

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2010 and 2009 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

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

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

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

October 21, 2010

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 132,268,758	20	\$ 156,935,077	28	Short-term loans (Note 15)	\$ 37,910,282	6	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	20,360	-	370,669	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	74,741	-	97	-
Available-for-sale financial assets (Notes 2, 6 and 25)	29,320,698	5	14,638,990	3	Hedging derivative financial liabilities (Notes 2, 11 and 25)	1,065	-	-	-
Held-to-maturity financial assets (Notes 2, 7 and 25)	5,598,471	1	8,374,389	2	Accounts payable	11,474,968	2	9,593,847	2
Receivables from related parties	11,295	-	987	-	Payables to related parties (Note 26)	1,617,629	-	1,039,482	-
Notes and accounts receivable	54,754,753	8	45,421,657	8	Income tax payable (Notes 2 and 20)	5,303,113	1	5,749,028	1
Allowance for doubtful receivables (Notes 2 and 8)	(587,974)	-	(535,383)	-	Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	8,310,705	1	8,680,353	2
Allowance for sales returns and others (Notes 2 and 8)	(6,796,624)	(1)	(9,006,496)	(2)	Payables to contractors and equipment suppliers	26,644,580	4	15,666,356	3
Other receivables from related parties (Note 26)	204,665	-	183,946	-	Accrued expenses and other current liabilities (Notes 18, 25 and 29)	17,028,193	2	13,971,034	2
Other financial assets (Note 27)	1,017,211	-	3,165,465	1	Current portion of long-term bank loans (Notes 17, 25 and 27)	870,663	-	308,525	-
Inventories (Notes 2, 3 and 9)	26,663,415	4	19,176,052	4	Total current liabilities	109,235,939	16	55,008,722	10
Deferred income tax assets (Notes 2 and 20)	2,201,161	-	4,531,774	1	LONG-TERM LIABILITIES				
Prepaid expenses and other current assets	1,960,989	-	983,812	-	Bonds payable (Notes 16 and 25)	4,500,000	1	4,500,000	1
Total current assets	246,637,178	37	244,240,939	45	Long-term bank loans (Notes 17, 25 and 27)	362,952	-	1,418,469	-
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 12 and 25)					Other long-term payables (Notes 18, 25 and 29)	6,827,878	1	8,342,346	2
Investments accounted for using equity method	25,298,067	4	17,587,438	3	Obligations under capital leases (Notes 2, 13 and 25)	707,047	-	707,050	-
Available-for-sale financial assets	1,036,502	-	1,329,853	-	Total long-term liabilities	12,397,877	2	14,967,865	3
Held-to-maturity financial assets	8,984,875	1	16,473,164	3	OTHER LIABILITIES				
Financial assets carried at cost	4,464,801	1	3,162,849	1	Accrued pension cost (Notes 2 and 19)	3,803,882	1	3,776,757	1
Total long-term investments	39,784,245	6	38,553,304	7	Guarantee deposits (Note 29)	836,908	-	1,157,131	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13, 26 and 27)					Deferred credits	131,790	-	225,577	-
Cost					Others	241,576	-	134,395	-
Land and land improvements	916,213	-	938,509	-	Total other liabilities	5,014,156	1	5,293,860	1
Buildings	145,349,549	22	141,644,558	26	Total liabilities	126,647,972	19	75,270,447	14
Machinery and equipment	898,675,883	135	736,712,546	136	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Office equipment	14,414,922	2	13,165,301	2	Capital stock - \$10 par value (Note 22)				
Leased assets	713,821	-	714,012	-	Authorized: 28,050,000 thousand shares				
	1,060,070,388	159	893,174,926	164	Issued: 25,907,344 thousand shares in 2010	259,073,440	39	259,006,623	48
Accumulated depreciation	(753,541,185)	(113)	(675,028,153)	(124)	25,900,662 thousand shares in 2009	55,634,070	8	55,439,919	10
Advance payments and construction in progress	42,650,005	6	18,669,251	4	Capital surplus (Notes 2 and 22)				
Net property, plant and equipment	349,179,208	52	236,816,024	44	Retained earnings (Note 22)				
INTANGIBLE ASSETS					Appropriated as legal capital reserve	86,239,494	13	77,317,710	14
Goodwill (Note 2)	5,835,954	1	5,954,477	1	Appropriated as special capital reserve	1,313,047	-	-	-
Deferred charges, net (Notes 2 and 14)	6,218,321	1	6,060,452	1	Unappropriated earnings	137,506,581	21	71,898,923	13
Total intangible assets	12,054,275	2	12,014,929	2	Others (Notes 2, 11 and 25)	225,059,122	34	149,216,633	27
OTHER ASSETS					Cumulative translation adjustments	(3,761,669)	(1)	(1,272,298)	-
Deferred income tax assets (Notes 2 and 20)	10,414,275	2	7,196,676	1	Unrealized gain on financial instruments	518,669	-	494,421	-
Refundable deposits	9,099,831	1	2,789,170	1	Total equity attributable to shareholders of the parent	536,523,632	80	462,885,298	85
Others (Notes 2 and 27)	383,037	-	286,076	-	MINORITY INTEREST (Note 2)	4,380,445	1	3,741,373	1
Total other assets	19,897,143	3	10,271,922	2	Total shareholders' equity	540,904,077	81	466,626,671	86
TOTAL	\$ 667,552,049	100	\$ 541,897,118	100	TOTAL	\$ 667,552,049	100	\$ 541,897,118	100

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

(With Deloitte & Touche review report dated October 21, 2010)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

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

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2010		2009																					
	Amount	%	Amount	%																				
NON-OPERATING EXPENSES AND LOSSES																								
Interest expense	\$ 302,235	-	\$ 297,927	-																				
Casualty loss (Note 9)	190,992	-	-	-																				
Impairment of financial assets (Notes 2, 6, 12 and 25)	112,759	-	804,409	1																				
Equity in losses of equity method investees, net (Notes 2 and 10)	-	-	253,185	-																				
Foreign exchange loss, net (Note 2)	-	-	605,140	-																				
Others (Notes 2 and 25)	<u>230,314</u>	<u>-</u>	<u>148,200</u>	<u>-</u>																				
Total non-operating expenses and losses	<u>836,300</u>	<u>-</u>	<u>2,108,861</u>	<u>1</u>																				
INCOME BEFORE INCOME TAX	127,388,086	41	60,094,674	30																				
INCOME TAX EXPENSE (Notes 2 and 20)	<u>5,973,080</u>	<u>2</u>	<u>3,488,863</u>	<u>2</u>																				
NET INCOME	<u>\$ 121,415,006</u>	<u>39</u>	<u>\$ 56,605,811</u>	<u>28</u>																				
ATTRIBUTABLE TO:																								
Shareholders of the parent	\$ 120,884,560	39	\$ 56,551,787	28																				
Minority interest	<u>530,446</u>	<u>-</u>	<u>54,024</u>	<u>-</u>																				
	<u>\$ 121,415,006</u>	<u>39</u>	<u>\$ 56,605,811</u>	<u>28</u>																				
	<table border="1"> <thead> <tr> <th colspan="2">2010</th> <th colspan="2">2009</th> </tr> <tr> <th colspan="2">Income Attributable to Shareholders of the Parent</th> <th colspan="2">Income Attributable to Shareholders of the Parent</th> </tr> <tr> <th>Before Income Tax</th> <th>After Income Tax</th> <th>Before Income Tax</th> <th>After Income Tax</th> </tr> </thead> <tbody> <tr> <td><u>\$ 4.89</u></td> <td><u>\$ 4.67</u></td> <td><u>\$ 2.33</u></td> <td><u>\$ 2.19</u></td> </tr> <tr> <td><u>\$ 4.89</u></td> <td><u>\$ 4.66</u></td> <td><u>\$ 2.31</u></td> <td><u>\$ 2.18</u></td> </tr> </tbody> </table>		2010		2009		Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	<u>\$ 4.89</u>	<u>\$ 4.67</u>	<u>\$ 2.33</u>	<u>\$ 2.19</u>	<u>\$ 4.89</u>	<u>\$ 4.66</u>	<u>\$ 2.31</u>	<u>\$ 2.18</u>		
2010		2009																						
Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent																						
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<u>\$ 4.89</u>	<u>\$ 4.66</u>	<u>\$ 2.31</u>	<u>\$ 2.18</u>																					
EARNINGS PER SHARE (NT\$, Note 24)																								
Basic earnings per share	<u>\$ 4.89</u>	<u>\$ 4.67</u>	<u>\$ 2.33</u>	<u>\$ 2.19</u>																				
Diluted earnings per share	<u>\$ 4.89</u>	<u>\$ 4.66</u>	<u>\$ 2.31</u>	<u>\$ 2.18</u>																				

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

(With Deloitte & Touche review report dated October 21, 2010)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 120,884,560	\$ 56,551,787
Net income attributable to minority interest	530,446	54,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,505,818	60,537,339
Amortization of premium/discount of financial assets	25,208	6,613
Impairment of financial assets	112,759	804,409
Loss (gain) on disposal of available-for-sale financial assets, net	(192,877)	56,619
Gain on held-to-maturity financial assets redeemed by the issuer	-	(16,091)
Gain on disposal of financial assets carried at cost, net	(116,283)	(14,493)
Equity in losses (earnings) of equity method investees, net	(1,608,430)	253,185
Cash dividends received from equity method investees	320,002	1,239,490
Loss (gain) on disposal of property, plant and equipment and other assets, net	(143,916)	6,351
Settlement income from receiving equity securities	(4,434,364)	-
Loss on impairment of idle assets	319	-
Deferred income tax	(256,824)	(1,122,247)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	240,437	(400,029)
Receivables from related parties	1,229	(580)
Notes and accounts receivable	(10,117,111)	(20,398,336)
Allowance for doubtful receivables	44,649	79,632
Allowance for sales returns and others	(1,927,857)	2,935,470
Other receivables from related parties	(83,373)	(84,028)
Other financial assets	794,787	(1,300,426)
Inventories	(5,749,664)	(4,299,407)
Prepaid expenses and other current assets	(677,574)	829,880
Increase (decrease) in:		
Accounts payable	1,055,181	4,369,663
Payables to related parties	834,622	549,625
Income tax payable	(3,497,136)	(3,582,797)
Accrued profit sharing to employees and bonus to directors and supervisors	1,492,362	805,611
Accrued expenses and other current liabilities	(3,078,054)	231,960
Accrued pension cost	6,850	75,173
Deferred credits	(53,899)	(201,353)
Net cash provided by operating activities	<u>158,911,867</u>	<u>97,967,044</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	\$(141,008,323)	\$ (45,070,370)
Available-for-sale financial assets	(41,358,621)	(20,375,729)
Held-to-maturity financial assets	(4,150,549)	(10,669,821)
Investments accounted for using equity method	(6,242,350)	(32,200)
Financial assets carried at cost	(1,753,712)	(270,609)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	31,520,283	20,509,336
Held-to-maturity financial assets	14,893,000	7,081,700
Financial assets carried at cost	222,416	93,684
Property, plant and equipment and other assets	133,091	6,892
Increase in deferred charges	(1,413,869)	(534,716)
Increase in refundable deposits	(6,366,688)	(21,971)
Increase in other assets	<u>(3,724)</u>	<u>(82,985)</u>
Net cash used in investing activities	<u>(155,529,046)</u>	<u>(49,366,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	37,910,282	-
Proceeds from long-term bank loans	-	287,865
Repayments of:		
Long-term bank loans	(283,850)	(183,710)
Bonds payable	-	(8,000,000)
Decrease in other long-term payables	(1,126,383)	-
Decrease in guarantee deposits	(185,115)	(327,364)
Proceeds from donation	49,021	-
Proceeds from exercise of employee stock options	150,760	190,995
Cash dividends	(77,708,120)	(76,876,312)
Decrease in minority interest	<u>(141,933)</u>	<u>(285,325)</u>
Net cash used in financing activities	<u>(41,335,338)</u>	<u>(85,193,851)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,952,517)	(36,593,596)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,055,066)	(1,085,079)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>171,276,341</u>	<u>194,613,752</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 132,268,758</u>	<u>\$ 156,935,077</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 318,542</u>	<u>\$ 525,575</u>
Income tax paid	<u>\$ 9,598,719</u>	<u>\$ 7,996,390</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

