

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2009 and 2008 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2009, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

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MORRIS CHANG  
Chairman

January 22, 2010

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2009 and 2008, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2009, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted the newly revised Statements of Financial Accounting Standards No. 10, "Accounting for Inventories." In addition, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

January 22, 2010

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

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

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 171,276,341	29	\$ 194,613,752	35	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 25	-	\$ 85,187	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	186,081	-	55,730	-	Accounts payable	10,905,884	2	5,553,151	1
Available-for-sale financial assets (Notes 2, 6 and 24)	14,389,946	2	10,898,715	2	Payables to related parties (Note 25)	783,007	-	489,857	-
Held-to-maturity financial assets (Notes 2, 7 and 24)	9,944,843	2	5,881,999	1	Income tax payable (Notes 2 and 18)	8,800,249	1	9,331,825	2
Receivables from related parties	12,524	-	407	-	Salary and bonus payable	9,317,035	2	2,215,780	-
Notes and accounts receivable	44,637,642	7	25,023,321	4	Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2, 3 and 20)	6,818,343	1	15,369,730	3
Allowance for doubtful receivables (Notes 2 and 8)	(543,325)	-	(455,751)	-	Payables to contractors and equipment suppliers	28,924,265	5	7,998,773	1
Allowance for sales returns and others (Notes 2 and 8)	(8,724,481)	(1)	(6,071,026)	(1)	Accrued expenses and other current liabilities (Notes 16, 24 and 28)	12,635,182	2	7,540,055	1
Other receivables from related parties	121,292	-	99,918	-	Current portion of bonds payable and bank loans (Notes 14, 15, 24 and 26)	949,298	-	8,222,398	2
Other financial assets (Note 26)	1,849,987	-	1,911,699	-	Total current liabilities	79,133,288	13	56,806,756	10
Inventories (Notes 2, 3 and 9)	20,913,751	4	14,876,645	3	<b>LONG-TERM LIABILITIES</b>				
Deferred income tax assets (Notes 2 and 18)	4,370,309	1	3,969,330	1	Bonds payable (Notes 14 and 24)	4,500,000	1	4,500,000	1
Prepaid expenses and other current assets	1,368,838	-	1,813,692	-	Long-term bank loans (Notes 15, 24 and 26)	578,560	-	1,420,476	-
Total current assets	259,803,748	44	252,618,431	45	Other long-term payables (Notes 16, 24 and 28)	5,602,420	1	9,548,226	2
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>					Obligations under capital leases (Notes 2 and 24)	707,499	-	722,339	-
Investments accounted for using equity method	17,871,208	3	18,907,158	3	Total long-term liabilities	11,388,479	2	16,191,041	3
Available-for-sale financial assets	1,358,049	-	2,032,658	-	<b>OTHER LIABILITIES</b>				
Held-to-maturity financial assets	15,553,242	3	15,426,252	3	Accrued pension cost (Notes 2 and 17)	3,797,032	1	3,701,584	1
Financial assets carried at cost	3,063,004	1	3,615,447	1	Guarantee deposits (Note 28)	1,006,023	-	1,484,495	-
Total long-term investments	37,845,503	7	39,981,515	7	Deferred credits (Note 2)	185,689	-	316,537	-
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>					Others	137,161	-	43,709	-
Cost					Total other liabilities	5,125,905	1	5,546,325	1
Land and land improvements	934,090	-	953,857	-	Total liabilities	95,647,672	16	78,544,122	14
Buildings	142,294,558	24	132,249,996	24	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Machinery and equipment	775,653,489	130	697,498,743	125	Capital stock - NTS10 par value (Notes 20 and 22)				
Office equipment	13,667,747	2	12,430,800	2	Authorized: 28,050,000 thousand shares				
Leased assets	714,424	-	722,339	-	Issued: 25,902,706 thousand shares in 2009				
	933,264,308	156	843,855,735	151	25,625,437 thousand shares in 2008	259,027,066	43	256,254,373	46
Accumulated depreciation	(693,743,886)	(117)	(618,816,267)	(110)	Capital surplus (Notes 2 and 20)	55,486,010	9	49,875,255	9
Advance payments and construction in progress	34,154,365	6	18,605,882	3	Retained earnings (Note 20)				
Net property, plant and equipment	273,674,787	45	243,645,350	44	Appropriated as legal capital reserve	77,317,710	13	67,324,393	12
<b>INTANGIBLE ASSETS</b>					Appropriated as special capital reserve	-	-	391,857	-
Goodwill (Note 2)	5,931,318	1	6,044,392	1	Unappropriated earnings	104,564,972	18	102,337,417	18
Deferred charges, net (Notes 2 and 13)	6,458,554	1	7,125,828	1	Others (Notes 2, 22 and 24)	181,882,682	31	170,053,667	30
Total intangible assets	12,389,872	2	13,170,220	2	Cumulative translation adjustments	(1,766,667)	-	481,158	-
<b>OTHER ASSETS</b>					Unrealized gain/loss on financial instruments	453,621	-	(287,342)	-
Deferred income tax assets (Notes 2 and 18)	7,988,303	1	6,636,873	1		(1,313,046)	-	193,816	-
Refundable deposits	2,733,143	1	2,767,199	1	Equity attributable to shareholders of the parent	495,082,712	83	476,377,111	85
Others (Notes 2 and 26)	260,864	-	97,001	-	<b>MINORITY INTERESTS (Note 2)</b>				
Total other assets	10,982,310	2	9,501,073	2		3,965,836	1	3,995,356	1
<b>TOTAL</b>	<b>\$ 594,696,220</b>	<b>100</b>	<b>\$ 558,916,589</b>	<b>100</b>	Total shareholders' equity	499,048,548	84	480,372,467	86
					<b>TOTAL</b>	<b>\$ 594,696,220</b>	<b>100</b>	<b>\$ 558,916,589</b>	<b>100</b>

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 309,655,614		\$ 341,983,355	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>13,913,375</u>		<u>8,825,695</u>	
NET SALES	295,742,239	100	333,157,660	100
COST OF SALES (Notes 3, 9, 19 and 25)	<u>166,413,628</u>	<u>56</u>	<u>191,408,099</u>	<u>58</u>
GROSS PROFIT	<u>129,328,611</u>	<u>44</u>	<u>141,749,561</u>	<u>42</u>
OPERATING EXPENSES (Note 19)				
Research and development	21,593,398	7	21,480,937	7
General and administrative	11,285,478	4	11,096,599	3
Marketing	<u>4,487,849</u>	<u>2</u>	<u>4,736,657</u>	<u>1</u>
Total operating expenses	<u>37,366,725</u>	<u>13</u>	<u>37,314,193</u>	<u>11</u>
INCOME FROM OPERATIONS	<u>91,961,886</u>	<u>31</u>	<u>104,435,368</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	2,600,925	1	5,373,823	2
Settlement income (Note 28)	1,464,915	1	951,180	-
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	594,660	-	-	-
Technical service income (Notes 25 and 28)	367,013	-	1,181,966	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	45,994	-	701,533	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	15,999	-	721,050	-
Foreign exchange gain, net (Note 2)	-	-	1,227,653	1
Others (Note 2)	<u>564,042</u>	<u>-</u>	<u>664,244</u>	<u>-</u>
Total non-operating income and gains	<u>5,653,548</u>	<u>2</u>	<u>10,821,449</u>	<u>3</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Impairment of financial assets (Notes 2, 6, 11 and 24)	\$ 913,230	1	\$ 1,560,055	1
Foreign exchange loss, net (Note 2)	626,971	-	-	-
Interest expense	391,479	-	614,988	-
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	-	-	1,081,019	-
Loss on idle assets (Note 2)	-	-	210,477	-
Others (Note 2)	221,107	-	318,032	-
Total non-operating expenses and losses	<u>2,152,787</u>	<u>1</u>	<u>3,784,571</u>	<u>1</u>
INCOME BEFORE INCOME TAX	95,462,647	32	111,472,246	33
INCOME TAX EXPENSE (Notes 2 and 18)	<u>5,996,424</u>	<u>2</u>	<u>10,949,009</u>	<u>3</u>
NET INCOME	<u>\$ 89,466,223</u>	<u>30</u>	<u>\$ 100,523,237</u>	<u>30</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 89,217,836	30	\$ 99,933,168	30
Minority interests	<u>248,387</u>	<u>-</u>	<u>590,069</u>	<u>-</u>
	<u>\$ 89,466,223</u>	<u>30</u>	<u>\$ 100,523,237</u>	<u>30</u>
	2009		2008	
	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
EARNINGS PER SHARE (NT\$, Note 23)				
Basic earnings per share	<u>\$ 3.68</u>	<u>\$ 3.45</u>	<u>\$ 4.26</u>	<u>\$ 3.84</u>
Diluted earnings per share	<u>\$ 3.67</u>	<u>\$ 3.44</u>	<u>\$ 4.23</u>	<u>\$ 3.81</u>

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent													Total Shareholders' Equity
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Others		Minority Interests		
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total			Treasury Stock	Others Total		Total	
BALANCE, JANUARY 1, 2008	26,427,104	\$ 264,271,037	\$ 53,732,682	\$ 56,406,684	\$ 629,550	\$ 161,828,337	\$ 218,864,571	\$ (1,072,853)	\$ 680,997	\$ (49,385,032)	\$ (49,776,888)	\$ 487,091,402	\$ 3,594,169	\$ 490,685,571
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(237,693)	237,693	-	-	-	-	-	-	-	-
Profit sharing to employees - in cash	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	(3,939,883)	-	(3,939,883)
Profit sharing to employees - in stock	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	-	(76,881,311)	-	(76,881,311)
Stock dividends to shareholders - NT\$0.02 per share	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-	-	-	-
Bonus to directors	-	-	-	-	-	(176,890)	(176,890)	-	-	-	-	(176,890)	-	(176,890)
Capital surplus transferred to capital stock	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	99,933,168	99,933,168	-	-	-	-	99,933,168	590,069	100,523,237
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	-	(137,063)	11,700	(125,363)
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011	1,554,011	(68,792)	1,485,219
Issuance of stock from exercising employee stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	-	227,150	-	227,150
Cash dividends received by subsidiaries from parent company	-	-	102,279	-	-	-	-	-	-	-	-	102,279	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	(826,251)	-	(826,251)	(826,251)	(17,048)	(843,299)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(142,088)	(142,088)	(142,088)	-	(142,088)
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	79,812,445	-	-	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(114,742)	(114,742)
BALANCE, DECEMBER 31, 2008	25,625,437	256,254,373	49,875,255	67,324,393	391,857	102,337,417	170,053,667	481,158	(287,342)	-	193,816	476,377,111	3,995,356	480,372,467
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	9,993,317	-	(9,993,317)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(391,857)	391,857	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$ 3.00per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	-	-	(76,876,312)	-	(76,876,312)
Stock dividends to shareholders - NT\$ 0.02per share	51,251	512,509	-	-	-	(512,509)	(512,509)	-	-	-	-	-	-	-
Profit sharing to employees - in stock	141,870	1,418,699	6,076,289	-	-	-	-	-	-	-	-	7,494,988	-	7,494,988
Capital surplus transferred to capital stock	76,876	768,763	(768,763)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	89,217,836	89,217,836	-	-	-	-	89,217,836	248,387	89,466,223
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	-	-	-	115,418	(38,966)	76,452
Translation adjustments	-	-	-	-	-	-	-	(2,247,825)	-	-	(2,247,825)	(2,247,825)	39,786	(2,208,039)
Issuance of stock from exercising employee stock options	7,272	72,722	187,811	-	-	-	-	-	-	-	-	260,533	-	260,533
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	622,541	-	622,541	622,541	6,047	628,588
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	-	118,422	118,422	118,422	-	118,422
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(284,774)	(284,774)
BALANCE, DECEMBER 31, 2009	25,902,706	259,027,066	55,486,010	77,317,710	-	104,564,972	181,882,682	(1,766,667)	453,621	-	(1,313,046)	495,082,712	3,965,836	499,048,548

Note: TSMC's profit sharing to employees and bonus to directors in the amount of NT\$6,771,338 thousand and NT\$15,148,057 thousand, respectively, had been charged against earnings of 2009 and 2008.

