526				\$ 310,654,531

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	<b>Six Months Ended June 30, 2009</b>				<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	
Cost					
Buildings	\$ 114,014,588	\$ 913,730	\$ (809)	\$	\$ 114,927,509
Machinery and equipment	635,008,261	11,454,368	(1,718,271)	2,565	644,746,923
Office equipment	9,748,869	290,510	(137,255)		9,902,124
	758,771,718	\$ 12,658,608	\$ (1,856,335)	\$ 2,565	769,576,556
Accumulated depreciation					
Buildings	65,351,514	\$ 4,051,294	\$ (809)	\$	69,401,999
Machinery and equipment	484,046,160	31,694,103	(1,115,264)	2,565	514,627,564
Office equipment	7,849,580	465,322	(137,070)		8,177,832
	557,247,254	\$ 36,210,719	\$ (1,253,143)	\$ 2,565	592,207,395
Advance payments and construction in progress	17,758,038	\$ 7,954,548	\$	\$	25,712,586
	\$ 219,282,502				\$ 203,081,747

No interest was capitalized during the six months ended June 30, 2010 and 2009.

**13. DEFERRED CHARGES, NET**

	<b>Six Months Ended June 30, 2010</b>			<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	
Technology license fees	\$ 2,979,801	\$	\$ (366,983)	\$ 2,612,818
Software and system design costs	1,646,973	585,185	(425,060)	1,807,098
Patent and others	1,264,911		(180,399)	1,084,512
	\$ 5,891,685	\$ 585,185	\$ (972,442)	\$ 5,504,428

	<b>Six Months Ended June 30, 2009</b>			<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	

Technology license fees	\$ 3,786,251	\$	\$ (423,468)	\$ 3,362,783
Software and system design costs	1,559,857	194,313	(370,739)	1,383,431
Patent and others	1,055,353		(134,831)	920,522
	\$ 6,401,461	\$ 194,313	\$ (929,038)	\$ 5,666,736

**14. SHORT-TERM LOANS**

	<b>June 30</b>
	<b>2010</b>
Unsecured loans	
Due in July 2010, annual interest at 0.51%-0.75%	\$ 17,759,356

**Table of Contents****15. BONDS PAYABLE**

	<b>June 30</b>	
	<b>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

**16. OTHER LONG-TERM PAYABLES**

The Company's long-term payables mainly resulted from license agreements for certain semiconductor-related patents. As of June 30, 2010, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2010 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 310,925
2011	419,614
	730,539
Current portion (classified under accrued expenses and other current liabilities)	(569,149)
	\$ 161,390

**17. PENSION PLANS**

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts, and recognized pension costs of NT\$408,072 thousand and NT\$284,118 thousand for the six months ended June 30, 2010 and 2009, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. The Company recognized pension costs of NT\$118,159 thousand and NT\$144,341 thousand for the six months ended June 30, 2010 and 2009, respectively.

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Movements of the Fund and accrued pension cost under the defined benefit plan were summarized as follows:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>The Fund</b>		
Balance, beginning of period	\$ 2,595,717	\$ 2,389,519
Contributions	112,906	98,290
Interest	41,105	52,445
Payments	(7,690)	(37,801)
Balance, end of period	\$ 2,742,038	\$ 2,502,453
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,807,176	\$ 3,710,009
Accruals (payments)	(2,132)	50,062
Balance, end of period	\$ 3,805,044	\$ 3,760,071

**18. INCOME TAX**

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

	<b>Six Months Ended June 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)	\$ 13,132,452	\$ 6,772,583
Tax effect of the following:		
Tax-exempt income	(7,108,909)	(3,229,360)
Temporary and permanent differences	(405,323)	2,063,571
Others		69,174
Additional tax at 10% on unappropriated earnings	127,489	
Income tax credits used	(2,441,073)	(2,837,984)
Income tax currently payable	\$ 3,304,636	\$ 2,837,984

- b. Income tax expense consisted of the following:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Income tax currently payable	\$ 3,304,636	\$ 2,837,984
Income tax adjustments on prior years	980,428	(1,155,113)
Other income tax adjustments	10,148	(41,482)



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Net change in deferred income tax assets		
Investment tax credits	(4,859,385)	(2,296,767)
Temporary differences	69,029	308,450
Valuation allowance	3,799,826	1,436,780
Income tax expense	\$ 3,304,682	\$ 1,089,852

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Current deferred income tax assets		
Investment tax credits	\$ 2,512,000	\$ 4,956,104
Temporary differences		
Allowance for sales returns and others	520,488	624,215
Others	184,465	89,129
	\$ 3,216,953	\$ 5,669,448
Noncurrent deferred income tax assets		
Investment tax credits	\$ 17,079,126	\$ 10,952,881
Temporary differences		
Depreciation	2,026,861	1,543,210
Others	93,801	371,096
Valuation allowance	(9,599,158)	(7,836,426)
	\$ 9,600,630	\$ 5,030,761

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 June 30, 2010 and 2009 was NT\$10,284,010 thousand and NT\$8,102,454 thousand, respectively.

The estimated and actual creditable ratios for distribution of earnings of 2009 and 2008 were 9.84% 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.

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f. As of June 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	\$ 3,216,963	\$ 3,216,963	2012
		6,043,444	6,043,444	2013
		2,721,184	2,721,184	2014
		\$ 11,981,591	\$ 11,981,591	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,000,000	\$	2010
		1,054,194	522,971	2011
		2,691,517	2,691,517	2012
		4,328,009	4,328,009	2013
		\$ 9,073,720	\$ 7,542,497	
Statute for Upgrading Industries	Personnel training expenditures	\$ 19,293	\$ 19,293	2011
		30,624	30,624	2012
		17,121	17,121	2013
		\$ 67,038	\$ 67,038	
Statute for Industrial Innovation	Research and development expenditures	\$ 909,850	\$	2010

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

	<b>Tax-exemption Period</b>
Construction and expansion of 2001	2006 to 2010
Construction and expansion of 2003	2007 to 2011
Construction and expansion of 2004	2008 to 2012
Construction and expansion of 2005	2010 to 2014 (proposed)

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.

**Table of Contents****19. LABOR COST, DEPRECIATION AND AMORTIZATION**

	<b>Six Months Ended June 30, 2010</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 11,079,255	\$ 8,196,609	\$ 19,275,864
Labor and health insurance	405,536	236,761	642,297
Pension	332,212	194,019	526,231
Meal	254,042	106,506	360,548
Welfare	101,229	60,505	161,734
Others	33,161	7,935	41,096
	\$ 12,205,435	\$ 8,802,335	\$ 21,007,770
Depreciation	\$ 36,299,789	\$ 2,401,688	\$ 38,701,477
Amortization	\$ 627,488	\$ 344,954	\$ 972,442
	<b>Six Months Ended June 30, 2009</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 6,099,123	\$ 4,445,518	\$ 10,544,641
Labor and health insurance	290,166	172,465	462,631
Pension	268,466	159,993	428,459
Meal	193,992	80,986	274,978
Welfare	62,101	37,965	100,066
Others	37,969	8,800	46,769
	\$ 6,951,817	\$ 4,905,727	\$ 11,857,544
Depreciation	\$ 34,426,607	\$ 1,775,979	\$ 36,202,586

Amortization	\$ 608,828	\$ 320,210	\$ 929,038
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**20. SHAREHOLDERS EQUITY**

As of June 30, 2010, 1,097,136 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,485,679 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.

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Capital surplus consisted of the following:

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Additional paid-in capital	\$ 23,520,313	\$ 23,289,667
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	348,047	343,233
Donations	55	55
	<b>\$ 55,566,995</b>	<b>\$ 55,331,535</b>

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals the Company's paid-in capital;
  - b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
  - c. Bonus to directors and profit sharing to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue profit sharing to employees 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.

The Company accrued profit sharing to employees as a charge to earnings of certain percentage of net income during the period amounted to NT\$4,988,630 thousand and NT\$3,906,590 thousand for the six months ended June 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.

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

The appropriations of earnings for 2009 and 2008 had been approved in the 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 Year 2009</b>	<b>For Fiscal Year 2008</b>	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2008</b>
Legal capital reserve	\$ 8,921,784	\$ 9,993,317		
Special capital reserve	1,313,047	(391,857)		
Cash dividends to shareholders	77,708,120	76,876,312	\$ 3.00	\$ 3.00
Stock dividends to shareholders		512,509		0.02
	\$ 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 2009 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.

The information about the appropriations of profit sharing to employees and bonus 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.



**Table of Contents****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 June 30, 2010.

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

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2010</u>		
Balance, beginning of period	28,810	\$ 33.5
Options exercised	(2,311)	37.1
Balance, end of period	26,499	33.1
<u>Six months ended June 30, 2009</u>		
Balance, beginning of period	36,234	\$ 35.3
Options exercised	(919)	31.4
Options canceled	(243)	46.4
Balance, end of period	35,072	35.3

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 June 30, 2010, information about 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>
\$22.8-\$32.0	19,961	2.68	\$ 29.0
38.0- 50.1	6,538	4.41	45.6
	26,499	3.11	33.1

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

No compensation cost was recognized under the intrinsic value method for the six months ended June 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 six months ended June 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

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Net income:		
Net income as reported	\$73,945,033	\$26,000,519
Pro forma net income	73,996,839	25,823,759
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 2.85	\$ 1.01
Pro forma basic EPS	2.86	1.00
Diluted EPS as reported	2.85	1.00
Pro forma diluted EPS	2.86	1.00

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**Table of Contents****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
Six months ended June 30, 2010					
Basic EPS					
Earnings available to common shareholders	\$ 77,249,715	\$ 73,945,033	25,904,196	\$ 2.98	\$ 2.85
Effect of dilutive potential common shares			12,654		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 77,249,715	\$ 73,945,033	25,916,850	\$ 2.98	\$ 2.85
Six months ended June 30, 2009					
Basic EPS					
Earnings available to common shareholders	\$ 27,090,371	\$ 26,000,519	25,770,637	\$ 1.05	\$ 1.01
Effect of dilutive potential common shares			172,992		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 27,090,371	\$ 26,000,519	25,943,629	\$ 1.04	\$ 1.00

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 six months ended June 30, 2009 to remain at NT\$1.01 and NT\$1.00, respectively.

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**Table of Contents****23. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	June 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	\$ 378	\$ 378	\$ 38,883	\$ 38,883
Available-for-sale financial assets	1,039,916	1,039,916	1,035,686	1,035,686
Held-to-maturity financial assets	10,560,232	10,668,153	14,092,943	14,181,730
Financial assets carried at cost	497,835		501,060	
Liabilities				
Financial liabilities at fair value through profit or loss	173,978	173,978	32,709	32,709
Bonds payable	4,500,000	4,556,853	4,500,000	4,592,795
Other long-term payable (including current portion)	730,539	730,539	1,526,549	1,526,549

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 values of derivatives contracts which were outstanding as of June 30, 2010 and 2009 estimated using valuation techniques were recognized as a net loss of NT\$173,600 thousand and a net gain of NT\$6,174 thousand, respectively.

d. As of June 30, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$11,600,526 thousand and NT\$15,167,512 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$22,433,334 thousand and NT\$4,532,709 thousand, respectively.



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

	<b>Six Months Ended June 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	(6,756)	535,013	528,257
Balance, end of period	\$ 39,916	\$ 941,962	\$ 981,878

	<b>Six Months Ended June 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	40,398	628,552	668,950
Removed from shareholders' equity and recognized in earnings	(37,370)		(37,370)
Balance, end of period	\$ 35,686	\$ 308,552	\$ 344,238

- 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; therefore, the fluctuations in market interest rates 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.

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**Table of Contents****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.
- 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 six months ended June 30				
Sales				
TSMC North America	\$ 102,705,311	52	\$ 61,280,891	53
Others	1,051,606	1	906,621	1
	\$ 103,756,917	53	\$ 62,187,512	54
Purchases				
WaferTech	\$ 3,743,351	17	\$ 2,012,386	16
TSMC China	3,691,579	16	1,288,201	10
SSMC	2,211,401	10	1,422,840	11
VIS	2,094,567	9	1,399,271	11
	\$ 11,740,898	52	\$ 6,122,698	48



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	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Manufacturing expenses				
Xintec (rent and outsourcing)	\$ 113,104		\$	
VisEra (outsourcing)	11,625		15,168	
	\$ 124,729		\$ 15,168	
Marketing expenses commission				
TSMC Europe	\$ 206,214	15	\$ 151,844	18
TSMC Japan	128,234	9	104,755	13
TSMC China	25,404	2		
TSMC Korea	10,139	1	6,336	1
	\$ 369,991	27	\$ 262,935	32
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 289,788	2	\$ 179,751	2
TSMC Canada (primarily consulting fee)	95,047	1	76,380	1
VIS (primarily rent)	5,291			
Others	17,349		24,608	
	\$ 407,475	3	\$ 280,739	3
Sales of property, plant and equipment and other assets				
VIS	\$ 15,940	11	\$	
TSMC China	11,224	8		
WaferTech	9,655	7	263	
Xintec			58,450	99
	\$ 36,819	26	\$ 58,713	99
Purchases of property, plant and equipment				
TSMC China	\$ 63,525		\$	
VIS	15,865			
WaferTech	9,624			
	\$ 89,014		\$	

Non-operating income and gains				
VIS (primarily technical service income, see Note 27e)	\$ 158,021	4	\$ 88,964	5
SSMC (primarily technical service income, see Note 27d)	96,783	2	57,560	4
TSMC China	36,232	1	97,186	6
Others	9,643		263	
	\$ 300,679	7	\$ 243,973	15

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	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
As of June 30				
Receivables				
TSMC North America	\$ 24,563,831	99	\$ 18,436,885	99
Others	258,250	1	279,852	1
	\$ 24,822,081	100	\$ 18,716,737	100
Other receivables				
VIS	\$ 378,802	60	\$ 373,849	47
GUC	93,255	15	153,874	19
Motech	67,785	11		
SSMC	49,217	8	36,923	5
TSMC China	13,836	2	136,106	17
Xintec	9,292	1	70,823	9
Others	22,087	3	22,576	3
	\$ 634,274	100	\$ 794,151	100
Payables				
TSMC China	\$ 899,850	28	\$ 365,620	16
VIS	853,331	27	735,925	33
WaferTech	750,706	23	480,794	22
SSMC	447,822	14	400,558	18
TSMC Technology	118,085	4	123,536	6
Others	148,336	4	115,918	5
	\$ 3,218,130	100	\$ 2,222,351	100
Deferred debits (credits)				
TSMC China	\$ 13,887	3	\$ (90,452)	(56)

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 income and gains and non-operating expenses and losses) over the depreciable lives of the disposed assets.

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**Table of Contents****25. PLEDGED OR MORTGAGED ASSETS**

As of June 30, 2010 and 2009, the Company had pledged time deposits of NT\$352,354 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 December 2029 and can be renewed upon expiration.

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

Year	Amount
2010 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 198,269
2011	398,009
2012	398,009
2013	376,364
2014	363,378
2015 and thereafter	3,269,059
	\$ 5,003,088

**27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of June 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 June 30, 2010 the Company had a total of US\$25,262 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.

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- 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 referring to as SMIC ) in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People s High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People s High Court ruled in favor of TSMC and dismissed SMIC s lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC s trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC s appeal against the Beijing High Court s finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned 1,789,493,218 common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation s total shares outstanding. The Company expects to recognize the settlement income of NT\$4,434,364 thousand in the third quarter of 2010.
- 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 on July 21, 2010. The outcome of such an 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;

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- 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 in which the Company has a controlling interest:

**Not meet the criteria for hedge accounting**

TSMC China entered into forward exchange contracts during the six months ended June 30, 2010 to manage exposures due to foreign exchange rate fluctuations. There are no outstanding forward exchange contracts as of June 30, 2010.

For the six months ended June 30, 2010, net losses arising from forward exchange contracts of TSMC China amounted to NT\$380 thousand.

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

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell US\$/Buy NT\$	July 2010 to September 2010	US\$13,000/ NT\$416,574

For the six months ended June 30, 2010, net losses arising from forward exchange contracts of Xintec amounted to NT\$8,892 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 June 30, 2010, the outstanding interest rate swap contract of Xintec consisted of the following:

<b>Hedging Financial</b>	<b>Expected Cash Flow</b>	<b>Expected Timing for the Recognition of Gains</b>
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<b>Hedged Item</b>	<b>Instrument</b>	<b>Fair Value June 30, 2010</b>	<b>Generated Period</b>	<b>or Losses from Hedge</b>
Long-term bank loans	Interest rate swap contract	\$ (761)	2010 to 2012	2010 to 2012
The adjustment to shareholders equity of Xintec as a result of the above interest rate swap contract				

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amounted to NT\$761 thousand for the six months period ended June 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.