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

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

(With Deloitte & Touche review report dated October 21, 2010)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

1. GENERAL

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

As of September 30, 2010 and 2009, TSMC and its subsidiaries had 34,130 and 24,479 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

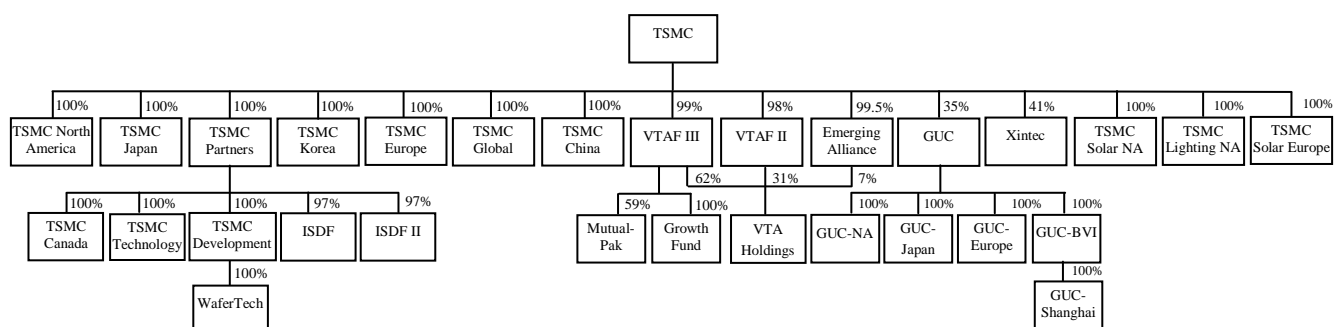
Principles of Consolidation

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

The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership September 30		Remark
		2010	2009	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	TSMC Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	99%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	35%	36%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	41%	TSMC obtained three out of five director positions and has a controlling interest in Xintec. Established in September 2010
	TSMC Solar North America, Inc. (TSMC Solar NA)	100%	-	Established in September 2010
	TSMC Lighting North America, Inc. (TSMC Lighting NA)	100%	-	Established in September 2010
TSMC Solar Europe B.V. (TSMC Solar Europe)	100%	-	Established in September 2010	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
	TSMC Technology, Inc. (TSMC Technology)	100%	100%	-
	TSMC Development, Inc. (TSMC Development)	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	-
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	-
TSMC Development	WaferTech, LLC (WaferTech)	100%	99.9%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	59%	51%	-
	Growth Fund Limited (Growth Fund)	100%	100%	-
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-
GUC	Global Unichip Corp.-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	100%	-
	Global Unichip (BVI) Corp. (GUC-BVI)	100%	100%	-
GUC-BVI	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	100%	-	Established in January 2010.

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of September 30, 2010:



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

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

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

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Hedging Derivative Financial Instruments

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

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

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Pension Costs

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

Income Tax

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

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

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

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

Stock-based Compensation

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

Profit Sharing to Employees and Bonus to Directors and Supervisors

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

Foreign-currency Transactions

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

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

Translation of Foreign-currency Financial Statements

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

3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standard (SFAS) No. 10, "Accounting for Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. Such changes in accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the nine months ended September 30, 2009.

4. CASH AND CASH EQUIVALENTS

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

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

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

The Company entered into derivative contracts during the nine months ended September 30, 2010 and 2009 to manage exposures due to fluctuations of foreign exchange rates. The above derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for the above derivative contracts.

Outstanding forward exchange contracts consisted of the following:

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

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
<u>September 30, 2010</u>			
October 2010	US\$90,000/NT\$2,830,540	0.46%	0.00%
<u>September 30, 2009</u>			
October 2009 to December 2009	US\$950,000/NT\$30,935,532	0.30%-1.00%	0.00%-0.61%

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

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

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

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

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

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

9. INVENTORIES

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

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

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

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

	Nine Months Ended September 30	
	2010	2009
Balance, beginning of period	\$ 1,391,500	\$ 1,990,621
Additions	2,055,660	-
Amortizations	<u>(707,631)</u>	<u>(449,341)</u>
Balance, end of period	<u>\$ 2,739,529</u>	<u>\$ 1,541,280</u>

Movements of the difference allocated to goodwill were as follows:

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

11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

**September 30,
2010**

Hedging derivative financial liabilities

Interest rate swap contract \$ 1,065

The Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates. As of September 30, 2010, the outstanding interest rate swap contract consisted of the following:

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

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

12. FINANCIAL ASSETS CARRIED AT COST

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

In June 2010, the Company invested in Stion Corporation (Stion, an United States corporation) for US\$50,000 thousand and obtained Stion's preferred stock of 7,347 thousand shares with 23.4% of ownership. Stion is engaged in the manufacturing of high-efficiency thin-film solar photovoltaic modules. Due to certain restrictions contained in the investment agreements, the Company does not have the ability to exert significant influence over Stion's operating and financial policy. Therefore, the investment was classified under financial assets carried at cost.

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

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

13. PROPERTY, PLANT AND EQUIPMENT

Nine Months Ended September 30, 2010						
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 934,090	\$ -	\$ -	\$ 324	\$ (18,201)	\$ 916,213
Buildings	142,294,558	3,353,817	(135,497)	4,414	(167,743)	145,349,549
Machinery and equipment	775,653,489	124,966,538	(1,226,898)	215,989	(933,235)	898,675,883
Office equipment	13,667,747	1,446,535	(673,085)	1,776	(28,051)	14,414,922
Leased asset	714,424	-	-	-	(603)	713,821
	<u>933,264,308</u>	<u>\$ 129,766,890</u>	<u>\$ (2,035,480)</u>	<u>\$ 222,503</u>	<u>\$ (1,147,833)</u>	<u>1,060,070,388</u>
Accumulated depreciation						
Land and land improvements	317,580	\$ 21,815	\$ -	\$ -	\$ (7,332)	332,063
Buildings	81,821,718	6,880,336	(128,466)	-	(106,283)	88,467,305
Machinery and equipment	600,795,474	55,052,858	(1,188,485)	132,823	(1,048,986)	653,743,684
Office equipment	10,589,349	860,766	(672,909)	(440)	(24,594)	10,752,172
Leased asset	219,765	26,483	-	-	(287)	245,961
	<u>693,743,886</u>	<u>\$ 62,842,258</u>	<u>\$ (1,989,860)</u>	<u>\$ 132,383</u>	<u>\$ (1,187,482)</u>	<u>753,541,185</u>
Advance payments and construction in progress	34,154,365	\$ 8,626,111	\$ (26,890)	\$ (98,914)	\$ (4,667)	42,650,005
	<u>\$ 273,674,787</u>					<u>\$ 349,179,208</u>
Nine Months Ended September 30, 2009						
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 953,857	\$ -	\$ -	\$ 1,830	\$ (17,178)	\$ 938,509
Buildings	132,249,996	9,768,373	(9,822)	66	(364,055)	141,644,558
Machinery and equipment	697,498,743	41,591,076	(1,176,786)	25,358	(1,225,845)	736,712,546
Office equipment	12,430,800	967,582	(189,608)	(5,201)	(38,272)	13,165,301
Leased asset	722,339	-	-	7,194	(15,521)	714,012
	<u>843,855,735</u>	<u>\$ 52,327,031</u>	<u>\$ (1,376,216)</u>	<u>\$ 29,247</u>	<u>\$ (1,660,871)</u>	<u>893,174,926</u>
Accumulated depreciation						
Land and land improvements	295,898	\$ 22,705	\$ -	\$ -	\$ (6,676)	311,927
Buildings	72,681,699	6,962,102	(9,823)	66	(176,627)	79,457,417
Machinery and equipment	535,962,291	51,017,742	(1,165,488)	2,565	(1,143,190)	584,673,920
Office equipment	9,693,809	911,478	(187,662)	(7,260)	(37,561)	10,372,804
Leased asset	182,570	27,285	-	7,194	(4,964)	212,085
	<u>618,816,267</u>	<u>\$ 58,941,312</u>	<u>\$ (1,362,973)</u>	<u>\$ 2,565</u>	<u>\$ (1,369,018)</u>	<u>675,028,153</u>
Advance payments and construction in progress	18,605,882	\$ 81,955	\$ -	\$ (22,342)	\$ 3,756	18,669,251
	<u>\$ 243,645,350</u>					<u>\$ 236,816,024</u>

The company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of September 30, 2010 are NT\$786,589 thousand.

14. DEFERRED CHARGES, NET

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

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

15. SHORT-TERM LOANS

**September 30,
2010**

Unsecured loans

US\$1,210,000 thousand, due in February 2011, annual interest at 0.39% - 1.84%

\$ 37,910,282

16. BONDS PAYABLE

September 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

17. LONG-TERM BANK LOANS

September 30

2010 2009

Secured loans

US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68%-0.83% in 2010 and 0.70%-0.97% in 2009

\$ 628,563

\$ 644,248

Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.18% in 2010 and 0.68%-2.70% in 2009

605,052

950,971

Repayable from December 2007 in 8 semi-annual installments, fully repaid in June 2010, annual interest at 1.11%-2.42%

-

131,775

1,233,615

1,726,994

Current portion

(870,663)

(308,525)

\$ 362,952

\$ 1,418,469

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

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

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

18. OTHER LONG-TERM PAYABLES

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

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

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

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

19. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$774,327 thousand and NT\$549,457 thousand for the nine months ended September 30, 2010 and 2009, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension costs of NT\$193,180 thousand and NT\$217,193 thousand for the nine months ended September 30, 2010 and 2009, respectively.

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

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

20. INCOME TAX

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

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

b. Income tax expense consisted of the following:

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

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

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

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

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

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

d. Integrated income tax information:

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

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2009 and 2008 were 9.85% and 9.10%, respectively.

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

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

f. As of September 30, 2010, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

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

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

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

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

21. LABOR COST, DEPRECIATION AND AMORTIZATION

	Nine Months Ended September 30, 2010		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 20,151,190	\$ 16,310,025	\$ 36,461,215
Labor and health insurance	728,802	555,298	1,284,100
Pension	580,208	387,299	967,507
Meal	436,489	177,435	613,924
Welfare	517,534	198,946	716,480
Other	<u>92,861</u>	<u>210,063</u>	<u>302,924</u>
	<u>\$ 22,507,084</u>	<u>\$ 17,839,066</u>	<u>\$ 40,346,150</u>
Depreciation	<u>\$ 58,880,734</u>	<u>\$ 3,949,325</u>	<u>\$ 62,830,059</u>
Amortization	<u>\$ 982,878</u>	<u>\$ 676,378</u>	<u>\$ 1,659,256</u>
	Nine Months Ended September 30, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 12,631,169	\$ 10,938,484	\$ 23,569,653
Labor and health insurance	509,889	422,070	931,959
Pension	444,923	321,727	766,650
Meal	324,895	143,092	467,987
Welfare	365,194	144,646	509,840
Other	<u>110,587</u>	<u>183,107</u>	<u>293,694</u>
	<u>\$ 14,386,657</u>	<u>\$ 12,153,126</u>	<u>\$ 26,539,783</u>
Depreciation	<u>\$ 55,879,597</u>	<u>\$ 3,049,516</u>	<u>\$ 58,929,113</u>
Amortization	<u>\$ 942,756</u>	<u>\$ 648,968</u>	<u>\$ 1,591,724</u>

22. SHAREHOLDERS' EQUITY

As of September 30, 2010, 1,096,448 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,482,242 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Additional paid-in capital	\$ 23,562,191	\$ 23,408,710
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	373,244	332,574
Donations	<u>55</u>	<u>55</u>
	<u>\$ 55,634,070</u>	<u>\$ 55,439,919</u>

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

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

TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

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

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

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

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

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

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal 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
	<u>\$ 87,942,951</u>	<u>\$ 86,990,281</u>		

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

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

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

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

23. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of September 30, 2010.