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

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



# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 89,217,836	\$ 99,933,168
Net income attributable to minority interests	248,387	590,069
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,814,748	81,512,191
Amortization of premium/discount of financial assets	21,483	(93,393)
Impairment of financial assets	913,230	1,560,055
Loss (gain) on disposal of available-for-sale financial assets, net	20,337	(637,219)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Gain on disposal of financial assets carried at cost, net	(20,245)	(83,831)
Equity in earnings of equity method investees, net	(45,994)	(701,533)
Dividends received from equity method investees	1,239,490	1,661,134
Gain on disposal of property, plant and equipment and other assets, net	(45,475)	(100,285)
Loss on idle assets	-	210,477
Deferred income tax	(1,752,409)	2,279,414
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(215,513)	1,412,531
Receivables from related parties	(12,117)	10,478
Notes and accounts receivable	(19,614,321)	22,180,805
Allowance for doubtful receivables	87,574	(246,056)
Allowance for sales returns and others	2,653,455	1,981,991
Other receivables from related parties	(21,374)	143,702
Other financial assets	7,834	(425,937)
Inventories	(6,037,106)	8,985,615
Prepaid expenses and other current assets	585,430	(443,462)
Increase (decrease) in:		
Accounts payable	4,916,885	(6,021,731)
Payables to related parties	293,150	(1,013,519)
Income tax payable	(531,576)	(1,794,303)
Salary and bonus payable	7,101,255	(17,670)
Accrued profit sharing to employees and bonus to directors and supervisors	(1,056,399)	15,369,730
Accrued expenses and other current liabilities	1,356,269	(3,936,757)
Accrued pension cost	95,448	36,062
Deferred credits	(237,726)	(858,161)
Net cash provided by operating activities	<u>159,966,465</u>	<u>221,493,565</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	\$ (87,784,906)	\$ (59,222,654)
Available-for-sale financial assets	(38,800,577)	(85,273,867)
Held-to-maturity financial assets	(12,224,353)	(16,523,275)
Investments accounted for using equity method	(42,947)	(55,871)
Financial assets carried at cost	(321,195)	(463,211)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	36,039,978	138,515,023
Held-to-maturity financial assets	7,944,800	15,634,620
Financial assets carried at cost	131,075	199,424
Property, plant and equipment and other assets	24,241	194,940
Proceeds from return of capital by investees	-	2,345,867
Increase in deferred charges	(1,469,831)	(3,395,287)
Decrease in refundable deposits	34,056	10,570
Decrease (increase) in other assets	<u>1,176</u>	<u>(8,163)</u>
Net cash used in investing activities	<u>(96,468,483)</u>	<u>(8,041,884)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term bank loans	286,574	98,400
Repayments of:		
Long-term bank loans	(378,673)	(468,313)
Bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(478,472)	(758,514)
Proceeds from exercise of employee stock options	260,533	227,150
Cash dividends	(76,876,312)	(76,779,032)
Profit sharing to employees in cash	-	(3,939,883)
Bonus to directors	-	(176,890)
Repurchase of treasury stock	-	(33,480,997)
Decrease in minority interests	<u>(284,774)</u>	<u>(114,742)</u>
Net cash used in financing activities	<u>(85,471,124)</u>	<u>(115,392,821)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,973,142)	98,058,860
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,364,269)	1,568,404
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>194,613,752</u>	<u>94,986,488</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 171,276,341</u>	<u>\$ 194,613,752</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 580,376</u>	<u>\$ 676,318</u>
Income tax paid	<u>\$ 8,088,124</u>	<u>\$ 10,477,018</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 109,151,226	\$ 60,978,527
Increase in payables to contractors and equipment suppliers	(21,361,340)	(1,742,041)
Nonmonetary exchange trade-out price	(809)	-
Increase in obligations under capital leases	<u>(4,171)</u>	<u>(13,832)</u>
Cash paid	<u>\$ 87,784,906</u>	<u>\$ 59,222,654</u>
Disposal of property, plant and equipment and other assets	\$ 25,050	\$ 194,940
Nonmonetary exchange trade-out price	(809)	-
Cash received	<u>\$ 24,241</u>	<u>\$ 194,940</u>
Repurchase of treasury stock	\$ -	\$ 30,427,413
Decrease in accrued expenses and other current liabilities	<u>-</u>	<u>3,053,584</u>
Cash paid	<u>\$ -</u>	<u>\$ 33,480,997</u>
NONCASH FINANCING ACTIVITIES		
Current portion of bonds payable	<u>\$ -</u>	<u>\$ 8,000,000</u>
Current portion of long-term bank loans	<u>\$ 949,298</u>	<u>\$ 222,398</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 4,005,307</u>	<u>\$ 1,126,546</u>

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

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

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

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#### 1. GENERAL

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

As of December 31, 2009 and 2008, TSMC and its subsidiaries had 26,390 and 24,834 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.

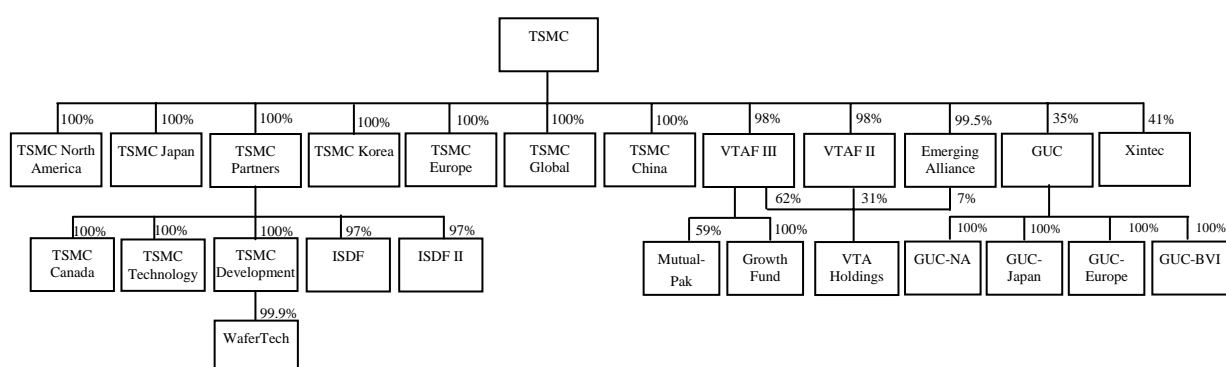
The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership December 31		Remark
		2009	2008	
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%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	-	100%	In June 2009, TSMC International was merged into TSMC Partners.
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	35%	36%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	42%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
	TSMC Technology, Inc. (TSMC Technology)	100%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	TSMC Development, Inc. (TSMC Development)	100%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
TSMC Development	WaferTech, LLC (WaferTech)	99.9%	99.9%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	59%	51%	-
	Growth Fund Limited (Growth Fund)	100%	100%	-
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31		Remark
		2009	2008	
GUC	Global Unichip Corporation-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%	-	Newly established in February 2009.

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of December 31, 2009:



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, and GUC-Europe are engaged in providing products consulting in North America, Japan, and Europe, respectively. GUC-BVI is engaged in investing activities. Xintec is engaged in the provision of wafer packaging service. Mutual-Pak is engaged in the manufacturing and selling of electronic parts, and researching, developing and testing of RFID.

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

Chi Cherng and Hsin Ruey, both 100% owned subsidiaries of TSMC, were engaged in investing activities. To simplify the organization structure of investment, TSMC merged Chi Cherng and Hsin Ruey in the third quarter of 2008.

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, agency bonds, corporate issued notes and corporate bonds acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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

Derivatives that do not meet the criteria for hedge accounting and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets 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 determined as follows: Publicly traded stocks - closing prices at the end of the year; derivatives - using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

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

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

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



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

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

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

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

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

## **Financial Assets Carried at Cost**

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

### **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.

### **Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When TSMC retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount.

TSMC's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by subsidiaries and cash dividends received by subsidiaries from TSMC are recorded under capital surplus - treasury stock transactions.

### **Foreign-currency Transactions**

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

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

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

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

### 3. ACCOUNTING CHANGES

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

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," issued in March 2007 by the ARDF, 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. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax and retroactively adjusted for the issuance of stock dividend) of NT\$12,827,595 thousand and NT\$0.49, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted SFAS No. 39, "Accounting for Share-based Payment," which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's consolidated financial statements as of and for the year ended December 31, 2008.

### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Cash and deposits in banks	\$ 167,448,973	\$ 185,943,439
Repurchase agreements collateralized by government bonds	3,359,754	8,670,313
Agency bonds	253,013	-
Corporate issued notes	160,150	-
Corporate bonds	<u>54,451</u>	<u>-</u>
	<u>\$ 171,276,341</u>	<u>\$ 194,613,752</u>

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

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
<u>Trading financial assets</u>		
Forward exchange contracts	\$ 4,338	\$ 28,423
Cross currency swap contracts	181,743	14,049
Publicly traded stocks	<u>-</u>	<u>13,258</u>
	<u>\$ 186,081</u>	<u>\$ 55,730</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 25	\$ 35,812
Cross currency swap contracts	<u>-</u>	<u>49,375</u>
	<u>\$ 25</u>	<u>\$ 85,187</u>

The Company entered into derivative contracts during the years ended December 31, 2009 and 2008 to manage exposures due to the fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2009</u>		
Sell US\$/buy NT\$	February 2010	US\$21,300/NT\$686,788
<u>December 31, 2008</u>		
Sell US\$/buy NT\$	January 2009 to February 2009	US\$138,900/NT\$4,558,672
Sell EUR/buy NT\$	January 2009	EUR1,500/NT\$63,150
Sell RMB/buy US\$	January 2009 to April 2009	RMB55,010/US\$8,000
Sell US\$/buy JPY	January 2009 to February 2009	US\$131/JPY11,800

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>December 31, 2009</u>			
January 2010 to February 2010	US\$750,000/NT\$24,201,706	0.24%-0.70%	0.00%-0.38%
<u>December 31, 2008</u>			
January 2009	US\$307,000/NT\$10,061,232	0.54%-5.00%	0.00%-3.83%

For the years ended December 31, 2009 and 2008, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$594,660 thousand and a net loss of NT\$1,081,019 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 7,042,219	\$ 3,279,073
Agency bonds	5,032,037	5,696,511
Government bonds	2,341,780	340,893
Publicly traded stocks	574,865	279,937
Corporate issued notes	303,367	-
Money market funds	283,713	1,000,086

(Continued)

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Open-end mutual funds	\$ 170,014	\$ -
Corporate issued asset-backed securities	<u>-</u>	<u>2,334,873</u>
	15,747,995	12,931,373
Current portion	<u>(14,389,946)</u>	<u>(10,898,715)</u>
	<u>\$ 1,358,049</u>	<u>\$ 2,032,658</u>
		(Concluded)

For the years ended December 31, 2009 and 2008, the Company recognized impairment on available-for-sale financial assets of NT\$201,346 thousand and NT\$934,584 thousand, respectively.

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 15,120,048	\$ 18,158,679
Structured time deposits	7,000,000	1,643,000
Government bonds	<u>3,378,037</u>	<u>1,506,572</u>
	25,498,085	21,308,251
Current portion	<u>(9,944,843)</u>	<u>(5,881,999)</u>
	<u>\$ 15,553,242</u>	<u>\$ 15,426,252</u>

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>December 31, 2009</u>				
Callable domestic deposits	<u>\$ 7,000,000</u>	<u>\$ 4,308</u>	0.36%-0.95%	July 2010 to August 2011
<u>December 31, 2008</u>				
Callable foreign deposits	<u>\$ 1,643,000</u>	<u>\$ 660</u>	4.82%	December 2011

As of December 31, 2008, the principal of the structured time deposits that resided in banks located in Hong Kong amounted to US\$50,000 thousand, which was called back in March 2009.

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 455,751	\$ 701,807
Provision	331,485	14,880
Write-off	<u>(243,911)</u>	<u>(260,936)</u>
Balance, end of year	<u>\$ 543,325</u>	<u>\$ 455,751</u>

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

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 6,071,026	\$ 4,089,035
Provision	13,913,375	8,825,695
Write-off	<u>(11,259,920)</u>	<u>(6,843,704)</u>
Balance, end of year	<u>\$ 8,724,481</u>	<u>\$ 6,071,026</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Finished goods	\$ 2,743,450	\$ 5,782,704
Work in process	15,302,010	7,606,608
Raw materials	1,541,599	334,363
Supplies and spare parts	<u>1,326,692</u>	<u>1,152,970</u>
	<u>\$ 20,913,751</u>	<u>\$ 14,876,645</u>

Reversal of inventories within the original write-down amount to net realizable value in the amount of NT\$428,162 thousand, and write-down of inventories to net realizable value in the amount of NT\$1,660,854 thousand were included in the cost of sales for the years ended December 31, 2009 and 2008, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,365,232	37	\$ 9,787,275	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,157,141	39	6,808,192	39
VisEra Holding Company (VisEra Holding)	2,273,065	49	2,277,126	49
Mcube Inc. (Mcube)	25,624	70	-	-
Aiconn Technology Corporation (Aiconn)	18,116	42	34,565	44
Preferred stock				
Mcube	<u>32,030</u>	10	<u>-</u>	-
	<u>\$ 17,871,208</u>		<u>\$ 18,907,158</u>	

The Company will subscribe through a private placement for new shares of Motech Industries Inc. ("Motech") under a Share Subscription Agreement entered into on December 9, 2009. The total consideration is approximately NT\$6.2 billion (US\$193 million). After the subscription of shares, the Company will own 20% of the Motech shares. The transaction is still subject to Motech's shareholders' approval and regulatory approval.

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

For the years ended December 31, 2009 and 2008, equity in earnings/losses of equity method investees was net gain of NT\$45,994 thousand and NT\$701,533 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except for Mcube for the year ended December 31, 2009. The Company believes that, had Mcube's financial statements been audited, any adjustments arising would have had no material effect on the Company's consolidated financial statements.

As of December 31, 2009 and 2008, fair values of publicly traded stocks in investments accounted for using equity method (VIS) were NT\$10,114,398 thousand and NT\$4,680,264 thousand, respectively.

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

	Years Ended December 31	
	2009	2008
Balance, beginning of year	\$ 1,990,621	\$ 2,589,742
Amortization	<u>(599,121)</u>	<u>(599,121)</u>
Balance, end of year	<u>\$ 1,391,500</u>	<u>\$ 1,990,621</u>

As of December 31, 2009 and 2008, the ending balances of the aforementioned difference allocated to goodwill were both NT\$1,061,885 thousand.