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**Table of Contents****TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Investees  
MARKETABLE SECURITIES HELD****JUNE 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/Unit (In Thousands)	Carrying Value (US\$ in Thousands)
Corporate bond				
Taiwan Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,039,961
Formosa Petrochemical Corporation		Held-to-maturity financial assets		2,190,008
Formosa Ya Plastics Corporation		"		2,000,939
Taiwan Power Company		"		1,908,207
Formosa Steel Corporation		"		1,509,791
Formosa Plastics Corporation		"		1,151,571
Formosa C Corporation, Taiwan		"		500,001
Formosa Fubon Commercial Bank Co., Ltd.		"		299,715
Formosa Global	Subsidiary	Investments accounted for using equity method	1	46,004,067
Formosa Partners	Subsidiary	"	988,268	34,361,272
Formosa	Investee accounted for using equity method	"	628,223	9,233,879
Formosa MC	Investee accounted for using equity method	"	314	6,727,380
Formosa tech	Investee accounted for using equity method	"	75,316	6,225,880
Formosa MC North America	Subsidiary	"	11,000	2,800,334
Formosa tec	Investee with a controlling financial interest	"	93,081	1,576,835
Formosa C	Investee with a controlling financial interest	"	46,688	1,000,709
Formosa MC Europe	Subsidiary	"		156,985
Formosa MC Japan	Subsidiary	"	6	146,335
Formosa MC Korea	Subsidiary	"	80	19,224
Formosa Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584
Formosa n-Etsu Handotai Taiwan Co., Ltd.		"	10,500	105,000
Formosa K. Technology Fund IV		"	4,000	40,000

Horizon Ventures Fund		Financial assets carried at cost		103,992
Johnson Asia Capital		"		55,259
Capital				
SMC China	Subsidiary	Investments accounted for using equity method		3,134,321
AF III	Subsidiary	"		2,890,551
AF II	Subsidiary	"		1,128,923
Merging Alliance	Subsidiary	"		315,832
Corporate bond				
General Elec Cap Corp. Mtn		Held-to-maturity financial assets	US\$	20,416
General Elec Cap Corp. Mtn		"	US\$	20,181

(Continued)

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			June 30,	
			Shares/Units	Carrying
			(In	Value
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Thousands)	(US\$ in O
			Thousands)	Thousands)
Common stock				
TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 368,023
VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 73,240
InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 27,132
InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	21,415	US\$ 16,853
TSMC Technology	Subsidiary	"	1	US\$ 9,452
TSMC Canada	Subsidiary	"	2,300	US\$ 3,392
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\$ 692
Corporate bond				
GE Capital Corp.		Held-to-maturity financial assets		US\$ 20,275
P Morgan Chase & Co.		"		US\$ 15,000
Stock				
WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 182,026
Common stock				
RichWave Technology Corp.		Financial assets carried at cost	4,247	US\$ 1,648
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
Mosaic Systems, Inc.		"	2,481	US\$ 12
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	Subsidiary	Investments accounted for using equity method		
VentureTech Alliance Holdings, LLC (VTA Holdings)				
Common stock				
Leadtrend		Available-for-sale financial assets	969 US\$	4,504
Aether Systems, Inc.		Financial assets carried at cost	1,600 US\$	1,503
RichWave Technology Corp.		"	1,238 US\$	1,036
Sentelic		"	1,200 US\$	2,040
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		"	834 US\$	1,701
mpinj, Inc.		"	475 US\$	1,000
Next IO, Inc.		"	3,795 US\$	953
Optichron, Inc.		"	4,048 US\$	2,825
Pixim, Inc.		"	33,347 US\$	1,878
Power Analog Microelectronics		"	7,027 US\$	3,383

(Continued)



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			<b>June 30,</b>	
			<b>Carrying</b>	
			<b>Shares/Units</b>	<b>Value</b>
			<b>(In</b>	<b>(US\$ in O</b>
			<b>thousands)</b>	<b>ousands)</b>
<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Financial Statement Account</b>	<b>Financial Statement Account</b>
QST Holdings, LLC		Financial assets carried at cost		US\$ 593
Xceive		"	4,210	US\$ 1,554
Capital				
VTA Holdings	Subsidiary	Investments accounted for using equity method		
Common stock				
Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 1,709
Aiconn Technology Corporation	Investee accounted for using equity method	"	5,623	US\$ 770
Preferred stock				
Auramicro, Inc.		Financial assets carried at cost	4,694	US\$ 1,408
BridgeLux, Inc.		"	6,113	US\$ 7,781
Exclara, Inc.		"	21,708	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\$ 457
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.		"	8,070	US\$ 3,089
Capital				
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method		US\$ 860
VTA Holdings	Subsidiary	"		
Common stock				
SiliconBlue Technologies, Inc.		Financial assets carried at cost	5,107	US\$ 762
Staccato		"	10	US\$ 25
Common stock				
Integrated Memory Logic, Inc.			4,874	US\$22,135

	Available-for-sale financial assets			
Memsic, Inc.	"	1,286	US\$	2,905
Capella Microsystems (Taiwan), Inc.	"	547	US\$	3,081
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\$	2,423
Capella Microsystems (Taiwan), Inc.	"	551	US\$	3,103
Alchip Technologies Limited	Financial assets carried at cost	7,520	US\$	3,664
Sonics, Inc.	"	278	US\$	10
EON Technology, Corp.	"	874	US\$	242
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

(Continued)

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Pe	
			Shares/Units (In thousands)	Value (US\$ in Thousands)
Common stock				
GUC-NA	Subsidiary	Investments accounted for using equity method	800	40,795
GUC-Japan	Subsidiary	"	1	14,205
GUC-BVI	Subsidiary	"	550	9,611
GUC-Europe	Subsidiary	"		4,366
Capital				
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method		8,158
Capital				
Compositech Ltd.		Financial assets carried at cost	587	
Corporate bond				
Ab Svensk Exportkredit Swedish		Available-for-sale financial assets	5,000	US\$ 5,042
African Development Bank		"	2,600	US\$ 2,619
Allstate Life Gbl Fdg Secd		"	4,430	US\$ 4,857
Alltel Corp.		"	100	US\$ 110
American Honda Fin Corp. Mtn		"	4,000	US\$ 3,975
Anz National Intl Ltd.		"	3,500	US\$ 3,545
Asian Development Bank		"	2,500	US\$ 2,497
Astrazeneca Plc		"	3,150	US\$ 3,440
AT+T Wireless		"	3,500	US\$ 3,917
Australia + New Zealand Bkg		"	2,000	US\$ 2,059
Banco Bilbao Vizcaya P R		"	3,250	US\$ 3,247
Bank New York Inc.		"	1,615	US\$ 1,609
Bank New York Inc. Medium		"	2,100	US\$ 2,274
Bank of America		"	1,900	US\$ 2,020
Bank of New York Mellon		"	2,200	US\$ 2,209
Bank of Nova Scotia		"	5,000	US\$ 4,993
Bank of Scotland Plc		"	4,000	US\$ 3,993
Barclays Bank Plc		"	12,000	US\$ 11,995
Barclays Bank Plc NY		"	5,000	US\$ 4,997
Bbva US Senior SA Uniper		"	4,745	US\$ 4,709
Bear Stearns Cos Inc.		"	5,000	US\$ 4,975
Bear Stearns Cos Inc.		"	3,500	US\$ 3,445
Berkshire Hathaway Inc. Del		"	3,500	US\$ 3,506

Bhp Billiton Fin USA Ltd.	"	2,000	US\$ 2,130
Bk Tokyo Mitsubishi Ufj	"	2,000	US\$ 2,033
Bmw US Capital LLC	"	1,600	US\$ 1,599
Bnp Paribas SA	"	3,810	US\$ 3,823
Boeing Cap Corp.	"	2,925	US\$ 3,234
Boeing Co.	"	450	US\$ 456
Bsch Issuances Ltd.	"	2,250	US\$ 2,269
Caterpillar Financial SE	"	300	US\$ 302
Cello Part/Veri Wirelss	"	3,000	US\$ 3,067
Citibank NA	"	10,000	US\$ 10,092
Citigroup Funding Inc.	"	6,000	US\$ 6,127
Citigroup Funding Inc.	"	2,000	US\$ 2,042
Citigroup Inc.	"	1,400	US\$ 1,367
Citigroup Inc.	"	800	US\$ 793
Citigroup Inc.	"	400	US\$ 416
Citigroup Inc.	"	5,000	US\$ 5,326
Commonwealth Bank Aust	"	2,800	US\$ 2,798

(Continued)

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Per	
			Shares/Units Value (In thousands)	(US\$ in thousands)
Countrywide Finl Corp.		Available-for-sale financial assets	4,000	US\$4,206
Credit Suisse First Boston USA		"	2,150	US\$2,284
Credit Suisse New York		"	3,945	US\$4,075
Deutsche Bank AG NY		"	2,500	US\$2,480
Dexia Credit Local		"	6,000	US\$5,964
Dexia Credit Local		"	4,000	US\$3,995
Dexia Credit Local S.A		"	4,000	US\$3,985
Dexia Credit Local SA NY		"	5,000	US\$5,001
Finance for Danish Ind		"	3,800	US\$3,797
General Elec Cap Corp.		"	1,000	US\$ 985
General Elec Cap Corp.		"	300	US\$ 299
General Elec Cap Corp.		"	7,000	US\$7,015
General Electric Capital Corp.		"	2,000	US\$1,942
Georgia Pwr Co.		"	6,000	US\$6,006
Goldman Sachs Group Inc.		"	2,000	US\$1,884
Goldman Sachs Group Incser 2		"	3,000	US\$3,009
Hewlett Packard Co.		"	3,000	US\$3,003
Hewlett Packard Co.		"	1,365	US\$1,384
Household Fin Corp.		"	4,330	US\$4,676
HSBC Fin Corp.		"	2,315	US\$2,258
HSBC Fin Corp.		"	2,900	US\$3,070
HSBC USA Inc. Fdic Gtd Tlgp		"	2,200	US\$2,279
Hutchison Whampoa Intl		"	1,750	US\$1,777
IBM Corp.		"	6,100	US\$6,105
IBM Corp.		"	3,000	US\$3,020
Intl Bk Recon + Develop		"	5,000	US\$5,007
Intl Bk Recon + Develop		"	2,000	US\$2,064
John Deer Capital Corp. Fdic GT		"	3,500	US\$3,640
JP Morgan Chase + Co.		"	2,500	US\$2,523
JP Morgan Chase + Co.		"	5,000	US\$5,000
JP Morgan Chase + Co. Fdic Gtd Tlg		"	3,000	US\$3,028
Kfw Medium Term Nts Book Entry		"	1,950	US\$1,951
Kreditanstalt Fur Wiederaufbau		"	650	US\$ 670
Lloyds Tsb Bank Plc Ser 144A		"	4,850	US\$4,870
Lloyds Tsb Bank Plc Ser 144A		"	5,950	US\$6,027
Massmutual Global Fdg II Mediu		"	4,000	US\$3,880
Mellon Fdg Corp.		"	3,500	US\$3,423
Merck + Co. Inc.		"	4,000	US\$4,038

Merck + Co. Inc.	"	2,000	US\$2,101
Merrill Lynch + Co. Inc.	"	4,691	US\$4,556
Met Life Glob Funding I	"	5,000	US\$4,997
Met Life Glob Funding I	"	500	US\$ 502
Metlife Inc.	"	2,000	US\$2,012
Metropolitan Life Global Fdg	"	750	US\$ 741
Metropolitan Life Global Fdg I	"	3,340	US\$3,289
Monumental Global Fdg III	"	750	US\$ 724
Morgan Stanley	"	1,000	US\$ 972
Morgan Stanley Dean Witter	"	8,000	US\$8,490
Morgan Stanley Fdic Gtd Tlgp	"	2,000	US\$2,020
Morgan Stanley for Equity	"	2,000	US\$1,940
National Australia Bank	"	1,000	US\$1,009
New York Life Global Fdg	"	2,000	US\$2,039
Nordea Bank Fld Plc	"	2,250	US\$2,245
Oesterreichische Kontrollbank	"	2,000	US\$2,018

(Continued)

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Pe	
			Shares/Units (In thousands)	Value (US\$ in Thousands)
Ontario (Province of)		Available-for-sale financial assets	2,000	US\$ 2,023
Pepsico Inc.		"	3,000	US\$ 3,001
Pfizer Inc.		"	2,725	US\$ 2,875
Pnc Funding Corp.		"	2,000	US\$ 1,981
Pricoa Global Fdg I Med Term		"	1,750	US\$ 1,673
Pricoa Global Funding 1		"	1,200	US\$ 1,177
Principal Life Income Fdgs Mtn		"	2,500	US\$ 2,500
Princoa Global Fdg I Medium		"	2,200	US\$ 2,147
Rabobank Nederland		"	5,000	US\$ 4,999
Roche Hldgs Inc.		"	2,000	US\$ 2,025
Roche Hldgs Inc.		"	2,000	US\$ 2,106
Royal Bk of Scotland Plc		"	4,000	US\$ 4,011
Royal Bk of Scotland Plc		"	5,000	US\$ 5,049
Royal Bk Scotlnd Grp Plc 144A		"	9,450	US\$ 9,458
Shell International Fin		"	700	US\$ 702
Shell International Fin		"	1,200	US\$ 1,207
Shell International Fin		"	2,000	US\$ 2,017
Southern Co.		"	600	US\$ 602
Sovereign Bancorp Fdic Gtd Tlg		"	2,200	US\$ 2,261
State Str Corp.		"	7,020	US\$ 6,987
Sun Life Finl Global		"	4,400	US\$ 4,268
Sun Life Finl Global Fdg II Lp		"	1,500	US\$ 1,486
Suncorp Metway Ltd.		"	8,800	US\$ 9,039
Suncorp Metway Ltd.		"	2,000	US\$ 2,001
Svenska Handelsbanken AB		"	2,200	US\$ 2,233
Swedbank AB		"	2,000	US\$ 1,994
Swedbank Foreningssparbanken A		"	1,500	US\$ 1,546
Teva Pharma Fin III LLC		"	4,000	US\$ 4,008
Ubs Ag Stamford CT		"	800	US\$ 803
US Central Federal Cred		"	4,800	US\$ 4,839
Verizon Communications Inc.		"	1,500	US\$ 1,644
Wachovia Corp. New		"	1,400	US\$ 1,383
Wachovia Corp. New		"	4,000	US\$ 4,187
Wal Mart Stores Inc.		"	2,603	US\$ 2,655
Wells Fargo + Company		"	2,000	US\$ 2,013
Westfield Cap Corp. Ltd.		"	500	US\$ 505
Westpac Banking Corp.		"	2,100	US\$ 2,111
Westpac Banking Corp.		"	4,000	US\$ 4,006

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Westpac Banking Corp.	"	2,170	US\$ 2,168
Aust + Nz Banking Group	Held-to-maturity financial assets	20,000	US\$ 20,000
Commonwealth Bank of Australia	"	25,000	US\$ 25,000
Commonwealth Bank of Australia	"	25,000	US\$ 25,000
JP Morgan Chase + Co.	"	25,000	US\$ 25,098
Nationwide Building Society-UK	"	8,000	US\$ 8,000
Government Guarantee			
Westpac Banking Corp.	"	25,000	US\$ 25,000
Westpac Banking Corporation Govet Gtd	"	5,000	US\$ 5,000
Agency bond			
Fannie Mae	Available-for-sale financial assets	8,000	US\$ 7,998
Fannie Mae	"	3,770	US\$ 3,774
Fannie Mae	"	4,000	US\$ 4,003
Fannie Mae	"	4,000	US\$ 4,019
Fannie Mae	"	4,000	US\$ 4,026
Fannie Mae	"	3,000	US\$ 3,010

(Continued)

