

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2009 and 2008 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2009, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted the newly revised 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.

April 9, 2009

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

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)	\$ 223,262,081	40	\$ 144,277,026	24	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 3,211	-	\$ 244,283	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	243,109	-	1,375,693	-	Accounts payable	5,314,336	1	9,381,919	2
Available-for-sale financial assets (Notes 2, 6 and 24)	1,544,968	-	54,681,566	9	Payables to related parties (Note 25)	509,311	-	956,105	-
Held-to-maturity financial assets (Notes 2, 7 and 24)	4,739,315	1	9,976,745	2	Income tax payable (Notes 2 and 18)	9,835,673	2	13,947,003	2
Receivables from related parties (Note 25)	274	-	7,790	-	Bonuses payable to employees, directors and supervisors (Notes 3 and 20)	15,644,815	3	4,371,892	1
Notes and accounts receivable	20,607,929	4	43,211,493	7	Payables to contractors and equipment suppliers	5,144,858	1	12,256,151	2
Allowance for doubtful receivables (Notes 2 and 8)	(277,287)	-	(702,051)	-	Accrued expenses and other current liabilities (Notes 16 and 28)	8,636,194	1	12,599,255	2
Allowance for sales returns and others (Notes 2 and 8)	(6,508,609)	(1)	(4,566,637)	(1)	Current portion of bonds payable and long-term bank loans (Notes 14, 15 and 26)	286,582	-	8,279,587	1
Other receivables from related parties (Note 25)	52,826	-	215,645	-					
Other financial assets (Note 26)	2,478,466	1	1,453,071	-	Total current liabilities	45,374,980	8	62,036,195	10
Inventories (Notes 2, 3 and 9)	14,775,167	3	21,889,637	4					
Deferred income tax assets, net (Notes 2 and 18)	6,267,893	1	8,479,964	1	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	1,370,899	-	1,155,394	-	Bonds payable (Note 14)	4,500,000	1	4,500,000	1
					Long-term bank loans (Notes 15 and 26)	1,633,066	-	1,736,617	-
Total current assets	268,557,031	49	281,455,336	46	Other long-term payables (Notes 16 and 28)	9,750,821	2	9,055,790	2
					Obligations under capital leases (Note 2)	744,074	-	649,941	-
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>					Total long-term liabilities	16,627,961	3	15,942,348	3
Investments accounted for using equity method	17,451,182	3	21,943,759	4					
Available-for-sale financial assets	1,038,443	-	2,502	-	<b>OTHER LIABILITIES</b>				
Held-to-maturity financial assets	13,668,922	2	8,023,394	1	Accrued pension cost (Notes 2 and 17)	3,717,959	1	3,673,505	1
Financial assets carried at cost	3,523,341	1	3,723,589	1	Guarantee deposits (Note 28)	1,319,777	-	1,871,897	-
					Deferred credits (Notes 2 and 25)	390,179	-	510,540	-
Total long-term investments	35,681,888	6	33,693,244	6	Others	30,779	-	38,072	-
					Total other liabilities	5,458,694	1	6,094,014	1
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>					Total liabilities	67,461,635	12	84,072,557	14
Cost									
Land and land improvements	981,274	-	889,387	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Buildings	133,649,278	24	119,234,824	20	Capital stock - NT\$10 par value (Notes 20 and 22)				
Machinery and equipment	702,224,877	127	653,821,179	109	Authorized: 28,050,000 thousand shares				
Office equipment	12,642,166	2	11,802,450	2	Issued: 25,626,012 thousand shares in 2009				
Leased assets	744,074	-	649,941	-	25,629,242 thousand shares in 2008	256,260,122	46	256,292,416	43
Accumulated depreciation	850,241,669	153	786,397,781	131	Capital surplus (Notes 2 and 20)	49,965,450	9	51,696,165	9
Advance payments and construction in progress	(640,120,878)	(115)	(555,853,934)	(93)	Retained earnings (Note 20)				
	16,957,601	3	31,065,812	5	Appropriated as legal capital reserve	67,324,393	12	56,406,684	10
Net property, plant and equipment	227,078,392	41	261,609,659	43	Appropriated as special capital reserve	391,857	-	629,550	-
					Unappropriated earnings	103,896,290	19	151,596,813	25
<b>INTANGIBLE ASSETS</b>					Others (Notes 2, 22 and 24)	171,612,540	31	208,633,047	35
Goodwill (Note 2)	6,188,390	1	5,709,938	1	Cumulative translation adjustments	3,531,944	1	(6,810,720)	(1)
Deferred charges, net (Notes 2 and 13)	6,646,575	1	7,467,978	2	Unrealized gains on financial instruments	177,228	-	400,861	-
					Treasury stock: 34,096 thousand shares	-	-	(918,075)	-
Total intangible assets	12,834,965	2	13,177,916	3		3,709,172	1	(7,327,934)	(1)
					Equity attributable to shareholders of the parent	481,547,284	87	509,293,694	86
<b>OTHER ASSETS</b>									
Deferred income tax assets, net (Notes 2 and 18)	5,732,151	1	3,970,320	1	<b>MINORITY INTERESTS (Note 2)</b>	3,766,475	1	3,676,594	-
Refundable deposits	2,674,090	1	2,790,102	1	Total shareholders' equity	485,313,759	88	512,970,288	86
Others (Note 2)	216,877	-	346,268	-					
Total other assets	8,623,118	2	7,106,690	2	<b>TOTAL</b>	\$ 552,775,394	100	\$ 597,042,845	100