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

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

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

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

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

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

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

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

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

	Number of Options	Weighted-average Exercise Price (NT\$)
<u>Nine months ended September 30, 2010</u>		
Balance, beginning of period	3,810	\$ 83.4
Options exercised	(1,251)	14.1
Options canceled	<u>(354)</u>	136.9
Balance, end of period	<u><u>2,205</u></u>	114.0
<u>Nine months ended September 30, 2009</u>		
Balance, beginning of period	5,557	66.6
Options granted	87	13.8
Options exercised	(1,004)	10.8
Options canceled	<u>(287)</u>	53.8
Balance, end of period	<u><u>4,353</u></u>	75.8

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

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

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
\$ 8.3	156	0.25	\$ 8.3	156	\$ 8.3
15.3	679	0.92	15.3	679	15.3
175.0	<u>1,370</u>	3.25	175.0	<u>684</u>	175.0
	<u>2,205</u>	2.32	114.0	<u>1,519</u>	86.5

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

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

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>Nine months ended September 30, 2010</u>		
Balance, beginning of period	3,960	\$ 14.7
Options exercised	(1,440)	14.2
Options canceled	<u>(266)</u>	17.2
Balance, end of period	<u>2,254</u>	14.8
<u>Nine months ended September 30, 2009</u>		
Balance, beginning of period	7,442	14.8
Options exercised	(1,789)	13.5
Options canceled	<u>(754)</u>	16.5
Balance, end of period	<u>4,899</u>	14.8

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

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

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (In Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
\$12.2-\$ 14.1	1,124	6.04	\$ 12.5	974	\$ 12.2
15.2- 19.1	<u>1,130</u>	6.91	17.1	<u>357</u>	16.2
	<u>2,254</u>	6.48	14.8	<u>1,331</u>	13.3

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 2010 and 2009. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions at the various grant dates and pro forma results of the Company for the nine months ended September 30, 2010 and 2009 would have been as follows:

Assumptions:

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

Nine Months Ended September 30

	2010	2009
Net income attributable to shareholders of the parent:		
As reported	\$ 120,884,560	\$ 56,551,787
Pro forma	120,871,974	56,173,879
Earnings per share (EPS) - after income tax (NT\$):		
Basic EPS as reported	\$4.67	\$2.19
Pro forma basic EPS	4.67	2.18
Diluted EPS as reported	4.66	2.18
Pro forma diluted EPS	4.66	2.16

24. EARNINGS PER SHARE

EPS is computed as follows:

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

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing share, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation has been considered for the effect of retroactive adjustments. This adjustment caused each of the basic and diluted after income tax EPS for the nine months ended September 30, 2009 to remain at NT\$2.19 and NT\$2.18 respectively.

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
 - 2) Except for derivatives and structured time deposits, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
 - 3) The fair value of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
 - 5) Fair value of bonds payable was based on their quoted market price.
 - 6) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value of derivatives contracts which were outstanding as of September 30, 2010 and 2009 estimated using valuation techniques were recognized a net loss of NT\$54,381 thousand and a net gain of NT\$370,572 thousand, respectively.
- d. As of September 30, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$ 39,907,290 thousand and NT\$40,545,779 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$50,114,445 thousand and NT\$13,605,272 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,547,897 thousand and NT\$1,726,994 thousand, respectively.

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

Nine Months Ended September 30, 2010				
	From Available- for-sale Financial Assets	Equity Method Investments	Gain (Loss) on Cash Flow Hedges	Total
Balance, beginning of period	\$ 424,128	\$ 29,493	\$ -	\$ 453,621
Recognized directly in shareholders' equity	242,902	8,895	(434)	251,363
Removed from shareholders' equity and recognized in earnings	<u>(186,315)</u>	<u>-</u>	<u>-</u>	<u>(186,315)</u>
Balance, end of period	<u>\$ 480,715</u>	<u>\$ 38,388</u>	<u>\$ (434)</u>	<u>\$ 518,669</u>
Nine Months Ended September 30, 2009				
	From Available- for-sale Financial Assets	Equity Method Investments	Gain (Loss) on Cash Flow Hedges	Total
Balance, beginning of period	\$ (198,413)	\$ (88,929)	\$ -	\$ (287,342)
Recognized directly in shareholders' equity	418,581	95,757	-	514,338
Removed from shareholders' equity and recognized in earnings	<u>267,425</u>	<u>-</u>	<u>-</u>	<u>267,425</u>
Balance, end of period	<u>\$ 487,593</u>	<u>\$ 6,828</u>	<u>\$ -</u>	<u>\$ 494,421</u>

- f. Information about financial risks

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

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

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

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

26. RELATED PARTY TRANSACTIONS

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

- a. Investees of TSMC
- VIS (accounted for using equity method)
SSMC (accounted for using equity method)
- b. VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method by TSMC.
- c. Others:

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

	2010		2009	
	Amount	%	Amount	%
<u>For the nine months ended September 30</u>				
Sales				
VIS	\$ 190,016	-	\$ 107,607	-
VisEra	73,030	-	2,725	-
Others	<u>9,089</u>	<u>-</u>	<u>36</u>	<u>-</u>
	<u>\$ 272,135</u>	<u>-</u>	<u>\$ 110,368</u>	<u>-</u>

	2010		2009	
	Amount	%	Amount	%
Purchases				
VIS	\$ 3,664,124	2	\$ 2,446,687	2
SSMC	<u>3,383,596</u>	<u>2</u>	<u>2,530,044</u>	<u>2</u>
	<u>\$ 7,047,720</u>	<u>4</u>	<u>\$ 4,976,731</u>	<u>4</u>
Manufacturing expenses				
VisEra (primarily outsourcing and rent)	<u>\$ 77,695</u>	<u>-</u>	<u>\$ 55,443</u>	<u>-</u>
Research and development expenses				
VIS (primarily rent)	\$ 8,730	-	\$ 1,988	-
VisEra	7,198	-	306	-
Others	<u>110</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,038</u>	<u>-</u>	<u>\$ 2,294</u>	<u>-</u>
Sales of property, plant and equipment				
VIS	\$ 37,011	30	\$ -	-
VisEra	4,418	4	1,050	15
SSMC	<u>2,401</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 43,830</u>	<u>36</u>	<u>\$ 1,050</u>	<u>15</u>
Purchase of property, plant and equipment				
VIS	<u>\$ 15,865</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Non-operating incomes and gains				
VIS (primarily technical service income, see Note 29e)	\$ 226,256	2	\$ 179,168	5
SSMC (primarily technical service income, see Note 29d)	145,625	1	98,806	2
Others	<u>-</u>	<u>-</u>	<u>129</u>	<u>-</u>
	<u>\$ 371,881</u>	<u>3</u>	<u>\$ 278,103</u>	<u>7</u>
<u>As of September 30</u>				
Other receivables				
VIS	\$ 150,589	74	\$ 141,358	77
SSMC	49,752	24	42,588	23
Others	<u>4,324</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 204,665</u>	<u>100</u>	<u>\$ 183,946</u>	<u>100</u>
Payables				
VIS	\$ 1,124,109	69	\$ 761,346	73
SSMC	434,236	27	273,184	26
Others	<u>59,284</u>	<u>4</u>	<u>4,952</u>	<u>1</u>
	<u>\$ 1,617,629</u>	<u>100</u>	<u>\$ 1,039,482</u>	<u>100</u>

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

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

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

27. PLEDGED OR MORTGAGED ASSETS

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

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

28. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land, factory and office premises from the Science Park Administration and Jhongli Industrial Park Service Center. These operating leases expire on various dates from October 2010 to July 2030 and can be renewed upon expiration.

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

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

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

29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of September 30, 2010, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of September 30, 2010 TSMC had a total of US\$ 23,979 thousand of guarantee deposits.
- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. In August 2006, TSMC filed a lawsuit against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referred to as "SMIC") in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against TSMC in November 2006 with the Beijing People's High Court alleging defamation and breach of good faith. On June 10, 2009, the Beijing People's High Court ruled in favor of TSMC and dismissed SMIC's lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC's trade secrets. TSMC has subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant

government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment). TSMC has received the approval from the Investment Commission of Ministry of Economic Affairs and acquired the above mentioned common shares on July 5, 2010, representing approximately 7.37% of Semiconductor Manufacturing International Corporation's total shares outstanding, and recognized settlement income amounting to NT\$4,434,364 thousand.

- g. In June 2010, STC.UNM, the technology transfer arm of the University of New Mexico, filed a complaint in the US International Trade Commission (US ITC) accusing TSMC and one other company of allegedly infringing a single US patent. The US ITC has initiated an investigation in July 2010. The outcome of this investigation cannot be determined at this time.
- h. The Company entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$ 7,235,592 thousand and NT\$8,398,125 thousand as of September 30, 2010 and 2009, respectively, which is included in other long-term payables.
- i. Amounts available under unused letters of credit as of September 30, 2010 were NT\$ 112,443 thousand.

30. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;

- j. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Table 7 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2010