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	CarryingPe	
			Shares/Units (In thousands)	Value (US\$ in Thousands)
Fed Hm Ln Pc Pool 1b2830		Available-for-sale financial assets	2,080	US\$ 2,186
Fed Hm Ln Pc Pool 1g0115		"	2,247	US\$ 2,325
Fed Hm Ln Pc Pool 1k1210		"	1,692	US\$ 1,736
Fed Hm Ln Pc Pool 780741		"	1,951	US\$ 2,029
Federal Farm Cr Bks		"	2,000	US\$ 2,101
Federal Farm Credit Bank		"	1,000	US\$ 1,000
Federal Farm Credit Bank		"	4,000	US\$ 3,993
Federal Farm Credit Bank		"	5,000	US\$ 5,036
Federal Farm Credit Bank		"	2,200	US\$ 2,238
Federal Home Ln Bks		"	5,000	US\$ 5,097
Federal Home Ln Mtg Corp.		"	4,368	US\$ 4,337
Federal Home Ln Mtg Corp.		"	1,829	US\$ 1,916
Federal Home Ln Mtg Corp.		"	3,333	US\$ 3,506
Federal Home Ln Mtg Corp.		"	2,691	US\$ 2,770
Federal Home Ln Mtg Corp.		"	2,203	US\$ 2,297
Federal Home Ln Mtg Corp.		"	1,429	US\$ 1,449
Federal Home Ln Mtg Corp.		"	1,330	US\$ 1,347
Federal Home Ln Mtg Corp.		"	1,849	US\$ 1,921
Federal Home Ln Mtg Corp.		"	3,563	US\$ 3,755
Federal Home Ln Mtg Corp.		"	4,121	US\$ 4,254
Federal Home Ln Mtg Corp. Multi		"	2,663	US\$ 2,683
Federal Home Loan Bank		"	5,000	US\$ 4,998
Federal Home Loan Bank		"	10,000	US\$ 9,996
Federal Home Loan Bank		"	8,000	US\$ 7,995
Federal Home Loan Bank		"	5,000	US\$ 4,997
Federal Home Loan Bank		"	10,000	US\$ 10,003
Federal Home Loan Bank		"	5,000	US\$ 5,011
Federal Home Loan Bank		"	6,800	US\$ 6,819
Federal Home Loan Bank		"	8,000	US\$ 8,008
Federal Home Loan Bank		"	4,700	US\$ 4,716
Federal Home Loan Bank		"	8,400	US\$ 8,386
Federal Home Loan Bank		"	4,000	US\$ 4,003
Federal Home Loan Bank		"	8,000	US\$ 8,072
Federal Home Loan Bank		"	3,000	US\$ 3,011
Federal Home Loan Mortg		"	8,000	US\$ 8,140
Federal Home Loan Mtg Corp.		"	6,106	US\$ 6,082
Federal Home Loan Mtg Corp.		"	667	US\$ 672
Federal Home Loan Mtg Corp.		"	1,553	US\$ 1,547

Federal National Mort Assoc	"	1,314	US\$	1,337
Federal National Mort Assoc	"	640	US\$	644
Federal Natl Mtg Assn	"	2,703	US\$	2,733
Federal Natl Mtg Assn Gtd	"	2,826	US\$	2,920
Federal Natl Mtg Assn Gtd Remi	"	2,475	US\$	2,577
Federal Natl Mtg Assn Gtd Remi	"	1,626	US\$	1,653
Federal Natl Mtg Assn Mtn	"	2,118	US\$	2,184
Federal Natl Mtg Assn Remic	"	1,918	US\$	1,960
Federal Natl Mtge Assn	"	1,769	US\$	1,875
Fhr 3087 Jb	"	2,015	US\$	2,098
Fhr 3184 Fa	"	4,536	US\$	4,514
Fnma Pool 745131	"	2,087	US\$	2,166
Fnma Pool 745688	"	1,719	US\$	1,783
Fnma Pool 790772	"	1,345	US\$	1,400
Fnma Pool 819649	"	2,076	US\$	2,168
Fnma Pool 829989	"	1,729	US\$	1,798

(Continued)

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying	
			Shares/Units (In thousands)	Value (US\$ in Thousands)
Fnma Pool 846233		Available-for-sale financial assets	2,102	US\$ 2,155
Fnma Pool 870884		"	1,913	US\$ 2,000
Fnma Pool 879908		"	1,681	US\$ 1,749
Fnr 2005 47 HA		"	2,275	US\$ 2,402
Fnr 2006 60 CO		"	3,934	US\$ 3,925
Fnr 2006 60 CO		"	2,020	US\$ 2,061
Fnr 2009 70 NT		"	2,241	US\$ 2,378
Freddie Mac		"	10,420	US\$ 10,406
Freddie Mac		"	4,500	US\$ 4,488
Freddie Mac		"	1,400	US\$ 1,400
Freddie Mac		"	7,000	US\$ 6,994
Freddie Mac		"	4,500	US\$ 4,517
Freddie Mac		"	4,010	US\$ 4,038
Gnma II Pool 082431		"	1,972	US\$ 2,022
Gnr 2008 9 SA		"	2,666	US\$ 2,668
Gnr 2009 45 AB		"	6,103	US\$ 6,317
Government bond				
United States Treas Nts		Available-for-sale financial assets	3,250	US\$ 3,262
US Treasury N/B		"	35,900	US\$ 36,092
US Treasury N/B		"	21,000	US\$ 21,153
US Treasury N/B		"	26,000	US\$ 26,104
US Treasury N/B		"	2,170	US\$ 2,202
Wi Treasury Sec		"	4,400	US\$ 4,459
Societe De Financement De Lec		Held-to-maturity financial assets	15,000	US\$ 15,000
Money market fund				
Ssga Cash Mgmt Global Offshore		Available-for-sale financial assets	9,353	US\$ 9,353

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

Financial Statement	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposition	
				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		1,710,588		
	Financial assets carried at cost					7,347	US\$ 50,000		
	Available-for-sale financial assets					4,430	US\$ 4,834		
	2					4,000	US\$ 3,985		
	2					3,500	US\$ 3,515		
	2					3,500	US\$ 3,979		
	2					2,900	US\$ 3,121	1,000	US\$1,000
	2					3,400	US\$ 3,548	3,400	US\$3,548
	2					5,000	US\$ 5,000		
	2					4,000	US\$ 3,984		
	2					12,000	US\$ 12,035		
	2					5,000	US\$ 5,000		
	2					4,745	US\$ 4,744		
	2					3,500	US\$ 3,500		
	2					2,925	US\$ 3,235		
	2					4,020	US\$ 4,021	4,020	US\$4,021
	2			5,000	US\$ 4,996			5,000	US\$5,000
	2					10,000	US\$ 10,094		
	2					6,000	US\$ 6,040		

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2				4,800	US\$	4,768	4,000	US\$3,9
2				5,000	US\$	5,360		
2				4,000	US\$	4,291		
2				2,500	US\$	2,500		
2				6,000	US\$	6,000		
2				4,000	US\$	4,000		
2				4,000	US\$	4,000		
2				5,000	US\$	5,000		
2				6,000	US\$	6,000		
2				4,330	US\$	4,781		
2				2,900	US\$	3,142		
2			1,800	US\$	1,796	4,300	US\$	4,302
2						5,000	US\$	5,014

(Continued)

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Financial Statement	Account	Counter-party	Nature of Relationship	Beginning Balance	Acquisition	Disposal	
				Amount	Shares/Units	Amount	Shares/Units
				(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)
Available-for-sale financial assets				US\$ 3,500	US\$ 3,634	US\$	
2				5,000	US\$ 5,000		
2				3,800	US\$ 3,800	3,800 US\$ 3,800	
2				4,850	US\$ 4,895		
2				4,000	US\$ 3,926		
2				4,000	US\$ 4,066		
2				4,691	US\$ 4,603		
2				5,000	US\$ 5,004		
2			2,100 US\$ 2,142	2,575	US\$ 2,623	4,675 US\$ 4,700	
2				8,000	US\$ 8,796		
2				3,000	US\$ 3,000		
2				5,000	US\$ 4,997		
2				4,000	US\$ 4,015		
2			1,940 US\$ 1,920	5,080	US\$ 5,065		
2				5,500	US\$ 5,585	5,500 US\$ 5,500	
2				4,400	US\$ 4,304		
2			5,000 US\$ 5,170	3,800	US\$ 3,933		
2				4,000	US\$ 4,000		
2				4,000	US\$ 4,044		
Held-to-maturity financial assets				20,000	US\$ 20,000		
2				25,000	US\$ 25,000		
2				25,000	US\$ 25,000		
2				25,000	US\$ 25,000		
2				25,000	US\$ 25,103		
Available-for-sale financial assets				8,000	US\$ 7,995		
2				3,770	US\$ 3,770		
2				4,000	US\$ 4,014		
2				4,000	US\$ 4,007		
2				4,000	US\$ 4,011		
2				4,020	US\$ 4,017	4,020 US\$ 4,000	
2				4,000	US\$ 3,995		
2				5,000	US\$ 4,997		
2				3,100	US\$ 3,100	3,100 US\$ 3,100	

2		11,000	US\$ 11,028			11,000	US\$ 11,028
2				5,000	US\$ 5,098		
2		1,350	US\$ 1,352	2,300	US\$ 2,304	3,650	US\$ 3,652
2				4,289	US\$ 4,282	4,289	US\$ 4,282
2				4,717	US\$ 4,719		
2				3,840	US\$ 4,027		
2				3,720	US\$ 3,953		
2				4,121	US\$ 4,261		
2				4,197	US\$ 4,261		
2				10,000	US\$ 9,985		
2				8,000	US\$ 7,996		
2				5,000	US\$ 4,996		
2				4,000	US\$ 3,999	4,000	US\$ 3,999
2		10,000	US\$ 9,987			10,000	US\$ 10,000
2				10,000	US\$ 9,998		
2		8,000	US\$ 7,992			8,000	US\$ 8,000
2				6,050	US\$ 6,050	6,050	US\$ 6,050

(Continued)

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Financial Statement	Account	Counter-party	Nature of Relationship	Beginning Balance	Acquisition		Disposal
				Amount	Shares/Units	Amount	Amount
				(In	(In	(US\$ in	(US\$ in
			Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
			(In	(In	(US\$ in	(US\$ in	(US\$ in
			Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
			(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Available-for-sale financial assets			US\$	5,000	US\$	5,009	US\$
2				6,800	US\$	6,811	
2				8,000	US\$	7,990	
2			10,000	US\$ 10,012			10,000
2			11,200	US\$ 11,186	1,500	US\$ 1,498	4,300
2					4,000	US\$ 4,012	
2					8,000	US\$ 8,082	
2					8,000	US\$ 8,193	
2					6,397	US\$ 6,394	
2			4,000	US\$ 4,228			4,000
2					3,426	US\$ 3,494	
2					3,343	US\$ 3,466	
2					4,686	US\$ 4,681	
2					3,123	US\$ 3,261	
2					4,092	US\$ 4,090	
2					10,420	US\$ 10,412	
2					8,000	US\$ 8,002	6,600
2					7,000	US\$ 6,994	
2					4,500	US\$ 4,507	
2					4,010	US\$ 4,024	
2					7,004	US\$ 7,305	
Available-for-sale financial assets					24,000	US\$ 24,116	24,000
2					45,070	US\$ 45,309	41,820
2					43,900	US\$ 43,832	8,000
2					53,000	US\$ 53,069	32,000
2					16,800	US\$ 16,889	16,800
2					26,000	US\$ 25,932	
2			21,400	US\$ 21,394			21,400
2			37,700	US\$ 39,012			37,700
2					8,000	US\$ 8,040	8,000
2					10,000	US\$ 10,040	10,000
2					4,400	US\$ 4,380	
			8,858	US\$ 8,858	247,559	US\$ 247,559	247,064



Available-for-sale  
financial assets

Available-for-sale  
financial assets

4,500 US\$ 4,489

4,500 US\$ 4,

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.

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.

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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 SIX MONTHS ENDED JUNE 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Owner	Related Counter-party Relationships	Transfer Date	Price Amount	Reference
February 28, 2010	\$726,279	By the construction progress	China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
June 26, 2010									
February 28, 2010	352,693	By the construction progress	Fu Tsu Construction Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
June 25, 2010									
February 19, 2010	923,031	By the construction progress	Da Cin Constructure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
June 27, 2010									
February 25, 2010	127,058	By the construction progress	Tasa Construction Corporation		N/A	N/A	N/A	N/A	Public bidding
June 26, 2010									

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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 SIX MONTHS ENDED JUNE 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Notes/Accounts	Ending Balance	Total
				Amount	% to	Payment Terms	Abnormal Transaction Unit Prior Terms		
C	TSMC North America	Subsidiary	Sales	\$102,705,311	52	Net 30 days after invoice date	\$24,563,831	47	
	GUC	Investee with a controlling financial interest	Sales	933,297	1	Net 30 days after monthly closing	258,159		
	VIS	Investee accounted for using equity method	Sales	112,124		Net 30 days after monthly closing			
	WaferTech	Indirect subsidiary	Purchases	3,743,351	17	Net 30 days after monthly closing	(750,706)	6	
	TSMC China	Subsidiary	Purchases	3,691,579	16	Net 30 days after monthly closing	(899,850)	7	
	SSMC	Investee accounted for using equity method	Purchases	2,211,401	10	Net 30 days after monthly closing	(447,822)	3	
	VIS	Investee accounted for using equity method	Purchases	2,094,567	9	Net 30 days after monthly closing	(853,331)	7	
	TSMC North America	Same parent company	Purchases	351,210	18	Net 30 days after invoice date/net 30 days after monthly closing	(55,635)	7	
cc	OmniVision	Parent company of director (represented for Xintec)	Sales	1,381,817	68	Net 30 days after monthly closing	247,638	54	

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**  
**JUNE 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

<b>Company Name</b>	<b>Related Party</b>	<b>Nature of Relationships</b>	<b>Ending Balance</b>	<b>Turnover Days (Note 1)</b>	<b>Overdue Amounts</b>	<b>Action Taken</b>	<b>Amounts Received in Subsequent Period</b>	<b>Allowance for Bad Debts</b>
TSMC	TSMC North America	Subsidiary	\$24,572,849	42	\$7,016,489		\$11,759,260	\$
	VIS	Investee accounted for using equity method	378,802	(Note 2)	16,304	Accelerate demand on account receivable	4,680	
	GUC	Investee with a controlling financial interest	351,414	58	3,644	Accelerate demand on account receivable		
Xintec	OmniVision	Parent company of director (represented for Xintec)	247,638	42	65		102,057	

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 Investees  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 JUNE 30, 2010**

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

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2010		Net Investment (Losses)	
			June 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Carrying Value (Foreign Currencies in Thousands)	Share Percentage of Ownership		
al	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$46,004,067	\$ 2
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	34,361,272	9
	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	9,233,879	7
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,727,380	1,5
	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		75,316	20	6,225,880	1,1
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	3,134,321	1
	Cayman Islands	Investing in new start-up technology companies	3,413,751	1,703,163		99	2,890,551	(1
			333,718	333,718	11,000	100	2,800,334	

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h	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices										
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890		1,357,890	93,081	41		1,576,835		3	
	Cayman Islands	Investing in new start-up technology companies	1,166,470		1,093,943			98	1,128,923			
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568		386,568	46,688	35		1,000,709		2	
lliance	Cayman Islands	Investing in new start-up technology companies	965,414		959,044			99	315,832			
pe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749		15,749			100	156,985			
n	Yokohama, Japan	Marketing activities	83,760		83,760	6	100		146,335			
a	Seoul, Korea	Customer service and technical supporting activities	13,656		13,656	80	100		19,224			
ing	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$	0.001	1	100	US\$	368,023	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\$	73,240	US\$		
	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$	7,680	7,680	97	US\$	27,132	US\$		
	Cayman Islands	Investing in new start-up technology companies	US\$ 21,415	US\$	21,415	21,415	97	US\$	16,853	US\$		
nology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$	0.001	1	100	US\$	9,452	US\$		
da	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$	2,300	2,300	100	US\$	3,392	US\$		
tock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$	800	5,333	70	US\$		US\$		
tock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	US\$	1,000	1,000	10	US\$	692	US\$		





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Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2010			Net Income (Loss)
			June 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shareholders	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
WaferTech	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\$ 182,026	US\$
Mutual-Pak Technology Co., Ltd.	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\$ 1,709	US\$
Siconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 2,206	US\$ 1,777	5,623	43	US\$ 770	US\$
Growth Fund	Cayman Islands	Investing in new start-up technology companies	US\$ 1,650	US\$ 1,550		100	US\$ 860	US\$
TA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				62		
TA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				31		
UC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	\$ 40,795	\$
UC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,205	
UC-BVI	British Virgin Islands	Investment activities	US\$ 550	US\$ 550	550	100	9,611	
UC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 100		100	4,366	
UC-Shanghai	Shanghai, China	Consulting services in main products	US\$ 500			100	8,158	

TA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	7
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Equity in  
earnings/losses  
of investees  
include the  
effect of  
unrealized gross  
profit from  
Note 1: affiliates.

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  
Note 2: company.

