

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

---

**2010 ANNUAL GENERAL SHAREHOLDERS' MEETING**

**MEETING AGENDA**  
(Translation)

**June 15, 2010**

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### Note:

- Minutes of 2010 Annual General Shareholders' Meeting will be available on TSMC's website ([http://www.tsmc.com/english/e\\_investor/e04\\_shareholders/e0402\\_meeting.htm](http://www.tsmc.com/english/e_investor/e04_shareholders/e0402_meeting.htm)) within 20 days after the Meeting.

## **I. MEETING PROCEDURE**

# **TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

## **2010 ANNUAL GENERAL SHAREHOLDERS' MEETING PROCEDURE**

- I. Call Meeting to Order
- II. Meeting Agenda

## **II. MEETING AGENDA**

# **TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

## **2010 ANNUAL GENERAL SHAREHOLDERS' MEETING AGENDA**

(Translation)

Time: 9:00 a.m., June 15, 2010

Place: TSMC Fab 12 (No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan)

Attendants: All shareholders or their proxy holders

Chairman: Dr. Morris Chang, Chairman of the Board of Directors

1. Chairman's Address
2. Report Items:
  - (1) To report the business of 2009
  - (2) Audit Committee's review report
3. Proposed Resolutions
  - (1) To accept 2009 Business Report and Financial Statements
  - (2) To approve the proposal for distribution of 2009 profits
  - (3) To revise the Articles of Incorporation
  - (4) To revise the Policies and Procedures for Financial Derivatives Transactions

Voting by poll

4. Other Business and Special Motion
5. Meeting Adjourned

## **Report Items**

1. To report the business of 2009

Explanatory Notes: The 2009 business report is attached hereto as Attachment I.

2. Audit Committee's review report

Explanatory Notes: The Audit Committee's review report is attached hereto as Attachment II.

## **Proposed Resolutions**

1. To accept 2009 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's 2009 Financial Statements, including Balance Sheets, Income Statements, Statements of Changes in Shareholders' Equity, and Cash Flow Statements, were audited by independent auditors, Mr. Hung-Peng Lin and Mr. Shu-Chieh Huang, of Deloitte & Touche.

(2) The 2009 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached hereto as Attachments I, III and IV.

(3) Please accept the above-mentioned Business Report and Financial Statements.

2. To approve the proposal for distribution of 2009 profits (Proposed by the Board of Directors)

Explanatory Notes: (1) The proposed profits distribution is allocated from 2009 Retained Earnings Available for Distribution. Each common share holder will be entitled to receive a cash dividend of NT\$3 per share.

The total amount of common shares outstanding may change and the ultimate cash dividend to be distributed to each common share may need to be adjusted accordingly should TSMC subsequently repurchase its common shares or issue new common shares to its employees as a result of their exercise of stock options. It is proposed that the Chairman of Board of Directors of TSMC be authorized to adjust the cash dividend to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.

- (2) The 2009 Profit Allocation Proposal is attached hereto as Attachment V.

3. To revise the Articles of Incorporation (Proposed by the Board of Directors)

Explanatory Notes: (1) In light of the contemplated new business activities with respect to LED lighting and solar energy that TSMC is planning to engage and invest in, the business scope specified in the Articles of Incorporation of TSMC is required to be amended.

- (2) The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment VI.

4. To revise the Policies and Procedures for Financial Derivatives Transactions (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's "Policies and Procedures for Financial Derivatives Transaction" ("the Policy") allows TSMC to engage in derivative transaction only for the purpose of hedging, but not for the purpose of trading. Therefore, no loss limit for derivative transactions was adopted under the Policy in the past.

According to the regulatory authority's administrative guidance, all listed companies are required to adopt loss limits for any derivative transactions, regardless of whether such transactions was for trading or hedging. It is therefore proposed to amend the Policy to adopt above-mentioned loss limits.

- (2) In addition, in light of current TSMC management structure, the Policy is proposed to be amended by designating "the Chief Executive Office or his designee" to perform all the duties currently assigned to the corporate President under the Policy.
- (3) The Comparison Table for the "Policies and Procedures for Financial Derivative Transaction" Before and After Revision is attached hereto as Attachment VII.

**Voting by poll:**

**Other Business and Special Motion**

**Meeting Adjourned**

### **III. ATTACHMENT**

### **Business Report**

At the start of 2009, we managed the sharp business downturn that gripped the global economy, and then enhanced our core strengths by committing more resources into technology innovations, recruiting talents, and expanding our production capacity to meet customers' needs. Now the global economy is on its gradual recovery course and the outlook for semiconductor industry in 2010 appears robust, TSMC is in a stronger position to compete.

The steep downturn in the global semiconductor industry in 4Q'08 and 1Q'09 was followed by a recovery the rate of which was unprecedented in the history of the foundry segment. At the start of the slump, management moved with speed to minimize the negative financial impact. Later on, when demand fast recovered, we demonstrated remarkable agility in quickly ramping up production capacity and capturing the pursuant recovery. In the process, the Company lowered its breakeven utilization rate and maintained profitability throughout the downturn.

TSMC is now headed forward on a course to capture greater share within the dedicated foundry segment through continued development of the leading-edge process technology nodes, while aggressively broadening the Company's business portfolio into derivative technologies across all legacy technology nodes.

#### **Financial Results**

Total consolidated revenue for 2009 was NT\$ 295.74 billion, an 11.2 percent decrease compared with NT\$333.16 billion in 2008. Net income decreased 10.7 percent to NT\$89.22 billion from NT\$99.93 billion, while diluted earnings per share decreased 9.6 percent to NT\$3.44 compared with NT\$3.81 a year earlier.