## 11. FINANCIAL ASSETS CARRIED AT COST

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Non-publicly traded stocks	\$ 2,899,600	\$ 3,453,454
Mutual funds	<u>163,404</u>	<u>161,993</u>
	<u><b>\$ 3,063,004</b></u>	<u><b>\$ 3,615,447</b></u>

In August 2009, the common stock of Leadtrend Technology Corporation (“Leadtrend”) was listed on the Taiwan Stock Exchange. Thus, the Company reclassified its investment in Leadtrend from financial assets carried at cost to available-for-sale financial assets-noncurrent.

For the years ended December 31, 2009 and 2008, the Company recognized impairment on financial assets carried at cost of NT\$711,884 thousand and NT\$625,471 thousand, respectively.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Year Ended December 31, 2009</b>					
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, End of Year</b>
Cost						
Land and land improvements	\$ 953,857	\$ -	\$ -	\$ 1,817	\$ (21,584)	\$ 934,090
Buildings	132,249,996	10,530,802	(12,978)	(19,910)	(453,352)	142,294,558
Machinery and equipment	697,498,743	81,548,279	(1,872,721)	9,964	(1,530,776)	775,653,489
Office equipment	12,430,800	1,491,370	(226,779)	22,821	(50,465)	13,667,747
Leased asset	<u>722,339</u>	<u>4,171</u>	<u>-</u>	<u>7,143</u>	<u>(19,229)</u>	<u>714,424</u>
	<u>843,855,735</u>	<u>\$ 93,574,622</u>	<u>\$ (2,112,478)</u>	<u>\$ 21,835</u>	<u>\$ (2,075,406)</u>	<u>933,264,308</u>
Accumulated depreciation						
Land and land improvements	295,898	\$ 30,072	\$ -	\$ -	\$ (8,390)	317,580
Buildings	72,681,699	9,379,371	(12,971)	(5,779)	(220,602)	81,821,718
Machinery and equipment	535,962,291	68,064,750	(1,791,122)	(6,271)	(1,434,174)	600,795,474
Office equipment	9,693,809	1,168,317	(224,769)	(158)	(47,850)	10,589,349
Leased asset	<u>182,570</u>	<u>36,126</u>	<u>-</u>	<u>7,143</u>	<u>(6,074)</u>	<u>219,765</u>
	<u>618,816,267</u>	<u>\$ 78,678,636</u>	<u>\$ (2,028,862)</u>	<u>\$ (5,065)</u>	<u>\$ (1,717,090)</u>	<u>693,743,886</u>
Advance payments and construction in progress	<u>18,605,882</u>	<u>\$ 15,576,604</u>	<u>\$ -</u>	<u>\$ (26,426)</u>	<u>\$ (1,695)</u>	<u>34,154,365</u>
	<u><b>\$ 243,645,350</b></u>					<u><b>\$ 273,674,787</b></u>

	<b>Year Ended December 31, 2008</b>					
	<b>Balance, Beginning of Year</b>	<b>Addition (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, End of Year</b>
Cost						
Land and land improvements	\$ 942,197	\$ -	\$ -	\$ 821	\$ 10,839	\$ 953,857
Buildings	118,640,027	12,750,078	(8,524)	(706)	869,121	132,249,996
Machinery and equipment	646,419,427	50,423,075	(1,320,975)	131,067	1,846,149	697,498,743
Office equipment	11,829,640	997,253	(294,526)	(167,598)	66,031	12,430,800
Leased asset	<u>652,296</u>	<u>13,832</u>	<u>-</u>	<u>-</u>	<u>56,211</u>	<u>722,339</u>
	<u>778,483,587</u>	<u>\$ 64,184,238</u>	<u>\$ (1,624,025)</u>	<u>\$ (36,416)</u>	<u>\$ 2,848,351</u>	<u>843,855,735</u>
Accumulated depreciation						
Land and land improvements	262,703	\$ 28,613	\$ -	\$ -	\$ 4,582	295,898
Buildings	63,239,922	9,117,602	(8,524)	393	332,306	72,681,699
Machinery and equipment	467,665,072	68,349,425	(1,179,517)	(35,055)	1,162,366	535,962,291
Office equipment	8,796,752	1,223,475	(293,433)	(84,663)	51,678	9,693,809
Leased asset	<u>135,118</u>	<u>33,901</u>	<u>-</u>	<u>-</u>	<u>13,551</u>	<u>182,570</u>
	<u>540,099,567</u>	<u>\$ 78,753,016</u>	<u>\$ (1,481,474)</u>	<u>\$ (119,325)</u>	<u>\$ 1,564,483</u>	<u>618,816,267</u>
Advance payments and construction in progress	<u>21,868,167</u>	<u>\$ (3,205,711)</u>	<u>\$ -</u>	<u>\$ (98,013)</u>	<u>\$ 41,439</u>	<u>18,605,882</u>
	<u><b>\$ 260,252,187</b></u>					<u><b>\$ 243,645,350</b></u>

The Company entered into agreements to lease buildings that qualify as capital leases. The terms of the leases ranged from December 2003 to December 2013. The future minimum lease payments as of December 31, 2009 is NT\$787,093 thousand.

### 13. DEFERRED CHARGES, NET

	Year Ended December 31, 2009						
	Balance, Beginning of Year	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Year
Technology license fee	\$ 4,125,212	\$ 2,000	\$ (902,061)	\$ -	\$ 378	\$ 5,095	\$ 3,230,624
Software and system design costs	1,801,831	965,676	(928,583)	-	(4,310)	(86)	1,834,528
Patent and others	1,198,785	502,601	(299,731)	-	(5,502)	(2,751)	1,393,402
	<u>\$ 7,125,828</u>	<u>\$ 1,470,277</u>	<u>\$ (2,130,375)</u>	<u>\$ -</u>	<u>\$ (9,434)</u>	<u>\$ 2,258</u>	<u>\$ 6,458,554</u>

	Year Ended December 31, 2008						
	Balance, Beginning of Year	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Year
Technology license fee	\$ 5,819,148	\$ 9,256	\$ (1,691,242)	\$ -	\$ -	\$ (11,950)	\$ 4,125,212
Software and system design costs	1,449,603	1,171,163	(806,096)	(14,279)	59	1,381	1,801,831
Patent and others	654,850	754,402	(218,957)	-	-	8,490	1,198,785
	<u>\$ 7,923,601</u>	<u>\$ 1,934,821</u>	<u>\$ (2,716,295)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ (2,079)</u>	<u>\$ 7,125,828</u>

### 14. BONDS PAYABLE

	December 31	
	2009	2008
Domestic unsecured bonds: Issued in January 2002 and repayable in 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	\$ 4,500,000	\$ 12,500,000
Current portion	-	(8,000,000)
	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

### 15. LONG-TERM BANK LOANS

	December 31	
	2009	2008
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.67%-2.70% in 2009 and 2.56%-3.67% in 2008	\$ 788,263	\$ 728,400
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68%-0.97% in 2009 and 3.62% in 2008	640,895	658,719
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.10%- 2.42% in 2009 and 2.42%-3.23% in 2008	98,700	168,750
Repayable from May 2007 in 16 quarterly installments, fully repaid in June 2009, annual interest at 2.42%-3.00%	-	37,828
Repayable from March 2007 in 12 quarterly installments, fully repaid in June 2009, annual interest at 2.53%-3.21%	-	32,472

(Continued)

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.42%-3.00%	\$ -	\$ 8,995
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.56%-3.15%	-	7,710
	<u>1,527,858</u>	<u>1,642,874</u>
Current portion	<u>(949,298)</u>	<u>(222,398)</u>
	<u>\$ 578,560</u>	<u>\$ 1,420,476</u> (Concluded)

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC China have to meet certain financial covenants. As of December 31, 2009, TSMC China was not in compliance with part of the aforementioned financial covenants. However, this did not have a significant effect on the Company's financial position. According to the terms of Xintec's loan agreements, semi-annual and annual financial statements of Xintec must comply with predetermined financial covenants. As of December 31, 2009, Xintec was in compliance with all such financial covenants.

As of December 31, 2009, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2010	\$ 949,298
2011	275,503
2012	242,603
2013	<u>60,454</u>
	<u>\$ 1,527,858</u>

## 16. OTHER LONG-TERM PAYABLES

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Payables for acquisition of property, plant and equipment (Note 28g)	\$ 8,355,395	\$ 8,579,726
Payables for royalties	<u>1,252,332</u>	<u>2,095,046</u>
	9,607,727	10,674,772
Current portion (classified under accrued expenses and other current liabilities)	<u>(4,005,307)</u>	<u>(1,126,546)</u>
	<u>\$ 5,602,420</u>	<u>\$ 9,548,226</u>

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

As of December 31, 2009, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2010	\$ 4,005,307
2011	3,075,094
2012	<u>2,527,326</u>
	<u>\$ 9,607,727</u>

## 17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$748,071 thousand and NT\$779,612 thousand for the years ended December 31, 2009 and 2008, respectively.

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

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

a. Components of net periodic pension cost for the year

	<b>2009</b>	<b>2008</b>
Service cost	\$ 166,480	\$ 151,656
Interest cost	150,647	171,345
Projected return on plan assets	(57,382)	(68,373)
Amortization	<u>29,924</u>	<u>4,461</u>
Net periodic pension cost	<u>\$ 289,669</u>	<u>\$ 259,089</u>

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
Benefit obligation		
Vested benefit obligation	\$ 123,524	\$ 114,930
Nonvested benefit obligation	3,790,560	4,182,434
Accumulated benefit obligation	3,914,084	4,297,364
Additional benefits based on future salaries	2,643,695	3,263,413
Projected benefit obligation	6,557,779	7,560,777
Fair value of plan assets	<u>(2,661,566)</u>	<u>(2,487,577)</u>
Funded status	3,896,213	5,073,200
Unrecognized net transition obligation	(92,777)	(101,326)
Prior service cost	161,977	169,216
Unrecognized net loss	<u>(168,381)</u>	<u>(1,439,506)</u>
Accrued pension cost	<u>\$ 3,797,032</u>	<u>\$ 3,701,584</u>
Vested benefit	<u>\$ 135,501</u>	<u>\$ 126,259</u>
c. Actuarial assumptions at December 31, 2009 and 2008		
Discount rate used in determining present values	2.25%	2.00%-2.50%
Future salary increase rate	3.00%	2.00%-3.00%
Expected rate of return on plan assets	1.50%-2.00%	2.25%-2.50%
d. Contributions to the Funds for the year	<u>\$ 194,221</u>	<u>\$ 206,873</u>
e. Payments from the Funds for the year	<u>\$ 37,801</u>	<u>\$ 28,990</u>

**18. INCOME TAX**

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

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax expense based on "income before income tax" at statutory rates	\$ 24,182,953	\$ 27,970,388
The effect of the following:		
Tax-exempt income	(8,652,030)	(9,670,500)
Temporary and permanent differences	3,136,013	2,122,899
Others	247,050	44,073
Additional tax at 10% on unappropriated earnings	30,707	13,926
Net operating loss carryforwards used	(66,135)	(205,234)
Income tax credits used	<u>(9,984,616)</u>	<u>(11,109,313)</u>
Income tax currently payable	<u>\$ 8,893,942</u>	<u>\$ 9,166,239</u>

b. Income tax expense consisted of the following:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax currently payable	\$ 8,893,942	\$ 9,166,239
Income tax adjustments on prior years	(1,159,353)	(707,255)
Other income tax adjustments	23,023	204,587
Net change in deferred income tax assets		
Investment tax credits	(1,291,102)	1,060,599
Net operating loss carryforwards	59,940	411,368
Temporary differences	(1,042,295)	(2,129,121)
Valuation allowance	<u>512,269</u>	<u>2,942,592</u>
Income tax expense	<u>\$ 5,996,424</u>	<u>\$ 10,949,009</u>

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

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Current deferred income tax assets		
Investment tax credits	\$ 3,304,092	\$ 2,885,762
Temporary differences		
Allowance for sales returns and others	814,557	710,098
Others	665,586	846,376
Valuation allowance	<u>(413,926)</u>	<u>(472,906)</u>
	<u>\$ 4,370,309</u>	<u>\$ 3,969,330</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 12,184,624	\$ 11,311,852
Net operating loss carryforwards	3,440,825	3,588,968
Temporary differences		
Depreciation	(1,573,025)	(2,134,460)
Others	1,106,746	506,181
Valuation allowance	<u>(7,170,867)</u>	<u>(6,635,668)</u>
	<u>\$ 7,988,303</u>	<u>\$ 6,636,873</u>

In May 2009, the amendment of Article 5 of the Income Tax Law of the Republic of China announced that the income tax rate of profit-seeking enterprises will be reduced from 25% to 20%, and will be effective starting in 2010. TSMC and its domestic subsidiaries which are subject to the Income Tax Law of the Republic of China had recalculated their deferred tax assets in accordance with the amended Article and adjusted the resulting difference as an income tax expense.

As of December 31, 2009, the net operating loss carryforwards generated by WaferTech, TSMC Development, Xintec and Mutual-Pak would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of December 31, 2009 and 2008 was NT\$369,265 thousand and NT\$521,634 thousand, respectively.