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

(Concluded)

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

Investor Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousand)	Method of Investment	Accumulated	Investment	Accumulated	Percentage of Ownership(Loss)	Equity the
				Outflow of Investment from Taiwan as of January 1, 2010 (US\$ in Thousand)	Flows	Outflow of Investment from Taiwan as of June 30, 2010 (US\$ in Thousand)		
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB 3,070,623)	(Note 1)	\$12,180,367 (US\$ 371,000)	\$	\$	100%	\$128,3 (Note
Shanghai	Consulting services in main products	16,160 (US\$ 500)	(Note 2)		16,160 (US\$ 500)	16,160 (US\$ 500)	100%	(7,8 (Note
<b>Investor Company</b>		<b>Accumulated Investment in Mainland China as of June 30, 2010 (US\$ in Thousand)</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)</b>	<b>Upper Limit on Investment (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)	1,702,006 (Note 5)				

TSMC directly invested US\$371,000 thousand in

Note 1: TSMC China.

GUC, TSMC's  
investee with a  
controlling  
financial  
interest,  
indirectly  
invested in  
GUC-Shanghai  
through

Note 2: GUC-BVI.

Amount was  
recognized  
based on the  
audited financial

Note 3: statements.

Equity in  
earnings/losses  
was determined  
based on the  
unaudited  
financial

Note 4: statements.

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

Note 5: Commission.

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**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Six Months Ended June 30, 2010 and 2009 and  
Independent Auditors Report**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2010 and 2009, and the results of their consolidated operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

July 22, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2010		2009	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 172,486,218	25	\$ 239,517,163	41
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	479		39,193	
Available-for-sale financial assets (Notes 2, 6, and 25)	27,024,422	4	1,736,135	
Held-to-maturity financial assets (Notes 2, 7 and 25)	7,031,587	1	5,476,955	1
Receivables from related parties	30,800		447	
Notes and accounts receivable	54,791,750	8	41,342,273	7
Allowance for doubtful receivables (Notes 2 and 8)	(597,941)		(499,926)	
Allowance for sales returns and others (Notes 2 and 8)	(6,162,562)	(1)	(7,458,429)	(1)
Other receivables from related parties (Note 26)	495,804		411,822	
Other financial assets (Note 27)	1,473,377		2,652,764	
Inventories (Notes 2, 3 and 9)	24,799,896	4	18,973,907	3
Deferred income tax assets (Notes 2 and 20)	3,394,104	1	6,067,035	1
Prepaid expenses and other current assets	1,846,918		1,159,533	
<b>Total current assets</b>	<b>286,614,852</b>	<b>42</b>	<b>309,418,872</b>	<b>52</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)</b>				
Investments accounted for using equity method	24,598,350	4	17,138,508	3
Available-for-sale financial assets	1,039,916		1,035,686	
Held-to-maturity financial assets	10,757,937	1	11,120,591	2
Financial assets carried at cost	4,565,416	1	3,203,529	1
<b>Total long-term investments</b>	<b>40,961,619</b>	<b>6</b>	<b>32,498,314</b>	<b>6</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)</b>				
<b>Cost</b>				



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Land and land improvements	940,536		954,573	
Buildings	144,574,839	22	133,111,093	23
Machinery and equipment	865,253,621	127	708,451,415	121
Office equipment	14,427,983	2	12,710,854	2
Leased assets	724,579		720,091	
	1,025,921,558	151	855,948,026	146
Accumulated depreciation	(734,445,083)	(108)	(656,826,056)	(111)
Advance payments and construction in progress	36,993,851	5	25,949,019	4
Net property, plant and equipment	328,470,326	48	225,070,989	39
INTANGIBLE ASSETS				
Goodwill (Note 2)	5,965,104	1	6,038,670	1
Deferred charges, net (Notes 2 and 14)	6,162,111	1	6,321,124	1
Total intangible assets	12,127,215	2	12,359,794	2
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 20)	9,820,064	2	5,235,855	1
Refundable deposits	2,419,820		2,736,414	
Others (Notes 2 and 27)	361,696		222,646	
Total other assets	12,601,580	2	8,194,915	1
TOTAL	\$ 680,775,592	100	\$ 587,542,884	100

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2010		2009	
	Amount	%	Amount	%
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 15)	\$ 18,082,602	3	\$	
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	176,809		32,966	
Hedging derivative financial liabilities (Notes 2, 11, 25)	761			
Accounts payable	11,552,093	2	8,960,408	2
Payables to related parties (Note 26)	1,314,545		1,144,324	
Income tax payable (Notes 2 and 20)	3,521,100		3,095,016	
Cash dividends payable (Note 22)	77,892,232	11	77,165,649	13
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	11,897,471	2	11,695,197	2
Payables to contractors and equipment suppliers	25,921,742	4	15,852,503	3
Accrued expenses and other current liabilities (Notes 18, 25 and 29)	15,016,671	2	11,374,602	2
Current portion of long-term bank loans (Notes 17, 25 and 27)	889,275		308,971	
<b>Total current liabilities</b>	<b>166,265,301</b>	<b>24</b>	<b>129,629,636</b>	<b>22</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)	424,671		1,492,545	
Other long-term payables (Notes 18, 25 and 29)	6,963,248	1	8,497,635	2
Obligations under capital leases (Notes 2, 13 and 25)	717,600		720,091	
<b>Total long-term liabilities</b>	<b>12,605,519</b>	<b>2</b>	<b>15,210,271</b>	<b>3</b>
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 19)	3,793,716	1	3,750,502	1
Guarantee deposits (Note 29)	893,629		1,233,784	
Deferred credits	138,767		323,915	
Others	205,923		41,667	

Total other liabilities	5,032,035	1	5,349,868	1
Total liabilities	183,902,855	27	150,189,775	26
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock NT\$10 par value (Note 22)				
Authorized: 28,050,000 thousand shares				
Issued: 25,905,017 thousand shares in 2010				
25,626,356 thousand shares in 2009	259,050,172	38	256,263,562	44
To be issued			2,699,971	
	259,050,172	38	258,963,533	44
Capital surplus (Notes 2 and 22)	55,566,995	8	55,331,535	10
Retained earnings (Note 22)				
Appropriated as legal capital reserve	86,239,494	13	77,317,710	13
Appropriated as special capital reserve	1,313,047			
Unappropriated earnings	90,567,054	13	41,347,655	7
	178,119,595	26	118,665,365	20
Others (Notes 2, 11 and 25)				
Cumulative translation adjustments	(1,034,256)		456,824	
Unrealized gain on financial instruments	981,878		344,238	
	(52,378)		801,062	
Equity attributable to shareholders of the parent	492,684,384	72	433,761,495	74
MINORITY INTERESTS (Note 2)	4,188,353	1	3,591,614	
Total shareholders equity	496,872,737	73	437,353,109	74
TOTAL	\$ 680,775,592	100	\$ 587,542,884	100

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated July 22, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 26)	\$ 202,881,161		\$ 118,430,147	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	5,732,158		4,718,307	
NET SALES	197,149,003	100	113,711,840	100
COST OF SALES (Notes 3, 9, 21 and 26)	101,037,403	51	71,936,007	63
GROSS PROFIT	96,111,600	49	41,775,833	37
OPERATING EXPENSES (Notes 21 and 26)				
Research and development	13,599,891	7	8,824,835	8
General and administrative	5,403,158	3	4,475,728	4
Marketing	2,512,196	1	2,139,354	2
Total operating expenses	21,515,245	11	15,439,917	14
INCOME FROM OPERATIONS	74,596,355	38	26,335,916	23
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 29)	1,278,400	1	494,070	
Interest income (Note 2)	831,500	1	1,643,820	2
Equity in earnings of equity method investees, net (Notes 2 and 10)	706,236			
Technical service income (Notes 26 and 29)	241,884		145,310	
Gain on settlement and disposal of financial assets, net (Notes 2 and 25)	202,114			
Foreign exchange gain, net (Note 2)	101,313			
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26)	92,288		606	
Valuation gain on financial instruments, net (Notes 2, 5 and 25)	20,468			
Others (Note 2)	287,693		231,473	

Total non-operating income and gains	3,761,896	2	2,515,279	2
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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2010</b>		<b>2009</b>	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Casualty loss (Note 9)	\$ 194,137		\$	
Interest expense	184,947		203,390	
Impairment of financial assets (Notes 2, 6, 12 and 25)	112,313		542,764	
Loss on disposal of property, plant and equipment (Note 2)	943		1,968	
Equity in losses of equity method investees, net (Notes 2 and 10)			706,745	1
Loss on settlement and disposal of financial assets, net (Notes 2 and 25)			139,619	
Valuation loss on financial instruments, net (Notes 2, 5 and 25)			43,637	
Foreign exchange loss, net (Note 2)			6,526	
Others (Note 2)	153,004		69,062	
Total non-operating expenses and losses	645,344		1,713,711	1
INCOME BEFORE INCOME TAX	77,712,907	40	27,137,484	24
INCOME TAX EXPENSE (Notes 2 and 20)	3,421,357	2	1,204,266	1
NET INCOME	\$ 74,291,550	38	\$ 25,933,218	23
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 73,945,033	38	\$ 26,000,519	23
Minority interests	346,517		(67,301)	
	\$ 74,291,550	38	\$ 25,933,218	23
	<b>2010</b>		<b>2009</b>	
	<b>Income Attributable to</b>		<b>Income Attributable to</b>	
	<b>Shareholders of the</b>		<b>Shareholders of the</b>	
	<b>Parent</b>		<b>Parent</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>

	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	\$ 2.99	\$ 2.85	\$ 1.06	\$ 1.01
Diluted earnings per share	\$ 2.98	\$ 2.85	\$ 1.05	\$ 1.00

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

(With Deloitte & Touche audit report dated July 22,  
2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**

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

Non	Equity Attributable to Shareholders of the Parent						Others			
	To Be Issued		Capital Surplus	Legal Capital Reserve	Retained Earnings		Cumulative Translation Adjustments	Unrealized Gain (Loss) On Financial Instruments		
nt	Shares (In Thousands)	Amount			Special Capital Reserve	Unappropriated Earnings			Total	
0,066		\$	\$ 55,486,010	\$ 77,317,710	\$	\$ 104,564,972	\$ 181,882,682	\$ (1,766,667)	\$ 453,621	\$ 4
				8,921,784		(8,921,784)				
					1,313,047	(1,313,047)				
						(77,708,120)	(77,708,120)			
						73,945,033	73,945,033			
			711							
								732,411		
0,106			62,508							



									501,091
		17,766							27,478
									(312)
,172	\$	\$ 55,566,995	\$ 86,239,494	\$ 1,313,047	\$ 90,567,054	\$ 178,119,595	\$ (1,034,256)	\$ 981,878	\$ 4
,373	\$	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 170,053,667	\$ 481,158	\$ (287,342)	\$ 4
			9,993,317		(9,993,317)				
				(391,857)	391,857				
					(76,876,312)	(76,876,312)			
51,251	512,509				(512,509)	(512,509)			

141,870 1,418,699 6,076,289

76,876 768,763 (768,763)

26,000,519 26,000,519

129,081

(24,334)

,189 19,673

583,388

48,192

,562 269,997 \$ 2,699,971 \$ 55,331,535 \$ 77,317,710 \$ 41,347,655 \$ 118,665,365 \$ 456,824 \$ 344,238 \$ 4

The accompanying notes are an integral part of the consolidated financial statements.  
 (With Deloitte & Touche audit report dated July 22, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars)

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 73,945,033	\$ 26,000,519
Net income (loss) attributable to minority interests	346,517	(67,301)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,133,803	40,536,498
Amortization of premium/discount of financial assets	15,974	(8,685)
Impairment of financial assets	112,313	542,764
Loss (gain) on disposal of available-for-sale financial assets, net	(117,487)	169,431
Gain on held-to-maturity financial assets redeemed by the issuer		(16,091)
Gain on disposal of financial assets carried at cost, net	(84,627)	(13,721)
Equity in losses (earnings) of equity method investees, net	(706,236)	706,745
Cash dividends received from equity method investees		988,201
Loss (gain) on disposal of property, plant and equipment and other assets, net	(91,345)	1,362
Loss on impairment of idle assets	319	
Deferred income tax	(855,556)	(696,687)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	362,386	(35,684)
Receivables from related parties	(18,276)	(40)
Notes and accounts receivable	(10,154,108)	(16,318,952)
Allowance for doubtful receivables	54,616	44,175
Allowance for sales returns and others	(2,561,919)	1,387,403
Other receivables from related parties	(55,607)	(60,615)
Other financial assets	332,211	(743,475)
Inventories	(3,886,145)	(4,097,262)
Prepaid expenses and other current assets	(564,147)	654,159
Increase (decrease) in:		
Accounts payable	1,058,991	3,407,257
Payables to related parties	531,538	654,467
Income tax payable	(5,279,149)	(6,236,809)
Accrued profit sharing to employees and bonus to directors and supervisors	5,079,128	3,976,273
Accrued expenses and other current liabilities	(4,588,051)	592,841
Accrued pension cost	(3,316)	48,918
Deferred credits	(46,922)	(103,808)
 Net cash provided by operating activities	 94,959,938	 51,311,883



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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars)

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	\$ (98,857,482)	\$ (13,032,316)
Available-for-sale financial assets	(32,605,392)	(9,053,319)
Held-to-maturity financial assets	(3,829,368)	(1,165,380)
Investments accounted for using equity method	(6,242,350)	
Financial assets carried at cost	(1,722,949)	(131,324)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	21,375,053	19,784,106
Held-to-maturity financial assets	11,595,000	5,920,650
Financial assets carried at cost	180,494	74,679
Property, plant and equipment and other assets	112,142	4,925
Increase in deferred charges	(801,055)	(271,906)
Decrease in refundable deposits	313,323	30,785
Increase in other assets	(14,996)	(17,328)
Net cash provided by (used in) investing activities	(110,497,580)	2,143,572
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	18,082,602	
Proceeds from long-term bank loans		290,054
Repayment of:		
Long-term bank loans	(221,035)	(123,067)
Bonds payable		(8,000,000)
Decrease in other long-term payables	(1,113,193)	
Decrease in guarantee deposits	(128,394)	(250,711)
Proceed from donation	49,021	
Proceeds from exercise of employee stock options	85,614	28,862
Increase (decrease) in minority interests	18,039	(157,110)
Net cash provided by (used in) financing activities	16,772,654	(8,211,972)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,235,012	45,243,483
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(25,135)	(340,072)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	171,276,341	194,613,752
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 172,486,218	\$ 239,517,163
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 241,794	\$ 469,761
Income tax paid	\$ 9,556,350	\$ 7,841,389

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
(In Thousands of New Taiwan Dollars)

	<b>2010</b>	<b>2009</b>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 95,565,097	\$ 20,886,046
Decrease (increase) in payables to contractors and equipment suppliers	3,415,305	(7,853,730)
Nonmonetary exchange trade-out price	(122,920)	
Cash paid	\$ 98,857,482	\$ 13,032,316
Disposal of property, plant and equipment and other assets	\$ 235,062	\$ 4,925
Nonmonetary exchange trade-out price	(122,920)	
Cash received	\$ 112,142	\$ 4,925
Acquisition of available-for-sale financial assets	\$ 32,630,717	\$ 9,053,319
Increase in accrued expenses and other current liabilities	(25,325)	
Cash paid	\$ 32,605,392	\$ 9,053,319
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of long-term bank loans	\$ 889,275	\$ 308,971
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,301,510	\$ 1,703,213
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 audit report dated July 22, 2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**

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

**1. GENERAL**

Taiwan Semiconductor Manufacturing Company, Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided designing 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 June 30, 2010 and 2009, TSMC and its subsidiaries had 29,827 and 23,644 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 June 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 International Investment Ltd. (TSMC International)			In June 2009, TSMC International was merged into TSMC Partners.
	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%	42%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	
	TSMC Technology, Inc. (TSMC Technology)	100%	100%	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	TSMC Development, Inc. (TSMC Development)	100%	100%	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	Its previous shareholder, TSMC International, was merged into TSMC

Partners in June 2009.

TSMC Development	WaferTech, LLC (WaferTech)	100%	99.9%
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%

(Continued)

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Name of Investor	Name of Investee	Percentage of Ownership June 30		Remark
		2010	2009	
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%		Newly established in January 2010.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of June 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. Mutual-Pak is engaged in the manufacturing and selling of electronic parts, and researching, developing and testing of RFID.

TSMC Partners and TSMC International were both 100% owned subsidiaries of TSMC. To simplify the organization structure of investment, TSMC Partners merged TSMC International in June 2009.

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.

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**Use of Estimates**

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

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

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

**Cash Equivalents**

Repurchase agreements collateralized by government bonds and corporate 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.

**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.

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer; price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and others 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.