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC	<u>Corporate bond</u>							
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	\$ 1,036,502	N/A	\$ 1,036,502	
	Taiwan Power Company	-	Held-to-maturity financial assets	-	1,730,004	N/A	1,744,264	
	Formosa Petrochemical Corporation	-	"	-	1,639,288	N/A	1,653,850	
	China Steel Corporation	-	"	-	1,508,598	N/A	1,521,155	
	Nan Ya Plastics Corporation	-	"	-	1,303,204	N/A	1,345,262	
	Formosa Plastics Corporation	-	"	-	576,062	N/A	583,792	
	CPC Corporation, Taiwan	-	"	-	499,986	N/A	499,971	
	<u>Stock</u>							
	Semiconductor Manufacturing International Corporation	-	Available-for-sale financial assets	1,789,493	4,048,549	7	4,048,549	
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	44,892,711	100	44,892,711	
	TSMC Partners	Subsidiary	"	988,268	33,943,317	100	33,943,317	
	VIS	Investee accounted for using equity method	"	628,223	9,424,817	38	8,606,662	
	SSMC	Investee accounted for using equity method	"	314	6,890,171	39	6,462,772	
	Motech	Investee accounted for using equity method	"	76,069	6,533,432	20	4,382,382	
	TSMC North America	Subsidiary	"	11,000	2,827,009	100	2,827,009	
	Xintec	Investee with a controlling financial interest	"	93,081	1,618,701	41	1,599,842	
	GUC	Investee with a controlling financial interest	"	46,688	1,061,303	35	5,182,352	
	TSMC Europe	Subsidiary	"	-	182,022	100	182,022	
	TSMC Japan	Subsidiary	"	6	150,896	100	150,896	
	TSMC Solar Europe	Subsidiary	"	-	25,638	100	25,638	
	TSMC Solar NA	Subsidiary	"	1	24,717	100	24,717	
	TSMC Korea	Subsidiary	"	80	20,559	100	20,559	
	TSMC Lighting NA	Subsidiary	"	1	3,133	100	3,133	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	308,603	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	358,047	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	42,945	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	"	-	55,259	1	55,259	
	<u>Capital</u>							
	TSMC China	Subsidiary	Investments accounted for using equity method	-	3,654,158	100	3,662,459	
	VTAF III	Subsidiary	"	-	2,852,802	99	2,833,933	
VTAF II	Subsidiary	"	-	1,093,417	98	1,087,647		
Emerging Alliance	Subsidiary	"	-	320,426	99	320,426		
TSMC Partners	<u>Corporate bond</u>							
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US\$ 20,350	N/A	US\$ 21,303	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,161	N/A	US\$ 21,546	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Development	<u>Common stock</u> TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 386,744	100	US\$ 386,744	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 77,292	49	US\$ 77,292	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 24,529	97	US\$ 24,529	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	21,415	US\$ 17,413	97	US\$ 17,413	
	TSMC Technology	Subsidiary	"	1	US\$ 9,677	100	US\$ 9,677	
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,543	100	US\$ 3,543	
	Mcube Inc.	Investee accounted for using equity method	"	5,333	-	70	-	
	<u>Preferred stock</u> Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 214	10	US\$ 214	
	<u>Corporate bond</u> GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,245	N/A	US\$ 21,546	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,068	
Emerging Alliance	<u>Stock</u> WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 200,265	100	US\$ 200,265	
	<u>Common stock</u> RichWave Technology Corp.	-	Financial assets carried at cost	4,074	US\$ 1,545	10	US\$ 1,545	
	Global Investment Holding Inc.	-	"	11,124	US\$ 3,065	6	US\$ 3,065	
	<u>Preferred stock</u> Audience, Inc.	-	Financial assets carried at cost	1,654	US\$ 250	-	US\$ 250	
	Axiom Microdevices, Inc.	-	"	1,000	US\$ 13	1	US\$ 13	
	Next IO, Inc.	-	"	800	US\$ 500	1	US\$ 500	
	Optichron, Inc.	-	"	1,276	US\$ 1,145	2	US\$ 1,145	
	Pixim, Inc.	-	"	4,641	US\$ 1,137	2	US\$ 1,137	
	QST Holdings, LLC	-	"	-	US\$ 142	4	US\$ 142	
	<u>Capital</u> VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7	-	
VTAF II	<u>Common stock</u> Leadtrend	-	Available-for-sale financial assets	854	US\$ 3,747	2	US\$ 3,747	
	Aether Systems, Inc.	-	Financial assets carried at cost	1,600	US\$ 1,503	25	US\$ 1,503	
	RichWave Technology Corp.	-	"	1,267	US\$ 1,036	3	US\$ 1,036	
	Sentelic	-	"	1,806	US\$ 2,607	9	US\$ 2,607	
	<u>Preferred stock</u> 5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	
	Aquantia	-	"	3,974	US\$ 3,816	3	US\$ 3,816	
	Audience, Inc.	-	"	12,378	US\$ 2,378	3	US\$ 2,378	
	Beceem Communications	-	"	797	US\$ 1,701	1	US\$ 1,701	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Next IO, Inc.	-	"	3,795	US\$ 953	2	US\$ 953	
Optichron, Inc.	-	"	2,847	US\$ 2,825	4	US\$ 2,825		
Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878		
Power Analog Microelectronics	-	"	7,027	US\$ 3,383	19	US\$ 3,383		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	QST Holdings, LLC	-	Financial assets carried at cost	-	US\$ 593	13	US\$ 593	
	Xceive	-	"	4,210	US\$ 1,554	3	US\$ 1,554	
	<u>Capital</u> VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
	<u>Common stock</u> Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 1,461	59	US\$ 1,461	
	Aiconn Technology Corporation	Investee accounted for using equity method	"	5,623	US\$ 682	43	US\$ 682	
	<u>Preferred stock</u> Auramicro, Inc.	-	Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408	
	BridgeLux, Inc.	-	"	6,113	US\$ 7,781	4	US\$ 7,781	
	Exclara, Inc.	-	"	21,587	US\$ 4,568	18	US\$ 4,568	
	GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	InvenSense, Inc.	-	"	816	US\$ 1,000	1	US\$ 1,000	
	LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800	
	Neoconix, Inc.	-	"	3,283	US\$ 4,608	6	US\$ 4,608	
	Powervation, Ltd.	-	"	310	US\$ 4,678	16	US\$ 4,678	
	Quellan, Inc.	-	"	3,106	US\$ 369	N/A	US\$ 369	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	-	US\$ 1,208	
	Stion Corp.	-	"	7,347	US\$ 50,000	23	US\$ 50,000	
	Tilera, Inc.	-	"	3,222	US\$ 2,781	2	US\$ 2,781	
Validity Sensors, Inc.	-	"	9,340	US\$ 3,456	4	US\$ 3,456		
Growth Fund	<u>Capital</u> Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 829	100	US\$ 829	
	VTA Holdings	Subsidiary	"	-	-	62	-	
	<u>Common stock</u> SiliconBlue Technologies, Inc.	-	Financial assets carried at cost	5,107	US\$ 762	1	US\$ 762	
	Staccato	-	"	10	US\$ 25	-	US\$ 25	
ISDF	<u>Common stock</u> Integrated Memory Logic, Inc.	-	Available-for-sale financial assets	4,838	US\$ 18,496	7	US\$ 18,496	
	Memic, Inc.	-	"	1,286	US\$ 3,060	5	US\$ 3,060	
	Capella Microsystems (Taiwan), Inc.	-	"	372	US\$ 2,108	1	US\$ 2,108	
ISDF II	<u>Preferred stock</u> IP Unity, Inc.	-	Financial assets carried at cost	1,008	US\$ 290	1	US\$ 290	
	Sonics, Inc.	-	"	230	US\$ 497	2	US\$ 497	
	<u>Common stock</u> Memic, Inc.	-	Available-for-sale financial assets	1,072	US\$ 2,552	5	US\$ 2,552	
	Capella Microsystems (Taiwan), Inc.	-	"	374	US\$ 2,118	1	US\$ 2,118	
	Alchip Technologies Limited	-	Financial assets carried at cost	7,520	US\$ 3,664	15	US\$ 3,664	
	Sonics, Inc.	-	"	278	US\$ 10	3	US\$ 10	
	EON Technology, Corp.	-	"	409	US\$ 113	1	US\$ 113	
	Goyatek Technology, Corp.	-	"	932	US\$ 545	6	US\$ 545	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u> FangTek, Inc.	-	Financial assets carried at cost	1,032	US\$ 686	6	US\$ 686	
Sonics, Inc.	-	"	264	US\$ 456	3	US\$ 456		

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
GUC	<u>Common stock</u> GUC-NA	Subsidiary	Investments accounted for using equity method	800	\$ 59,576	100	\$ 59,576	
	GUC-Japan	Subsidiary	"	1	14,969	100	14,969	
	GUC-BVI	Subsidiary	"	550	9,370	100	9,370	
	GUC-Europe	Subsidiary	"	-	4,432	100	4,432	
GUC-BVI	<u>Capital</u> Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method	-	7,969	100	7,969	
Xintec	<u>Capital</u> Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Corporate bond</u> African Development Bank	-	Available-for-sale financial assets	2,600	US\$ 2,618	N/A	US\$ 2,618	
	Allstate Life Gbl Fdg Secd	-	"	4,430	US\$ 4,896	N/A	US\$ 4,896	
	Alltel Corp.	-	"	100	US\$ 110	N/A	US\$ 110	
	American Honda Fin Corp. Mtn	-	"	4,000	US\$ 3,995	N/A	US\$ 3,995	
	Anz National Intl Ltd.	-	"	3,500	US\$ 3,549	N/A	US\$ 3,549	
	Asian Development Bank	-	"	2,500	US\$ 2,499	N/A	US\$ 2,499	
	Astrazeneca Plc	-	"	3,150	US\$ 3,432	N/A	US\$ 3,432	
	AT+T Wireless	-	"	3,500	US\$ 3,888	N/A	US\$ 3,888	
	Australia + New Zealand Bkg	-	"	2,000	US\$ 2,061	N/A	US\$ 2,061	
	Banco Bilbao Vizcaya P R	-	"	3,250	US\$ 3,249	N/A	US\$ 3,249	
	Bank New York Inc.	-	"	1,615	US\$ 1,609	N/A	US\$ 1,609	
	Bank New York Inc. Medium	-	"	2,100	US\$ 2,278	N/A	US\$ 2,278	
	Bank of America	-	"	1,900	US\$ 2,026	N/A	US\$ 2,026	
	Bank of America Corp.	-	"	2,100	US\$ 2,167	N/A	US\$ 2,167	
	Bank of New York Mellon	-	"	2,200	US\$ 2,206	N/A	US\$ 2,206	
	Bank of Nova Scotia	-	"	5,000	US\$ 4,991	N/A	US\$ 4,991	
	Bank of Scotland Plc	-	"	4,000	US\$ 3,998	N/A	US\$ 3,998	
	Barclays Bank Plc	-	"	12,000	US\$ 11,996	N/A	US\$ 11,996	
	Barclays Bank Plc NY	-	"	400	US\$ 400	N/A	US\$ 400	
	Barclays Bank Plc NY	-	"	5,000	US\$ 4,999	N/A	US\$ 4,999	
	Bbva US Senior SA Uniper	-	"	2,645	US\$ 2,631	N/A	US\$ 2,631	
	Bear Stearns Cos Inc.	-	"	2,200	US\$ 2,195	N/A	US\$ 2,195	
	Bear Stearns Cos Inc.	-	"	3,500	US\$ 3,524	N/A	US\$ 3,524	
	Bear Stearns Cos Inc. Med Term	-	"	2,400	US\$ 2,653	N/A	US\$ 2,653	
	Berkshire Hathaway Inc. Del	-	"	3,500	US\$ 3,517	N/A	US\$ 3,517	
	Bhp Billiton Fin USA Ltd.	-	"	2,000	US\$ 2,118	N/A	US\$ 2,118	
	Bk Tokyo Mitsubishi Ufj	-	"	2,000	US\$ 2,062	N/A	US\$ 2,062	
	Bmw US Capital LLC	-	"	1,600	US\$ 1,602	N/A	US\$ 1,602	
	Bnp Paribas SA	-	"	3,810	US\$ 3,848	N/A	US\$ 3,848	
	Boeing Cap Corp.	-	"	2,925	US\$ 3,238	N/A	US\$ 3,238	
	Boeing Co.	-	"	450	US\$ 459	N/A	US\$ 459	
	Bp Captial Markets Plc	-	"	3,900	US\$ 3,976	N/A	US\$ 3,976	
	Cello Part/Veri Wirelss	-	"	3,000	US\$ 3,050	N/A	US\$ 3,050	
Cie Financement Foncier	-	"	200	US\$ 200	N/A	US\$ 200		
Cie Financement Foncier	-	"	4,000	US\$ 4,016	N/A	US\$ 4,016		
Citigroup Funding Inc.	-	"	16,000	US\$ 16,404	N/A	US\$ 16,404		
Citigroup Inc.	-	"	1,400	US\$ 1,376	N/A	US\$ 1,376		
Citigroup Inc.	-	"	800	US\$ 806	N/A	US\$ 806		
Citigroup Inc.	-	"	400	US\$ 429	N/A	US\$ 429		
Citigroup Inc.	-	"	5,000	US\$ 5,524	N/A	US\$ 5,524		
Commonwealth Bank Aust	-	"	2,800	US\$ 2,794	N/A	US\$ 2,794		