The estimated and actual creditable ratios for distribution of TSMC's earnings of 2009 and 2008 were 0.35% 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 December 31, 2009, 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	\$ 587,048	\$ -	2009
		1,331,228	110,488	2010
		4,711,020	66,368	2011
		3,464,868	3,464,868	2012
		<u>3,315,509</u>	<u>3,315,509</u>	2013
		<u>\$ 13,409,673</u>	<u>\$ 6,957,233</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,711,736	\$ 9,353	2010
		2,809,829	2,090,320	2011
		2,968,208	2,968,208	2012
		<u>3,409,744</u>	<u>3,409,744</u>	2013
				<u>\$ 11,899,517</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 37	\$ -	2009
		23,905	759	2010
		20,081	20,081	2011
		32,534	32,534	2012
		<u>484</u>	<u>484</u>	2013
		<u>\$ 77,041</u>	<u>\$ 53,858</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 7,297	\$ -	2009
		<u>79,804</u>	<u>-</u>	2010
		<u>\$ 87,101</u>	<u>-</u>	

- 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 of Fab 14 - Module A	2006 to 2010
Construction of Fab 12 - Module B and expansion of Fab 14 - Module A	2007 to 2011
Construction of Fab 14 - Module B and expansion of Fab 12 and others	2008 to 2012
2003 plant expansion of GUC	2007 to 2011
2005 and 2006 plant expansion of GUC	To be determined

2003 plant expansion of Xintec

2007 to 2011

- 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.

## 19. LABOR COST, DEPRECIATION AND AMORTIZATION

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

	<b>Year Ended December 31, 2008</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 19,574,249	\$ 15,654,567	\$ 35,228,816
Labor and health insurance	766,952	489,601	1,256,553
Pension	634,730	403,962	1,038,692
Meal	474,048	188,407	662,455
Welfare	640,817	273,055	913,872
Others	<u>262,144</u>	<u>171,631</u>	<u>433,775</u>
	<u>\$ 22,352,940</u>	<u>\$ 17,181,223</u>	<u>\$ 39,534,163</u>
Depreciation	<u>\$ 74,703,223</u>	<u>\$ 4,033,588</u>	<u>\$ 78,736,811</u>
Amortization	<u>\$ 1,837,540</u>	<u>\$ 878,755</u>	<u>\$ 2,716,295</u>

## 20. SHAREHOLDERS' EQUITY

As of December 31, 2009, 1,097,513 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,487,565 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 investment may not be used for any purpose.



Capital surplus consisted of the following:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Additional paid-in capital	\$ 23,457,805	\$ 17,962,468
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	329,570	214,152
Donations	<u>55</u>	<u>55</u>
	<u>\$ 55,486,010</u>	<u>\$ 49,875,255</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 subject to shareholders' approval in the following year.

TSMC has recorded profit sharing to employees as a charge to earnings of approximately 7.5% and 15% of net income for the years ended December 2009 and 2008, 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 2008 and 2007 had been approved in the TSMC's shareholders meetings held on June 10, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2008</b>	<b>For Fiscal Year 2007</b>	<b>For Fiscal Year 2008</b>	<b>For Fiscal Year 2007</b>
Legal capital reserve	\$ 9,993,317	\$ 10,917,709		
Special capital reserve	(391,857)	(237,693)		
Profit sharing to employees - in cash	-	3,939,883		
Profit sharing to employees - in stock	-	3,939,883		
Cash dividends to shareholders	76,876,312	76,881,311	\$ 3.00	\$ 3.00
Stock dividends to shareholders	512,509	512,542	0.02	0.02
Bonus to directors	-	176,890		
	<u>\$ 86,990,281</u>	<u>\$ 96,130,525</u>		

TSMC's profit sharing to employees that have been 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 10, 2009. The profit sharing to employee in stock of 141,870 thousand shares was determined by the closing price of TSMC's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting, which was NT\$52.83. The resolved amounts of the profit sharing to employees and bonus to directors were consistent with the resolutions of meeting of the Board of Directors held on February 10, 2009 and same amount had been charged against earnings of 2008.

TSMC's 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 aforementioned capital increase had taken effect on July 21, 2009.

As of January 22, 2010, the Board of Directors of TSMC has not resolved the appropriation for earnings of 2009.

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

Under the Integrated Income Tax System that became effective on January 1, 1998, 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.

## 21. 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 December 31, 2009.

Information about TSMC's outstanding options for the years ended December 31, 2009 and 2008 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Year ended December 31, 2009</u>		
Balance, beginning of year	36,234	\$ 34.0
Options granted	175	34.0
Options exercised	(7,272)	35.8
Options canceled	<u>(327)</u>	46.5
Balance, end of year	<u>28,810</u>	33.5
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	41,875	35.6
Options granted	767	35.2
Options exercised	(6,027)	37.7
Options canceled	<u>(381)</u>	46.5
Balance, end of year	<u>36,234</u>	35.3

The numbers of outstanding options and exercise prices have been adjusted to reflect the distribution of earnings by TSMC in accordance with the plans. The options granted were the result of the aforementioned adjustment.

As of December 31, 2009, 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\$)
\$22.8-\$32.0	21,179	3.18	\$ 29.1
38.0- 50.1	<u>7,631</u>	4.88	45.5
	<u>28,810</u>	3.63	33.5

As of December 31, 2009, 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 are valid for six years. Options of all three Plans are exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about GUC's outstanding options for the years ended December 31, 2009 and 2008 was as follows:

	Number of Options	Weighted-average Exercise Prices (NT\$)
<u>Year ended December 31, 2009</u>		
Balance, beginning of year	5,557	\$ 63.9
Options granted	87	13.8
Options exercised	(1,475)	11.0
Options canceled	<u>(359)</u>	63.4
Balance, end of year	<u>3,810</u>	83.5
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	7,598	60.3
Options granted	284	14.8
Options exercised	(2,115)	14.0
Options canceled	<u>(210)</u>	168.4
Balance, end of year	<u>5,557</u>	66.6

The numbers of outstanding options and exercise prices have been adjusted to reflect the appropriation of earnings by GUC in accordance with the plans. The options granted were the result of the aforementioned adjustment.

As of December 31, 2009, 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\$)
\$ 8.4	374	1.00	\$ 8.4	374	\$ 8.4
15.5	1,796	1.67	15.5	154	15.5
175.0	<u>1,640</u>	4.00	175.0	<u>-</u>	-
	<u>3,810</u>	2.61	83.5	<u>528</u>	10.5

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 options for the years ended December 31, 2009 and 2008 was as follows:

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>Year ended December 31, 2009</u>		
Balance, beginning of year	7,442	\$ 14.8
Options exercised	(2,552)	13.5
Options canceled	<u>(930)</u>	17.1
Balance, end of year	<u>3,960</u>	14.7
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	9,642	15.1
Options exercised	(728)	12.4
Options canceled	<u>(1,472)</u>	15.5
Balance, end of year	<u>7,442</u>	14.8

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

As of December 31, 2009, information about Xintec's outstanding 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	2,092	6.79	\$ 12.5	904	\$ 12.5
15.2- 19.2	<u>1,868</u>	7.68	17.2	<u>550</u>	17.2
	<u>3,960</u>	7.21	14.7	<u>1,454</u>	14.4

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2009 and 2008. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the years ended December 31, 2009 and 2008 would have been as follows:

		2009	2008
Assumptions:			
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	0.00%-0.60%
	Expected volatility	22.65%-45.47%	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%	2.12%-2.56%
	Expected life	3-6 years	3-6 years
Xintec	Expected dividend yield	0.80%	0.80%
	Expected volatility	31.79%-47.42%	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-2.45%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
As reported		\$ 89,217,836	\$ 99,933,168
Pro forma		88,838,182	100,037,622
Earnings per share (EPS) - after income tax (NT\$):			
Basic EPS as reported		\$3.45	\$3.84
Pro forma basic EPS		3.44	3.84
Diluted EPS as reported		3.44	3.81
Pro forma diluted EPS		3.43	3.81

## 22. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Retirement	Ending Shares
<u>Year ended December 31, 2008</u>					
Parent company stock held by subsidiaries	34,096	-	171	34,267	-
Repurchase under share buyback plan	<u>800,000</u>	<u>495,549</u>	<u>-</u>	<u>1,295,549</u>	<u>-</u>
	<u>834,096</u>	<u>495,549</u>	<u>171</u>	<u>1,329,816</u>	<u>-</u>

TSMC held a meeting of the Board of Directors on November 13, 2007 and approved a share buyback plan to repurchase the TSMC's common shares up to 800,000 thousand shares listed on the TSE during the period from November 14, 2007 to January 13, 2008 for the buyback price in the range from NT\$43.2 to NT\$94.2. TSMC had repurchased 800,000 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in February 2008.

TSMC held a meeting of the Board of Directors on May 13, 2008 and approved a share buyback plan to repurchase the TSMC's common shares up to 500,000 thousand shares listed on the TSE during the period from May 14, 2008 to July 13, 2008 for the buyback price in the range from NT\$48.25 to NT\$100.50. TSMC had repurchased 216,674 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in August 2008.

TSMC held a meeting of the Board of Directors on August 12, 2008 and approved a share buyback plan to repurchase the TSMC's common shares up to 283,000 thousand shares listed on the TSE during the period from August 13, 2008 to October 12, 2008 for the buyback price in the range from NT\$42.85 to NT\$86.20. TSMC had repurchased 278,875 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in November 2008.

TSMC merged Chi Cherng and Hsin Ruey in the third quarter of 2008. TSMC's common shares held by Chi Cherng and Hsin Ruey in the number of 34,267 thousand shares were retired on August 2008.

## 23. EARNINGS PER SHARE

EPS is computed as follows:

	<u>Amounts (Numerator)</u>		Number of Shares (Denominator) (In Thousands)	<u>EPS (NT\$)</u>	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year ended December 31, 2009</u>					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 95,189,766	\$ 89,217,836	25,835,802	<u>\$ 3.68</u>	<u>\$ 3.45</u>
Effect of dilutive potential common shares	<u>-</u>	<u>-</u>	<u>77,801</u>		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 95,189,766</u>	<u>\$ 89,217,836</u>	<u>25,913,603</u>	<u>\$ 3.67</u>	<u>\$ 3.44</u>

(Continued)

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (In Thousands)</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
	<u>Before Income Tax</u>	<u>After Income Tax</u>			
<u>Year ended December 31, 2008</u>					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 110,847,835	\$ 99,933,168	26,039,186	<u>\$ 4.26</u>	<u>\$ 3.84</u>
Effect of dilutive potential common shares	<u>-</u>	<u>-</u>	<u>196,493</u>		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 110,847,835</u>	<u>\$ 99,933,168</u>	<u>26,235,679</u>	<u>\$ 4.23</u>	<u>\$ 3.81</u>

(Concluded)

As discussed in Note 3, effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends. This adjustment caused each the basic and diluted after income tax EPS for the year ended December 31, 2008 to decrease from NT\$3.86 to NT\$3.84 and NT\$3.83 to NT\$3.81, respectively.

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>December 31</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 186,081	\$ 186,081	\$ 55,730	\$ 55,730
Available-for-sale financial assets	15,747,995	15,747,995	12,931,373	12,931,373
Held-to-maturity financial assets	25,498,085	25,671,664	21,308,251	21,457,008
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	25	25	85,187	85,187
Bonds payable (including current portion)	4,500,000	4,574,979	12,500,000	12,612,423
Long-term bank loans (including current portion)	1,527,858	1,527,858	1,642,874	1,642,874
Other long-term payables (including current portion)	9,607,727	9,607,727	10,674,772	10,674,772
Obligations under capital leases	707,499	707,499	722,339	722,339



- b. Methods and assumptions used in estimating fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, 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, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
  - 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Fair value of the bonds payable was based on their quoted market price.
  - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2009 and 2008 estimated using valuation techniques were recognized as net gains of NT\$186,056 thousand and net losses of NT\$42,715 thousand, respectively.
- d. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$40,857,296 thousand and NT\$34,002,159 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$4,500,025 thousand and NT\$12,585,187 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$1,527,858 thousand and NT\$1,642,874 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2009 and 2008 were as follows:

	<b>Year Ended December 31, 2009</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>From Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ (198,413)	\$ (88,929)	\$ (287,342)
Recognized directly in shareholders' equity	391,801	118,422	510,223
Removed from shareholders' equity and recognized in earnings	<u>230,740</u>	<u>-</u>	<u>230,740</u>
Balance, end of year	<u>\$ 424,128</u>	<u>\$ 29,493</u>	<u>\$ 453,621</u>

**Year Ended December 31, 2008**

	<b>From Available- for-sale Financial Assets</b>	<b>From Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	(1,130,599)	(142,088)	(1,272,687)
Removed from shareholders' equity and recognized in earnings	<u>304,348</u>	<u>-</u>	<u>304,348</u>
Balance, end of year	<u>\$ (198,413)</u>	<u>\$ (88,929)</u>	<u>\$ (287,342)</u>

f. Information about financial risk

- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. Subject to turmoil in the global financial market, the Company evaluated its financial assets and determined that certain impairment for its asset-backed securities is other-than-temporary. The Company had appropriately recognized related impairment losses.
- 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. Subject to turmoil in the global financial market, the Company evaluated the financial instruments for any possible counter-party or third-party default. As a result of the evaluation, the Company determined that certain financial instruments are exposed to credit risk and had appropriately recognized related impairment losses.
- 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. The Company's long-term bank loans were floating-rate loans. Therefore, changes in the market interest rates will result in changes in the effective rate of the long-term bank loans, which will affect future cash flows.