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

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

**Investments Accounted for Using Equity Method**

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

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

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

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

**Financial Assets Carried at Cost**

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

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

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

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

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

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

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**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.

**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.



**Table of Contents****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 six months ended June 30, 2009.

**4. CASH AND CASH EQUIVALENTS**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Cash and deposits in banks	\$ 170,424,269	\$ 232,103,033
Repurchase agreements collateralized by government bonds	1,900,560	7,414,130
Corporate bonds	161,389	
	\$ 172,486,218	\$ 239,517,163

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Trading financial assets		
Forward exchange contracts	\$ 101	\$ 310
Cross currency swap contracts	378	38,883
	\$ 479	\$ 39,193
Trading financial liabilities		
Forward exchange contracts	\$ 16,724	\$ 6,541
Cross currency swap contracts	160,085	26,425
	\$ 176,809	\$ 32,966

The Company entered into the above derivative contracts during the six months ended June 30, 2010 and 2009 to manage exposures due to the 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.

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Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
June 30, 2010		
Sell EUR/Buy NT\$	July 2010	EUR14,000/NT\$549,304
Sell US\$/Buy NT\$	July 2010 to September 2010	US\$53,000/NT\$1,693,574

June 30, 2009

Sell EUR/Buy US\$	July 2009	EUR12,200/US\$17,019
Sell RMB/Buy US\$	July 2009	RMB27,360/US\$4,000
Sell US\$/Buy NT\$	July 2009	US\$3,730/NT\$122,418
Sell NT\$/Buy US\$	September 2009	NT\$17,221/US\$530

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>
June 30, 2010			
July 2010 to August 2010	US\$615,000/NT\$19,689,710	0.41%-0.67%	0.00%-0.00%
June 30, 2009			
July 2009	US\$767,000/NT\$25,197,800	0.46%-9.26%	0.00%-0.76%

For the six months ended June 30, 2010 and 2009, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$20,468 thousand and a net loss of NT\$43,637 thousand, respectively.

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 14,463,446	\$ 1,035,686
Agency bonds	9,056,945	
Government bonds	3,010,629	347,868
Publicly traded stocks	1,231,430	504,461
Money market funds	301,888	16,361
Open-end mutual funds		740,979
Corporate issued asset-backed securities		126,466
	28,064,338	2,771,821
Current portion	(27,024,422)	(1,736,135)
	\$ 1,039,916	\$ 1,035,686

For the six months ended June 30, 2009, the Company recognized impairment on available-for-sale financial assets of NT\$70,434 thousand.

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 16,305,354	\$ 15,714,113
Structured time deposits	1,000,000	
Government bonds	484,170	883,433
	17,789,524	16,597,546
Current portion	(7,031,587)	(5,476,955)
	\$ 10,757,937	\$ 11,120,591

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>
June 30, 2010				
Callable domestic deposits	\$ 1,000,000	\$ 819	0.36%	July 2010

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 543,325	\$ 455,751
Provision	54,616	288,036
Write-off		(243,861)
Balance, end of period	\$ 597,941	\$ 499,926

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

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 8,724,481	\$ 6,071,026
Provision	5,732,158	4,718,307
Write-off	(8,294,077)	(3,330,904)
Balance, end of period	\$ 6,162,562	\$ 7,458,429



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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Finished goods	\$ 2,686,661	\$ 1,963,811
Work in process	18,089,759	14,793,338
Raw materials	2,360,766	1,108,629
Supplies and spare parts	1,662,710	1,108,129
	<b>\$ 24,799,896</b>	<b>\$ 18,973,907</b>

Write-down of inventories to net realizable value in the amount of NT\$41,804 thousand and NT\$178,682 thousand, respectively, were included in the cost of sales for the six months ended June 30, 2010 and 2009. And inventories losses related to earthquake in the amount of NT\$194,137 thousand were classified under non-operating expenses and losses for the six months ended June 30, 2010.

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

	<b>June 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,233,879	38	\$ 9,209,323	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,727,380	39	5,744,178	39
Motech Industries Inc. (Motech)	6,225,880	20		
VisEra Holding Company (VisEra Holding)	2,364,034	49	2,157,747	49
Mcube Inc. (Mcube)		70		
Aiconn Technology Corporation (Aiconn)	24,848	43	27,260	41
Preferred stock				
Mcube	22,329	10		
	<b>\$ 24,598,350</b>		<b>\$ 17,138,508</b>	

In February 2010, the Company subscribed 75,316 thousand shares in 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 six months ended June 30, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT\$706,236 thousand and a net loss of NT\$706,745 thousand, respectively. Related equity in earnings/losses of

equity method investees were determined based on the audited financial statements, except for Aiconn and Mcube. The Company believes that, had Aiconn and Mcube's financial statements been audited, any adjustments arising would have no material effect on the Company's consolidated financial statements.

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As of June 30, 2010 and 2009, quoted market price of publicly traded stocks in unrestricted investments accounted for using equity method (VIS) were NT\$8,229,728 thousand and NT\$8,166,905 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:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,391,500	\$ 1,990,621
Additions	2,055,660	
Amortizations	(459,995)	(299,561)
Balance, end of period	\$ 2,987,165	\$ 1,691,060

Movements of the difference allocated to goodwill were as follows:

	<b>Six Months Ended June 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>June 30 2010</b>
Hedging derivative financial liabilities	
Interest rate swap contract	\$ 761

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 June 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%	0.49%-0.56%

The Company recognized NT\$761 thousand as an adjustment in shareholders' equity for the above interest rate swap contract for the six months ended June 30, 2010.



**Table of Contents****12. FINANCIAL ASSETS CARRIED AT COST**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Non-publicly traded stocks	\$ 4,406,165	\$ 3,041,053
Mutual Funds	159,251	162,476
	<b>\$ 4,565,416</b>	<b>\$ 3,203,529</b>

For the six months ended June 30, 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 the nature of the relationship and especially certain restrictions contained in the investment related agreements, the Company does not have the ability to exert significant influence over Stion's operating and financial policy. Therefore, the investment was classified under financial assets carried at cost.

The common stocks of Capella Microsystems (Taiwan), Inc., Integrated Memory Logic Limited and Leadtrend Technology Corporation were listed on the Taiwan GreTai Securities Market or Taiwan Stock Exchange in June 2010, May 2010, and August 2009, respectively. Thus, the Company reclassified the aforementioned investments from financial assets carried at cost to available-for-sale financial assets.

For the six months ended June 30, 2010 and 2009, the Company recognized impairment on financial assets carried at cost of NT\$112,313 thousand and NT\$472,330 thousand, respectively.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Six Months Ended June 30, 2010</b>					<b>Balance, End of Period</b>
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Cost						
Land and land improvements	\$ 934,090	\$	\$	\$	\$ 6,446	\$ 940,536
Buildings	142,294,558	2,081,050	(95)	4,411	194,915	144,574,839
Machinery and equipment	775,653,489	89,586,772	(753,266)	179,975	586,651	865,253,621
Office equipment	13,667,747	1,027,986	(286,143)	1,033	17,360	14,427,983
Leased asset	714,424				10,155	724,579
	<b>933,264,308</b>	<b>\$ 92,695,808</b>	<b>\$ (1,039,504)</b>	<b>\$ 185,419</b>	<b>\$ 815,527</b>	<b>1,025,921,558</b>
Accumulated depreciation						
Land and land improvements	317,580	\$ 14,534	\$	\$	\$ 2,639	334,753
Buildings	81,821,718	4,635,532	(95)		96,026	86,553,181
Machinery and equipment	600,795,474	35,792,744	(711,714)	132,824	422,640	636,431,968

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Office equipment	10,589,349	566,268	(286,045)	(442)	15,274	10,884,404
Leased asset	219,765	17,580			3,432	240,777
	693,743,886	\$ 41,026,658	\$ (997,854)	\$ 132,382	\$ 540,011	734,445,083
Advance payments and construction in progress	34,154,365	\$ 2,896,829	\$	\$ (61,485)	\$ 4,142	36,993,851
	\$ 273,674,787					\$ 328,470,326

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	<b>Six Months Ended June 30, 2009</b>						
	<b>Balance,</b>					<b>Effect of</b>	<b>Balance,</b>
	<b>Beginning of</b>					<b>Exchange</b>	
<b>Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Changes</b>	<b>Rate</b>	<b>End of</b>	
							<b>Period</b>
Cost							
Land and land improvements	\$ 953,857	\$	\$	\$ 1,843	\$ (1,127)		\$ 954,573
Buildings	132,249,996	922,974	(809)	(19,976)	(41,092)		133,111,093
Machinery and equipment	697,498,743	12,180,329	(1,123,467)	17,012	(121,202)		708,451,415
Office equipment	12,430,800	427,235	(169,271)	28,150	(6,060)		12,710,854
Leased asset	722,339				(2,248)		720,091
	843,855,735	\$ 13,530,538	\$ (1,293,547)	\$ 27,029	\$ (171,729)		855,948,026
Accumulated depreciation							
Land and land improvements	295,898	\$ 15,229	\$	\$	\$ (694)		310,433
Buildings	72,681,699	4,656,244	(809)	(5,846)	(26,850)		77,304,438
Machinery and equipment	535,962,291	34,162,617	(1,119,042)	1,361	(132,649)		568,874,578
Office equipment	9,693,809	613,180	(167,505)	7,050	(9,865)		10,136,669
Leased asset	182,570	18,321			(953)		199,938
	618,816,267	\$ 39,465,591	\$ (1,287,356)	\$ 2,565	\$ (171,011)		656,826,056
Advance payments and construction in progress	18,605,882	\$ 7,355,508	\$	\$ (20,092)	\$ 7,721		25,949,019
	\$ 243,645,350						\$ 225,070,989

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases ranged from December 2003 to December 2013. The future minimum lease payments as of June 30, 2010 were NT\$798,330 thousand.

**14. DEFERRED CHARGES, NET**

	<b>Six Months Ended June 30, 2010</b>						
	<b>Balance,</b>					<b>Effect of</b>	<b>Balance,</b>
	<b>Beginning of</b>					<b>Exchange</b>	
<b>Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Rate</b>	<b>End of</b>	
							<b>Period</b>

Technology license fee	\$ 3,230,624	\$	\$ (410,023)	\$	\$	\$ 339	\$ 2,820,940
Software and system design costs	1,834,528	782,001	(501,989)		4,860	132	2,119,532
Patent and others	1,393,402	19,054	(192,263)			1,446	1,221,639
	\$ 6,458,554	\$ 801,055	\$ (1,104,275)	\$	\$ 4,860	\$ 1,917	\$ 6,162,111

## Six Months Ended June 30, 2009

	Balance, Beginning of Period	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Technology license fee	\$ 4,125,212	\$	\$ (473,181)	\$	\$	\$ 2,167	\$ 3,654,198
Software and system design costs	1,801,831	266,688	(447,338)		(4,372)	74	1,616,883
Patent and others	1,198,785	5,218	(147,519)	(96)	(6,035)	(310)	1,050,043
	\$ 7,125,828	\$ 271,906	\$ (1,068,038)	\$ (96)	\$ (10,407)	\$ 1,931	\$ 6,321,124

## 15. SHORT-TERM LOANS

	<b>June 30, 2010</b>
Unsecured loans Due in February 2011, annual interest at 0.51%-1.19%	\$ 18,082,602

**Table of Contents****16. BONDS PAYABLE**

	<b>June 30</b>	
	<b>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>June 30</b>	
	<b>2010</b>	<b>2009</b>
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.12% in 2010 and 0.75%-2.70% in 2009	\$ 667,453	\$ 1,013,507
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 0.76-0.97% in 2009	646,493	656,409
Repayable from December 2007 in 8 semi-annual installments, fully repaid in June, 2010, annual interest at 1.12%-2.42%		131,600
	1,313,946	1,801,516
Current portion	(889,275)	(308,971)
	\$ 424,671	\$ 1,492,545

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. As of June 30, 2010, Xintec was in compliance with all such financial covenants.

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

<b>Year of Repayment</b>	<b>Amount</b>
2010 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 767,884
2011	242,782
2012	242,782
2013	60,498
	\$ 1,313,946

**18. OTHER LONG-TERM PAYABLES**

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Payables for acquisition of property, plant and equipment (Note 29h)	\$ 7,343,587	\$ 8,553,019
Payables for royalties	921,171	1,647,829

Current portion (classified under accrued expenses and other current liabilities)	8,264,758 (1,301,510)	10,200,848 (1,703,213)
	\$ 6,963,248	\$ 8,497,635

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

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

<b>Year of Payment</b>	<b>Amount</b>
2010 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 336,407
2011	1,133,439
2012	725,102
2013	588,193
2014	5,481,617
	\$ 8,264,758

**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 percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension cost of NT\$475,476 thousand and NT\$358,282 thousand for the six months ended June 30, 2010 and 2009, respectively. TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension cost of NT\$127,163 thousand and NT\$144,816 thousand for the six months ended June 30, 2010 and 2009, respectively.

Movements of the Fund and accrued pension cost under the defined benefit plan were summarized as follows:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>The Fund</b>		
Balance, beginning of period	\$ 2,644,988	\$ 2,434,876
Contributions	114,789	99,908
Interest	41,379	53,066
Payments	(7,690)	(37,801)
Balance, end of period	\$ 2,793,466	\$ 2,550,049
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,797,032	\$ 3,701,584
Accruals (payments)	(3,316)	48,918
Balance, end of period	\$ 3,793,716	\$ 3,750,502





**Table of Contents****20. INCOME TAX**

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

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Income tax expense based on income before income tax at statutory rate	\$ 13,937,439	\$ 7,050,740
Tax effect of the following:		
Tax-exempt income	(7,429,421)	(3,246,392)
Temporary and permanent differences	(592,228)	2,136,464
Others		69,174
Additional tax at 10% on unappropriated earnings	138,243	19,237
Net operating loss carryforwards used	(258,790)	(41,243)
Income tax credits used	(2,477,471)	(2,889,391)
Income tax currently payable	\$ 3,317,772	\$ 3,098,589

- b. Income tax expense consisted of the following:

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Income tax currently payable	\$ 3,317,772	\$ 3,098,589
Income tax adjustments on prior years	978,248	(1,155,898)
Other income tax adjustments	(20,579)	(37,876)
Net change in deferred income tax assets		
Investment tax credits	(4,858,856)	(2,428,140)
Net operating loss carryforwards	271,499	(176,527)
Temporary differences	104,224	54,728
Valuation allowance	3,629,049	1,849,390
Income tax expense	\$ 3,421,357	\$ 1,204,266

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

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Current deferred income tax assets		
Investment tax credits	\$ 2,607,819	\$ 5,056,379
Temporary differences		
Allowance for sales returns and others	546,457	639,684
Others	406,799	551,238
Valuation allowance	(166,971)	(180,266)

\$ 3,394,104      \$ 6,067,035

(Continued)

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	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 17,739,753	\$ 11,569,375
Net operating loss carryforwards	3,192,281	3,759,283
Temporary differences		
Depreciation	2,167,480	1,550,502
Others	461,411	711,650
Valuation allowance	(13,740,861)	(12,354,955)
	<b>\$ 9,820,064</b>	<b>\$ 5,235,855</b>

(Concluded)

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

Under Article 10 of the Statute for Industrial Innovation (SII) legislated and effective in May 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the 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.

As of June 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 June 30, 2010 and 2009 was NT\$10,284,010 thousand and NT\$8,102,454 thousand, respectively.

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2009 and 2008 were 9.84% and 9.10%, respectively.

The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected 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.