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Countrywide Finl Corp.	-	Available-for-sale financial assets	4,000	US\$ 4,249	N/A	US\$ 4,249	
	Credit Suisse First Boston USA	-	"	2,150	US\$ 2,275	N/A	US\$ 2,275	
	Credit Suisse New York	-	"	3,945	US\$ 4,103	N/A	US\$ 4,103	
	Deutsche Bank AG NY	-	"	2,500	US\$ 2,492	N/A	US\$ 2,492	
	Dexia Credit Local	-	"	6,000	US\$ 5,970	N/A	US\$ 5,970	
	Dexia Credit Local	-	"	4,000	US\$ 3,983	N/A	US\$ 3,983	
	Dexia Credit Local S.A	-	"	4,000	US\$ 3,991	N/A	US\$ 3,991	
	Dexia Credit Local SA NY	-	"	5,000	US\$ 4,982	N/A	US\$ 4,982	
	Du Pont E I De Nemours + Co.	-	"	2,475	US\$ 2,707	N/A	US\$ 2,707	
	Finance for Danish Ind	-	"	3,800	US\$ 3,799	N/A	US\$ 3,799	
	General Elec Cap Corp.	-	"	1,000	US\$ 995	N/A	US\$ 995	
	General Elec Cap Corp.	-	"	7,000	US\$ 7,004	N/A	US\$ 7,004	
	General Elec Cap Corp.	-	"	1,000	US\$ 1,003	N/A	US\$ 1,003	
	General Elec Cap Corp.	-	"	4,000	US\$ 4,127	N/A	US\$ 4,127	
	General Electric Capital Corp.	-	"	2,000	US\$ 1,971	N/A	US\$ 1,971	
	Georgia Pwr Co.	-	"	6,000	US\$ 6,018	N/A	US\$ 6,018	
	Goldman Sachs Group Inc.	-	"	2,000	US\$ 1,946	N/A	US\$ 1,946	
	Groupe Bpce	-	"	1,000	US\$ 999	N/A	US\$ 999	
	Hewlett Packard Co.	-	"	3,000	US\$ 3,001	N/A	US\$ 3,001	
	Hewlett Packard Co.	-	"	2,030	US\$ 2,027	N/A	US\$ 2,027	
	Hewlett Packard Co.	-	"	1,365	US\$ 1,383	N/A	US\$ 1,383	
	Household Fin Corp.	-	"	4,330	US\$ 4,736	N/A	US\$ 4,736	
	HSBC Bank Plc	-	"	3,400	US\$ 3,413	N/A	US\$ 3,413	
	HSBC Fin Corp.	-	"	2,315	US\$ 2,296	N/A	US\$ 2,296	
	HSBC Fin Corp.	-	"	2,900	US\$ 3,082	N/A	US\$ 3,082	
	Hutchison Whampoa Intl	-	"	1,750	US\$ 1,761	N/A	US\$ 1,761	
	IBM Corp.	-	"	2,300	US\$ 2,303	N/A	US\$ 2,303	
	IBM Corp.	-	"	6,800	US\$ 6,823	N/A	US\$ 6,823	
	Intl Bk Recon + Develop	-	"	5,000	US\$ 5,006	N/A	US\$ 5,006	
	Intl Bk Recon + Develop	-	"	2,000	US\$ 2,059	N/A	US\$ 2,059	
	John Deer Capital Corp. Fdic GT	-	"	3,500	US\$ 3,638	N/A	US\$ 3,638	
	JP Morgan Chase + Co.	-	"	2,500	US\$ 2,516	N/A	US\$ 2,516	
	JP Morgan Chase + Co.	-	"	5,000	US\$ 5,019	N/A	US\$ 5,019	
	Kfw Medium Term Nts Book Entry	-	"	1,950	US\$ 1,951	N/A	US\$ 1,951	
	Kreditanstalt Fur Wiederaufbau	-	"	650	US\$ 669	N/A	US\$ 669	
	Lloyds Tsb Bank Plc Ser 144A	-	"	4,850	US\$ 4,864	N/A	US\$ 4,864	
	Lloyds Tsb Bank Plc Ser 144A	-	"	5,950	US\$ 6,016	N/A	US\$ 6,016	
	Macquarie Bk Ltd. Sr	-	"	3,900	US\$ 3,999	N/A	US\$ 3,999	
	Massmutual Global Fdg II Mediu	-	"	4,000	US\$ 3,951	N/A	US\$ 3,951	
	Mellon Fdg Corp.	-	"	3,500	US\$ 3,447	N/A	US\$ 3,447	
	Merck + Co. Inc.	-	"	4,000	US\$ 4,046	N/A	US\$ 4,046	
	Merck + Co. Inc.	-	"	2,000	US\$ 2,098	N/A	US\$ 2,098	
	Merrill Lynch + Co. Inc.	-	"	4,691	US\$ 4,620	N/A	US\$ 4,620	
	Met Life Glob Funding I	-	"	500	US\$ 509	N/A	US\$ 509	
	Metlife Inc.	-	"	2,000	US\$ 2,015	N/A	US\$ 2,015	
	Metlife Inc.	-	"	6,500	US\$ 6,548	N/A	US\$ 6,548	
	Metropolitan Life Global Fdg	-	"	750	US\$ 751	N/A	US\$ 751	
	Metropolitan Life Global Fdg I	-	"	3,340	US\$ 3,343	N/A	US\$ 3,343	
	Microsoft Corp.	-	"	2,500	US\$ 2,504	N/A	US\$ 2,504	
	Monumental Global Fdg III	-	"	750	US\$ 727	N/A	US\$ 727	
	Morgan Stanley	-	"	1,000	US\$ 1,019	N/A	US\$ 1,019	
	Morgan Stanley Dean Witter	-	"	8,000	US\$ 8,603	N/A	US\$ 8,603	
	Morgan Stanley for Equity	-	"	2,000	US\$ 1,968	N/A	US\$ 1,968	
	National Australia Bank	-	"	1,000	US\$ 1,021	N/A	US\$ 1,021	

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	New York Life Global Fdg	-	Available-for-sale financial assets	2,000	US\$ 2,051	N/A	US\$ 2,051	
	Nordea Bank Fld Plc	-	"	2,250	US\$ 2,246	N/A	US\$ 2,246	
	Occidental Pete Corp.	-	"	3,200	US\$ 3,764	N/A	US\$ 3,764	
	Oesterreichische Kontrollbank	-	"	2,000	US\$ 2,000	N/A	US\$ 2,000	
	Ontario (Province of)	-	"	2,000	US\$ 2,049	N/A	US\$ 2,049	
	Pepsico Inc.	-	"	3,000	US\$ 3,002	N/A	US\$ 3,002	
	Pnc Funding Corp.	-	"	2,000	US\$ 1,993	N/A	US\$ 1,993	
	Pricoa Global Fdg I Med Term	-	"	1,750	US\$ 1,719	N/A	US\$ 1,719	
	Pricoa Global Funding I	-	"	1,200	US\$ 1,192	N/A	US\$ 1,192	
	Princoa Global Fdg I Medium	-	"	5,050	US\$ 5,005	N/A	US\$ 5,005	
	Rabobank Nederland	-	"	5,000	US\$ 5,000	N/A	US\$ 5,000	
	Regions Bank Fdic Gtd Tlgp	-	"	1,700	US\$ 1,755	N/A	US\$ 1,755	
	Royal Bk of Scotland Plc	-	"	4,000	US\$ 3,997	N/A	US\$ 3,997	
	Royal Bk of Scotland Plc	-	"	5,000	US\$ 5,054	N/A	US\$ 5,054	
	Royal Bk Scotland Plc	-	"	2,550	US\$ 2,602	N/A	US\$ 2,602	
	Royal Bk Scotlnd Grp Plc 144A	-	"	9,450	US\$ 9,504	N/A	US\$ 9,504	
	Shell International Fin	-	"	4,515	US\$ 4,535	N/A	US\$ 4,535	
	Shell International Fin	-	"	1,200	US\$ 1,211	N/A	US\$ 1,211	
	Shell International Fin	-	"	2,000	US\$ 2,047	N/A	US\$ 2,047	
	Sovereign Bancorp Fdic Gtd Tlg	-	"	2,200	US\$ 2,273	N/A	US\$ 2,273	
	State Str Corp.	-	"	6,420	US\$ 6,417	N/A	US\$ 6,417	
	Sun Life Finl Global	-	"	4,400	US\$ 4,277	N/A	US\$ 4,277	
	Sun Life Finl Global Fdg II Lp	-	"	1,500	US\$ 1,489	N/A	US\$ 1,489	
	Suncorp Metway Ltd.	-	"	2,000	US\$ 2,001	N/A	US\$ 2,001	
	Suncorp Metway Ltd.	-	"	8,800	US\$ 9,011	N/A	US\$ 9,011	
	Svenska Handelsbanken AB	-	"	2,200	US\$ 2,263	N/A	US\$ 2,263	
	Swedbank AB	-	"	2,000	US\$ 1,995	N/A	US\$ 1,995	
	Swedbank Foreningssparbanken A	-	"	1,500	US\$ 1,542	N/A	US\$ 1,542	
	Teva Pharma Fin III LLC	-	"	4,000	US\$ 4,015	N/A	US\$ 4,015	
	Tiaa Global Mkts Inc. Mtn	-	"	1,500	US\$ 1,651	N/A	US\$ 1,651	
	Ubs Ag Stamford CT	-	"	800	US\$ 806	N/A	US\$ 806	
	US Central Federal Cred	-	"	10,200	US\$ 10,287	N/A	US\$ 10,287	
	US Central Federal Cred	-	"	4,000	US\$ 4,103	N/A	US\$ 4,103	
	Verizon Communications Inc.	-	"	1,500	US\$ 1,655	N/A	US\$ 1,655	
	Wachovia Corp. New	-	"	1,400	US\$ 1,394	N/A	US\$ 1,394	
	Wal Mart Stores Inc.	-	"	3,770	US\$ 4,393	N/A	US\$ 4,393	
	Wells Fargo + Company	-	"	2,000	US\$ 2,010	N/A	US\$ 2,010	
	Westfield Cap Corp. Ltd.	-	"	500	US\$ 502	N/A	US\$ 502	
	Westpac Banking Corp.	-	"	2,100	US\$ 2,110	N/A	US\$ 2,110	
	Westpac Banking Corp.	-	"	4,000	US\$ 4,006	N/A	US\$ 4,006	
	Westpac Banking Corp.	-	"	2,170	US\$ 2,173	N/A	US\$ 2,173	
	Wyeth	-	"	3,345	US\$ 3,703	N/A	US\$ 3,703	
	Aust + Nz Banking Group	-	Held-to-maturity financial assets	20,000	US\$ 20,000	N/A	US\$ 20,042	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 24,710	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 24,929	
	JP Morgan Chase + Co.	-	"	35,000	US\$ 35,084	N/A	US\$ 35,128	
	Nationwide Building Society-UK Government Guarantee	-	"	8,000	US\$ 8,000	N/A	US\$ 7,993	
	Westpac Banking Corp.	-	"	25,000	US\$ 25,000	N/A	US\$ 24,526	
	Westpac Banking Corp. 12/12 Frn	-	"	5,000	US\$ 5,000	N/A	US\$ 5,006	
	<u>Agency bond</u>							
	Fannie Mae	-	Available-for-sale financial assets	8,765	US\$ 8,761	N/A	US\$ 8,761	
	Fannie Mae	-	"	16,104	US\$ 16,099	N/A	US\$ 16,099	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Fannie Mae	-	Available-for-sale financial assets	4,600	US\$ 4,602	N/A	US\$ 4,602	
	Fannie Mae	-	"	4,000	US\$ 4,004	N/A	US\$ 4,004	
	Fannie Mae	-	"	4,000	US\$ 4,015	N/A	US\$ 4,015	
	Fannie Mae	-	"	5,900	US\$ 5,942	N/A	US\$ 5,942	
	Fed Hm Ln Pc Pool 1b2830	-	"	1,944	US\$ 2,047	N/A	US\$ 2,047	
	Fed Hm Ln Pc Pool 1g0115	-	"	2,236	US\$ 2,318	N/A	US\$ 2,318	
	Fed Hm Ln Pc Pool 1k1210	-	"	1,584	US\$ 1,647	N/A	US\$ 1,647	
	Fed Hm Ln Pc Pool 780741	-	"	1,898	US\$ 1,984	N/A	US\$ 1,984	
	Federal Farm Credit Bank	-	"	4,000	US\$ 3,993	N/A	US\$ 3,993	
	Federal Farm Credit Bank	-	"	5,000	US\$ 5,022	N/A	US\$ 5,022	
	Federal Farm Credit Bank	-	"	5,000	US\$ 5,028	N/A	US\$ 5,028	
	Federal Home Ln Bks	-	"	5,000	US\$ 5,073	N/A	US\$ 5,073	
	Federal Home Ln Mtg Assn	-	"	4,634	US\$ 4,710	N/A	US\$ 4,710	
	Federal Home Ln Mtg Corp.	-	"	4,085	US\$ 4,078	N/A	US\$ 4,078	
	Federal Home Ln Mtg Corp.	-	"	1,659	US\$ 1,730	N/A	US\$ 1,730	
	Federal Home Ln Mtg Corp.	-	"	3,024	US\$ 3,175	N/A	US\$ 3,175	
	Federal Home Ln Mtg Corp.	-	"	2,381	US\$ 2,448	N/A	US\$ 2,448	
	Federal Home Ln Mtg Corp.	-	"	2,004	US\$ 2,082	N/A	US\$ 2,082	
	Federal Home Ln Mtg Corp.	-	"	922	US\$ 930	N/A	US\$ 930	
	Federal Home Ln Mtg Corp.	-	"	848	US\$ 854	N/A	US\$ 854	
	Federal Home Ln Mtg Corp.	-	"	1,607	US\$ 1,665	N/A	US\$ 1,665	
	Federal Home Ln Mtg Corp.	-	"	3,444	US\$ 3,604	N/A	US\$ 3,604	
	Federal Home Ln Mtg Corp.	-	"	3,279	US\$ 3,362	N/A	US\$ 3,362	
	Federal Home Ln Mtg Corp. Multi	-	"	1,154	US\$ 1,157	N/A	US\$ 1,157	
	Federal Home Loan Bank	-	"	10,000	US\$ 9,998	N/A	US\$ 9,998	
	Federal Home Loan Bank	-	"	5,000	US\$ 5,011	N/A	US\$ 5,011	
	Federal Home Loan Bank	-	"	8,000	US\$ 7,996	N/A	US\$ 7,996	
	Federal Home Loan Bank	-	"	8,400	US\$ 8,393	N/A	US\$ 8,393	
	Federal Home Loan Bank	-	"	1,400	US\$ 1,398	N/A	US\$ 1,398	
	Federal Home Loan Bank	-	"	6,800	US\$ 6,823	N/A	US\$ 6,823	
	Federal Home Loan Bank	-	"	8,000	US\$ 8,050	N/A	US\$ 8,050	
	Federal Home Loan Bank	-	"	3,000	US\$ 3,002	N/A	US\$ 3,002	
	Federal Home Loan Bank	-	"	5,000	US\$ 4,998	N/A	US\$ 4,998	
	Federal Home Loan Mtg Corp.	-	"	5,638	US\$ 5,616	N/A	US\$ 5,616	
	Federal Home Loan Mtg Corp.	-	"	259	US\$ 260	N/A	US\$ 260	
	Federal Home Loan Mtg Corp.	-	"	1,226	US\$ 1,241	N/A	US\$ 1,241	
	Federal National Mort Assoc	-	"	922	US\$ 933	N/A	US\$ 933	
	Federal National Mort Assoc	-	"	97	US\$ 97	N/A	US\$ 97	
	Federal Natl Mtg Assn	-	"	1,694	US\$ 1,705	N/A	US\$ 1,705	
	Federal Natl Mtg Assn Gtd	-	"	2,578	US\$ 2,661	N/A	US\$ 2,661	
	Federal Natl Mtg Assn Gtd Remi	-	"	2,202	US\$ 2,283	N/A	US\$ 2,283	
	Federal Natl Mtg Assn Gtd Remi	-	"	1,027	US\$ 1,036	N/A	US\$ 1,036	
	Federal Natl Mtg Assn Mtn	-	"	1,799	US\$ 1,840	N/A	US\$ 1,840	
	Federal Natl Mtg Assn Remic	-	"	1,486	US\$ 1,513	N/A	US\$ 1,513	
	Federal Natl Mtge Assn	-	"	1,610	US\$ 1,705	N/A	US\$ 1,705	
	Fhr 2647 Pb	-	"	3,787	US\$ 3,872	N/A	US\$ 3,872	
	Fhr 3087 Jb	-	"	1,787	US\$ 1,866	N/A	US\$ 1,866	
	Fhr 3184 Fa	-	"	4,314	US\$ 4,305	N/A	US\$ 4,305	
	Fnma Pool 745131	-	"	1,752	US\$ 1,819	N/A	US\$ 1,819	
	Fnma Pool 745688	-	"	1,514	US\$ 1,589	N/A	US\$ 1,589	
	Fnma Pool 790772	-	"	1,215	US\$ 1,256	N/A	US\$ 1,256	
	Fnma Pool 819649	-	"	1,878	US\$ 1,966	N/A	US\$ 1,966	
	Fnma Pool 829989	-	"	1,637	US\$ 1,718	N/A	US\$ 1,718	
	Fnma Pool 846233	-	"	1,730	US\$ 1,803	N/A	US\$ 1,803	