In US dollars, TSMC's 2009 revenue was US\$9 billion and net income was US\$2.71 billion, compared with revenue of US\$10.61 billion and net income of US\$3.18 billion in 2008.

Among other highlights in 2009, TSMC achieved:

- Gross profit margin of 43.7 percent; and
- Operating profit margin of 31.1 percent.

During the year, TSMC shipped 7.74 million eight-inch equivalent wafers, representing about 7.6 percent of global IC wafer shipments, compared with 7.4 percent a year ago.

### **Technology, Capacity and Customers**

While the semiconductor industry will grow strongly in 2010, it is likely to grow at an average mid-single-digit rate in the 2011- 2016 period. On the one hand, it is vital for TSMC to maintain and augment its leadership position in the foundry segment by intensifying the pace of semiconductor manufacturing innovation and by expanding its own capabilities to enlarge market opportunities. On the other hand, TSMC also embarked on a vigorous program to expand the base of our business to encompass adjacent opportunities that fit our strengths in engineering capabilities and the ability to manage massive scale operations. In addition, to start the development of new businesses, Dr. Rick Tsai has been assigned to devote his full time to this task as President of New Businesses, starting June 12, 2009. Meanwhile, I resumed CEO responsibility.

Today, TSMC serves more than four hundred customers and manufactures more than seven thousand products for them in a year. We are proud to count every major player in each of the semiconductor logic applications as our customers. We build customer partnership with our technology leadership and manufacturing excellence, both of which are executed under an overall corporate culture centered on servicing customers' needs. In order to better focus on strengthening our customer partnership, the Company has further re-organized to form an Operations Organization to facilitate manufacturing

operations excellence, and a Business Development Organization to coordinate customer partnership.

We continue to focus resources on strengthening our leading position in our core business of outsourced manufacturing for advanced IC producers. The Company has invested US\$2.7 billion in 2009 to further expand its advanced technology capacity for 12-inch wafer fabs, with 85% of the spending on capacities for 40/45nm and 65nm technologies, which are expected to contribute over 40 % of our wafer revenue in 2010.

### **Technology Innovation**

TSMC continues to be a technology leader in the semiconductor industry with the development of the most advanced logic technologies both with conventional (poly SiON) as well as high-K/metal gate (HKMG) stacks at the 28-nanometer (28nm) node. Early in 2009, we became the first foundry to achieve 28nm functional 64Mb SRAM yield on our high performance (28HP) as well as low leakage (28HPL) HKMG technologies. With our 28nm shuttle program, functional silicon was delivered in both conventional and HKMG platforms. We are well on track for qualification and risk production in 2010 for our 28nm technology offerings.

### **Corporate Developments**

In November, TSMC agreed to a settlement with SMIC. The litigation and settlement have resulted in the full protection of TSMC's trade secrets in the possession of SMIC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments totaling \$200 million and other valuable considerations to TSMC. Both parties also agreed to terminate the patent cross-licensing agreement signed in 2005.

TSMC also invested \$193 million for a 20% equity stake in Motech, the largest solar cell manufacturer in Taiwan. The Motech investment allows TSMC to accelerate our time to

market, to better evaluate opportunities along the solar value chain, and to further formulate our overall solar strategy.

### **Honors and Awards**

TSMC continued to garner recognition and awards from around the world as a corporate role model. TSMC's disclosure and transparency and its focus on shareholder value have won top honors from AsiaMoney, The Asset Magazine, Corporate Governance Asia, FinanceAsia, GlobalView Magazine, and the IR Magazine in the areas of Corporate Governance, Management, Investor Relations, and Corporate Social Responsibilities. Both the Wall Street Journal and CommonWealth Magazine voted TSMC as Taiwan's Overall Most Admired Company. As a leader in good corporate citizenship, TSMC is included in the Dow Jones Sustainability Index.

### **Outlook**

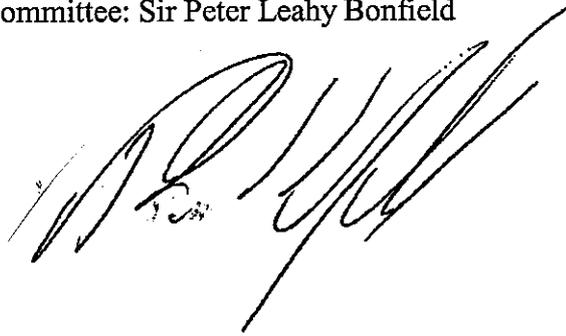
Improvement in the global macroeconomic environment is likely to continue into 2011. With the fast growing emerging economies consuming an increasing amount of semiconductors, we expect the industry to grow at a rate in the teens and the foundry segment to outpace the overall semiconductor industry at a growth rate exceeding 20 percent in 2010. TSMC has aggressive plans to gain market share in this upturn by further strengthening our technology leadership and by providing sufficient capacity to meet the strong demand from our customers. Management believes TSMC can surpass both the Company's 2008 revenue record and its 2006 net income record, after adjusting for employee profit sharing, in 2010.

**Audit Committee's Report**

The Board of Directors has prepared the Company's 2009 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

**Taiwan Semiconductor Manufacturing Company Limited**

Chairman of the Audit Committee: Sir Peter Leahy Bonfield

A handwritten signature in black ink, appearing to be 'P. Leahy Bonfield', written in a cursive style.