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- f. As of June 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	\$ 105,032	2010
		66,368	66,368	2011
		3,224,443	3,224,443	2012
		6,054,874	6,054,874	2013
		2,721,184	2,721,184	2014
		\$ 12,181,546	\$ 12,171,901	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,021,544	\$	2010
		1,192,759	657,086	2011
		2,924,808	2,924,808	2012
		4,523,367	4,523,367	2013
				\$ 9,662,478
Statute for Upgrading Industries	Personnel training expenditures	\$ 759	\$	2010
		20,081	20,081	2011
		32,534	32,534	2012
		17,795	17,795	2013
				\$ 71,169
Statute for Industrial Innovation	Research and development expenditures	\$ 909,850	\$	2010

- 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 (proposed)
Construction and expansion of 2003 by GUC	2007 to 2011
Construction and expansion of 2005 and 2006 by GUC	To be determined
Construction and expansion of 2003 by Xintec	2007 to 2011
Construction and expansion of 2002, 2003 and 2006 by Xintec	2010 to 2014

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

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**Table of Contents****21. LABOR COST, DEPRECIATION AND AMORTIZATION**

	<b>Six Months Ended June 30, 2010</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 12,478,139	\$ 10,148,701	\$ 22,626,840
Labor and health insurance	442,426	354,389	796,815
Pension	357,336	245,303	602,639
Meal	273,584	115,027	388,611
Welfare	318,834	126,567	445,401
Others	60,875	130,412	191,287
	<b>\$ 13,931,194</b>	<b>\$ 11,120,399</b>	<b>\$ 25,051,593</b>
Depreciation	\$ 38,478,197	\$ 2,540,329	\$ 41,018,526
Amortization	\$ 659,541	\$ 444,734	\$ 1,104,275

	<b>Six Months Ended June 30, 2009</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 7,142,575	\$ 6,203,912	\$ 13,346,487
Labor and health insurance	339,727	270,692	610,419
Pension	292,380	210,718	503,098
Meal	206,162	87,602	293,764
Welfare	250,085	108,932	359,017
Others	46,548	137,036	183,584
	<b>\$ 8,277,477</b>	<b>\$ 7,018,892</b>	<b>\$ 15,296,369</b>
Depreciation	\$ 37,506,468	\$ 1,950,990	\$ 39,457,458
Amortization	\$ 638,559	\$ 429,479	\$ 1,068,038

## **22. SHAREHOLDERS EQUITY**

As of June 30, 2010, 1,097,136 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,485,679 thousand (one ADS represents five common shares).

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

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Capital surplus consisted of the following:

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Additional paid-in capital	\$ 23,520,313	\$ 23,289,667
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	348,047	343,233
Donations	55	55
	<b>\$ 55,566,995</b>	<b>\$ 55,331,535</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.

TSMC accrued profit sharing to employees as a charge to earnings of certain percentage of net income during the period amounted to NT\$4,988,630 thousand and NT\$3,906,590 thousand for the six months ended June 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.



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

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

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

The information about the appropriations of bonuses to employees, directors and supervisors 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.

**Table of Contents****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 June 30, 2010.

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

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Six months ended June 30, 2010		
Balance, beginning of period	28,810	\$ 33.5
Options exercised	(2,311)	37.1
Balance, end of period	26,499	33.1
Six months ended June 30, 2009		
Balance, beginning of period	36,234	\$ 35.3
Options exercised	(919)	31.4
Options canceled	(243)	46.4
Balance, end of period	35,072	35.3

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

As of June 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>
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\$22.8-\$32.0	19,961	2.68	\$ 29.0
38.0- 50.1	6,538	4.41	45.6
	26,499	3.11	33.1

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

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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 six months ended June 30, 2010 and 2009 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Six months ended June 30, 2010		
Balance, beginning of period	3,810	\$ 83.5
Options exercised	(255)	11.1
Options canceled	(304)	130.7
Balance, end of period	3,251	84.7
Six months ended June 30, 2009		
Balance, beginning of period	5,557	\$ 66.6
Options exercised	(846)	11.6
Options canceled	(226)	34.7
Balance, end of period	4,485	78.5

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

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As of June 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	
		Contractual Life (Years)	Weighted- average Remaining Price (NT\$)	Weighted- average Exercise Price (NT\$)	Number of Options Price (NT\$)
\$8.4	204	0.50	\$ 8.4	204	\$ 8.4
15.5	1,627	1.17	15.5	29	15.5
175.0	1,420	3.50	175.0	709	175.0
	3,251	2.15	84.7	942	134.0

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 options for the six months ended June 30, 2010 and 2009 was as follows:

	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Six months ended June 30, 2010		
Balance, beginning of period	3,960	\$ 14.7
Options exercised	(838)	14.2
Options canceled	(210)	17.1
Balance, end of period	2,912	14.7
Six months ended June 30, 2009		
Balance, beginning of period	7,442	14.8
Options exercised	(1,055)	12.9
Options canceled	(650)	16.5

Balance, end of period	5,737	15.0
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The exercise prices have been adjusted to reflect the appropriation of earnings by Xintec in accordance with the plans.

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As of June 30, 2010, information about Xintec's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Number of Options (In Thousands)	Options Outstanding		Options Exercisable	
		Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
\$12.2-\$14.1	1,462	6.29	\$12.5	457	\$12.5
15.2- 19.1	1,450	7.19	16.9	625	16.1
	2,912	6.74	14.7	1,082	14.6

No compensation cost was recognized under the intrinsic value method for the six months ended June 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 six months ended June 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

	Six Months Ended June 30	
	2010	2009
Net income attributable to shareholders of the parent:		
As reported	\$73,945,033	\$26,000,519
Pro forma	73,996,839	25,823,759
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 2.85	\$ 1.01
Pro forma basic EPS	2.86	1.00
Diluted EPS as reported	2.85	1.00
Pro forma diluted EPS	2.86	1.00





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

EPS was 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
Six months ended June 30, 2010					
Basic EPS					
Earnings attributable to common shareholders of the parent	\$ 77,329,932	\$ 73,945,033	25,904,196	\$ 2.99	\$ 2.85
Effect of dilutive potential common shares			12,654		
Diluted EPS					
Earnings attributable to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 77,329,932	\$ 73,945,033	25,916,850	\$ 2.98	\$ 2.85
Six months ended June 30, 2009					
Basic EPS					
Earnings attributable to common shareholders of the parent	\$ 27,192,976	\$ 26,000,519	25,770,637	\$ 1.06	\$ 1.01
Effect of dilutive potential common shares			172,992		
Diluted EPS					
Earnings attributable to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 27,192,976	\$ 26,000,519	25,943,629	\$ 1.05	\$ 1.00

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 consideration of 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 six months ended June 30, 2009 to remain at NT\$1.01 and NT\$1.00, respectively.

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

a. Fair values of financial instruments were as follows:

	June 30			
	2010			2009
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Financial assets at fair value through profit or loss	\$ 479	\$ 479	\$ 39,193	\$ 39,193
Available-for-sale financial assets	28,064,338	28,064,338	2,771,821	2,771,821
Held-to-maturity financial assets	17,789,524	17,938,824	16,597,546	16,718,013
Financial assets carried at cost	4,565,416		3,203,529	
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	176,809	176,809	32,966	32,966
Hedging derivative financial liabilities	761	761		
Bonds payable	4,500,000	4,556,853	4,500,000	4,592,795
Long-term bank loans (including current portion)	1,313,946	1,313,946	1,801,516	1,801,516
Other long-term payables (including current portion)	8,264,758	8,264,758	10,200,848	10,200,848
Obligations under capital leases	717,600	717,600	720,091	720,091

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 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 values of derivatives contracts which were outstanding as of June 30, 2010 and 2009 estimated using valuation techniques were recognized as a net losses of NT\$176,330 thousand and a net gains of NT\$6,227 thousand, respectively.



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- d. As of June 30, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$44,622,911 thousand and NT\$18,904,099 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$22,436,164 thousand and NT\$4,532,966 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,637,954 thousand and NT\$1,801,516 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the six months ended June 30, 2010 and 2009 were as follows:

**Six Months Ended June 30, 2010**

	<b>Form 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	614,595	27,478	(312)	641,761
Removed from shareholders' equity and recognized in earnings	(113,504)			(113,504)
Balance, end of period	\$ 925,219	\$ 56,971	\$ (312)	\$ 981,878

**Six Months Ended June 30, 2009**

	<b>Form 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	339,270	48,192		387,462
Removed from shareholders' equity and recognized in earnings	244,118			244,118
Balance, end of period	\$ 384,975	\$ (40,737)	\$	\$ 344,238

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

therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities.

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

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

<b>Hedged Item</b>	<b>Hedging Financial Instrument</b>	<b>Fair Value June 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	\$ (761)	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)
- Motech (accounted for using equity method)

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

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
For the six months ended June 30				
Sales				
VIS	\$ 112,156		\$ 69,218	
VisEra	55,133		1,137	
Mcube	8,076			
SSMC	965		3	
	\$ 176,330		\$ 70,358	
Purchases				
SSMC	\$ 2,211,401	2	\$ 1,422,840	2
VIS	2,107,449	2	1,406,142	2
VisEra			2,685	
	\$ 4,318,850	4	\$ 2,831,667	4
Manufacturing expenses				
VisEra (primarily outsourcing and rent)	\$ 40,573		\$ 37,692	
Research and development expenses				
VIS (primarily rent)	\$ 5,291		\$ 9	
VisEra	4,240		306	
Motech	110			
	\$ 9,641		\$ 315	
Sales of property, plant and equipment				
VIS	\$ 15,940	16	\$	
Purchase of property, plant and equipment				
VIS	\$ 15,865		\$	
Non-operating income and gains				
VIS (primarily technical service income, see Note 29e)	\$ 158,021	4	\$ 88,964	4



SSMC (primarily technical service income, see Note 29d)	96,783	3	57,560	2
VisEra			129	
	\$ 254,804	7	\$ 146,653	6

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	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
As of June 30				
Other receivables				
VIS	\$ 378,802	76	\$ 373,849	91
Motech	67,785	14		
SSMC	49,217	10	36,923	9
VisEra			1,050	
	\$ 495,804	100	\$ 411,822	100
Payables				
VIS	\$ 856,003	65	\$ 737,352	64
SSMC	447,822	34	400,558	35
VisEra	10,720	1	6,414	1
	\$ 1,314,545	100	\$ 1,144,324	100

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements. The Company leased certain office space 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 agreements and customs duty guarantee, which were as follows:

	<b>June 30</b>	
	<b>2010</b>	<b>2009</b>
Other financial assets	\$ 498,750	\$ 654,619
Property, plant and equipment, net	2,491,136	2,991,511
Other assets	20,000	
	\$ 3,009,886	\$ 3,646,130

**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 December 2010 to December 2029 and can be renewed upon expiration.



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The Company entered into lease agreements for its office premises and certain office equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2010 and 2018 and can be renewed upon expiration.

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

<b>Year</b>	<b>Amount</b>
2010 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 303,805
2011	568,239
2012	547,748
2013	521,118
2014	500,460
2015 and thereafter	3,729,850
	<b>\$ 6,171,220</b>

**29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of June 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 June 30, 2010 TSMC had a total of US\$25,262 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.

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- f. In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as SMIC ) in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People s High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People s High Court ruled in favor of TSMC and dismissed SMIC s lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC s trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC s appeal against the Beijing High Court s finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned 1,789,493,218 common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation s total shares outstanding. TSMC expects to recognize the settlement income of NT\$4,434,364 thousand in the third quarter of 2010.
- 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 on July 21, 2010. The outcome of such an 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\$7,343,587 thousand and NT\$8,553,019 thousand as of June 30, 2010 and 2009, respectively, which is included in other long-term payables.
- i. Amounts available under unused letters of credit as of June 30, 2010 were NT\$98,003 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;



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- 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;
- 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.



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

			June 30,		
Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Pe Ow
nd le Co., Ltd.		Available-for-sale financial assets		\$ 1,039,961	
ochemical Corporation		Held-to-maturity financial assets		2,190,008	
ics Corporation				2,000,939	
r Company				1,908,207	
Corporation				1,509,791	
tics Corporation				1,151,571	
tion, Taiwan				500,001	
Commercial Bank Co., Ltd.				299,715	
	Subsidiary	Investments accounted for using equity method	1	46,004,067	
	Subsidiary		988,268	34,361,272	
	Investee accounted for using equity method		628,223	9,233,879	
	Investee accounted for using equity method		314	6,727,380	
	Investee accounted for using equity method		75,316	6,225,880	
America	Subsidiary		11,000	2,800,334	
	Investee with a controlling financial interest		93,081	1,576,835	
	Investee with a controlling financial interest		46,688	1,000,709	
	Subsidiary			156,985	
	Subsidiary		6	146,335	
	Subsidiary		80	19,224	
rial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	
ndotai Taiwan Co., Ltd.			10,500	105,000	
logy Fund IV			4,000	40,000	
ures Fund		Financial assets carried at cost		103,992	
a Capital				55,259	

	Subsidiary	Investments accounted for using equity method	3,134,321
	Subsidiary		2,890,551
iance	Subsidiary		1,128,923
	Subsidiary		315,832
nd			
Cap Corp. Mtn		Held-to-maturity financial assets	US\$ 20,416
Cap Corp. Mtn			US\$ 20,181
			(Continued)

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			June 30,	
			Carrying Pe	
			Value	
			( US\$ in O	
			Thousands)	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Value ( US\$ in O Thousands)
Common stock				
TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 368,023
Media Holding Company	Investee accounted for using equity method		43,000	US\$ 73,240
MediaStar Semiconductor Development, Inc. (ISDF)	Subsidiary		7,680	US\$ 27,132
MediaStar Semiconductor Development, Inc. (II) LDC. (ISDF II)	Subsidiary		21,415	US\$ 16,853
TSMC Technology	Subsidiary		1	US\$ 9,452
TSMC Canada	Subsidiary		2,300	US\$ 3,392
Media Inc.	Investee accounted for using equity method		5,333	
Preferred stock				
Media Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 692
Corporate bond				
Capital Corp.		Held-to-maturity financial assets		US\$ 20,275
Morgan Chase & Co.				US\$ 15,000
Common stock				
MediaTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 182,026
Common stock				
MediaWave Technology Corp.		Financial assets carried at cost	4,247	US\$ 1,648
Global Investment Holding Inc.			11,124	US\$ 3,065
Preferred stock				
Mediaience, Inc.		Financial assets carried at cost	1,654	US\$ 250
Mediaom Microdevices, Inc.			1,000	US\$ 13
Mediaasic Systems, Inc.			2,481	US\$ 12
Mediaat IO, Inc.			800	US\$ 500
Mediaichron, Inc.			1,276	US\$ 1,145
Media, Inc.			4,641	US\$ 1,137
MediaT Holdings, LLC				US\$ 142

Capital				
FutureTech Alliance Holdings, LLC	Subsidiary	Investments accounted for		
(FA Holdings)		using equity method		
Common stock				
Adtrend		Available-for-sale financial		
		assets	969	US\$ 4,504
Mer Systems, Inc.		Financial assets carried at cost	1,600	US\$ 1,503
Wave Technology Corp.			1,238	US\$ 1,036
telic			1,200	US\$ 2,040
Preferred stock				
Technologies, Inc.		Financial assets carried at cost	2,890	US\$ 2,168
antia			3,974	US\$ 3,816
liance, Inc.			12,378	US\$ 2,378
eam Communications			834	US\$ 1,701
inj, Inc.			475	US\$ 1,000
t IO, Inc.			3,795	US\$ 953
ichron, Inc.			4,048	US\$ 2,825
m, Inc.			33,347	US\$ 1,878
ver Analog Microelectronics			7,027	US\$ 3,383

(Continued)

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			<b>June 30,</b>	
			<b>Shares/Units</b>	<b>Carrying Per</b>
<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>(In Thousands)</b>	<b>Value (US\$ in Ov Thousands)</b>
ST Holdings, LLC		Financial assets carried at cost		US\$ 593
ceive			4,210	US\$ 1,554
Capital				
TA Holdings	Subsidiary	Investments accounted for using equity method		
Common stock				
Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 1,709
iconn Technology Corporation	Investee accounted for using equity method		5,623	US\$ 770
Preferred stock				
uramicro, Inc.		Financial assets carried at cost	4,694	US\$ 1,408
ridgeLux, Inc.			6,113	US\$ 7,781
xclara, Inc.			21,708	US\$ 4,568
TBF, Inc.			1,154	US\$ 1,500
venSense, Inc.			816	US\$ 1,000
iquidLeds Lighting Corp.			1,600	US\$ 800
eoconix, Inc.			3,283	US\$ 4,608
owervation, Ltd.			310	US\$ 4,678
uellan, Inc.			3,106	US\$ 457
licon Technical Services, LLC			1,055	US\$ 1,208
ion Corp.			7,347	US\$ 50,000
ilera, Inc.			3,222	US\$ 2,781
alidity Sensors, Inc.			8,070	US\$ 3,089
Capital				
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method		US\$ 860
TA Holdings	Subsidiary			
Common stock				
liconBlue Technologies, Inc.		Financial assets carried at cost	5,107	US\$ 762
accato			10	US\$ 25
Common stock				
Integrated Memory Logic, Inc.			4,874	US\$ 22,135

	Available-for-sale financial assets		
Almemic, Inc.		1,286	US\$ 2,905
Apella Microsystems (Taiwan), Inc.		547	US\$ 3,081
Preferred stock			
Unity, Inc.	Financial assets carried at cost	1,008	US\$ 290
onics, Inc.		230	US\$ 497
Common stock			
Almemic, Inc.	Available-for-sale financial assets	1,072	US\$ 2,423
Apella Microsystems (Taiwan), Inc.		551	US\$ 3,103
Chip Technologies Limited	Financial assets carried at cost	7,520	US\$ 3,664
onics, Inc.		278	US\$ 10
ON Technology, Corp.		874	US\$ 242
oyatek Technology, Corp.		932	US\$ 545
uden Technology MFG. Co., Ltd.		1,049	US\$ 223
Preferred stock			
angTek, Inc.	Financial assets carried at cost	1,032	US\$ 686
onics, Inc.		264	US\$ 456