(Continued)

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

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
TSMC	<u>Stock</u> Motech	Investments accounted for using equity method	-	Investee accounted for using equity method	-	\$ -	75,316	\$ 6,228,661	-	\$ -	\$ -	\$ -	76,069	\$ 6,533,432
	<u>Capital</u> VTAF III	Investments accounted for using equity method	-	Investee accounted for using equity method	-	1,309,615	-	1,786,701	-	-	-	-	-	2,852,802
VTAF III	<u>Preferred stock</u> Stion Corp.	Financial assets carried at cost	-	-	-	-	7,347	US\$ 50,000	-	-	-	-	7,347	US\$ 50,000
GUC	<u>Open-end mutual fund</u> Jih Sun Bond Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	5,668	80,008	7,072	100,000	12,740	180,192	180,000	192	-	-
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	7,692	100,000	7,692	100,075	100,000	75	-	-
TSMC Global	<u>Corporate bond</u> Allstate Life Gbl Fdg Secd	Available-for-sale financial assets	-	-	-	-	4,430	US\$ 4,834	-	-	-	-	4,430	US\$ 4,896
	American Honda Fin Corp. Mtn	"	-	-	-	-	4,000	US\$ 3,985	-	-	-	-	4,000	US\$ 3,995
	Anz National Intl Ltd.	"	-	-	-	-	3,500	US\$ 3,515	-	-	-	-	3,500	US\$ 3,549
	AT+T Wireless	"	-	-	-	-	3,500	US\$ 3,979	-	-	-	-	3,500	US\$ 3,888
	Bank of America	"	-	-	-	-	2,900	US\$ 3,121	1,000	US\$ 1,077	US\$ 1,076	US\$ 1	1,900	US\$ 2,026
	Bank of America Corp. Fdic Gtd	"	-	-	-	-	3,400	US\$ 3,548	3,400	US\$ 3,539	US\$ 3,548	US\$ (9)	-	-
	Bank of Nova Scotia	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 4,991
	Bank of Scotland Plc	"	-	-	-	-	4,000	US\$ 3,984	-	-	-	-	4,000	US\$ 3,998
	Barclays Bank Plc	"	-	-	-	-	12,000	US\$ 12,035	-	-	-	-	12,000	US\$ 11,996
	Barclays Bank Plc NY	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 4,999
	Bbva US Senior SA Uniper	"	-	-	-	-	4,745	US\$ 4,744	2,100	US\$ 2,084	US\$ 2,100	US\$ (16)	2,645	US\$ 2,631
	Berkshire Hathaway Inc. Del	"	-	-	-	-	3,500	US\$ 3,500	-	-	-	-	3,500	US\$ 3,517
	Boeing Cap Corp.	"	-	-	-	-	2,925	US\$ 3,235	-	-	-	-	2,925	US\$ 3,238
	Bp Capital Markets Plc	"	-	-	-	-	3,900	US\$ 3,969	-	-	-	-	3,900	US\$ 3,976
	Cie Financement Foncier	"	-	-	-	-	4,000	US\$ 4,029	-	-	-	-	4,000	US\$ 4,016
	Citibank NA	"	-	-	-	-	4,020	US\$ 4,021	4,020	US\$ 4,016	US\$ 4,021	US\$ (5)	-	-
	Citibank NA	"	-	-	5,000	US\$ 4,996	-	-	5,000	US\$ 5,023	US\$ 4,995	US\$ 28	-	-
	Citibank NA	"	-	-	-	-	10,000	US\$ 10,094	10,000	US\$ 10,104	US\$ 10,094	US\$ 10	-	-
	Citigroup Funding Inc.	"	-	-	-	-	16,000	US\$ 16,262	-	-	-	-	16,000	US\$ 16,404
	Citigroup Inc.	"	-	-	-	-	4,165	US\$ 4,167	4,165	US\$ 4,167	US\$ 4,167	-	-	-
	Citigroup Inc.	"	-	-	-	-	4,800	US\$ 4,768	4,800	US\$ 4,761	US\$ 4,768	US\$ (7)	-	-
	Citigroup Inc.	"	-	-	-	-	5,000	US\$ 5,360	-	-	-	-	5,000	US\$ 5,524
	Countrywide Finl Corp.	"	-	-	-	-	4,000	US\$ 4,291	-	-	-	-	4,000	US\$ 4,249
	Dexia Credit Local	"	-	-	-	-	6,000	US\$ 6,000	-	-	-	-	6,000	US\$ 5,970

