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 þ Form 40-F o

(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 o No þ

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

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

	2010		2009	
	Amount	**%**	**Amount**	**%**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 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	
Total current assets	212,290,937	32	234,393,389	41
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)				
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	
Total long-term investments	120,788,923	18	116,268,926	21
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)				
Cost				
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

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
INTANGIBLE ASSETS				
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
OTHER ASSETS				
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
TOTAL	$ 663,247,918	100	$ 569,178,275	100

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

	2010		2009	
	Amount	**%**	**Amount**	**%**
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES				
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
Total current liabilities	161,224,769	24	125,191,206	22
LONG-TERM LIABILITIES				
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	
Total long-term liabilities	4,661,390	1	5,090,724	1
OTHER LIABILITIES				
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	
Total other liabilities	4,677,375	1	5,134,850	1
Total liabilities	170,563,534	26	135,416,780	24
CAPITAL STOCK NT$10 PAR VALUE (Note 20)				

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 Amount	%	2009 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

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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	%
NON-OPERATING EXPENSES AND LOSSES				
Casualty loss (Note 9)	$ 194,137		$	
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	
Total non-operating expenses and losses	350,299		3,489,150	3
INCOME BEFORE INCOME TAX	77,249,715	40	27,090,371	25
INCOME TAX EXPENSE (Notes 2 and 18)	3,304,682	1	1,089,852	1
NET INCOME	$ 73,945,033	39	$ 26,000,519	24

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT$, Note 22)				
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)

l Stock	Common Stock		To Be Issued			Retained Earnings				Othe
s ids)	Amount	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	I
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					
									(24,334)
919	9,189			19,673					

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)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
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
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(98,190,906)	(12,638,153)
Held-to-maturity financial assets		(662,685)

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

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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)

	2010	2009
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)
CASH FLOWS FROM FINANCING ACTIVITIES		
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)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,810,597	33,265,901
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	117,043,543	138,208,360
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 131,854,140	$ 171,474,261
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 145,179	$ 351,803
Income tax paid	$ 9,452,574	$ 7,694,716
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
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.

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

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.

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

	June 30	
	2010	2009
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

	June 30	
	2010	2009
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:

	Maturity Date	Contract Amount (In Thousands)
June 30, 2010		
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

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (In Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
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$29,739 thousand and a net loss of NT$42,347 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30 2010	June 30 2009
Corporate bonds	$ 1,039,916	$ 1,035,686

7. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30 2010	June 30 2009
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:

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
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:

	Six Months Ended June 30 2010	2009
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:

	Six Months Ended June 30 2010	2009
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

	June 30 2010	2009
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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10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2010		2009	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
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
	$ 115,722,527		$ 106,116,192	

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:

	Six Months Ended June 30	
	2010	2009
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:

	Six Months Ended June 30	
	2010	2009
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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Six Months Ended June 30, 2010				
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Balance, End of Period
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					

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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	Six Months Ended June 30, 2009				
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Balance, End of Period
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

	Six Months Ended June 30, 2010			
	Balance, Beginning of Period	Additions	Amortization	Balance, End of Period
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

	Six Months Ended June 30, 2009			
	Balance, Beginning of Period	Additions	Amortization	Balance, End of Period

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

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

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15. BONDS PAYABLE

	June 30	
	2010	2009
Domestic unsecured bonds:		
Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually	$ 4,500,000	$ 4,500,000

16. OTHER LONG-TERM PAYABLES

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

Year of Payment	Amount
2010 (3rd and 4th 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:

	Six Months Ended June 30	
	2010	2009
The Fund		
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
Accrued pension cost		
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:

	Six Months Ended June 30	
	2010	2009
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:

	Six Months Ended June 30	
	2010	2009
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)

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:

	June 30	
	2010	**2009**
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:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
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:

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

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19. LABOR COST, DEPRECIATION AND AMORTIZATION

	Six Months Ended June 30, 2010		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
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

	Six Months Ended June 30, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
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

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:

	June 30	
	2010	**2009**
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
	$ 55,566,995	$ 55,331,535

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:

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

TSMC s profit sharing to employees to be paid in cash and bonus to directors in the amounts of NT$6,691,338 thousand and NT$67,692 thousand for 2009, respectively, and profit sharing to employees to be paid in cash and in stock as well as bonus to directors in the amounts of NT$7,494,988 thousand, NT$7,494,988 thousand and NT$158,080 thousand for 2008, respectively, had been approved in the shareholders meeting held on June 15, 2010 and June 10, 2009, respectively. The profit sharing to employees in stock of 141,870 thousand shares for 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.