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

(With Deloitte & Touche review report dated April 9, 2009)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<b>2009</b>		<b>2008</b>	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 41,171,249		\$ 89,408,089	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>1,671,123</u>		<u>1,928,123</u>	
NET SALES	39,500,126	100	87,479,966	100
COST OF SALES (Notes 3, 9, 19 and 25)	<u>32,019,884</u>	<u>81</u>	<u>49,240,688</u>	<u>57</u>
GROSS PROFIT	<u>7,480,242</u>	<u>19</u>	<u>38,239,278</u>	<u>43</u>
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	3,728,933	10	5,270,006	6
General and administrative	1,594,563	4	2,662,529	3
Marketing	<u>947,405</u>	<u>2</u>	<u>1,183,545</u>	<u>1</u>
Total operating expenses	<u>6,270,901</u>	<u>16</u>	<u>9,116,080</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>1,209,341</u>	<u>3</u>	<u>29,123,198</u>	<u>33</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	983,772	3	1,348,910	1
Foreign exchange gain, net (Note 2)	464,687	1	-	-
Technical service income (Notes 25 and 28)	40,271	-	841,894	1
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	-	-	1,476,252	2
Equity in earnings of equity method investees, net (Notes 2 and 10)	-	-	577,322	1
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	-	-	130,713	-
Others (Notes 2 and 25)	<u>86,711</u>	<u>-</u>	<u>189,770</u>	<u>-</u>
Total non-operating income and gains	<u>1,575,441</u>	<u>4</u>	<u>4,564,861</u>	<u>5</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<u>2009</u>		<u>2008</u>																																		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>																																	
<b>NON-OPERATING EXPENSES AND LOSSES</b>																																					
Equity in losses of equity method investees, net (Notes 2 and 10)	\$ 812,511	2	\$ -	-																																	
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	444,663	1	-	-																																	
Loss on impairment of financial assets (Notes 2, 6, 11 and 24)	331,284	1	79,844	-																																	
Loss on settlement and disposal of financial assets, net (Notes 2 and 24)	305,711	1	-	-																																	
Interest expense	107,625	-	155,064	-																																	
Foreign exchange loss, net (Note 2)	-	-	1,764,482	2																																	
Others (Note 2)	34,489	-	116,840	-																																	
Total non-operating expenses and losses	<u>2,036,283</u>	<u>5</u>	<u>2,116,230</u>	<u>2</u>																																	
INCOME BEFORE INCOME TAX EXPENSE	748,499	2	31,571,829	36																																	
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 18)	<u>739,228</u>	<u>2</u>	<u>(3,335,798)</u>	<u>(4)</u>																																	
NET INCOME	<u>\$ 1,487,727</u>	<u>4</u>	<u>\$ 28,236,031</u>	<u>32</u>																																	
ATTRIBUTABLE TO:																																					
Shareholders of the parent	\$ 1,558,873	4	\$ 28,143,382	32																																	
Minority interests	<u>(71,146)</u>	<u>-</u>	<u>92,649</u>	<u>-</u>																																	
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The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated April 9, 2009)

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 1,558,873	\$ 28,143,382
Net income (loss) attributable to minority interests	(71,146)	92,649
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,483,463	19,830,859
Amortization of premium/discount of financial assets	(6,866)	(25,931)
Loss on impairment of financial assets	331,284	79,844
Loss (gain) on disposal of available-for-sale financial assets, net	321,802	(118,061)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Gain on disposal of financial assets carried at cost, net	-	(12,652)
Equity in losses (earnings) of equity method investees, net	812,511	(577,322)
Dividends received from equity method investees	988,201	589,071
Loss (gain) on disposal of property, plant and equipment and other assets, net	1,327	(16,648)
Deferred income tax	(1,393,841)	435,333
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(269,355)	251,664
Receivables from related parties	133	3,095
Notes and accounts receivable	4,415,392	3,992,633
Allowance for doubtful receivables	(178,464)	244
Allowance for sales returns and others	437,583	477,602
Other receivables from related parties	47,092	27,975
Other financial assets	(566,767)	62,456
Inventories	101,478	1,972,623
Prepaid expenses and other current assets	442,793	214,836
Increase (decrease) in:		
Accounts payable	(238,815)	(2,192,963)
Payables to related parties	19,454	(547,271)
Income tax payable	503,848	2,820,875
Bonuses payable to employees, directors and supervisors	275,085	4,371,892
Accrued expenses and other current liabilities	(1,188,132)	(1,877,982)
Accrued pension cost	16,375	7,983
Deferred credits	(38,884)	(710,789)
Net cash provided by operating activities	<u>26,788,333</u>	<u>57,295,397</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(5,616,980)	(15,313,111)
Available-for-sale financial assets	(9,045,555)	(13,902,016)
Held-to-maturity financial assets	(204,990)	-
Financial assets carried at cost	(83,155)	(213,296)