## 25. 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.

c. Others

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

	2009		2008	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
VIS	\$ 139,496	-	\$ 80,067	-
VisEra	15,569	-	30,821	-
SSMC	171	-	1,869	-
Others	<u>69</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 155,305</u>	<u>-</u>	<u>\$ 112,757</u>	<u>-</u>
Purchases				
SSMC	\$ 3,537,659	2	\$ 4,441,795	2
VIS	3,330,288	2	3,260,160	2
VisEra	<u>-</u>	<u>-</u>	<u>594</u>	<u>-</u>
	<u>\$ 6,867,947</u>	<u>4</u>	<u>\$ 7,702,549</u>	<u>4</u>
Non-operating income and gains				
VIS (primarily technical service income; see Note 28e)	\$ 224,740	4	\$ 296,250	3
SSMC (primarily technical service income; see Note 28d)	141,488	2	244,865	2
VisEra	<u>129</u>	<u>-</u>	<u>101,605</u>	<u>1</u>
	<u>\$ 366,357</u>	<u>6</u>	<u>\$ 642,720</u>	<u>6</u>

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>As of December 31</u>				
Payables				
VIS	\$ 531,459	68	\$ 317,890	65
SSMC	238,741	31	162,807	33
VisEra	<u>12,807</u>	<u>1</u>	<u>9,160</u>	<u>2</u>
	<u>\$ 783,007</u>	<u>100</u>	<u>\$ 489,857</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.

TSMC deferred the net gains (classified under deferred credits) derived from sales of property, plant and equipment to VisEra, and then recognized such gains (classified under non-operating income and gains) over the depreciable lives of the disposed assets.

TSMC leased certain buildings and facilities to VisEra. The related rental income was classified under non-operating income and gains. The lease terms and prices were determined in accordance with mutual agreements. The lease agreement between TSMC and VisEra expired in April 2008.

Compensation of directors and management personnel:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Salaries, incentives and special compensation	\$ 673,278	\$ 352,227
Bonus	<u>411,358</u>	<u>705,376</u>
	<u>\$ 1,084,636</u>	<u>\$ 1,057,603</u>

The information about the compensation of directors and management personnel is available in the annual report for the shareholders' meeting. Total compensation expense for the year ended December 31, 2009 includes estimated profit sharing to employees and bonus to directors of the Company that relate to 2009 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders' meeting in 2010. The total compensation for the year ended December 31, 2008 included the bonuses appropriated from earnings of 2008 which was approved by the shareholders' meeting held in 2009.

## 26. PLEDGED OR MORTGAGED ASSETS

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

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Other financial assets	\$ 949,368	\$ 33,377
Property, plant and equipment, net	2,808,057	4,032,571
Others assets	<u>20,000</u>	<u>-</u>
	<u>\$ 3,777,425</u>	<u>\$ 4,065,948</u>

## 27. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Zhongli Industrial Park Service Center. These operating leases expire on various dates from March 2010 to December 2029 and can be renewed upon expiration.

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

As of December 31, 2009, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2010	\$ 557,588
2011	504,263
2012	487,131
2013	462,439
2014	444,201
2015 and thereafter	<u>3,293,532</u>
	<u>\$ 5,749,154</u>

## 28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2009, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2009 TSMC had a total of US\$29,582 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. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of December 31, 2009, SMIC had paid US\$135 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case." Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and

WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. Regarding the claims raised by SMIC in the Beijing lawsuit, the Beijing People's High Court has on June 10, 2009 rejected those claims and dismissed the 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, TSMC North America and WaferTech's trade secrets. TSMC, TSMC North America and WaferTech have 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, TSMC North America and WaferTech in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC, TSMC North America and WaferTech. 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 to provide TSMC with other valuable consideration.

- g. 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\$8,355,395 thousand and NT\$8,579,726 thousand as of December 31, 2009 and 2008, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of December 31, 2009 were NT\$16,155 thousand.

## 29. 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 investee: Please see Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

### 30. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

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

b. Geographic information:

	North America and Others	Taiwan	Adjustments and Elimination	Consolidated
<u>2009</u>				
Sales to other than consolidated entities	\$ 162,783,488	\$ 132,958,751	\$ -	\$ 295,742,239
Sales among consolidated entities	<u>11,891,274</u>	<u>163,407,355</u>	<u>(175,298,629)</u>	<u>-</u>
Total sales	<u>\$ 174,674,762</u>	<u>\$ 296,366,106</u>	<u>\$(175,298,629)</u>	<u>\$ 295,742,239</u>
Gross profit	<u>\$ 2,004,734</u>	<u>\$ 128,456,453</u>	<u>\$(1,132,576)</u>	\$ 129,328,611
Operating expenses				(37,366,725)
Non-operating income and gains				5,653,548
Non-operating expenses and losses				<u>(2,152,787)</u>
Income before income tax				<u>\$ 95,462,647</u>
Identifiable assets	<u>\$ 113,023,501</u>	<u>\$ 468,112,330</u>	<u>\$(24,285,114)</u>	\$ 556,850,717
Long-term investments				<u>37,845,503</u>
Total assets				<u>\$ 594,696,220</u> (Continued)



	<b>North America and Others</b>	<b>Taiwan</b>	<b>Adjustments and Elimination</b>	<b>Consolidated</b>
<u>2008</u>				
Sales to other than consolidated entities	\$ 193,727,539	\$ 139,430,121	\$ -	\$ 333,157,660
Sales among consolidated entities	<u>16,280,818</u>	<u>194,731,514</u>	<u>(211,012,332)</u>	<u>-</u>
Total sales	<u>\$ 210,008,357</u>	<u>\$ 334,161,635</u>	<u>\$(211,012,332)</u>	<u>\$ 333,157,660</u>
Gross profit	<u>\$ 2,114,127</u>	<u>\$ 140,540,236</u>	<u>\$ (904,802)</u>	\$ 141,749,561
Operating expenses				(37,314,193)
Non-operating income and gains				10,821,449
Non-operating expenses and losses				<u>(3,784,571)</u>
Income before income tax				<u>\$ 111,472,246</u>
Identifiable assets	<u>\$ 122,781,555</u>	<u>\$ 425,545,212</u>	<u>\$ (29,391,693)</u>	\$ 518,935,074
Long-term investments				<u>39,981,515</u>
Total assets				<u>\$ 558,916,589</u> (Concluded)

c. Export sales

<b>Area</b>	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Asia	\$ 65,491,264	\$ 55,383,901
Europe and others	<u>44,602,706</u>	<u>41,890,123</u>
	<u>\$ 110,093,970</u>	<u>\$ 97,274,024</u>

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

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

	<b>Years Ended December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$ 33,025,488	11	\$ 46,523,059	14
Customer B	31,994,983	10	30,271,064	9