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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:

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
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 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:

Range of Exercise Price (NT$)	Number of Options (In Thousands)	Options Outstanding Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT$)
$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

	Six Months Ended June 30 2010	2009
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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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.

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:

	Six Months Ended June 30, 2010		
	From Available-for-sale Financial Assets	Equity-method Investments	Total
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

	Six Months Ended June 30, 2009		
	From Available-for-sale Financial Assets	Equity-method Investments	Total
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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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:

	2010		2009	
	Amount	**%**	**Amount**	**%**
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

	2010		2009	
	Amount	%	Amount	%
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

	2010		2009	
	Amount	**%**	**Amount**	**%**
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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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 (3rd and 4th 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.

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:

	Maturity Date	Contract Amount (In Thousands)
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:

Hedging Financial	Expected Cash Flow	Expected Timing for the Recognition of Gains

Hedged Item	Instrument	Fair Value June 30, 2010	Generated Period	or Losses from Hedge
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 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 1

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES HELD
JUNE 30, 2010
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

				June 30,	
rketable Securities Type and Name	**Relationship with the Company**	**Financial Statement Account**	**Shares/Units (In Thousands)**	**Carrying Value (US$ in Thousands)**	**Pe O**
porate bond					
wan Mobile Co., Ltd.		Available-for-sale financial assets		$ 1,039,961	
mosa Petrochemical Corporation		Held-to-maturity financial assets		2,190,008	
Ya Plastics Corporation		″		2,000,939	
wan Power Company		″		1,908,207	
na Steel Corporation		″		1,509,791	
mosa Plastics Corporation		″		1,151,571	
C Corporation, Taiwan		″		500,001	
pei Fubon Commercial Bank Co., Ltd.		″		299,715	
ck					
MC Global	Subsidiary	Investments accounted for using equity method	1	46,004,067	
MC Partners	Subsidiary	″	988,268	34,361,272	
.	Investee accounted for using equity method	″	628,223	9,233,879	
MC	Investee accounted for using equity method	″	314	6,727,380	
tech	Investee accounted for using equity method	″	75,316	6,225,880	
MC North America	Subsidiary	″	11,000	2,800,334	
tec	Investee with a controlling financial interest	″	93,081	1,576,835	
C	Investee with a controlling financial interest	″	46,688	1,000,709	
MC Europe	Subsidiary	″		156,985	
MC Japan	Subsidiary	″	6	146,335	
MC Korea	Subsidiary	″	80	19,224	
ted Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	
n-Etsu Handotai Taiwan Co., Ltd.		″	10,500	105,000	
K. Technology Fund IV		″	4,000	40,000	
d					

rizon Ventures Fund		Financial assets carried at cost		103,992
nson Asia Capital		″		55,259
ital				
MC China	Subsidiary	Investments accounted for using equity method		3,134,321
AF III	Subsidiary	″		2,890,551
AF II	Subsidiary	″		1,128,923
erging Alliance	Subsidiary	″		315,832
porate bond				
neral Elec Cap Corp. Mtn		Held-to-maturity financial assets	US$	20,416
neral Elec Cap Corp. Mtn		″	US$	20,181

(Continued)

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US$ in 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
JP 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					
VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method			
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
Impinj, 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)

June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Pe… Ov…
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)

June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying 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)

June 30,

ne	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Per Ow
	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)

June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)		Pe Ov
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	

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 Government Guarantee	″	8,000	US$ 8,000
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)

June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Pe Ov
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

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June 30,

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Pe Ov
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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TABLE 2

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 Shares/Units (In Thousands)	Beginning Balance Amount (US$ in Thousands)	Acquisition Shares/Units (In Thousands) (Note 1)	Acquisition Amount (US$ in Thousands)	Disp Shares/Units (In Thousands)	Disp Amou (US$ i Thousan
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$1,0
2					3,400	US$ 3,548	3,400	US$3,5
2					5,000	US$ 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$4,0
2			5,000	US$ 4,996			5,000	US$5,0
2					10,000	US$ 10,094		
2					6,000	US$ 6,040		

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			