February 9, 2010

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

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

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

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

As discussed in Note 3 to the financial statements, effective January 1, 2009, Taiwan Semiconductor Manufacturing Company Limited adopted the newly revised Statements of Financial Accounting Standards No. 10, "Accounting for Inventories." In addition, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited 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.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2009 and 2008, and expressed an unqualified opinion with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standard, Accounting for Inventories, and the adoption of Interpretation 2007-052, respectively, on such consolidated financial statements.

January 22, 2010

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

### 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)	\$ 117,043,543	20	\$ 138,208,360	26	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	\$ -	-	\$ 83,618	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	181,743	-	42,460	-	Accounts payable	9,678,849	2	4,314,265	1
Held-to-maturity financial assets (Notes 2, 7 and 23)	9,944,843	2	5,881,999	1	Payables to related parties (Note 24)	2,039,342	-	1,202,350	-
Receivables from related parties (Note 24)	22,541,773	4	11,728,204	2	Income tax payable (Notes 2 and 17)	8,761,120	2	9,222,811	2
Notes and accounts receivable	19,884,520	3	11,441,176	2	Salary and bonus payable	8,677,299	1	1,601,897	-
Allowance for doubtful receivables (Notes 2 and 8)	(431,000)	-	(436,746)	-	Accrued profit sharing to employees and bonus to directors (Notes 2, 3 and 19)	6,771,338	1	15,148,057	3
Allowance for sales returns and others (Notes 2 and 8)	(8,583,632)	(1)	(5,868,582)	(1)	Payables to contractors and equipment suppliers	28,756,884	5	7,574,891	1
Other receivables from related parties (Note 24)	246,003	-	489,742	-	Accrued expenses and other current liabilities (Notes 15 and 23)	7,886,263	1	5,951,578	1
Other financial assets (Note 25)	1,104,072	-	711,755	-	Current portion of bonds payable (Notes 14 and 23)	-	-	8,000,000	2
Inventories (Notes 2, 3 and 9)	18,830,216	3	12,807,936	2					
Deferred income tax assets (Notes 2 and 17)	4,063,410	1	3,650,700	1	Total current liabilities	<u>72,571,095</u>	<u>12</u>	<u>53,099,467</u>	<u>10</u>
Prepaid expenses and other current assets	1,006,046	-	1,192,475	-					
Total current assets	<u>185,831,537</u>	<u>32</u>	<u>179,849,479</u>	<u>33</u>	<b>LONG-TERM LIABILITIES</b>				
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>					Bonds payable (Notes 14 and 23)	4,500,000	1	4,500,000	1
Investments accounted for using equity method	104,660,098	18	109,871,178	20	Other long-term payables (Notes 15 and 23)	416,390	-	931,252	-
Available-for-sale financial assets	1,046,672	1	2,032,658	1					
Held-to-maturity financial assets	12,219,055	2	11,761,325	2	Total long-term liabilities	<u>4,916,390</u>	<u>1</u>	<u>5,431,252</u>	<u>1</u>
Financial assets carried at cost	501,988	-	519,502	-					
Total long-term investments	<u>118,427,813</u>	<u>21</u>	<u>124,184,663</u>	<u>23</u>	<b>OTHER LIABILITIES</b>				
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>					Accrued pension cost (Notes 2 and 16)	3,807,176	1	3,710,009	1
Cost					Guarantee deposits (Note 27)	1,001,376	-	1,479,152	-
Buildings	124,522,047	22	114,014,588	21	Deferred credits (Notes 2 and 24)	47,873	-	462,256	-
Machinery and equipment	713,426,126	123	635,008,261	118					
Office equipment	10,781,099	2	9,748,869	2	Total other liabilities	<u>4,856,425</u>	<u>1</u>	<u>5,651,417</u>	<u>1</u>
	848,729,272	147	758,771,718	141					
Accumulated depreciation	(627,764,323)	(109)	(557,247,254)	(103)	Total liabilities	<u>82,343,910</u>	<u>14</u>	<u>64,182,136</u>	<u>12</u>
Advance payments and construction in progress	33,786,577	6	17,758,038	3					
Net property, plant and equipment	<u>254,751,526</u>	<u>44</u>	<u>219,282,502</u>	<u>41</u>	<b>CAPITAL STOCK - NTS\$10 PAR VALUE (Notes 19 and 21)</b>				
<b>INTANGIBLE ASSETS</b>					Authorized: 28,050,000 thousand shares				
Goodwill (Note 2)	1,567,756	-	1,567,756	-	Issued: 25,902,706 thousand shares in 2009				
Deferred charges, net (Notes 2 and 13)	5,891,685	1	6,401,461	1	25,625,437 thousand shares in 2008	259,027,066	45	256,254,373	47
Total intangible assets	<u>7,459,441</u>	<u>1</u>	<u>7,969,217</u>	<u>1</u>	<b>CAPITAL SURPLUS (Notes 2 and 19)</b>	<u>55,486,010</u>	<u>10</u>	<u>49,875,255</u>	<u>9</u>
<b>OTHER ASSETS</b>					<b>RETAINED EARNINGS (Note 19)</b>				
Deferred income tax assets (Notes 2 and 17)	7,763,643	1	6,497,972	1	Appropriated as legal capital reserve	77,317,710	13	67,324,393	13
Refundable deposits	2,698,116	1	2,719,737	1	Appropriated as special capital reserve	-	-	391,857	-
Others (Note 2)	494,546	-	55,677	-	Unappropriated earnings	104,564,972	18	102,337,417	19
Total other assets	<u>10,956,305</u>	<u>2</u>	<u>9,273,386</u>	<u>2</u>		<u>181,882,682</u>	<u>31</u>	<u>170,053,667</u>	<u>32</u>
<b>TOTAL</b>	<u>\$ 577,426,622</u>	<u>100</u>	<u>\$ 540,559,247</u>	<u>100</u>	<b>OTHERS (Notes 2, 21 and 23)</b>				
					Cumulative translation adjustments	(1,766,667)	-	481,158	-
					Unrealized gain/loss on financial instruments	453,621	-	(287,342)	-
						<u>(1,313,046)</u>	<u>-</u>	<u>193,816</u>	<u>-</u>
					Total shareholders' equity	<u>495,082,712</u>	<u>86</u>	<u>476,377,111</u>	<u>88</u>
					<b>TOTAL</b>	<u>\$ 577,426,622</u>	<u>100</u>	<u>\$ 540,559,247</u>	<u>100</u>