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

(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	December 31, 2009				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	-	\$ 1,046,672	N/A	\$ 1,046,672		
	Formosa Petrochemical Corporation	-	Held-to-maturity financial assets	-	3,178,551	N/A	3,200,302		
	Taiwan Power Company	-	"	-	3,004,941	N/A	3,011,743		
	Nan Ya Plastics Corporation	-	"	-	2,000,145	N/A	2,029,935		
	Formosa Plastics Corporation	-	"	-	1,671,815	N/A	1,685,345		
	China Steel Corporation	-	"	-	1,512,130	N/A	1,528,117		
	CPC Corporation, Taiwan	-	"	-	500,031	N/A	499,913		
	Taipei Fubon Commercial Bank Co., Ltd.	-	"	-	298,884	N/A	298,751		
	First Commercial Bank Co., Ltd.	-	"	-	99,814	N/A	99,815		
	<u>Government bond</u>								
	European Investment Bank Bonds	-	Held-to-maturity financial assets	-	2,003,877	N/A	2,025,500		
	2003 Asian Development Bank Govt. Bond	-	"	-	893,710	N/A	875,103		
	<u>Stock</u>								
	TSMC Global	Subsidiary		Investments accounted for using equity method	1	45,397,256	100	45,397,256	
	TSMC Partners	Subsidiary		"	988,268	32,545,619	100	32,545,619	
	VIS	Investee accounted for using equity method		"	628,223	9,365,232	37	10,114,398	
	SSMC	Investee accounted for using equity method		"	314	6,157,141	39	5,581,994	
	TSMC North America	Subsidiary		"	11,000	2,723,727	100	2,723,727	
	Xintec	Investee with a controlling financial interest		"	93,081	1,475,014	41	1,437,395	
	GUC	Investee with a controlling financial interest		"	46,688	983,126	35	7,913,592	
	TSMC Europe	Subsidiary		"	-	159,467	100	159,467	
	TSMC Japan	Subsidiary		"	6	135,663	100	135,663	
	TSMC Korea	Subsidiary		"	80	18,519	100	18,519	
	United Industrial Gases Co., Ltd.	-		Financial assets carried at cost	16,783	193,584	10	297,655	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-		"	10,500	105,000	7	332,943	
	W.K. Technology Fund IV	-		"	4,000	40,000	2	43,975	
	<u>Fund</u>								
	Horizon Ventures Fund	-		Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-		"	-	59,412	1	59,412	
	<u>Capital</u>								
	TSMC China	Subsidiary		Investments accounted for using equity method	-	2,961,043	100	2,958,707	
VTAF III	Subsidiary		"	-	1,309,615	98	1,292,412		
VTAF II	Subsidiary		"	-	1,122,810	98	1,117,773		
Emerging Alliance	Subsidiary		"	-	305,866	99	305,866		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Partners	<u>Corporate bond</u>							
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US\$ 20,543	N/A	US\$ 21,312	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,219	N/A	US\$ 21,182	
	<u>Common stock</u>							
	TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 340,387	100	US\$ 340,387	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 70,967	49	US\$ 70,967	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	21,415	US\$ 13,741	97	US\$ 13,741	
	TSMC Technology	Subsidiary	"	1	US\$ 9,071	100	US\$ 9,071	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 7,336	97	US\$ 7,336	
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,193	100	US\$ 3,193	
	Mcube Inc.	Investee accounted for using equity method	"	5,333	US\$ 800	70	US\$ 800	
	<u>Preferred stock</u>							
	Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 1,000	10	US\$ 1,000	
TSMC Development	<u>Corporate bond</u>							
	GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,334	N/A	US\$ 21,182	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,000	
	<u>Stock</u>							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 154,432	100	US\$ 154,432	
Emerging Alliance	<u>Common stock</u>							
	RichWave Technology Corp.	-	Financial assets carried at cost	4,247	US\$ 1,648	10	US\$ 1,648	
	Global Investment Holding Inc.	-	"	10,000	US\$ 3,065	6	US\$ 3,065	
	<u>Preferred stock</u>							
	Audience, Inc.	-	Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250	
	Axiom Microdevices, Inc.	-	"	1,000	US\$ 24	1	US\$ 24	
	Mosaic Systems, Inc.	-	"	2,481	US\$ 12	6	US\$ 12	
	Next IO, Inc.	-	"	800	US\$ 500	1	US\$ 500	
	Optichron, Inc.	-	"	1,281	US\$ 1,072	2	US\$ 1,072	
	Prixim, Inc.	-	"	4,641	US\$ 1,137	2	US\$ 1,137	
	QST Holdings, LLC	-	"	-	US\$ 131	4	US\$ 131	
	Teknovus, Inc.	-	"	6,977	US\$ 1,327	2	US\$ 1,327	
		<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	1,515	US\$ 9,721	4	US\$ 9,721	
	RichWave Technology Corp.	-	Financial assets carried at cost	1,043	US\$ 730	1	US\$ 730	
	Sentelic	-	"	1,200	US\$ 2,040	15	US\$ 2,040	
	<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	5	US\$ 3,816	
	Audience, Inc.	-	"	7,956	US\$ 1,838	2	US\$ 1,838	
	Axiom Microdevices, Inc.	-	"	759	US\$ 650	13	US\$ 650	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	Beceem Communications	-	Financial assets carried at cost	834	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.	-	"	2,784	US\$ 2,664	4	US\$ 2,664	
	Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878	
	Power Analog Microelectronics	-	"	7,027	US\$ 3,383	19	US\$ 3,383	
	QST Holdings, LLC	-	"	-	US\$ 593	13	US\$ 593	
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454	
	Xceive	-	"	3,936	US\$ 1,516	2	US\$ 1,516	
	<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\$ 2,112	59	US\$ 2,112	
	Acionn Technology Corporation	Investee accounted for using equity method	"	4,500	US\$ 566	42	US\$ 566	
	<u>Preferred stock</u>							
	Auramicro, Inc.	-	Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408	
	BridgeLux, Inc.	-	"	4,955	US\$ 6,391	4	US\$ 6,391	
	Exclara, Inc.	-	"	21,708	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	
	M2000, Inc.	-	"	3,000	US\$ 3,000	5	US\$ 3,000	
	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\$ 457	6	US\$ 457	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	1	US\$ 1,208	
	Tilera, Inc.	-	"	3,222	US\$ 2,781	3	US\$ 2,781	
	Validity Sensors, Inc.	-	"	8,070	US\$ 3,089	3	US\$ 3,089	
<u>Capital</u>								
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 823	100	US\$ 823		
VTA Holdings	Subsidiary	"	-	-	62	-		
<u>Common stock</u>								
Staccato	-	Financial assets carried at cost	10	US\$ 25	-	US\$ 25		
SiliconBlue Technologies, Inc.	-	"	5,107	US\$ 762	2	US\$ 762		
<u>Common stock</u>								
Memic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 4,472	6	US\$ 4,472		
Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	557	US\$ 154	2	US\$ 154		
<u>Preferred stock</u>								
Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221		
IP Unity, Inc.	-	"	1,008	US\$ 290	1	US\$ 290		
Sonics, Inc.	-	"	230	US\$ 497	2	US\$ 497		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
ISDF II	<u>Common stock</u>							
	Memic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 3,754	5	US\$ 3,754	
	Sonics, Inc.	-	Financial assets carried at cost	278	US\$ 10	3	US\$ 10	
	Epic Communication, Inc.	-	"	50	US\$ 23	-	US\$ 23	
	EON Technology, Corp.	-	"	2,368	US\$ 656	3	US\$ 656	
	Goyatek Technology, Corp.	-	"	932	US\$ 545	6	US\$ 545	
	Capella Microsystems (Taiwan), Inc.	-	"	561	US\$ 210	2	US\$ 210	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u>							
	Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US\$ 3,664	18	US\$ 3,664	
	FangTek, Inc.	-	"	1,032	US\$ 686	6	US\$ 686	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 500	5	US\$ 500	
	Sonics, Inc.	-	"	264	US\$ 456	3	US\$ 456	
GUC	<u>Open-end mutual fund</u>							
	Jih Sun Bond Fund	-	Available-for-sale financial assets	5,668	\$ 80,008	-	\$ 80,008	
	FSITC Taiwan Bond Fund	-	"	352	60,005	-	60,005	
	Cathay Bond Fund	-	"	2,509	30,001	-	30,001	
	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	38,617	100	38,617	
	GUC-Japan	Subsidiary	"	1	12,899	100	12,899	
	GUC-Europe	Subsidiary	"	-	5,213	100	5,213	
	GUC-BVI	Subsidiary	"	550	17,466	100	17,466	
	Xintec	<u>Capital</u>						
Compositech Ltd.		-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Corporate bond</u>							
	Ab Svensk Exportkredit Swedish	-	Available-for-sale financial assets	5,000	US\$ 5,144	N/A	US\$ 5,144	
	African Development Bank	-	"	2,600	US\$ 2,622	N/A	US\$ 2,622	
	Allstate Life Global Fdg	-	"	220	US\$ 221	N/A	US\$ 221	
	Asian Development Bank	-	"	2,500	US\$ 2,497	N/A	US\$ 2,497	
	Astrazeneca Plc	-	"	2,150	US\$ 2,349	N/A	US\$ 2,349	
	Australia + New Zealand Bkg	-	"	2,000	US\$ 2,054	N/A	US\$ 2,054	
	Banco Bilbao Vizcaya P R	-	"	3,250	US\$ 3,248	N/A	US\$ 3,248	
	Bank New York Inc. Medium	-	"	2,100	US\$ 2,262	N/A	US\$ 2,262	
	Bank of New York Mellon	-	"	2,200	US\$ 2,208	N/A	US\$ 2,208	
	Bear Stearns Cos Inc.	-	"	5,000	US\$ 4,974	N/A	US\$ 4,974	
	Bear Stearns Cos Inc.	-	"	3,500	US\$ 3,391	N/A	US\$ 3,391	
	Bhp Billiton Fin USA Ltd.	-	"	2,000	US\$ 2,129	N/A	US\$ 2,129	
	Bnp Paribas SA	-	"	2,310	US\$ 2,339	N/A	US\$ 2,339	
	Boeing Co.	-	"	450	US\$ 445	N/A	US\$ 445	
	Bsch Issuances Ltd.	-	"	2,250	US\$ 2,359	N/A	US\$ 2,359	
	Cello Part/Veri Wirelss	-	"	2,000	US\$ 2,068	N/A	US\$ 2,068	
	Citibank NA	-	"	5,000	US\$ 4,996	N/A	US\$ 4,996	
	Citigroup funding Inc.	-	"	2,000	US\$ 2,016	N/A	US\$ 2,016	
	Credit Suisse New York	-	"	2,000	US\$ 2,057	N/A	US\$ 2,057	
	European Investment Bank	-	"	2,250	US\$ 2,243	N/A	US\$ 2,243	
	Federal Farm Cr Bks	-	"	2,250	US\$ 2,254	N/A	US\$ 2,254	
	Finance for Danish Ind	-	"	1,900	US\$ 1,900	N/A	US\$ 1,900	
	General Elec Cap Corp.	-	"	1,000	US\$ 978	N/A	US\$ 978	
	General Elec Cap Corp.	-	"	7,000	US\$ 7,001	N/A	US\$ 7,001	
	General Elec Cap Corp. Fdic Gtd	-	"	2,500	US\$ 2,547	N/A	US\$ 2,547	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Goldman Sachs Group Inc.	-	Available-for-sale financial assets	2,000	US\$ 1,939	N/A	US\$ 1,939	
	Goldman Sachs Group Incesr 2	-	"	3,000	US\$ 3,012	N/A	US\$ 3,012	
	Hewlett Packard Co.	-	"	3,000	US\$ 3,000	N/A	US\$ 3,000	
	HSBC Fin Corp.	-	"	2,315	US\$ 2,233	N/A	US\$ 2,233	
	HSBC USA Inc. Fdic Gtd Tlgp	-	"	2,200	US\$ 2,277	N/A	US\$ 2,277	
	IBM Corp.	-	"	1,800	US\$ 1,796	N/A	US\$ 1,796	
	International Business Machs	-	"	3,000	US\$ 3,027	N/A	US\$ 3,027	
	Intl Bk Recon + Develop	-	"	2,000	US\$ 2,069	N/A	US\$ 2,069	
	JP Morgan Chase + Co.	-	"	2,500	US\$ 2,523	N/A	US\$ 2,523	
	JP Morgan Chase + Co. Fdic Gtd Tlg	-	"	3,000	US\$ 3,030	N/A	US\$ 3,030	
	Kfw	-	"	2,230	US\$ 2,236	N/A	US\$ 2,236	
	Kfw Medium Term Nts Book Entry	-	"	1,950	US\$ 1,953	N/A	US\$ 1,953	
	Kreditanstalt Fur Wiederaufbau	-	"	650	US\$ 673	N/A	US\$ 673	
	Lloyds Tsb Bank Plc Ser 144A	-	"	5,950	US\$ 6,049	N/A	US\$ 6,049	
	Mellon Fdg Corp.	-	"	3,500	US\$ 3,419	N/A	US\$ 3,419	
	Met Life Glob Funding I	-	"	2,100	US\$ 2,142	N/A	US\$ 2,142	
	Met Life Glob Funding I	-	"	500	US\$ 502	N/A	US\$ 502	
	Metlife Inc.	-	"	2,000	US\$ 2,017	N/A	US\$ 2,017	
	Metropolitan Life Global Fdg	-	"	750	US\$ 739	N/A	US\$ 739	
	Metropolitan Life Global Fdg I	-	"	3,340	US\$ 3,278	N/A	US\$ 3,278	
	Morgan Stanley	-	"	2,200	US\$ 2,212	N/A	US\$ 2,212	
	Morgan Stanley	-	"	2,000	US\$ 2,032	N/A	US\$ 2,032	
	Morgan Stanley Fdic Gtd Tlgp	-	"	2,210	US\$ 2,244	N/A	US\$ 2,244	
	Morgan Stanley for Equity	-	"	2,000	US\$ 1,943	N/A	US\$ 1,943	
	Nordea Bank Fld Plc	-	"	2,250	US\$ 2,240	N/A	US\$ 2,240	
	Oesterreichische Kontrollbank	-	"	2,000	US\$ 2,059	N/A	US\$ 2,059	
	Ontario (Province of)	-	"	2,000	US\$ 1,980	N/A	US\$ 1,980	
	Paccar Finl Corp. Mtn Bk Ent	-	"	1,000	US\$ 1,007	N/A	US\$ 1,007	
	Pricoa Global Fdg I Med Term	-	"	1,750	US\$ 1,638	N/A	US\$ 1,638	
	Pricoa Global Funding I	-	"	1,200	US\$ 1,167	N/A	US\$ 1,167	
	Pricoa Global Fdg I Medium	-	"	2,200	US\$ 2,130	N/A	US\$ 2,130	
	Royal Bk of Scotland Plc	-	"	5,000	US\$ 5,078	N/A	US\$ 5,078	
	Royal Bk Scotlnd Grp Plc 144A	-	"	9,450	US\$ 9,578	N/A	US\$ 9,578	
	Southern Co.	-	"	600	US\$ 602	N/A	US\$ 602	
	Sovereign Bancorp Fdic Gtd Tlg	-	"	2,200	US\$ 2,246	N/A	US\$ 2,246	
	State Str Corp.	-	"	1,940	US\$ 1,920	N/A	US\$ 1,920	
	Suncorp Metway Ltd.	-	"	2,000	US\$ 2,004	N/A	US\$ 2,004	
	Suncorp Metway Ltd.	-	"	5,000	US\$ 5,170	N/A	US\$ 5,170	
	Svenska Handelsbanken Ab	-	"	2,200	US\$ 2,214	N/A	US\$ 2,214	
	Swedbank Ab	-	"	2,000	US\$ 1,994	N/A	US\$ 1,994	
	Swedbank Foreningssparbanken A	-	"	1,500	US\$ 1,537	N/A	US\$ 1,537	
	Ubs Ag Stamford	-	"	1,300	US\$ 1,300	N/A	US\$ 1,300	
	US Central Federal Cred	-	"	4,800	US\$ 4,799	N/A	US\$ 4,799	
	Verizon Communications Inc.	-	"	2,200	US\$ 2,294	N/A	US\$ 2,294	
	Verizon Global Fdg Corp.	-	"	500	US\$ 528	N/A	US\$ 528	
	Wachovia Corp. New	-	"	4,000	US\$ 4,246	N/A	US\$ 4,246	
	Wells Fargo + Company	-	"	2,000	US\$ 2,013	N/A	US\$ 2,013	
	Westfield Cap Corp. Ltd.	-	"	500	US\$ 514	N/A	US\$ 514	
	Westpac Banking Corp.	-	"	2,100	US\$ 2,112	N/A	US\$ 2,112	
	Westpac Banking Corp.	-	"	2,170	US\$ 2,168	N/A	US\$ 2,168	
	Nationwide Building Society	-	Held-to-maturity financial assets	8,000	US\$ 8,000	N/A	US\$ 8,008	
	Westpac Banking Corp. 12/12 Frn	-	"	5,000	US\$ 5,000	N/A	US\$ 4,999	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	<u>Agency bond</u>							
	Fannif Mae	-	Available-for-sale financial assets	2,820	US\$ 2,814	N/A	US\$ 2,814	
	Fed Hm Ln Pc Pool 1b2830	-	"	2,554	US\$ 2,635	N/A	US\$ 2,635	
	Fed Hm Ln Pc Pool 1g0115	-	"	2,271	US\$ 2,315	N/A	US\$ 2,315	
	Fed Hm Ln Pc Pool 1k1210	-	"	2,053	US\$ 2,121	N/A	US\$ 2,121	
	Fed Hm Ln Pc Pool 780741	-	"	2,121	US\$ 2,181	N/A	US\$ 2,181	
	Federal Farm Cr Bks	-	"	2,000	US\$ 2,117	N/A	US\$ 2,117	
	Federal Farm Credit Bank	-	"	3,000	US\$ 2,990	N/A	US\$ 2,990	
	Federal Farm Credit Bank	-	"	2,200	US\$ 2,258	N/A	US\$ 2,258	
	Federal Home Ln Bank	-	"	11,000	US\$ 11,028	N/A	US\$ 11,028	
	Federal Home Ln Mtg Corp.	-	"	1,350	US\$ 1,352	N/A	US\$ 1,352	
	Federal Home Ln Mtg Corp.	-	"	3,421	US\$ 3,533	N/A	US\$ 3,533	
	Federal Home Ln Mtg Corp.	-	"	2,662	US\$ 2,763	N/A	US\$ 2,763	
	Federal Home Ln Mtg Corp.	-	"	2,469	US\$ 2,521	N/A	US\$ 2,521	
	Federal Home Ln Mtg Corp.	-	"	2,309	US\$ 2,350	N/A	US\$ 2,350	
	Federal Home Ln Mtg Corp.	-	"	2,358	US\$ 2,448	N/A	US\$ 2,448	
	Federal Home Loan Bank	-	"	10,000	US\$ 9,987	N/A	US\$ 9,987	
	Federal Home Loan Bank	-	"	8,000	US\$ 7,992	N/A	US\$ 7,992	
	Federal Home Loan Bank	-	"	10,000	US\$ 10,012	N/A	US\$ 10,012	
	Federal Home Loan Bank	-	"	4,700	US\$ 4,715	N/A	US\$ 4,715	
	Federal Home Loan Bank	-	"	11,200	US\$ 11,186	N/A	US\$ 11,186	
	Federal Home Loan Bank	-	"	3,310	US\$ 3,319	N/A	US\$ 3,319	
	Federal Home Loan Bank	-	"	3,000	US\$ 2,989	N/A	US\$ 2,989	
	Federal Home Loan Bank	-	"	3,000	US\$ 2,983	N/A	US\$ 2,983	
	Federal Home Loan Bank	-	"	3,000	US\$ 2,984	N/A	US\$ 2,984	
	Federal Home Loan Mtg Corp.	-	"	1,411	US\$ 1,441	N/A	US\$ 1,441	
	Federal Home Loan Mtg Corp.	-	"	1,940	US\$ 2,012	N/A	US\$ 2,012	
	Federal National Mort Assoc	-	"	2,117	US\$ 2,176	N/A	US\$ 2,176	
	Federal National Mort Assoc	-	"	1,752	US\$ 1,782	N/A	US\$ 1,782	
	Federal Natl Mtg Assn Gtd Remi	-	"	2,854	US\$ 2,926	N/A	US\$ 2,926	
	Federal Natl Mtg Assn Mtn	-	"	2,669	US\$ 2,765	N/A	US\$ 2,765	
	Federal Natl Mtg Assn Remic	-	"	2,871	US\$ 2,953	N/A	US\$ 2,953	
	Federal Natl Mtg Assn	-	"	4,000	US\$ 4,228	N/A	US\$ 4,228	
	Federal Natl Mtg Assn	-	"	2,039	US\$ 2,126	N/A	US\$ 2,126	
	Fhr 3087 Jb	-	"	2,540	US\$ 2,656	N/A	US\$ 2,656	
	Fnma Pool 745688	-	"	2,272	US\$ 2,336	N/A	US\$ 2,336	
	Fnma Pool 790772	-	"	1,527	US\$ 1,568	N/A	US\$ 1,568	
	Fnma Pool 819649	-	"	2,318	US\$ 2,383	N/A	US\$ 2,383	
	Fnma Pool 829989	-	"	2,146	US\$ 2,221	N/A	US\$ 2,221	
	Fnma Pool 846233	-	"	2,288	US\$ 2,332	N/A	US\$ 2,332	
	Fnma Pool 870884	-	"	2,357	US\$ 2,442	N/A	US\$ 2,442	
	Fnma Pool 879908	-	"	2,056	US\$ 2,128	N/A	US\$ 2,128	
	Fnr 2005 47 Ha	-	"	2,652	US\$ 2,753	N/A	US\$ 2,753	
	Fnr 2006 60 Co	-	"	3,062	US\$ 3,153	N/A	US\$ 3,153	
	Fnr 2009 70 Nt	-	"	2,537	US\$ 2,609	N/A	US\$ 2,609	
	Freddie Mac	-	"	4,500	US\$ 4,491	N/A	US\$ 4,491	
	Gnma II Pool 082431	-	"	2,000	US\$ 2,030	N/A	US\$ 2,030	
	<u>Government bond</u>							
	US Treasury N/B	-	Available-for-sale financial assets	21,400	US\$ 21,394	N/A	US\$ 21,394	
	US Treasury N/B	-	"	2,170	US\$ 2,158	N/A	US\$ 2,158	
	US Treasury Nts	-	"	37,700	US\$ 39,012	N/A	US\$ 39,012	
	United States Treas Nts	-	"	10,536	US\$ 10,548	N/A	US\$ 10,548	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US\$ 15,000	N/A	US\$ 15,091	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	<u>Corporate issued note</u> Barclays U.S. Fdg LLC	-	Available-for-sale financial assets	4,500	US\$ 4,489	N/A	US\$ 4,489	
	Royal Bk of Scotland	-	"	5,000	US\$ 4,982	N/A	US\$ 4,982	
	<u>Money market fund</u> Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	8,858	US\$ 8,858	N/A	US\$ 8,858	