(Continued)

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			<b>June 30,</b>	
			<b>Shares/Units</b>	<b>Carrying Per</b>
			<b>(In</b>	<b>Value</b>
			<b>Thousands)</b>	<b>(US\$ in Ow</b>
<b>Marketable Securities</b>	<b>Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Thousands)</b>
Common stock				
GUC-NA	Subsidiary	Investments accounted for using equity method	800	\$ 40,795
GUC-Japan	Subsidiary		1	14,205
GUC-BVI	Subsidiary		550	9,611
GUC-Europe	Subsidiary			4,366
Capital				
Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method		8,158
Capital				
Compositech Ltd.		Financial assets carried at cost	587	
Corporate bond				
Ab Svensk Exportkredit Swedish		Available-for-sale financial assets	5,000	US\$ 5,042
African Development Bank			2,600	US\$ 2,619
Allstate Life Gbl Fdg Secd			4,430	US\$ 4,857
Alltel Corp.			100	US\$ 110
American Honda Fin Corp. Mtn			4,000	US\$ 3,975
Anz National Intl Ltd.			3,500	US\$ 3,545
Asian Development Bank			2,500	US\$ 2,497
Astrazeneca Plc			3,150	US\$ 3,440
AT+T Wireless			3,500	US\$ 3,917
Australia + New Zealand Bkg			2,000	US\$ 2,059
Banco Bilbao Vizcaya P R			3,250	US\$ 3,247
Bank New York Inc.			1,615	US\$ 1,609
Bank New York Inc. Medium			2,100	US\$ 2,274
Bank of America			1,900	US\$ 2,020
Bank of New York Mellon			2,200	US\$ 2,209
Bank of Nova Scotia			5,000	US\$ 4,993
Bank of Scotland Plc			4,000	US\$ 3,993
Barclays Bank Plc			12,000	US\$ 11,995
Barclays Bank Plc NY			5,000	US\$ 4,997
Bbva US Senior SA Uniper			4,745	US\$ 4,709
Bear Stearns Cos Inc.			5,000	US\$ 4,975
Bear Stearns Cos Inc.			3,500	US\$ 3,445
Berkshire Hathaway Inc. Del			3,500	US\$ 3,506

Bhp Billiton Fin USA Ltd.	2,000	US\$	2,130
Bk Tokyo Mitsubishi Ufj	2,000	US\$	2,033
Bmw US Capital LLC	1,600	US\$	1,599
Bnp Paribas SA	3,810	US\$	3,823
Boeing Cap Corp.	2,925	US\$	3,234
Boeing Co.	450	US\$	456
Bsch Issuances Ltd.	2,250	US\$	2,269
Caterpillar Financial SE	300	US\$	302
Cello Part/Veri Wirelss	3,000	US\$	3,067
Citibank NA	10,000	US\$	10,092
Citigroup Funding Inc.	6,000	US\$	6,127
Citigroup Funding Inc.	2,000	US\$	2,042
Citigroup Inc.	1,400	US\$	1,367
Citigroup Inc.	800	US\$	793
Citigroup Inc.	400	US\$	416
Citigroup Inc.	5,000	US\$	5,326
Commonwealth Bank Aust	2,800	US\$	2,798

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Percentage of Ownership
			Shares/Units (In thousands)	Value (US\$ thousands)	
Countrywide Finl Corp.		Available-for-sale financial assets	4,000	US\$206	
Credit Suisse First Boston USA			2,150	US\$284	
Credit Suisse New York			3,945	US\$75	
Deutsche Bank AG NY			2,500	US\$80	
Dexia Credit Local			6,000	US\$64	
Dexia Credit Local			4,000	US\$95	
Dexia Credit Local S.A			4,000	US\$85	
Dexia Credit Local SA NY			5,000	US\$01	
Finance for Danish Ind			3,800	US\$97	
General Elec Cap Corp.			1,000	US\$85	
General Elec Cap Corp.			300	US\$99	
General Elec Cap Corp.			7,000	US\$15	
General Electric Capital Corp.			2,000	US\$42	
Georgia Pwr Co.			6,000	US\$06	
Goldman Sachs Group Inc.			2,000	US\$84	
Goldman Sachs Group Incser 2			3,000	US\$09	
Hewlett Packard Co.			3,000	US\$03	
Hewlett Packard Co.			1,365	US\$84	
Household Fin Corp.			4,330	US\$76	
HSBC Fin Corp.			2,315	US\$58	
HSBC Fin Corp.			2,900	US\$70	
HSBC USA Inc. Fdic Gtd Tlgp			2,200	US\$79	
Hutchison Whampoa Intl			1,750	US\$77	
IBM Corp.			6,100	US\$05	
IBM Corp.			3,000	US\$20	
Intl Bk Recon + Develop			5,000	US\$07	
Intl Bk Recon + Develop			2,000	US\$64	
John Deer Capital Corp. Fdic GT			3,500	US\$40	
JP Morgan Chase + Co.			2,500	US\$23	
JP Morgan Chase + Co.			5,000	US\$00	
JP Morgan Chase + Co. Fdic Gtd Tlgp			3,000	US\$28	
Kfw Medium Term Nts Book Entry			1,950	US\$51	
Kreditanstalt Fur Wiederaufbau			650	US\$70	
Lloyds Tsb Bank Plc Ser 144A			4,850	US\$70	
Lloyds Tsb Bank Plc Ser 144A			5,950	US\$27	
Massmutual Global Fdg II Mediu			4,000	US\$80	

Mellon Fdg Corp.	3,500	<del>US\$23</del>
Merck + Co. Inc.	4,000	<del>US\$38</del>
Merck + Co. Inc.	2,000	<del>US\$01</del>
Merrill Lynch + Co. Inc.	4,691	<del>US\$56</del>
Met Life Glob Funding I	5,000	<del>US\$97</del>
Met Life Glob Funding I	500	<del>US\$02</del>
Metlife Inc.	2,000	<del>US\$12</del>
Metropolitan Life Global Fdg	750	<del>US\$41</del>
Metropolitan Life Global Fdg I	3,340	<del>US\$89</del>
Monumental Global Fdg III	750	<del>US\$24</del>
Morgan Stanley	1,000	<del>US\$72</del>
Morgan Stanley Dean Witter	8,000	<del>US\$90</del>
Morgan Stanley Fdic Gtd Tlgp	2,000	<del>US\$20</del>
Morgan Stanley for Equity	2,000	<del>US\$40</del>
National Australia Bank	1,000	<del>US\$09</del>
New York Life Global Fdg	2,000	<del>US\$39</del>
Nordea Bank Fld Plc	2,250	<del>US\$45</del>
Oesterreichische Kontrollbank	2,000	<del>US\$18</del>

(Continued)

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying	Pe
			Shares/Units (In Thousands)	Value (US\$ in Thousands)
Ontario (Province of)		Available-for-sale financial assets	2,000	US\$23
psico Inc.			3,000	US\$101
izer Inc.			2,725	US\$75
c Funding Corp.			2,000	US\$81
co Global Fdg I Med Term			1,750	US\$73
co Global Funding 1			1,200	US\$77
ncipal Life Income Fdgs Mtn			2,500	US\$100
incoa Global Fdg I Medium			2,200	US\$87
obobank Nederland			5,000	US\$199
oche Hldgs Inc.			2,000	US\$825
oche Hldgs Inc.			2,000	US\$106
oyal Bk of Scotland Plc			4,000	US\$111
oyal Bk of Scotland Plc			5,000	US\$149
oyal Bk Scotlnd Grp Plc 144A			9,450	US\$458
ell International Fin			700	US\$102
ell International Fin			1,200	US\$107
ell International Fin			2,000	US\$117
uthern Co.			600	US\$102
vereign Bancorp Fdic Gtd Tlg			2,200	US\$161
ate Str Corp.			7,020	US\$187
n Life Finl Global			4,400	US\$168
n Life Finl Global Fdg II Lp			1,500	US\$86
ncorp Metway Ltd.			8,800	US\$139
ncorp Metway Ltd.			2,000	US\$101
enska Handelsbanken AB			2,200	US\$133
vedbank AB			2,000	US\$104
vedbank Foreningssparbanken A			1,500	US\$146
va Pharma Fin III LLC			4,000	US\$108
os Ag Stamford CT			800	US\$103
S Central Federal Cred			4,800	US\$139
erizon Communications Inc.			1,500	US\$144
achovia Corp. New			1,400	US\$183
achovia Corp. New			4,000	US\$187
al Mart Stores Inc.			2,603	US\$155
ells Fargo + Company			2,000	US\$113
estfield Cap Corp. Ltd.			500	US\$105

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Westpac Banking Corp.		2,100	<del>2,551</del> 1
Westpac Banking Corp.		4,000	<del>4,510</del> 6
Westpac Banking Corp.		2,170	<del>2,568</del> 8
Westpac + Nz Banking Group	Held-to-maturity financial assets	20,000	<del>20,510</del> 0
Commonwealth Bank of Australia		25,000	<del>25,510</del> 0
Commonwealth Bank of Australia		25,000	<del>25,510</del> 0
J.P. Morgan Chase + Co.		25,000	<del>25,519</del> 8
Nationwide Building Society-UK		8,000	<del>8,510</del> 0
Government Guarantee			
Westpac Banking Corp.		25,000	<del>25,510</del> 0
Westpac Banking Corporation Govet Gtd		5,000	<del>5,510</del> 0
Agency bond			
U.S. Treasury	Available-for-sale financial assets	8,000	<del>7,519</del> 8
U.S. Treasury		3,770	<del>3,574</del> 4
U.S. Treasury		4,000	<del>4,510</del> 3
U.S. Treasury		4,000	<del>4,519</del> 9
U.S. Treasury		4,000	<del>4,526</del> 6
U.S. Treasury		3,000	<del>3,510</del> 0

(Continued)

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Table Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Pe Ow
Ln Pc Pool 1b2830		Available-for-sale financial assets	2,080	US\$ 2,186	
Ln Pc Pool 1g0115			2,247	US\$ 2,325	
Ln Pc Pool 1k1210			1,692	US\$ 1,736	
Ln Pc Pool 780741			1,951	US\$ 2,029	
Farm Cr Bks			2,000	US\$ 2,101	
Farm Credit Bank			1,000	US\$ 1,000	
Farm Credit Bank			4,000	US\$ 3,993	
Farm Credit Bank			5,000	US\$ 5,036	
Farm Credit Bank			2,200	US\$ 2,238	
Home Ln Bks			5,000	US\$ 5,097	
Home Ln Mtg Corp.			4,368	US\$ 4,337	
Home Ln Mtg Corp.			1,829	US\$ 1,916	
Home Ln Mtg Corp.			3,333	US\$ 3,506	
Home Ln Mtg Corp.			2,691	US\$ 2,770	
Home Ln Mtg Corp.			2,203	US\$ 2,297	
Home Ln Mtg Corp.			1,429	US\$ 1,449	
Home Ln Mtg Corp.			1,330	US\$ 1,347	
Home Ln Mtg Corp.			1,849	US\$ 1,921	
Home Ln Mtg Corp.			3,563	US\$ 3,755	
Home Ln Mtg Corp.			4,121	US\$ 4,254	
Home Ln Mtg Corp. Multi			2,663	US\$ 2,683	
Home Loan Bank			5,000	US\$ 4,998	
Home Loan Bank			10,000	US\$ 9,996	
Home Loan Bank			8,000	US\$ 7,995	
Home Loan Bank			5,000	US\$ 4,997	
Home Loan Bank			10,000	US\$ 10,003	
Home Loan Bank			5,000	US\$ 5,011	
Home Loan Bank			6,800	US\$ 6,819	
Home Loan Bank			8,000	US\$ 8,008	
Home Loan Bank			4,700	US\$ 4,716	
Home Loan Bank			8,400	US\$ 8,386	
Home Loan Bank			4,000	US\$ 4,003	
Home Loan Bank			8,000	US\$ 8,072	
Home Loan Bank			3,000	US\$ 3,011	
Home Loan Mortg			8,000	US\$ 8,140	
Home Loan Mtg Corp.			6,106	US\$ 6,082	
Home Loan Mtg Corp.			667	US\$ 672	
Home Loan Mtg Corp.			1,553	US\$ 1,547	
National Mort Assoc			1,314	US\$ 1,337	

National Mort Assoc	640	US\$ 644
Natl Mtg Assn	2,703	US\$ 2,733
Natl Mtg Assn Gtd	2,826	US\$ 2,920
Natl Mtg Assn Gtd Remi	2,475	US\$ 2,577
Natl Mtg Assn Gtd Remi	1,626	US\$ 1,653
Natl Mtg Assn Mtn	2,118	US\$ 2,184
Natl Mtg Assn Remic	1,918	US\$ 1,960
Natl Mtge Assn	1,769	US\$ 1,875
Jb	2,015	US\$ 2,098
Fa	4,536	US\$ 4,514
ol 745131	2,087	US\$ 2,166
ol 745688	1,719	US\$ 1,783
ol 790772	1,345	US\$ 1,400
ol 819649	2,076	US\$ 2,168
ol 829989	1,729	US\$ 1,798

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Table Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Pe Ow
Pool 846233		Available-for-sale financial assets	2,102	US\$ 2,155	
Pool 870884			1,913	US\$ 2,000	
Pool 879908			1,681	US\$ 1,749	
5 47 HA			2,275	US\$ 2,402	
5 60 CO			3,934	US\$ 3,925	
5 60 CO			2,020	US\$ 2,061	
9 70 NT			2,241	US\$ 2,378	
Mac			10,420	US\$ 10,406	
Mac			4,500	US\$ 4,488	
Mac			1,400	US\$ 1,400	
Mac			7,000	US\$ 6,994	
Mac			4,500	US\$ 4,517	
Mac			4,010	US\$ 4,038	
Pool 082431			1,972	US\$ 2,022	
8 9 SA			2,666	US\$ 2,668	
9 45 AB			6,103	US\$ 6,317	
ment bond					
States Treas Nts		Available-for-sale financial assets	3,250	US\$ 3,262	
asury N/B			35,900	US\$ 36,092	
asury N/B			21,000	US\$ 21,153	
asury N/B			26,000	US\$ 26,104	
asury N/B			2,170	US\$ 2,202	
asury Sec			4,400	US\$ 4,459	
De Financement De Lec		Held-to-maturity financial assets	15,000	US\$ 15,000	
market fund					
sh Mgmt Global Offshore		Available-for-sale financial assets	9,353	US\$ 9,353	

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

Financial Statement	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposition	
				Amount (In Thousands) (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (In Thousands) (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (In Thousands) (US\$ in Thousands)	Shares/Units (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			1,710,588		
	Financial assets carried at cost				7,347	US\$	50,000		
	Available-for-sale financial assets				4,430	US\$	4,834		
					4,000	US\$	3,985		
					3,500	US\$	3,515		
					3,500	US\$	3,979		
					2,900	US\$	3,121	1,000	US\$ 1,000
					3,400	US\$	3,548	3,400	US\$ 3,500
					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		
					3,500	US\$	3,500		
					2,925	US\$	3,235		
					4,020	US\$	4,021	4,020	US\$ 4,000
				5,000	US\$	4,996		5,000	US\$ 5,000
					10,000	US\$	10,094		



			6,000 US\$	6,040	
			4,800 US\$	4,768	4,000 US\$ 3,9
			5,000 US\$	5,360	
			4,000 US\$	4,291	
			2,500 US\$	2,500	
			6,000 US\$	6,000	
			4,000 US\$	4,000	
			4,000 US\$	4,000	
			5,000 US\$	5,000	
			6,000 US\$	6,000	
			4,330 US\$	4,781	
			2,900 US\$	3,142	
	1,800 US\$	1,796	4,300 US\$	4,302	
			5,000 US\$	5,014	