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

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

# Taiwan Semiconductor Manufacturing Company Limited

## 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 24)	\$ 299,471,214		\$ 330,228,027	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>13,728,346</u>		<u>8,460,944</u>	
NET SALES	285,742,868	100	321,767,083	100
COST OF SALES (Notes 3, 9, 18 and 24)	<u>159,106,619</u>	<u>56</u>	<u>183,589,540</u>	<u>57</u>
GROSS PROFIT	126,636,249	44	138,177,543	43
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)	<u>(160,279)</u>	<u>-</u>	<u>72</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>126,475,970</u>	<u>44</u>	<u>138,177,615</u>	<u>43</u>
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	19,688,032	7	19,737,038	6
General and administrative	10,238,131	3	9,895,617	3
Marketing	<u>2,027,454</u>	<u>1</u>	<u>2,254,728</u>	<u>1</u>
Total operating expenses	<u>31,953,617</u>	<u>11</u>	<u>31,887,383</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>94,522,353</u>	<u>33</u>	<u>106,290,232</u>	<u>33</u>
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 27)	1,464,915	1	951,180	-
Interest income (Note 2)	1,117,374	-	2,728,892	1
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	587,151	-	-	-
Technical service income (Notes 24 and 27)	375,118	-	619,237	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 23)	53,364	-	452,159	-
Foreign exchange gain, net (Note 2)	-	-	1,113,406	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	-	-	72,568	-
Others (Notes 2 and 24)	<u>523,587</u>	<u>-</u>	<u>788,183</u>	<u>-</u>
Total non-operating income and gains	<u>4,121,509</u>	<u>1</u>	<u>6,725,625</u>	<u>2</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## 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>				
Equity in losses of equity method investees, net (Notes 2 and 10)	\$ 2,695,720	1	\$ -	-
Foreign exchange loss, net (Note 2)	630,455	-	-	-
Interest expense	142,026	-	355,056	-
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	-	-	1,230,966	1
Impairment of financial assets (Notes 2 and 11)	-	-	247,488	-
Loss on idle assets (Note 2)	-	-	210,477	-
Others (Note 2)	194,639	-	213,052	-
Total non-operating expenses and losses	<u>3,662,840</u>	<u>1</u>	<u>2,257,039</u>	<u>1</u>
INCOME BEFORE INCOME TAX	94,981,022	33	110,758,818	34
INCOME TAX EXPENSE (Notes 2 and 17)	<u>5,763,186</u>	<u>2</u>	<u>10,825,650</u>	<u>3</u>
NET INCOME	<u>\$ 89,217,836</u>	<u>31</u>	<u>\$ 99,933,168</u>	<u>31</u>
	<b>2009</b>		<b>2008</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	<u>\$ 3.68</u>	<u>\$ 3.45</u>	<u>\$ 4.25</u>	<u>\$ 3.84</u>
Diluted earnings per share	<u>\$ 3.67</u>	<u>\$ 3.44</u>	<u>\$ 4.22</u>	<u>\$ 3.81</u>

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as available-for-sale financial assets instead of treasury stock for the year ended December 31, 2008 (Notes 2 and 21):

### 2008

NET INCOME	<u>\$100,035,447</u>
EARNINGS PER SHARE (NT\$)	
Basic earnings per share	<u>\$ 3.84</u>
Diluted earnings per share	<u>\$ 3.81</u>

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

### 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)

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Total	Cumulative Translation Adjustments	Others		Total Shareholders' Equity
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	
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)	\$ 487,091,402
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)
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)
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)
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
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	(137,063)
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011
Issuance of stock from exercising stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	227,150
Cash dividends received by subsidiaries from the Company	-	-	102,279	-	-	-	-	-	-	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(233,915)	-	(233,915)
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	(734,424)	-	(734,424)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	-
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)	-	476,377,111
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\$3.00 per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	-	(76,876,312)
Stock dividends to shareholders - NT\$0.02 per 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
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
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	-	-	115,418
Translation adjustments	-	-	-	-	-	-	-	(2,247,825)	-	-	(2,247,825)
Issuance of stock from exercising stock options	7,272	72,722	187,811	-	-	-	-	-	-	-	260,533
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	14,014	-	14,014
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	726,949	-	726,949
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	\$ -	\$ 495,082,712

Note: 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 financial statements.