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Dexia Credit Local	Available-for-sale financial assets	-	-	-	US\$ -	4,000	US\$ 4,000	-	US\$ -	US\$ -	US\$ -	4,000	US\$ 3,983
	Dexia Credit Local S.A	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 3,991
	Dexia Credit Local SA NY	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 4,982
	General Elec Cap Corp.	"	-	-	-	-	4,000	US\$ 4,117	-	-	-	-	4,000	US\$ 4,127
	Georgia Pwr Co.	"	-	-	-	-	6,000	US\$ 6,000	-	-	-	-	6,000	US\$ 6,018
	Goldman Sachs Group Incser 2	"	-	-	3,000	US\$ 3,012	-	-	3,000	US\$ 3,012	US\$ 3,016	US\$ (4)	-	-
	Household Fin Corp.	"	-	-	-	-	4,330	US\$ 4,781	-	-	-	-	4,330	US\$ 4,736
	HSBC Bank Plc	"	-	-	-	-	3,400	US\$ 3,407	-	-	-	-	3,400	US\$ 3,413
	HSBC Fin Corp.	"	-	-	-	-	2,900	US\$ 3,142	-	-	-	-	2,900	US\$ 3,082
	IBM Corp.	"	-	-	1,800	US\$ 1,796	4,300	US\$ 4,302	3,800	US\$ 3,804	US\$ 3,801	US\$ 3	2,300	US\$ 2,303
	IBM Corp.	"	-	-	3,000	US\$ 3,027	-	-	3,000	US\$ 3,020	US\$ 3,029	US\$ (9)	-	-
	IBM Corp.	"	-	-	-	-	6,800	US\$ 6,772	-	-	-	-	6,800	US\$ 6,823
	Intl Bk Recon + Develop	"	-	-	-	-	5,000	US\$ 5,014	-	-	-	-	5,000	US\$ 5,006
	John Deer Capital Corp. Fdic GT	"	-	-	-	-	3,500	US\$ 3,634	-	-	-	-	3,500	US\$ 3,638
	JP Morgan Chase + Co.	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,019
	JP Morgan Chase + Co. Fdic Gtd Tlg	"	-	-	3,000	US\$ 3,030	-	-	3,000	US\$ 3,028	US\$ 3,030	US\$ (2)	-	-
	Landwirtsch Rentenbank	"	-	-	-	-	3,800	US\$ 3,800	3,800	US\$ 3,801	US\$ 3,800	US\$ 1	-	-
	Lloyds Tsb Bank Plc Ser 144A	"	-	-	-	-	4,850	US\$ 4,895	-	-	-	-	4,850	US\$ 4,864
	Macquarie Bk Ltd. Sr	"	-	-	-	-	3,900	US\$ 3,984	-	-	-	-	3,900	US\$ 3,999
	Massmutual Global Fdg II Mediu	"	-	-	-	-	4,000	US\$ 3,926	-	-	-	-	4,000	US\$ 3,951
	Merck + Co. Inc.	"	-	-	-	-	4,000	US\$ 4,066	-	-	-	-	4,000	US\$ 4,046
	Merrill Lynch + Co. Inc.	"	-	-	-	-	4,691	US\$ 4,603	-	-	-	-	4,691	US\$ 4,620
	Met Life Glob Funding I	"	-	-	-	-	5,000	US\$ 5,004	5,000	US\$ 5,003	US\$ 5,004	US\$ (1)	-	-
	Met Life Glob Funding I	"	-	-	2,100	US\$ 2,142	2,575	US\$ 2,623	4,675	US\$ 4,757	US\$ 4,755	US\$ 2	-	-
	Metlife Inc.	"	-	-	-	-	6,500	US\$ 6,527	-	-	-	-	6,500	US\$ 6,548
	Morgan Stanley Dean Witter	"	-	-	-	-	8,000	US\$ 8,796	-	-	-	-	8,000	US\$ 8,603
	Occidental Pete Corp.	"	-	-	-	-	3,200	US\$ 3,752	-	-	-	-	3,200	US\$ 3,764
	Pepsico Inc.	"	-	-	-	-	3,000	US\$ 3,000	-	-	-	-	3,000	US\$ 3,002
	Rabobank Nederland	"	-	-	-	-	5,000	US\$ 4,997	-	-	-	-	5,000	US\$ 5,000
	Regions Bank Fdic Gtd Tlgp	"	-	-	-	-	10,000	US\$ 10,372	8,300	US\$ 8,599	US\$ 8,608	US\$ (9)	1,700	US\$ 1,755
	Royal Bk of Scotland Plc	"	-	-	-	-	4,000	US\$ 4,015	-	-	-	-	4,000	US\$ 3,997
	Shell International Fin	"	-	-	-	-	4,515	US\$ 4,528	-	-	-	-	4,515	US\$ 4,535
	State Str Corp.	"	-	-	1,940	US\$ 1,920	5,080	US\$ 5,065	600	US\$ 597	US\$ 596	US\$ 1	6,420	US\$ 6,417
	State Street Corp.	"	-	-	-	-	5,500	US\$ 5,585	5,500	US\$ 5,559	US\$ 5,585	US\$ (26)	-	-
	Sun Life Finl Global	"	-	-	-	-	4,400	US\$ 4,304	-	-	-	-	4,400	US\$ 4,277
	Suncorp Metway Ltd.	"	-	-	5,000	US\$ 5,170	3,800	US\$ 3,933	-	-	-	-	8,800	US\$ 9,011
	Teva Pharma Fin III LLC	"	-	-	-	-	4,000	US\$ 4,000	-	-	-	-	4,000	US\$ 4,015
	US Central Federal Cred	"	-	-	4,800	US\$ 4,799	8,000	US\$ 8,074	2,600	US\$ 2,622	US\$ 2,600	US\$ 22	10,200	US\$ 10,287
	US Central Federal Cred	"	-	-	-	-	4,000	US\$ 4,093	-	-	-	-	4,000	US\$ 4,103
	Wachovia Corp. New	"	-	-	4,000	US\$ 4,246	-	-	4,000	US\$ 4,205	US\$ 4,239	US\$ (34)	-	-
	Wal Mart Stores Inc.	"	-	-	-	-	3,770	US\$ 4,383	-	-	-	-	3,770	US\$ 4,393
	Westpac Banking Corp.	"	-	-	-	-	4,000	US\$ 4,044	-	-	-	-	4,000	US\$ 4,006
	Wyeth	"	-	-	-	-	3,345	US\$ 3,699	-	-	-	-	3,345	US\$ 3,703
	Aust + Nz Banking Group	Held-to-maturity financial assets	-	-	-	-	20,000	US\$ 20,000	-	-	-	-	20,000	US\$ 20,000
	Commonwealth Bank of Australia	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	Commonwealth Bank of Australia	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	Jpmorgan Chase + Co.	"	-	-	-	-	35,000	US\$ 35,103	-	-	-	-	35,000	US\$ 35,084
	Westpac Banking Corp.	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	<u>Agency bond</u>													
	Fannie Mae	Available-for-sale financial assets	-	-	-	-	8,000	US\$ 7,995	8,000	US\$ 7,999	US\$ 7,995	US\$ 4	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Fannie Mae	Available-for-sale financial assets	-	-	-	US\$ -	8,765	US\$ 8,760	-	US\$ -	US\$ -	US\$ -	8,765	US\$ 8,761
	Fannie Mae	"	-	-	-	-	16,104	US\$ 16,097	-	-	-	-	16,104	US\$ 16,099
	Fannie Mae	"	-	-	-	-	4,600	US\$ 4,598	-	-	-	-	4,600	US\$ 4,602
	Fannie Mae	"	-	-	-	-	3,770	US\$ 3,770	-	-	-	-	-	-
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,014	-	-	-	-	-	-
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,007	-	-	-	-	4,000	US\$ 4,004
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,011	-	-	-	-	4,000	US\$ 4,015
	Fannie Mae	"	-	-	-	-	5,900	US\$ 5,975	-	-	-	-	5,900	US\$ 5,942
	Federal Farm Credit Bank	"	-	-	-	-	4,020	US\$ 4,017	4,020	US\$ 4,023	US\$ 4,017	US\$ 6	-	-
	Federal Farm Credit Bank	"	-	-	-	-	4,000	US\$ 3,995	-	-	-	-	4,000	US\$ 3,993
	Federal Farm Credit Bank	"	-	-	-	-	5,000	US\$ 4,997	-	-	-	-	5,000	US\$ 5,022
	Federal Farm Credit Bank	"	-	-	-	-	3,100	US\$ 3,100	3,100	US\$ 3,100	US\$ 3,100	-	-	-
	Federal Farm Credit Bank	"	-	-	-	-	5,000	US\$ 5,049	-	-	-	-	5,000	US\$ 5,028
	Federal Home Ln Bank	"	-	-	11,000	US\$ 11,028	-	-	11,000	US\$ 11,049	US\$ 11,038	US\$ 11	-	-
	Federal Home Ln Bks	"	-	-	-	-	5,000	US\$ 5,098	-	-	-	-	5,000	US\$ 5,073
	Fed Home Ln Mtg Assn	"	-	-	-	-	4,634	US\$ 4,726	-	-	-	-	4,634	US\$ 4,710
	Fed Home Ln Mtg Corp.	"	-	-	1,350	US\$ 1,352	2,300	US\$ 2,304	3,650	US\$ 3,653	US\$ 3,656	US\$ (3)	-	-
	Fed Home Ln Mtg Corp.	"	-	-	-	-	4,289	US\$ 4,282	4,289	US\$ 4,292	US\$ 4,282	US\$ 10	-	-
	Fed Home Ln Mtg Corp.	"	-	-	-	-	4,717	US\$ 4,719	-	-	-	-	4,085	US\$ 4,078
	Fed Home Ln Mtg Corp.	"	-	-	-	-	3,840	US\$ 4,027	-	-	-	-	3,024	US\$ 3,175
	Fed Home Ln Mtg Corp.	"	-	-	-	-	3,720	US\$ 3,953	-	-	-	-	3,444	US\$ 3,604
	Fed Home Ln Mtg Corp.	"	-	-	-	-	4,121	US\$ 4,261	-	-	-	-	3,279	US\$ 3,362
	Fed Home Ln Mtg Corp. Multi	"	-	-	-	-	4,197	US\$ 4,261	-	-	-	-	1,154	US\$ 1,157
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 9,985	-	-	-	-	10,000	US\$ 9,998
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 7,996	-	-	-	-	8,000	US\$ 7,996
	Federal Home Loan Bank	"	-	-	-	-	5,000	US\$ 4,996	5,000	US\$ 5,001	US\$ 4,996	US\$ 5	-	-
	Federal Home Loan Bank	"	-	-	-	-	4,000	US\$ 3,999	4,000	US\$ 3,999	US\$ 3,999	-	-	-
	Federal Home Loan Bank	"	-	-	10,000	US\$ 9,987	-	-	10,000	US\$ 10,007	US\$ 9,996	US\$ 11	-	-
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 9,998	10,000	US\$ 10,010	US\$ 9,998	US\$ 12	-	-
	Federal Home Loan Bank	"	-	-	8,000	US\$ 7,992	-	-	8,000	US\$ 8,009	US\$ 8,002	US\$ 7	-	-
	Federal Home Loan Bank	"	-	-	-	-	6,050	US\$ 6,050	6,050	US\$ 6,060	US\$ 6,050	US\$ 10	-	-
	Federal Home Loan Bank	"	-	-	-	-	5,000	US\$ 5,009	-	-	-	-	5,000	US\$ 5,011
	Federal Home Loan Bank	"	-	-	-	-	6,800	US\$ 6,811	-	-	-	-	6,800	US\$ 6,823
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 7,990	-	-	-	-	8,000	US\$ 8,050
	Federal Home Loan Bank	"	-	-	10,000	US\$ 10,012	-	-	10,000	US\$ 10,047	US\$ 10,035	US\$ 12	-	-
	Federal Home Loan Bank	"	-	-	4,700	US\$ 4,715	-	-	4,700	US\$ 4,716	US\$ 4,723	US\$ (7)	-	-
	Federal Home Loan Bank	"	-	-	11,200	US\$ 11,186	1,500	US\$ 1,498	4,300	US\$ 4,294	US\$ 4,299	US\$ (5)	8,400	US\$ 8,393
	Federal Home Loan Bank	"	-	-	-	-	4,000	US\$ 4,012	4,000	US\$ 4,002	US\$ 4,012	US\$ (10)	-	-
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 8,082	8,000	US\$ 8,057	US\$ 8,082	US\$ (25)	-	-
	Federal Home Loan Mortg	"	-	-	-	-	8,000	US\$ 8,193	8,000	US\$ 8,123	US\$ 8,192	US\$ (69)	-	-
	Federal Home Loan Mtg Corp.	"	-	-	-	-	6,397	US\$ 6,394	-	-	-	-	5,638	US\$ 5,616
	Federal Natl Mtg Assn	"	-	-	4,000	US\$ 4,228	-	-	4,000	US\$ 4,205	US\$ 4,261	US\$ (56)	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	3,426	US\$ 3,494	-	-	-	-	1,694	US\$ 1,705
	Federal Natl Mtg Assn Gtd	"	-	-	-	-	3,343	US\$ 3,466	-	-	-	-	2,578	US\$ 2,661
	Fhr 2647 Pb	"	-	-	-	-	4,000	US\$ 4,149	-	-	-	-	3,787	US\$ 3,872
	Fhr 3184 Fa	"	-	-	-	-	4,686	US\$ 4,681	-	-	-	-	4,314	US\$ 4,305
	Fnma Pool 745131	"	-	-	-	-	3,123	US\$ 3,261	-	-	-	-	1,752	US\$ 1,819
	Fnma Pool 995672	"	-	-	-	-	3,000	US\$ 3,141	3,000	US\$ 3,134	US\$ 3,141	US\$ (7)	-	-
	Fnma Pool AD9843	"	-	-	-	-	3,252	US\$ 3,405	3,252	US\$ 3,397	US\$ 3,405	US\$ (8)	-	-
	Fnma Tba Oct 30 Single Fam	"	-	-	-	-	14,200	US\$ 14,790	-	-	-	-	14,200	US\$ 14,786
	Fnr 2006 60 CO	"	-	-	-	-	4,092	US\$ 4,090	-	-	-	-	3,705	US\$ 3,689
	Freddie Mac	"	-	-	-	-	10,420	US\$ 10,412	-	-	-	-	10,420	US\$ 10,409