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Securities Type and Name	Financial Statement of (In Thousands)	Nature of Relationship (In Thousands)	Beginning Balance		Acquisition		Disposal (Note 2)			Gain (Loss) or Disposal (US\$ in Shares)
			Amount		Amount		Amount	Carrying Value	Gain (Loss) or Disposal	
			US\$	Thousands	US\$	Thousands				
			(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)	(In Thousands)	
Capital Corp. Fdic GT	Available-for-sale financial assets		US\$ 3,500	US\$ 3,634		US\$ 5,000	US\$ 3,801	US\$ 3,800	US\$ 1	3,800
ase + Co.				US\$ 5,000						5,000
entenbank				US\$ 3,800		US\$ 3,800				3,800
nk Plc Ser 144A				US\$ 4,850		US\$ 4,895				4,895
lobal Fdg II Mediu				US\$ 4,000		US\$ 3,926				3,926
nc.				US\$ 4,000		US\$ 4,066				4,066
+ Co. Inc.				US\$ 4,691		US\$ 4,603				4,603
Funding I				US\$ 5,000		US\$ 5,004				5,004
Funding I		2,100	US\$ 2,142	US\$ 2,575	US\$ 2,623	4,675	US\$ 4,757	US\$ 4,755	US\$ 2	4,755
y Dean Witter				US\$ 8,000	US\$ 8,796					8,796
				US\$ 3,000	US\$ 3,000					3,000
erland				US\$ 5,000	US\$ 4,997					4,997
otland Plc				US\$ 4,000	US\$ 4,015					4,015
		1,940	US\$ 1,920	US\$ 5,080	US\$ 5,065					5,065
rp.				US\$ 5,500	US\$ 5,585	5,500	US\$ 5,559	US\$ 5,585	US\$(26)	5,585
Global				US\$ 4,400	US\$ 4,304					4,304
ay Ltd.		5,000	US\$ 5,170	US\$ 3,800	US\$ 3,933					3,933
in III LLC				US\$ 4,000	US\$ 4,000					4,000
ng Corp.				US\$ 4,000	US\$ 4,044					4,044
	Held-to-maturity financial assets			US\$ 20,000	US\$ 20,000					20,000
king Group				US\$ 25,000	US\$ 25,000					25,000
h Bank of Australia				US\$ 25,000	US\$ 25,000					25,000
h Bank of Australia				US\$ 25,000	US\$ 25,000					25,000
se + Co.				US\$ 25,000	US\$ 25,000					25,000
ng Corp.				US\$ 25,000	US\$ 25,103					25,103
	Available-for-sale financial assets			US\$ 8,000	US\$ 7,995					7,995
				US\$ 3,770	US\$ 3,770					3,770
				US\$ 4,000	US\$ 4,014					4,014
				US\$ 4,000	US\$ 4,007					4,007
				US\$ 4,000	US\$ 4,011					4,011
Credit Bank				US\$ 4,020	US\$ 4,017	4,020	US\$ 4,023	US\$ 4,017	US\$ 6	4,017

Credit Bank		4,000	US\$	3,995						4.
Credit Bank		5,000	US\$	4,997						5.
Credit Bank		3,100	US\$	3,100	3,100	US\$	3,100	US\$	3,100	
Ln Bank	11,000	US\$	11,028		11,000	US\$	11,049	US\$	11,038	US\$ 11
Ln Bks				5,000	US\$	5,098				5.
Mtg Corp.	1,350	US\$	1,352	2,300	US\$	2,304	3,650	US\$	3,653	US\$ 3,656 US\$ (3)
Mtg Corp.				4,289	US\$	4,282	4,289	US\$	4,292	US\$ 4,282 US\$ 10
Mtg Corp.				4,717	US\$	4,719				4.
Mtg Corp.				3,840	US\$	4,027				3.
Mtg Corp.				3,720	US\$	3,953				3.
Mtg Corp.				4,121	US\$	4,261				4.
Mtg Corp. Multi				4,197	US\$	4,261				2.
Loan Bank				10,000	US\$	9,985				10.
Loan Bank				8,000	US\$	7,996				8.
Loan Bank				5,000	US\$	4,996				5.
Loan Bank				4,000	US\$	3,999	4,000	US\$	3,999	US\$ 3,999
Loan Bank	10,000	US\$	9,987				10,000	US\$	10,007	US\$ 9,996 US\$ 11
Loan Bank				10,000	US\$	9,998				10.
Loan Bank	8,000	US\$	7,992				8,000	US\$	8,009	US\$ 8,002 US\$ 7
Loan Bank				6,050	US\$	6,050	6,050	US\$	6,060	US\$ 6,050 US\$ 10

(Continued)

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Financial Statement	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Dispos	
				Amount		Shares/Units		Amount	
				(In	(US\$	(In	(US\$	(In	(US\$
				Thousands)	Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
				(In	in	(In	in	(In	in
				Thousands)	Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
				(Note 1)					
				US\$	US\$	US\$	US\$	US\$	US\$
				5,000	5,009	6,800	6,811	8,000	7,990
				10,000	US\$ 10,012	8,000	US\$ 7,990	10,000	US\$ 10,04
				11,200	US\$ 11,186	1,500	US\$ 1,498	4,300	US\$ 4,29
						4,000	US\$ 4,012		
						8,000	US\$ 8,082		
						8,000	US\$ 8,193		
						6,397	US\$ 6,394		
				4,000	US\$ 4,228			4,000	US\$ 4,20
						3,426	US\$ 3,494		
						3,343	US\$ 3,466		
						4,686	US\$ 4,681		
						3,123	US\$ 3,261		
						4,092	US\$ 4,090		
						10,420	US\$ 10,412		
						8,000	US\$ 8,002	6,600	US\$ 6,59
						7,000	US\$ 6,994		
						4,500	US\$ 4,507		
						4,010	US\$ 4,024		
						7,004	US\$ 7,305		
						24,000	US\$ 24,116	24,000	US\$ 24,10
						45,070	US\$ 45,309	41,820	US\$ 41,99
						43,900	US\$ 43,832	8,000	US\$ 8,03
						53,000	US\$ 53,069	32,000	US\$ 32,16
						16,800	US\$ 16,889	16,800	US\$ 16,89
						26,000	US\$ 25,932		
				21,400	US\$ 21,394			21,400	US\$ 21,48
				37,700	US\$ 39,012			37,700	US\$ 38,78
						8,000	US\$ 8,040	8,000	US\$ 8,02
						10,000	US\$ 10,040	10,000	US\$ 10,04
						4,400	US\$ 4,380		
				8,858	US\$ 8,858	247,559	US\$ 247,559	247,064	US\$ 247,06

Available-for-sale  
financial assets

Available-for-sale  
financial assets

4,500 US\$ 4,489

4,500 US\$ 4,489

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

Note 2: The data for marketable securities disposed exclude bonds maturities.

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 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 SIX MONTHS ENDED JUNE 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction Owner	Related Counter-party Relationships	Transfer Date	Price Amount	Reference
January 28, 2010 to June 6, 2010	\$ 726,279	By the construction progress	China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
January 28, 2010 to June 5, 2010	352,693	By the construction progress	Fu Tsu Construction Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
February 19, 2010 to June 7, 2010	923,031	By the construction progress	Da Cin Constructure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
February 25, 2010 to June 6, 2010	127,058	By the construction progress	Tasa Construction Corporation		N/A	N/A	N/A	N/A	Public bidding

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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 SIX MONTHS ENDED JUNE 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Abnormal Transaction		No I I Er Ba \$ 24,
			Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	
MC North America	Subsidiary	Sales	\$ 102,705,311	52	Net 30 days after invoice date			
MC	Investee with a controlling financial interest	Sales	933,297	1	Net 30 days after monthly closing			
S	Investee accounted for using equity method	Sales	112,124		Net 30 days after monthly closing			
ferTech	Indirect subsidiary	Purchases	3,743,351	17	Net 30 days after monthly closing			(
MC China	Subsidiary	Purchases	3,691,579	16	Net 30 days after monthly closing			(
MC	Investee accounted for using equity method	Purchases	2,211,401	10	Net 30 days after monthly closing			(
S	Investee accounted for using equity method	Purchases	2,094,567	9	Net 30 days after monthly closing			(
MC North America	Same parent company	Purchases	351,210	18	Net 30 days after invoice date/net 30 days after monthly closing			
niVision	Parent company of director (represented for Xintec)	Sales	1,381,817	68	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**  
**JUNE 30, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue	Action Taken	Amount	Allowance
				Days (Note 1)			Amounts	Received in
							Subsequent	Bad
							Period	Debts
TSMC	TSMC North America	Subsidiary	\$ 24,572,849	42	\$ 7,016,489		\$ 11,759,260	\$
	VIS	Investee accounted for using equity method	378,802	(Note 2)	16,304	Accelerate demand on account receivable		4,680
	GUC	Investee with a controlling financial interest	351,414	58	3,644	Accelerate demand on account receivable		
Xintec	OmniVision	Parent company of director (represented for Xintec)	247,638	42	65			102,057

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 INVESTEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 JUNE 30, 2010**

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

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2010		Carrying Value (Foreign Currencies in Thousands)
			June 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	
	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 46,004,067
	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	34,361,272
	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	9,233,879
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,727,380
	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		75,316	20	6,225,880
	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	3,134,321
	Cayman Islands	Investing in new start-up technology companies	3,413,751	1,703,163		99	2,890,551

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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		2,800,334	
	Taoyuan, Taiwan	Wafer level chip size packaging service		1,357,890		1,357,890	93,081	41		1,576,835	
	Cayman Islands	Investing in new start-up technology companies		1,166,470		1,093,943		98		1,128,923	
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits		386,568		386,568	46,688	35		1,000,709	
ce	Cayman Islands	Investing in new start-up technology companies		965,414		959,044		99		315,832	
	Amsterdam, the Netherlands	Marketing and engineering supporting activities		15,749		15,749		100		156,985	
	Yokohama, Japan	Marketing activities		83,760		83,760	6	100		146,335	
	Seoul, Korea	Customer service and technical supporting activities		13,656		13,656	80	100		19,224	
	Delaware, U.S.A.	Investment activities	US\$	0.001	US\$	0.001	1	100	US\$	368,023	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\$	73,240	US
	Cayman Islands	Investing in new start-up technology companies	US\$	7,680	US\$	7,680	7,680	97	US\$	27,132	US
	Cayman Islands	Investing in new start-up technology companies	US\$	21,415	US\$	21,415	21,415	97	US\$	16,853	US
gy	Delaware, U.S.A.	Engineering support activities	US\$	0.001	US\$	0.001	1	100	US\$	9,452	US
	Ontario, Canada	Engineering support activities	US\$	2,300	US\$	2,300	2,300	100	US\$	3,392	US
)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$	800	US\$	800	5,333	70	US\$		US
)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$	1,000	US\$	1,000	1,000	10	US\$	692	US



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Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2010		
		June 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)
Kingston, 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\$ 182,000
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\$ 1,000
Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 2,206	US\$ 1,777	5,623	43	US\$ 1,000
Cayman Islands	Investing in new start-up technology companies	US\$ 1,650	US\$ 1,550		100	US\$ 1,000
Ware, U.S.A.	Investing in new start-up technology companies				62	
Ware, U.S.A.	Investing in new start-up technology companies				31	
A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	\$ 40,000
n	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,000
Sh Virgin Islands	Investment activities	US\$ 550	US\$ 550	550	100	9,000
Netherlands	Consulting services in main products	EUR 100	EUR 100		100	4,000
Shanghai, China	Consulting services in main products	US\$ 500			100	8,000
Ware, 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  
unaudited  
financial  
statements.

(Concluded)

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

Investor Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows	Accumulated Outflow of Investment from Taiwan as of June 30, 2010	Percentage of Ownership
				(US\$ in thousand)	Outflow	Inflow	
TSMC	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$ 12,180,367 (RMB 3,070,623)	(Note 1)	\$ 12,180,367 (US\$ 371,000)	\$	\$ 12,180,367 (US\$ 371,000)	100%
GUC	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 June 30, 2010</b>		<b>Investment Amounts Authorized by Investment Commission, MOEA</b>		<b>Upper Limit on Investment</b>	
		(US\$ in Thousand)		(US\$ in Thousand)		(US\$ in Thousand)	
TSMC		\$ 12,180,367 (US\$ 371,000)		\$ 12,180,367 (US\$ 371,000)		\$ 12,180,367 (US\$ 371,000)	
GUC		16,160 (US\$ 500)		16,160 (US\$ 500)		1,702,006 (Note 5)	

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

TSMC China.

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

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

Note 4: Equity in earnings/losses was determined based on the unaudited financial statements.

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



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

A. For the six months ended June 30, 2010

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statements Item	Amount	
0	TSMC	TSMC North America	1	Sales	\$ 102,705,311	51%
				Receivables from related parties	24,563,831	4%
				Other receivables from related parties	9,018	
				Payables to related parties	8,256	
		TSMC China	1	Sales	1,883	
				Purchases	3,691,579	2%
				Marketing expenses - commission	25,404	
				Purchase of property, plant, and equipment	63,525	
				Sales of property, plant, and equipment	11,224	
				Gain on disposal of property, plant and equipment	33,081	
				Technical service income	3,151	
				Other receivables from related parties	13,836	
				Payables to related parties	899,850	
				Deferred debits	13,887	
		TSMC Japan	1	Marketing expenses - commission	128,234	
				Payables to related parties	28,315	
		TSMC Europe	1	Marketing expenses - commission	206,214	
				Research and development expenses	12,477	
				Payables to related parties	40,274	
		TSMC Korea	1	Marketing expenses - commission	10,139	
				Payables to related parties	2,623	

GUC	1	Sales	933,297	
		Receivables from related parties	258,159	
		Other receivables from related parties	93,255	
TSMC Technology	1	Research and development expenses	289,788	
		Payables to related parties	118,085	
WaferTech	1	Sales	2,718	
		Purchases	3,743,351	2%
		Purchase of property, plant, and equipment	9,624	
		Sales of property, plant, and equipment	9,655	
		Gain on disposal of property, plant and equipment	9,643	
		Other receivables from related parties	13,069	
		Payables to related parties	750,706	
Xintec	1	Manufacturing overhead	113,104	
		Other receivables from related parties	9,292	
		Payables to related parties	46,704	
TSMC Canada	1	Research and development expenses	95,047	
		Payables to related parties	16,472	

(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 Statements Item	Amount	
1	GUC	TSMC North America	3	Purchases	\$ 351,210	
				Manufacturing overhead	103,202	
				Payables to related parties	55,635	
		GUC-NA	3	Manufacturing overhead	14,602	
				Operating expenses	77,162	
				Accrued expense	14,974	
		GUC-Japan	3	Operating expenses	22,024	
				Accrued expense	4,155	
		GUC-Europe	3	Operating expenses	1,295	
		GUC-Shanghai	3	Operating expenses	8,619	

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.



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B. For the six months ended June 30, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statement Item	Intercompany Transactions			
					Amount	Percentage of Consolidated Total Gross Sales or Total Assets		
0	TSMC	TSMC North America	1	Sales	\$ 61,280,891	52%		
				Receivables from related parties	18,436,885	3%		
				Other receivables from related parties	7,844			
				Payables to related parties	6,493			
				TSMC China	1	Sales	31,219	1%
				Purchases		1,288,201		
				Gain on disposal of property, plant and equipment		93,444		
				Technical service income		3,742		
				Other receivables from related parties		136,106		
				Payables to related parties		365,620		
		Deferred credits	90,452					
		TSMC Japan	1	Marketing expenses - commission	104,755			
		Payables to related parties		55,881				
		TSMC Europe	1	Marketing expenses - commission	151,844			
		Research and development expenses		6,475				
		Payables to related parties		36,465				
		TSMC Korea	1	Marketing expenses - commission	6,336			
		Payables to related parties		1,164				
		GUC	1	Sales	803,180	1%		
		Research and development expenses		18,014				
Receivables from related parties	279,729							
Other receivables from related parties	153,874							
TSMC Technology	1	Research and development expenses		179,751				

			Payables to related parties	123,536	
	WaferTech	1	Sales	2,935	
			Purchases	2,012,386	2%
			Other receivables from related parties	14,732	
			Payables to related parties	480,794	
	Xintec	1	Proceeds from disposal of property, plant and equipment	58,450	
			Other receivables from related parties	70,823	
	TSMC Canada	1	Research and development expenses	76,380	
			Other receivables from related parties	12,853	
GUC	TSMC North America	3	Purchases	391,623	
1			Manufacturing overhead	175,373	
			Payables to related parties	179,010	
	GUC-NA	3	Operating expenses	74,761	
			Accrued expenses	11,637	
	GUC-Japan	3	Operating expenses	19,527	
			Accrued expenses	3,071	
	GUC-Europe	3	Operating expenses	5,234	
			Accrued expenses	2,518	

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

No. 3 represents the transactions between subsidiaries.

Note 2: The sales prices and payment terms of intercompany sales are not significantly different from

those to third  
parties. For  
other  
intercompany  
transactions,  
prices and terms  
are determined  
in accordance  
with mutual  
agreements.

(Concluded)

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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: August 23, 2010

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