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

# Taiwan Semiconductor Manufacturing Company Limited

## 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	\$ 89,217,836	\$ 99,933,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,327,868	74,569,562
Unrealized (realized) gross profit from affiliates	160,279	(72)
Amortization of premium/discount of financial assets	6,322	(97,381)
Impairment of financial assets	-	247,488
Gain on disposal of available-for-sale financial assets, net	(37,370)	(443,404)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Loss (gain) on disposal of financial assets carried at cost, net	97	(8,755)
Equity in losses (earnings) of equity method investees, net	2,695,720	(72,568)
Dividends received from equity method investees	1,402,592	1,804,351
Gain on disposal of property, plant and equipment and other assets, net	(138,613)	(298,769)
Loss on idle assets	-	210,477
Deferred income tax	(1,678,381)	2,361,261
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(222,901)	(164,405)
Receivables from related parties	(10,813,569)	14,973,444
Notes and accounts receivable	(8,443,344)	6,470,152
Allowance for doubtful receivables	(5,746)	(252,226)
Allowance for sales returns and others	2,715,050	2,011,897
Other receivables from related parties	235,470	43,835
Other financial assets	(392,317)	(380,057)
Inventories	(6,022,280)	8,179,206
Prepaid expenses and other current assets	290,470	(330,664)
Increase (decrease) in:		
Accounts payable	4,925,758	(5,171,553)
Payables to related parties	836,992	(1,797,280)
Income tax payable	(461,691)	(1,766,153)
Salary and bonus payable	7,075,402	(30,280)
Accrued profit sharing to employees and bonus to directors	(881,731)	15,148,057
Accrued expenses and other current liabilities	1,259,544	(3,112,220)
Accrued pension cost	97,167	52,330
Deferred credits	(230,487)	(129,494)
Net cash provided by operating activities	<u>155,902,046</u>	<u>211,949,947</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(86,970,843)	(56,766,192)
Available-for-sale financial assets	-	(23,697,000)
Held-to-maturity financial assets	(10,803,805)	(12,371,965)

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

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

	2009	2008
Investments accounted for using equity method	\$ (320,443)	\$ (494,765)
Financial assets carried at cost	(1,411)	(20,681)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	1,037,370	45,584,934
Held-to-maturity financial assets	6,293,000	15,004,000
Financial assets carried at cost	18,828	10,606
Property, plant and equipment and other assets	71,850	2,042,899
Proceeds from return of capital by investees	27,753	2,465,293
Cash from merger of subsidiaries	-	270,650
Increase in deferred charges	(1,347,228)	(3,199,813)
Decrease in refundable deposits	<u>21,621</u>	<u>21,801</u>
Net cash used in investing activities	<u>(91,973,308)</u>	<u>(31,150,233)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(477,776)	(761,525)
Proceeds from exercise of employee stock options	260,533	227,150
Cash dividends	(76,876,312)	(76,881,311)
Profit sharing to employees in cash	-	(3,939,883)
Bonus to directors	-	(176,890)
Repurchase of treasury stock	<u>-</u>	<u>(33,480,997)</u>
Net cash used in financing activities	<u>(85,093,555)</u>	<u>(115,013,456)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(21,164,817)	65,786,258
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>138,208,360</u>	<u>72,422,102</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 117,043,543</u>	<u>\$ 138,208,360</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 351,803</u>	<u>\$ 355,056</u>
Income tax paid	<u>\$ 7,791,196</u>	<u>\$ 10,282,464</u>
<b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant, and equipment	\$ 108,592,471	\$ 58,951,343
Increase in payables to contractors and equipment suppliers	(21,620,819)	(2,185,151)
Nonmonetary exchange trade-out price	(809)	-
Cash paid	<u>\$ 86,970,843</u>	<u>\$ 56,766,192</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

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

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	2009	2008
Disposal of property, plant and equipment and other assets	\$ 64,390	\$ 2,051,168
Decrease (increase) in other receivables from related parties	8,269	(8,269)
Nonmonetary exchange trade-out price	(809)	-
Cash received	<u>\$ 71,850</u>	<u>\$ 2,042,899</u>
Repurchase of treasury stock	\$ -	\$ 30,427,413
Decrease in accrued expenses and other current liabilities	-	3,053,584
Cash paid	<u>\$ -</u>	<u>\$ 33,480,997</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	<u>\$ -</u>	<u>\$ 8,000,000</u>
Current portion of other long-term payable (under accrued expenses and other current liabilities)	<u>\$ 769,144</u>	<u>\$ 1,026,421</u>

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

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

(Concluded)

## ATTACHMENT IV

### 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	-	<b>Total current liabilities</b>	<b>79,133,288</b>	<b>13</b>	<b>56,806,756</b>	<b>10</b>
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	-
<b>Total current assets</b>	<b>259,803,748</b>	<b>44</b>	<b>252,618,431</b>	<b>45</b>	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	<b>Total long-term liabilities</b>	<b>11,388,479</b>	<b>2</b>	<b>16,191,041</b>	<b>3</b>
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	-
<b>Total long-term investments</b>	<b>37,845,503</b>	<b>7</b>	<b>39,981,515</b>	<b>7</b>	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					<b>Total other liabilities</b>	<b>5,125,905</b>	<b>1</b>	<b>5,546,325</b>	<b>1</b>
Land and land improvements	934,090	-	953,857	-	<b>Total liabilities</b>	<b>95,647,672</b>	<b>16</b>	<b>78,544,122</b>	<b>14</b>
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 - NT\$10 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)				
<b>Net property, plant and equipment</b>	<b>273,674,787</b>	<b>45</b>	<b>243,645,350</b>	<b>44</b>	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
<b>Total intangible assets</b>	<b>12,389,872</b>	<b>2</b>	<b>13,170,220</b>	<b>2</b>	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	<b>Equity attributable to shareholders of the parent</b>	<b>495,082,712</b>	<b>83</b>	<b>476,377,111</b>	<b>85</b>
Others (Notes 2 and 26)	260,864	-	97,001	-	<b>MINORITY INTERESTS (Note 2)</b>	<b>3,965,836</b>	<b>1</b>	<b>3,995,356</b>	<b>1</b>
<b>Total other assets</b>	<b>10,982,310</b>	<b>2</b>	<b>9,501,073</b>	<b>2</b>	<b>Total shareholders' equity</b>	<b>499,048,548</b>	<b>84</b>	<b>480,372,467</b>	<b>86</b>
<b>TOTAL</b>	<b>\$ 594,696,220</b>	<b>100</b>	<b>\$ 558,916,589</b>	<b>100</b>	<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>
<b>ATTRIBUTABLE TO:</b>				
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>
	<b>2009</b>		<b>2008</b>	
	<b>Income Attributable to Shareholders of the Parent</b>		<b>Income Attributable to Shareholders of the Parent</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
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)	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	(826,251)	-	(826,251)	(826,251)	(17,048)	(843,299)
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	(142,088)	-	(142,088)	(142,088)	-	(142,088)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)	(30,427,413)	-	(30,427,413)
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)