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Freddie Mac	Available-for-sale financial assets	-	-	-	US\$ -	8,000	US\$ 8,002	8,000	US\$ 7,997	US\$ 8,001	US\$ (4)	-	US\$ -
	Freddie Mac	"	-	-	-	-	7,000	US\$ 6,994	7,000	US\$ 6,995	US\$ 6,994	US\$ 1	-	-
	Freddie Mac	"	-	-	-	-	4,500	US\$ 4,507	-	-	-	-	4,500	US\$ 4,511
	Freddie Mac	"	-	-	-	-	5,750	US\$ 5,771	-	-	-	-	5,750	US\$ 5,785
	Freddie Mac	"	-	-	-	-	7,855	US\$ 7,869	-	-	-	-	7,855	US\$ 7,873
	Freddie Mac	"	-	-	-	-	4,300	US\$ 4,308	-	-	-	-	4,300	US\$ 4,324
	Freddie Mac	"	-	-	-	-	4,010	US\$ 4,024	-	-	-	-	4,010	US\$ 4,027
	Gnr 2009 45 AB	"	-	-	-	-	7,004	US\$ 7,305	-	-	-	-	5,309	US\$ 5,476
	<u>Government bond</u>													
	United States Treas Nts	Available-for-sale financial assets	-	-	-	-	24,000	US\$ 24,116	24,000	US\$ 24,105	US\$ 24,116	US\$ (11)	-	-
	United States Treas Nts	"	-	-	-	-	45,070	US\$ 45,309	45,070	US\$ 45,258	US\$ 45,309	US\$ (51)	-	-
	US Treasury N/B	"	-	-	-	-	43,900	US\$ 43,832	43,900	US\$ 44,134	US\$ 43,831	US\$ 303	-	-
	US Treasury N/B	"	-	-	-	-	53,000	US\$ 53,069	53,000	US\$ 53,316	US\$ 53,069	US\$ 247	-	-
	US Treasury N/B	"	-	-	-	-	16,800	US\$ 16,889	16,800	US\$ 16,897	US\$ 16,889	US\$ 8	-	-
	US Treasury N/B	"	-	-	-	-	49,700	US\$ 49,742	5,000	US\$ 5,046	US\$ 5,003	US\$ 43	44,700	US\$ 45,336
	US Treasury N/B	"	-	-	21,400	US\$ 21,394	-	-	21,400	US\$ 21,487	US\$ 21,416	US\$ 71	-	-
	US Treasury Nts	"	-	-	37,700	US\$ 39,012	-	-	37,700	US\$ 38,784	US\$ 39,346	US\$ (562)	-	-
	US Treasury Sec	"	-	-	-	-	8,000	US\$ 8,040	8,000	US\$ 8,028	US\$ 8,040	US\$ (12)	-	-
	US Treasury Sec	"	-	-	-	-	10,000	US\$ 10,040	10,000	US\$ 10,045	US\$ 10,040	US\$ 5	-	-
	Wi Treasury Sec	"	-	-	-	-	4,400	US\$ 4,380	4,400	US\$ 4,464	US\$ 4,380	US\$ 84	-	-
	Wi Treasury Sec	"	-	-	-	-	5,000	US\$ 5,009	-	-	-	-	5,000	US\$ 5,016
	<u>Money market fund</u>													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	8,858	US\$ 8,858	290,371	US\$ 290,371	297,391	US\$ 297,391	US\$ 297,391	-	1,838	US\$ 1,838
	<u>Corporate issued note</u>													
	Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	4,500	US\$ 4,489	-	-	4,500	US\$ 4,489	US\$ 4,489	-	-	-

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

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	January 28, 2010 to September 2, 2010	\$ 802,489	By the construction progress	China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2010 to September 26, 2010	1,217,815	By the construction progress	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	February 19, 2010 to September 26, 2010	1,540,064	By the construction progress	Da Cin Constructure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	February 25, 2010 to September 28, 2010	223,771	By the construction progress	Tasa Construction Corporation	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 160,415,902	52	Net 30 days after invoice date	-	-	\$ 24,574,148	47	
		Investee with a controlling financial interest	Sales	1,893,205	1	Net 30 days after monthly closing	-	-	644,287	1	
	VIS	Investee accounted for using equity method	Sales	189,984	-	Net 30 days after monthly closing	-	-	-	-	
	TSMC China	Subsidiary	Purchases	6,206,526	17	Net 30 days after monthly closing	-	-	(873,981)	7	
	WaferTech	Indirect subsidiary	Purchases	5,958,529	17	Net 30 days after monthly closing	-	-	(671,004)	5	
	VIS	Investee accounted for using equity method	Purchases	3,643,305	10	Net 30 days after monthly closing	-	-	(1,122,687)	9	
	SSMC	Investee accounted for using equity method	Purchases	3,383,596	10	Net 30 days after monthly closing	-	-	(434,236)	3	
GUC	TSMC North America	Same parent company	Purchases	589,175	18	Net 30 days after invoice date/net 30 days after monthly closing	-	-	(75,901)	8	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	1,962,883	63	Net 30 days after monthly closing	-	-	256,872	53	

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2010

(Amounts in Thousands of New Taiwan Dollars)

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

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

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

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

SEPTEMBER 30, 2010

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				September 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 44,892,711	\$ 405,510	\$ 405,510	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry.	31,456,130	31,456,130	988,268	100	33,943,317	1,600,796	1,600,796	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	38	9,424,817	1,639,886	321,621	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,890,171	2,632,321	873,329	Investee accounted for using equity method
	Motech	Taipei, Taiwan	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	6,228,661	-	76,069	20	6,533,432	3,001,229	327,526	Investee accounted for using equity method
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	3,654,158	705,707	695,070	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	3,489,864	1,703,163	-	99	2,852,802	(168,764)	(166,879)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,827,009	165,780	165,780	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,618,701	423,470	154,146	Investee with a controlling financial interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,093,943	-	98	1,093,417	101,532	99,501	Subsidiary (Note 3)
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,061,303	452,520	158,146	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	971,785	959,044	-	99	320,426	8,981	8,936	Subsidiary (Note 3)
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	182,022	34,237	34,237	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	150,896	4,036	4,036	Subsidiary (Note 3)
	TSMC Solar Europe	Amsterdam, the Netherlands	Engaged in investing activities of solar related business	25,350	-	-	100	25,638	-	-	Subsidiary
	TSMC Solar NA	Delaware, U.S.A.	Engaged in selling and marketing of solar related products	31,330	-	1	100	24,717	(6,733)	(6,733)	Subsidiary
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	20,559	2,040	2,040	Subsidiary (Note 3)
	TSMC Lighting NA	Delaware, U.S.A.	Engaged in selling and marketing of LED related products	3,133	-	1	100	3,133	-	-	Subsidiary
	TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 386,744	US\$ 46,357	Note 2
VisEra Holding Company		Cayman Islands	Investing in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 77,292	US\$ 9,320	Note 2	Investee accounted for using equity method
ISDF		Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 24,529	US\$ 2,806	Note 2	Subsidiary
ISDF II		Cayman Islands	Investing in new start-up technology companies	US\$ 21,415	US\$ 21,415	21,415	97	US\$ 17,413	US\$ 2,903	Note 2	Subsidiary
TSMC Technology		Delaware, U.S.A.	Engineering support activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 9,677	US\$ 607	Note 2	Subsidiary (Note 3)
TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,543	US\$ 294	Note 2	Subsidiary (Note 3)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2010			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				September 30, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC Development	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$ 800	5,333	70	US\$ -	US\$ (4,509)	Note 2	Investee accounted for using equity method (Note 3)
	Mcube Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	US\$ 1,000	1,000	10	US\$ 214	US\$ (4,509)	Note 2	
	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 330,000	US\$ 330,000	293,637	100	US\$ 200,265	US\$ 45,832	Note 2	Subsidiary
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 3,088	US\$ 3,088	9,180	59	US\$ 1,461	US\$ (1,147)	Note 2	Subsidiary (Note 3)
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 2,206	US\$ 1,777	5,623	43	US\$ 682	US\$ (667)	Note 2	Investee accounted for using equity method (Note 3)
VTAF II	Growth Fund VTA Holdings	Cayman Islands	Investing in new start-up technology companies	US\$ 1,650	US\$ 1,550	-	100	US\$ 829	US\$ (94)	Note 2	Subsidiary (Note 3)
		Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA GUC-Japan GUC-BVI GUC-Europe	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
		U.S.A.	Consulting services in main products	US\$ 1,234	US\$ 800	800	100	\$ 59,576	\$ 8,433	Note 2	Subsidiary
		Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	14,969	980	Note 2	Subsidiary (Note 3)
		British Virgin Islands	Investment activities	US\$ 550	US\$ 550	550	100	9,370	(8,020)	Note 2	Subsidiary (Note 3)
GUC-BVI	GUC-Shanghai	The Netherlands	Consulting services in main products	EUR 100	EUR 100	-	100	4,432	(378)	Note 2	Subsidiary (Note 3)
		Shanghai, China	Consulting services in main products	US\$ 500	-	-	100	7,969	(7,983)	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary (Note 3)

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

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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

Investor Company	Accumulated Investment in Mainland China as of September 30, 2010 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
TSMC	\$ 12,180,367 (US\$ 371,000)	\$ 12,180,367 (US\$ 371,000)	\$ 12,180,367 (US\$ 371,000)
GUC	16,160 (US\$ 500)	16,160 (US\$ 500)	1,819,784 (Note 5)

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

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

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

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

A. For the nine months ended September 30, 2010

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions						
				Financial Statement Items	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets			
0	TSMC	TSMC North America	1	Sales	\$ 160,415,902	-	50%			
				Receivables from related parties	24,574,148	-	4%			
				Other receivables from related parties	25,884	-	-			
				Payables to related parties	48,973	-	-			
		TSMC China	1	Sales	2,049	-	-			
				Purchases	6,206,526	-	2%			
				Marketing expenses - commission	42,140	-	-			
				Gain on disposal of property, plant and equipment	38,745	-	-			
				Acquisition of property, plant and equipment	66,097	-	-			
				Disposal of property, plant and equipment	383,473	-	-			
				Technical service income	3,680	-	-			
				Other receivables from related parties	383,334	-	-			
				Payables to related parties	873,981	-	-			
				Deferred debits	20,821	-	-			
		TSMC Japan	1	Marketing expenses - commission	196,939	-	-			
				Payables to related parties	23,143	-	-			
		TSMC Europe	1	Marketing expenses - commission	321,483	-	-			
				Research and development expenses	18,989	-	-			
		TSMC Korea	1	Payables to related parties	44,475	-	-			
				Marketing expenses - commission	14,362	-	-			
		GUC	1	Payables to related parties	1,609	-	-			
				Sales	1,893,205	-	1%			
				Research and development expenses	7,928	-	-			
		TSMC Technology	1	Receivables from related parties	644,287	-	-			
				Payables to related parties	8,601	-	-			
		TSMC Technology	1	Research and development expenses	425,892	-	-			
				Payables to related parties	84,463	-	-			
		WaferTech	1	Sales	7,743	-	-			
				Purchases	5,958,529	-	2%			
				Gain on disposal of other assets	9,655	-	-			
				Acquisition of property, plant and equipment	9,624	-	-			
				Disposal of property, plant and equipment	22,024	-	-			
Disposal of other assets	9,655			-	-					
Other receivables from related parties	39,956			-	-					
Xintec	1	Payables to related parties	671,004	-	-					
		Manufacturing overhead	214,590	-	-					
		Research and development expenses	5,369	-	-					
		Disposal of property, plant and equipment	3,841	-	-					
		Other receivables from related parties	3,948	-	-					
TSMC Canada	1	Payables to related parties	69,583	-	-					
		Research and development expenses	141,212	-	-					
							Payables to related parties	14,647	-	-

(Continued)

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

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

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

(Continued)

B. For the nine months ended September 30, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Items	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 111,683,024	-	52%
				Receivables from related parties	22,009,288	-	4%
				Other receivables from related parties	13,851	-	-
				Payables to related parties	1,370	-	-
		TSMC China	1	Sales	53,839	-	-
				Purchases	2,611,248	-	1%
				Gain on disposal of property, plant and equipment	140,166	-	-
				Technical service income	6,419	-	-
				Other receivables from related parties	119,544	-	-
				Payables to related parties	456,026	-	-
				Deferred credits	43,730	-	-
		TSMC Japan	1	Marketing expenses - commission	166,109	-	-
				Payables to related parties	21,021	-	-
		TSMC Europe	1	Marketing expenses - commission	234,892	-	-
				Research and development expenses	13,172	-	-
		TSMC Korea	1	Payables to related parties	35,717	-	-
				Marketing expenses - commission	10,667	-	-
		GUC	1	Payables to related parties	1,020	-	-
				Sales	1,497,213	-	1%
		TSMC Technology	1	Research and development expenses	26,488	-	-
Payables to related parties	455,417			-	-		
WaferTech	1	Research and development expenses	299,636	-	-		
		Payables to related parties	126,074	-	-		
		Sales	3,357	-	-		
		Purchases	3,872,117	-	2%		
Xintec	1	Other receivables from related parties	3,921	-	-		
		Payables to related parties	605,006	-	-		
TSMC Canada	1	Sales of property, plant and equipment and other assets	58,450	-	-		
		Research and development expenses	115,534	-	-		
1	GUC	TSMC North America	3	Payables to related parties	12,889	-	-
				Purchases	701,967	-	-
				Manufacturing overhead	216,059	-	-
		GUC-NA	3	Payables to related parties	97,319	-	-
				Operating expenses	115,524	-	-
		GUC-Japan	3	Accrued expenses	14,015	-	-
				Operating expenses	29,296	-	-
GUC-Europe	3	Accrued expenses	3,478	-	-		
		Operating expenses	6,632	-	-		

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

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

(Concluded)