(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 YEAR ENDED DECEMBER 31, 2009

(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>Corporate bond</u> Taiwan Mobile Co., Ltd.	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	\$ 2,032,658	-	\$ -	-	\$ 1,037,370	\$ 1,000,000	\$ 37,370	-	\$ 1,046,672
	Formosa Petrochemical Corporation	Held-to-maturity financial assets	"	-	-	3,554,908	-	457,351	-	-	-	-	-	3,178,551
	Taiwan Power Company	"	"	-	-	4,209,629	-	203,892	-	-	-	-	-	3,004,941
	Formosa Plastic Corporation	"	"	-	-	2,385,285	-	203,994	-	-	-	-	-	1,671,815
	China Steel Corporation	"	"	-	-	1,000,000	-	514,672	-	-	-	-	-	1,512,130
	Taipei Fubon Commercial Bank Co., Ltd.	"	"	-	-	-	-	298,677	-	-	-	-	-	298,884
	<u>Government bond</u> European Investment Bank Bonds	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	383,387	-	2,025,500	-	400,000	383,909	16,091	-	2,003,876
	<u>Capital</u> VTAF III	Investments accounted for using equity method	-	Subsidiary	-	1,305,605	-	262,922	-	-	-	-	-	1,309,615
TSMC Development	<u>Corporate bond</u> JP Morgan Chase & Co.	Held-to-maturity financial assets	JP Morgan Secured Inc.	-	-	-	-	US\$ 15,000	-	-	-	-	-	US\$ 15,000
GUC	<u>Open-end mutual fund</u> Jih Sun Bond Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	-	-	19,143	270,000	13,475	190,120	190,000	120	5,668	80,008
	FSITC Taiwan Bond Fund	"	First Securities Investment Trust Co., Ltd.	-	-	-	1,146	195,000	794	135,206	135,000	206	352	60,005
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise Trust Co., Ltd.	-	-	-	11,261	170,000	11,261	170,319	170,000	319	-	-
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	13,121	170,000	13,121	170,241	170,000	241	-	-
	Hua Nan Phoenix Bond Fund	"	Hua Nan Investment Trust Co., Ltd.	-	-	-	10,287	160,000	10,287	160,143	160,000	143	-	-
TSMC Global	<u>Corporate bond</u> Ab Svensk Exportkredit Swedish	Available-for-sale financial assets	-	-	-	-	5,000	US\$ 5,185	-	-	-	-	5,000	US\$ 5,144
	Banco Bilbao Vizcaya P R	"	-	-	-	-	3,250	US\$ 3,250	-	-	-	-	3,250	US\$ 3,248
	Bear Stearns Cos Inc.	"	-	-	-	-	5,000	US\$ 4,965	-	-	-	-	5,000	US\$ 4,974
	Bear Stearns Cos Inc.	"	-	-	-	-	3,500	US\$ 3,360	-	-	-	-	3,500	US\$ 3,391
	Chase Manhattan Corp. New	"	-	-	3,250	US\$ 3,353	-	-	3,250	US\$ 3,380	US\$ 3,480	US\$ (100)	-	-
	Citibank NA	"	-	-	-	-	-	3,000	US\$ 3,002	3,000	US\$ 3,002	US\$ 3,002	-	-
	Citibank NA	"	-	-	-	-	-	5,000	US\$ 4,995	-	-	-	5,000	US\$ 4,996

(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)
	Deutsche Bank Ag London	Available-for-sale financial assets	-	-	2,995	US\$ 3,013	-	US\$ -	2,995	US\$ 3,021	US\$ 3,041	US\$ (20)	-	US\$ -
	General Elec Cap Corp.	"	-	-	-	-	5,000	US\$ 4,834	4,000	US\$ 3,880	US\$ 3,868	US\$ 12	1,000	US\$ 978
	General Elec Cap Corp.	"	-	-	-	-	7,000	US\$ 7,002	-	-	-	-	7,000	US\$ 7,001
	Goldman Sachs Group Incser 2	"	-	-	-	-	3,000	US\$ 3,016	-	-	-	-	3,000	US\$ 3,012
	International Business Machs	"	-	-	-	-	3,000	US\$ 3,030	-	-	-	-	3,000	US\$ 3,027
	JP Morgan Chase + Co. Fdic Gtd Tlg	"	-	-	-	-	3,000	US\$ 3,030	-	-	-	-	3,000	US\$ 3,030
	Keycorp Fdic Gtd Tlgp	"	-	-	-	-	5,000	US\$ 5,061	5,000	US\$ 5,061	US\$ 5,061	-	-	-
	Lloyds Tsb Bank Plc Ser 144A	"	-	-	-	-	5,950	US\$ 6,077	-	-	-	-	5,950	US\$ 6,049
	Mellon Fdg Corp.	"	-	-	-	-	3,500	US\$ 3,404	-	-	-	-	3,500	US\$ 3,419
	Metropolitan Life Global Fdg I	"	-	-	-	-	3,340	US\$ 3,245	-	-	-	-	3,340	US\$ 3,278
	Morgan Stanley	"	-	-	4,855	US\$ 4,552	-	-	4,855	US\$ 4,751	US\$ 4,768	US\$ (17)	-	-
	Royal Bk of Scotland Plc	"	-	-	-	-	5,000	US\$ 5,106	-	-	-	-	5,000	US\$ 5,078
	Royal Bk Scotlnd Grp Plc 144A	"	-	-	-	-	9,450	US\$ 9,596	-	-	-	-	9,450	US\$ 9,578
	Suncorp Metway Ltd.	"	-	-	-	-	5,000	US\$ 5,192	-	-	-	-	5,000	US\$ 5,170
	US Central Federal Cred	"	-	-	-	-	4,800	US\$ 4,799	-	-	-	-	4,800	US\$ 4,799
	Wachovia Corp. New	"	-	-	-	-	4,000	US\$ 4,239	-	-	-	-	4,000	US\$ 4,246
	Wachovia Corp. New	"	-	-	3,130	US\$ 3,135	-	-	3,130	US\$ 3,195	US\$ 3,100	US\$ 95	-	-
	Wells Fargo + Co. New Med Trm	"	-	-	4,500	US\$ 4,493	-	-	4,500	US\$ 4,524	US\$ 4,282	US\$ 242	-	-
	Nationwide Building Society	Held-to-maturity financial assets	-	-	-	-	8,000	US\$ 8,000	-	-	-	-	8,000	US\$ 8,000
	Westpac Banking Corp. 12/12 Frn	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,000
	<u>Agency bond</u>													
	Fed Hm Ln Pc Pool 1g1282	Available-for-sale financial assets	-	-	3,215	US\$ 3,285	-	-	3,179	US\$ 3,281	US\$ 3,171	US\$ 110	-	-
	Fed Hm Ln Pc Pool b19205	"	-	-	5,449	US\$ 5,501	-	-	5,335	US\$ 5,511	US\$ 5,225	US\$ 286	-	-
	Fed Home Ln Bank	"	-	-	5,000	US\$ 5,305	-	-	5,000	US\$ 5,282	US\$ 5,035	US\$ 247	-	-
	Federal Farm Cr Bks	"	-	-	3,400	US\$ 3,610	-	-	3,400	US\$ 3,590	US\$ 3,411	US\$ 179	-	-
	Federal Farm Credit Bank	"	-	-	3,375	US\$ 3,433	-	-	3,375	US\$ 3,429	US\$ 3,370	US\$ 59	-	-
	Federal Home Ln Bank	"	-	-	-	-	11,000	US\$ 11,038	-	-	-	-	11,000	US\$ 11,028
	Federal Home Ln Bks	"	-	-	3,725	US\$ 3,854	-	-	3,725	US\$ 3,851	US\$ 3,721	US\$ 130	-	-
	Federal Home Ln Bks	"	-	-	5,000	US\$ 5,320	-	-	5,000	US\$ 5,312	US\$ 5,098	US\$ 214	-	-
	Federal Home Ln Bks	"	-	-	4,000	US\$ 4,148	-	-	4,000	US\$ 4,151	US\$ 4,136	US\$ 15	-	-
	Federal Home Ln Mtg	"	-	-	5,000	US\$ 5,340	-	-	5,000	US\$ 5,334	US\$ 5,186	US\$ 148	-	-
	Federal Home Ln Mtg Corp.	"	-	-	3,340	US\$ 3,428	-	-	3,340	US\$ 3,431	US\$ 3,335	US\$ 96	-	-
	Federal Home Ln Mtg Corp.	"	-	-	3,500	US\$ 3,560	-	-	3,500	US\$ 3,561	US\$ 3,494	US\$ 67	-	-
	Federal Home Ln Mtg Corp.	"	-	-	3,500	US\$ 3,743	-	-	3,500	US\$ 3,749	US\$ 3,786	US\$ (37)	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,679	US\$ 3,824	-	-	-	-	3,421	US\$ 3,533
	Federal Home Ln Mtg Corp.	"	-	-	3,060	US\$ 3,108	-	-	3,005	US\$ 3,078	US\$ 3,003	US\$ 75	-	-
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 9,996	-	-	-	-	10,000	US\$ 9,987
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 10,002	2,000	US\$ 2,000	US\$ 2,000	-	8,000	US\$ 7,992
	Federal Home Loan Bank	"	-	-	-	-	10,000	US\$ 10,035	-	-	-	-	10,000	US\$ 10,012
	Federal Home Loan Bank	"	-	-	-	-	4,700	US\$ 4,723	-	-	-	-	4,700	US\$ 4,715
	Federal Home Loan Bank	"	-	-	-	-	11,200	US\$ 11,200	-	-	-	-	11,200	US\$ 11,186
	Federal Home Loan Bank	"	-	-	-	-	3,310	US\$ 3,310	-	-	-	-	3,310	US\$ 3,319
	Federal Home Loan Bank	"	-	-	-	-	3,000	US\$ 3,000	-	-	-	-	3,000	US\$ 2,984
	Federal Home Loan Bank	"	-	-	4,500	US\$ 4,710	-	-	4,500	US\$ 4,709	US\$ 4,518	US\$ 191	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	9,246	US\$ 9,474	9,246	US\$ 9,461	US\$ 9,474	US\$ (13)	-	-