**ATTACHMENT V**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED  
PROFIT ALLOCATION PROPOSAL**

December 31, 2009

Unit: NT\$

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<b>Net Income of 2009</b> <sup>(Note)</sup>	<b>89,217,836,054</b>
Subtract:	
- 10% Legal Reserve	8,921,783,605
- Special Reserve	1,313,046,686
<b>Retained Earnings in 2009 Available for Distribution</b>	<b>78,983,005,763</b>
Add:	
- Unappropriated Retained Earnings of Previous Years	15,347,136,102
<b>Retained Earnings Available for Distribution as of December 31, 2009</b>	<b>94,330,141,865</b>
<b>Distribution Items:</b>	
- Cash Dividends to Common Share Holders (NT\$3.0 per share)	77,708,119,866
<b>Unappropriated Retained Earnings</b>	<b>16,622,021,999</b>

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(Note) :

After expensing the following:

- Employees' cash bonus and profit sharing of NT\$13,382,675,408, including
  - NT\$6,691,337,704 distributed cash bonus; and
  - NT\$6,691,337,704 cash profit sharing to be distributed after 2010 regular Shareholders' Meeting
- Directors' bonus of NT\$67,692,222

## ATTACHMENT VI

### Comparison Table for the Articles of Incorporation Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
<p><b>Article 2</b> The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> <li>1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.</li> <li>2. Provision of packaging and testing services related to the above services.</li> <li>3. Providing computer assisted design services and technology for integrated circuits.</li> <li>4. Providing mask making and mask design services.</li> </ol>	<p><b>Article 2</b> The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> <li>1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers. Provision of packaging and testing services related to the above services. Providing computer assisted design services and technology for integrated circuits. Providing mask making and mask design services. <span style="color: red;">(CC01080 Electronic Parts and Components Manufacturing)</span></li> <li>2. <span style="color: red;">Researching, developing, designing, manufacturing and selling LED lighting devices and related applications products and systems.</span> <span style="color: red;">(CC01080 Electronic Parts and Components Manufacturing)</span> <span style="color: red;">(CC01040 Electric Wires and Cables Manufacturing)</span></li> <li>3. <span style="color: red;">Researching, developing, designing, manufacturing and selling renewable energy and efficiency related technologies and products, including solar cells, solar photovoltaic</span></li> </ol>

<p><b>Article 36</b>  These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006 and the nineteenth Amendment on May 7, 2007.</p>	<p>modules and their related systems and applications.</p> <p>(CC01080 Electronic Parts and Components Manufacturing)  (IG03010 Energy Technical Services)  (CC01090 Batteries Manufacturing)</p> <p><b>Article 36</b>  These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006 , and the nineteenth Amendment on May 7, 2007, and the twentieth Amendment on June 15, 2010.</p>
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Comparison Table for the  
 "Policies and Procedures for Financial Derivatives Transactions"  
 Before and After Revision

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p align="center"><b>Article 5 Transaction Contract Dollar Amount And Loss Control</b></p> <p><u>Hedging</u>                      The dollar amount of total contracts outstanding shall not exceed the net position/exposure for the next six months. No loss control procedures are considered necessary herein for hedging purpose.</p> <p><u>Trading</u>                      TSMC shall not engage in any transactions for trading purpose.</p> <p align="center"><b>Article 11 Internal Control</b></p> <p><u>Separation of Duty</u>                      The respective functions of trading, confirmation and settlement should be performed by different personnel.</p> <p><u>Position Control</u>                      A trading slip needs to be filled out by the trading personnel upon the completion of any transactions and passed to the confirmation personnel, who, in turn, shall confirm with</p>	<p align="center"><b>Article 5 Transaction Contract Dollar Amount And Loss Control</b></p> <p><u>Hedging</u>                      The dollar amount of total contracts outstanding shall not exceed the net position/exposure for the next six months. <del>No loss control procedures are considered necessary herein for hedging purpose.</del> <u>Loss limit is 20% of the contract amount for any individual contract or for all contracts in aggregate.</u></p> <p><u>Trading</u>                      TSMC shall not engage in any transactions for trading purpose</p> <p align="center"><b>Article 11 Internal Control</b></p> <p><u>Separation of Duty</u>                      The respective functions of trading, confirmation and settlement should be performed by different personnel.</p> <p><u>Position Control</u>                      A trading slip needs to be filled out by the trading personnel upon the completion of any transactions and passed to the confirmation personnel, who, in turn, shall confirm with</p>

<p>counterparty and reconcile the master position table for reference.</p> <p><u>Monitoring</u> Internal auditor, due to his/her independency, is required to evaluate, monitor, and control aforementioned risks arising from derivative transactions and report to the President, who is held accountable by the Chairman and the Board of Directors.</p> <p><b>Article 12 Evaluation and Correction of Abnormal Situation</b></p> <p>Finance Department should prepare a bi-weekly report in connection with the transactions entered into for hedging purpose for the President's review.</p> <p>The Board of Directors holds the President accountable for the evaluation, monitoring, and control of risks arising from financial derivative transactions. The Board is itself responsible for evaluating Finance Department's hedging performance and result on a regular basis to oversee how well they fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk tolerance.</p>	<p>counterparty and reconcile the master position table for reference.</p> <p><u>Monitoring</u> Internal auditor, due to his/her independency, is required to evaluate, monitor, and control aforementioned risks arising from derivative transactions and report to the <del>President</del><u>Chief Executive Officer or his designee appointed by written designation</u>, who is held accountable by the Chairman and the Board of Directors.</p> <p><b>Article 12 Evaluation and Correction of Abnormal Situation</b></p> <p>Finance Department should prepare a bi-weekly report in connection with the transactions entered into for hedging purpose for the <del>President's</del> review <u>of the Chief Executive Officer or his designee appointed by written designation</u>.</p> <p>The Board of Directors holds the <del>President</del><u>Chief Executive Officer or his designee appointed by written designation</u> accountable for the evaluation, monitoring, and control of risks arising from financial derivative transactions. The Board is itself responsible for evaluating Finance Department's hedging performance and result on a regular basis to oversee how well they fit in the Company's overall business and operating strategies and to</p>
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<p>Designated by the Board, the President should also be responsible for regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the principles and procedures set forth herein. Once having identified unusual performances and results, the President needs to report to the Chairman or the Board immediately and undertake any actions deemed necessary to correct the situation.</p>	<p>review if the associated risks thereof have exceeded the Company's risk tolerance.</p> <p>Designated by the Board, the <u>President Chief Executive Officer or his designee appointed by written designation</u> should also be responsible for regularly reviewing the level of adequacy of the current risk control process and its degree of consistency with the principles and procedures set forth herein. Once having identified unusual performances and results, the <u>President Chief Executive Officer or his designee appointed by written designation</u> needs to report to the Chairman or the Board immediately and undertake any actions deemed necessary to correct the situation.</p>
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## **IV. APPENDIX**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

**RULES AND PROCEDURES OF SHAREHOLDERS' MEETING**

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.

2. Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.

The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards or badges.

5. The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.
6. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting in accordance with Article 208 of the Company Law of the Republic of China.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

7. Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the

Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

8. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

9. Shareholders attending the Meeting shall have the obligation to observe Meeting rules, obey resolutions and maintain order at Meeting place.
10. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.
11. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

12. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
13. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
14. Except otherwise specified in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
15. During the Meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation, when the Meeting will resume or, by resolution of the shareholders present at the Meeting, the chairman may resume the Meeting within five days without further notice or public announcement.
16. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
17. The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
18. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**ARTICLES OF INCORPORATION**  
**OF**  
**TAIWAN SEMICONDUCTOR MANUFACTURING**  
**COMPANY LIMITED**

## **Section I - General Provisions**

### **Article 1**

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 台灣積體電路製造股份有限公司 in the Chinese language, and Taiwan Semiconductor Manufacturing Company Limited in the English language.

### **Article 2**

The scope of business of the Corporation shall be as follows:

1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.
2. Provision of packaging and testing services related to the above services.
3. Providing computer assisted design services and technology for integrated circuits.
4. Providing mask making and mask design services.

### **Article 3**

The Corporation shall have its head office in Science Based Industrial Park, Hsin Chu, Taiwan, Republic of China, and shall be free, upon approval of government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

### **Article 4**

Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations of the Republic of China.

### **Article 5**

The Corporation may provide endorsement and guarantee and act as a guarantor.

### **Article 6**

The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

## **Section II - Capital Stock**

### **Article 7**

The total capital stock of the Corporation shall be in the amount of 280,500,000,000 New Taiwan Dollars, divided into 28,050,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

The Corporation may issue employee stock options from time to time. A total of 500,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

### **Article 8**

The Corporation may issue shares without printing share certificate(s). If the Corporation decides to print share certificates for shares issued, the Corporation shall comply with relevant provisions of the Company Law and relevant rules and regulations of the Republic of China.

### **Article 9**

The share certificates of the Corporation shall all be name-bearing share certificates, and issued in accordance with the Company Law and relevant rules and regulations of the Republic of China.

### **Article 10**

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

### **Article 11**

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

#### **Article 12**

Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

#### **Article 13**

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders. Notices shall be written in Chinese, and English when necessary.

#### **Article 14**

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

#### **Article 15**

Each share of stock shall be entitled to one vote.

#### **Article 16**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. A representative does not need to be a shareholder of

the Corporation.

#### **Article 17**

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, either the Vice Chairman of the Board of Directors, or one of the Directors shall preside in accordance with Article 208 of the Company Law of the Republic of China.

#### **Article 18**

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Corporation. The minutes shall be drafted in both the Chinese language and the English language.

### **Section III - Directors**

#### **Article 19**

The Corporation shall have seven to nine Directors. The Board of Directors is authorized to determine the number of Directors.

The aforesaid Board of Directors must have at least three independent directors.

#### **Article 19-1**

For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors. Except those elected in 2006 in accordance with the letter of March 28, 2006 Chin-Kuan Cheng one Tze No. 0950001617 issued by the relevant regulatory authority, independent directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of independent directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent

directors shall be held together; provided, however, that in order to ensure the election of at least three independent directors after each election, the number of independent directors and non-independent directors elected shall be calculated separately.