(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)
	Federal Natl Mtg Assn	Available-for-sale financial assets	-	-	3,700	US\$ 3,713	-	US\$ -	3,700	US\$ 3,712	US\$ 3,700	US\$ 12	-	US\$ -
	Federal Natl Mtg Assn	"	-	-	4,000	US\$ 4,169	-	-	4,000	US\$ 4,180	US\$ 4,117	US\$ 63	-	-
	Federal Natl Mtg Assn	"	-	-	3,500	US\$ 3,809	-	-	3,500	US\$ 3,801	US\$ 3,645	US\$ 156	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	4,000	US\$ 4,261	-	-	-	-	4,000	US\$ 4,228
	Federal Natl Mtg Assn	"	-	-	3,750	US\$ 4,134	-	-	3,750	US\$ 4,127	US\$ 4,151	US\$ (24)	-	-
	Federal Natl Mtg Assn Gtd Remi	"	-	-	-	-	3,062	US\$ 3,153	-	-	-	-	2,854	US\$ 2,926
	Federal Natl Mtg Assn Remic	"	-	-	-	-	3,036	US\$ 3,127	-	-	-	-	2,871	US\$ 2,953
	Fnma Pool 257245	"	-	-	3,456	US\$ 3,513	-	-	3,415	US\$ 3,513	US\$ 3,437	US\$ 76	-	-
	Fnma Pool 691283	"	-	-	2,963	US\$ 3,039	-	-	2,932	US\$ 3,028	US\$ 2,920	US\$ 108	-	-
	Fnma Pool 852300	"	-	-	-	-	9,276	US\$ 9,843	9,206	US\$ 9,773	US\$ 9,770	US\$ 3	-	-
	Fnma Pool 852347	"	-	-	-	-	3,761	US\$ 3,991	3,721	US\$ 3,950	US\$ 3,949	US\$ 1	-	-
	Fnma Pool 888738	"	-	-	3,669	US\$ 3,776	-	-	3,659	US\$ 3,828	US\$ 3,801	US\$ 27	-	-
	Fnma Pool 888793	"	-	-	4,105	US\$ 4,242	-	-	4,071	US\$ 4,265	US\$ 4,207	US\$ 58	-	-
	Fnma Pool 955778	"	-	-	-	-	7,680	US\$ 8,138	7,395	US\$ 7,829	US\$ 7,836	US\$ (7)	-	-
	Fnr 2006 60 Co	"	-	-	-	-	3,239	US\$ 3,352	-	-	-	-	3,062	US\$ 3,153
	Freddie Mac	"	-	-	-	-	4,500	US\$ 4,490	-	-	-	-	4,500	US\$ 4,491
	<u>Government bond</u>													
	United States Treas Nts	Available-for-sale financial assets	-	-	10,266	US\$ 10,374	-	-	10,357	US\$ 11,258	US\$ 11,258	-	10,536	US\$ 10,548
	US Treasury N/B	"	-	-	-	-	41,900	US\$ 41,931	20,500	US\$ 20,564	US\$ 20,515	US\$ 49	21,400	US\$ 21,394
	US Treasury N/B	"	-	-	-	-	3,520	US\$ 3,498	1,350	US\$ 1,358	US\$ 1,341	US\$ 17	2,170	US\$ 2,158
	US Treasury Nts	"	-	-	-	-	50,000	US\$ 52,184	12,300	US\$ 12,826	US\$ 12,837	US\$ (11)	37,700	US\$ 39,012
	Societe De Financement De Lec	Held-to-maturity financial assets	-	-	-	-	15,000	US\$ 15,000	-	-	-	-	15,000	US\$ 15,000
	<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
	Royal Bk of Scotland	"	-	-	-	-	5,000	US\$ 4,982	-	-	-	-	5,000	US\$ 4,982
	<u>Money market fund</u>													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	30,435	US\$ 30,435	495,908	US\$ 495,908	517,485	US\$ 517,485	US\$ 517,485	-	8,858	US\$ 8,858
	<u>Corporate issued asset-backed securities</u>													
	Banc Amer Coml Mtg Inc.	Available-for-sale financial assets	-	-	4,597	US\$ 4,584	-	-	4,472	US\$ 4,480	US\$ 4,584	US\$ (104)	-	-
	Cit Equip Coll Tr	"	-	-	4,000	US\$ 3,884	-	-	4,000	US\$ 3,925	US\$ 3,996	US\$ (71)	-	-
	Credit Suisse First Boston Mtg	"	-	-	4,353	US\$ 4,349	-	-	4,090	US\$ 4,085	US\$ 4,188	US\$ (103)	-	-
	First Un Natl Bk Coml Mtg Tr	"	-	-	4,788	US\$ 4,715	-	-	4,774	US\$ 4,780	US\$ 4,954	US\$ (174)	-	-
	Lb Ubs Coml Mtg Tr	"	-	-	3,737	US\$ 3,495	-	-	3,725	US\$ 3,537	US\$ 3,697	US\$ (160)	-	-
	Tiaa Seasoned Coml Mtg Tr	"	-	-	3,397	US\$ 3,163	-	-	3,375	US\$ 3,283	US\$ 3,392	US\$ (109)	-	-
	Wamu Mtg	"	-	-	3,214	US\$ 2,925	-	-	3,172	US\$ 3,106	US\$ 3,114	US\$ (8)	-	-

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 capital return from subsidiaries.

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/ losses on financial assets, translation adjustments or equity in earnings/ losses of equity method investees.

(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 YEAR ENDED DECEMBER 31, 2009  
(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	October 25, 2009 to December 30, 2009	\$514,777	By the construction progress	Fu Tsu Construction Co., Ltd. and China Steel Structure Co., Ltd.	-	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 YEAR ENDED DECEMBER 31, 2009  
 (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	Subsidiary	Sales	\$ 161,251,368	54	Net 30 days after invoice date	-	-	\$ 22,203,242	52	
		Investee with a controlling financial interest	Sales	2,023,612	1	Net 30 days after monthly closing	-	-	338,502	1	
	VIS	Investee accounted for using equity method	Sales	139,044	-	Net 30 days after invoice date	-	-	-	-	
		Indirect subsidiary	Purchases	5,560,707	18	Net 30 days after monthly closing	-	-	(561,165)	5	
	TSMC China	Subsidiary	Purchases	3,787,113	12	Net 30 days after monthly closing	-	-	(481,500)	4	
		Investee accounted for using equity method	Purchases	3,537,659	11	Net 30 days after monthly closing	-	-	(238,741)	2	
VIS	Investee accounted for using equity method	Purchases	3,312,656	10	Net 30 days after monthly closing	-	-	(529,060)	5		
GUC	TSMC North America	Same parent company	Purchases	937,160	28	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(173,789)	25	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	1,801,655	77	Net 30 days after monthly closing	-	-	397,695	73	

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**

**DECEMBER 31, 2009**

**(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	\$ 22,211,918	38	\$ 6,438,761	-	\$ 8,899,170	\$ -
		Investee with a controlling financial interest	338,502	50	-	-	-	-
	TSMC China	Subsidiary	111,103	(Note 2)	-	-	-	-
Xintec	OmniVision	Parent company of director (represented for Xintec)	397,695	81	160	-	127,130	-

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 INVESTEE OVER WHICH TSMC EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2009  
 (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 December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (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	\$ 45,397,256	\$ 505,232	\$ 505,232	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry.	31,456,130	31,456,130	988,268	100	32,545,619	(54,907)	(54,907)	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	37	9,365,232	89,241	(368,710)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,157,141	1,608,714	427,022	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	2,961,043	(3,244,458)	(3,242,122)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,723,727	360,562	360,562	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,475,014	10,597	(20,659)	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,703,163	1,440,241	-	98	1,309,615	(224,620)	(223,546)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,093,943	1,036,422	-	98	1,122,810	(178,442)	(174,873)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	983,126	412,771	146,384	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	959,044	986,797	-	99	305,866	(92,606)	(92,143)	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	159,467	35,445	35,445	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	135,663	4,203	4,203	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	18,519	2,392	2,392	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 340,387	US\$ 9,293	Note 2	Subsidiary
	VisEra Holding Company	Cayman Islands	Investment 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\$ 70,967	US\$ 322	Note 2	Investee accounted for using equity method
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 21,415	US\$ 32,289	21,415	97	US\$ 13,741	US\$ 960	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 9,071	US\$ 662	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 7,336	US\$ (1,504)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,193	US\$ 210	Note 2	Subsidiary (Note 3)
	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	-	5,333	70	US\$ 800	US\$ (24)	Note 2	Investee accounted for using equity method
	Mcube Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	-	1,000	10	US\$ 1,000	US\$ (24)	Note 2	Investee accounted for using equity method
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 330,000	US\$ 380,000	293,637	100	US\$ 154,432	US\$ (125)	Note 2	Subsidiary
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US\$ 91,041	US\$ 91,041	253,120	89	US\$ 125,983	US\$ 313	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
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\$ 1,705	9,180	59	US\$ 2,112	US\$ (1,105)	Note 2	Subsidiary
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 1,777	US\$ 1,777	4,500	42	US\$ 566	US\$ (1,239)	Note 2	Investee accounted for using equity method
	Growth Fund VTA Holdings	Cayman Islands Delaware, U.S.A.	Investing in new start-up technology companies	US\$ 1,550	US\$ 700	-	100	US\$ 823	US\$ (127)	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	\$ 38,617	\$ 5,617	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,899	1,608	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50	-	100	5,213	353	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US\$ 550	-	550	100	17,466	(133)	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 unaudited financial statements.

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2009 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					Outflow	Inflow					
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$ -	\$ -	\$12,180,367 (US\$371,000)	100%	\$(3,242,122)	\$2,961,043	\$ -

Accumulated Investment in Mainland China as of December 31, 2009 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

Note 1: Direct investments US\$371,000 thousand in TSMC China.

Note 2: Amount was recognized based on the audited financial statements.



No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
3	GUC	TSMC North America	3	Purchases	\$ 937,160	-	-
				Manufacturing overhead	303,687	-	-
				Payables to related parties	173,789	-	-
		GUC-NA	3	Operating expenses	157,345	-	-
				Accrued Expense	14,618	-	-
		GUC-Japan	3	Operating expenses	39,755	-	-
				Accrued Expense	3,462	-	-
		GUC-Europe	3	Operating expenses	7,305	-	-

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

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

(Continued)

B. FOR THE YEAR ENDED DECEMBER 31, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 192,986,719	-	55%
				Receivables from related parties	11,512,777	-	2%
				Other receivables from related parties	256,624	-	-
				Payables to related parties	327,250	-	-
		TSMC China	1	Sales	101,245	-	-
				Purchases	4,717,676	-	1%
				Gain on disposal of property, plant and equipment	197,681	-	-
				Technical service income	99,737	-	-
				Other receivables from related parties	112,933	-	-
				Payables to related parties	117,417	-	-
				Deferred credits	183,896	-	-
		TSMC Japan	1	Marketing expenses - commission	251,367	-	-
				Payables to related parties	20,528	-	-
		TSMC Europe	1	Marketing expenses - commission	367,846	-	-
				Payables to related parties	29,679	-	-
		TSMC Korea	1	Marketing expenses - commission	16,408	-	-
				Payables to related parties	1,313	-	-
		GUC	1	Sales	1,611,058	-	-
				General and administrative expenses - rental expense	1,050	-	-
				Research and development expenses	18,940	-	-
Receivables from related parties	215,190			-	-		
TSMC Technology	1	Payables to related parties	7,003	-	-		
		Research and development expenses	352,900	-	-		
WaferTech	1	Payables to related parties	41,904	-	-		
		Sales	12,216	-	-		
		Purchases	8,207,876	-	2%		
TSMC Canada	1	Other receivables from related parties	13,813	-	-		
		Payables to related parties	171,089	-	-		
Emerging Alliance	1	Research and development expenses	172,291	-	-		
		Payables to related parties	3,297	-	-		
2	TSMC Partners	TSMC International	3	Other receivables	5,149	-	-
				Deferred revenue	8,149,280	-	1%
				Other receivables	8,149,280	-	1%

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
3	GUC	TSMC North America	3	Purchases	\$ 1,747,488	-	1%
				Manufacturing overhead	298,926	-	-
				Operating Expense	1,458	-	-
				Payables to related parties	148,680	-	-
		GUC-NA	3	Operating expenses	105,044	-	-
				Payables to related parties	11,074	-	-
		GUC-Japan	3	Operating expenses	28,480	-	-
				Payables to related parties	2,260	-	-
GUC-Europe	3	Operating expenses	5,140	-	-		

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)