#### **Article 19-2**

In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. Effective from January 1, 2007, the Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.

#### **Article 20**

The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.

#### **Article 21**

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

#### **Article 22**

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall not have a second or casting vote at any meeting of the Board of Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

#### **Article 23**

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least fourteen days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The meeting of the Board of Directors shall be held at least once

every quarter. Such prescribed notices may be waived in writing by any Director, either before or after the meeting. The meetings of the Board of Directors may be convened, at any time, without such prescribed notice in case of urgent circumstances. Notices shall be written in both the Chinese language and the English language. Personal attendance at a meeting will represent a waiver of the notice. Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

#### **Article 24**

The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. In addition, the Chairman shall have the right to execute documents in accordance with the resolutions of the Board of Directors in the name and on behalf of the Corporation as well as acting on behalf of the Board pursuant to Board resolutions and the Corporation's objectives when the Board is not in session. In his absence, the Vice Chairman of the Board of Directors, or any one of the Directors shall be acting for him according to Article 208 of the Company Law of the Republic of China.

#### **Article 25**

A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

#### **Article 26**

The Directors shall exercise their functions by resolutions adopted at meetings of Shareholders and the Board of Directors.

#### **Article 27**

In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors shall serve the remaining term of the predecessors.

#### **Article 28**

The Board of Directors is authorized to determine the compensation for the Chairman, Vice-

Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

## **Section IV - Management of the Corporation**

### **Article 29**

The Corporation may, by resolution of the Board of Directors, appoint a Chief Executive Officer, a President and one or more Vice Presidents. The President may also be a Director and/or the Chief Executive Officer of the Corporation.

The Chief Executive Officer shall have the overall responsibilities for the business of the Corporation and all the affiliated companies. The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Monthly and quarterly statements shall be furnished no more than sixty (60) days after the end of each month and quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the President shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors. The President shall supervise and control day-to-day business and operation of the Corporation, subject to the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

### **Article 30**

The Chief Executive Officer reports to the Chairman of the Board of Directors. The President and Vice Presidents shall perform such duties as designated by the Chairman or the Board of Directors.

### **Article 31**

Subject to the provisions of the Company Law of the Republic of China and these Articles of Incorporation, all actions of the Corporation's officers shall be in conformance with, and in

furtherance of, the directions of the Board of Directors.

## **Section V - Financial Reports**

### **Article 32**

The fiscal year for the Corporation shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.

### **Article 33**

When allocating the net profits for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; and then set aside not more than 0.3% of the balance as bonus to directors and not less than 1% as bonus to employees of this Corporation. Directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. This Corporation may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors. Any balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting:

1. Except distribution of reserve in accordance with item (2) below, this Corporation shall not pay dividends or bonuses when there is no profit; however, where the legal capital reserve reaches over 50% of the paid-in capital, this Corporation may distribute the amount in excess as dividends and bonuses. Profits may be distributed in total after taking into consideration financial, business and operational factors. Profits of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a capital-intensive industry at the steady growth stage of its business, 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 however, the ratio for stock dividend shall not exceed 50% of total distribution.
2. In case there is no profit for distribution in a certain year, or the profit of a certain year

is far less than the profit actually distributed by this Corporation in the previous year, or considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

## **Section VI - Supplementary Provisions**

### **Article 34**

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

### **Article 35**

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

### **Article 36**

These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, and the nineteenth Amendment on May 7, 2007.

**Directors' bonus and Employees' Profit Sharing**

The Board adopted a proposal for 2009 bonus to Directors and employees' cash profit sharing at its Meeting on February 9, 2010. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 15, 2010.

1. Employees' cash profit sharing: NT\$6,691,337,704.
2. Directors' bonus: NT\$67,692,222.
3. The amounts of the above-mentioned items, which have been expensed under the Company's 2009 income statements, are as same as the amounts proposed by the Board.

**APPENDIX IV**

**Taiwan Semiconductor Manufacturing Company Limited**

SHAREHOLDINGS OF ALL DIRECTORS

Record Date: April 17, 2010

Title Name	Date Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)	
		Shares	%	Shares	%
Chairman Morris Chang	06/10/2009	118,047,697	0.46%	119,137,914	0.46%
Vice Chairman F.C. Tseng	06/10/2009	36,144,509	0.14%	34,882,675	0.13%
National Development Fund, Executive Yuan Representative: Director Tain-Jy Chen	06/10/2009	1,645,482,861	6.42%	1,653,709,980	6.38%
Director Rick Tsai	06/10/2009	33,768,636	0.13%	33,654,505	0.13%
Independent Director Sir Peter Leahy Bonfield	06/10/2009	-	-	-	-
Independent Director Stan Shih	06/10/2009	1,472,922	0.01%	1,480,286	0.01%
Independent Director Thomas J. Engibous	06/10/2009	-	-	-	-
Total		<b>1,834,916,625</b>	<b>7.16%</b>	<b>1,842,865,360</b>	<b>7.11%</b>

Note 1: Total shares issued as of 04/12/2009: 25,626,311,653 common shares.

Note 2: Total shares issued as of 04/17/2010: 25,905,017,151 common shares.

Explanatory Note:

Under the relevant laws and regulations of the ROC, TSMC's Directors are required to hold in the aggregate not less than 207,240,137 TSMC shares. As of April 17, 2010, TSMC's Directors together held 1,841,385,074 TSMC shares. (Shares held by independent directors are not counted in the above calculations.)