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 19,807,173	\$ 24,577,826
Held-to-maturity financial assets	3,246,100	2,238,000
Financial assets carried at cost	-	92,540
Property, plant and equipment	1,699	1,157
Increase in deferred charges	(52,343)	(591,841)
Decrease (increase) in refundable deposits	93,109	(12,333)
Increase in other assets	<u>(8,784)</u>	<u>(2,893)</u>
Net cash provided (used) in investing activities	<u>8,136,274</u>	<u>(3,125,967)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceed from long-term bank loans	293,351	54,144
Repayment of:		
Long-term bank loans	(36,526)	(696)
Bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(164,718)	(371,112)
Proceeds from exercise of employee stock options	15,418	80,948
Repurchase of treasury stock	-	(3,053,584)
Increase in minority interests	<u>17,472</u>	<u>3,925</u>
Net cash used in financing activities	<u>(7,875,003)</u>	<u>(3,286,375)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	27,049,604	50,883,055
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	1,598,725	(1,592,517)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>194,613,752</u>	<u>94,986,488</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 223,262,081</u>	<u>\$ 144,277,026</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 412,460</u>	<u>\$ 481,972</u>
Income tax paid	<u>\$ 83,616</u>	<u>\$ 73,542</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 2,763,065	\$ 21,325,964
Decrease (increase) in payables to contractors and equipment suppliers	2,853,915	(5,999,419)
Increase in accrued expenses and other current liabilities	-	(13,434)
Cash paid	<u>\$ 5,616,980</u>	<u>\$ 15,313,111</u>

(Continued)



# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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	2009	2008
NON-CASH FINANCING ACTIVITIES		
Current portion of bonds payable and long-term liabilities	<u>\$ 286,582</u>	<u>\$ 8,279,587</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,184,679</u>	<u>\$ 3,308,040</u>

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

(With Deloitte & Touche review report dated April 9, 2009)

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL

Taiwan Semiconductor Manufacturing Company, Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987 as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

TSMC is a dedicated foundry in the semiconductor industry which engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices and the manufacturing of masks.

As of March 31, 2009 and 2008, TSMC and its subsidiaries had 23,557 and 25,107 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

#### **Principles of Consolidation**

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

The consolidated entities were as follows:

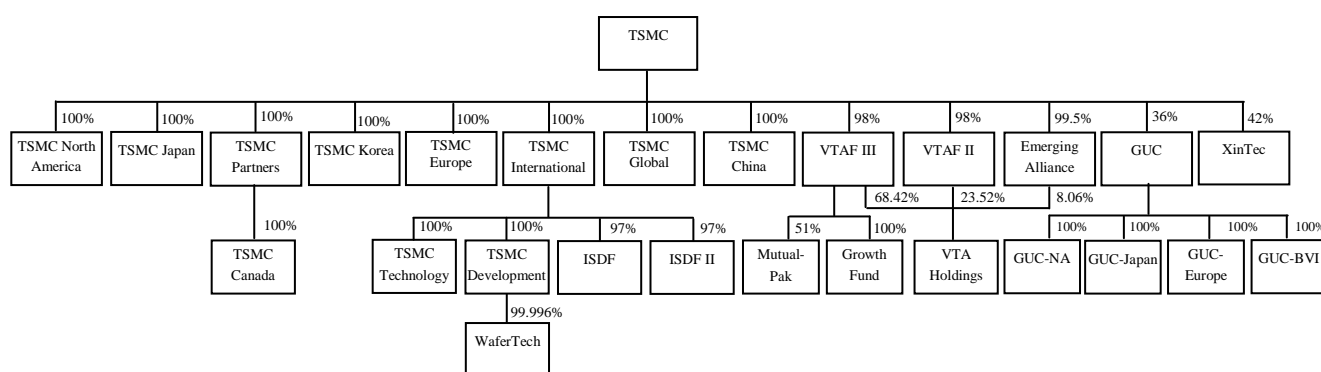
Name of Investor	Name of Investee	Percentage of Ownership		Remark
		2009	2008	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	100%	100%	-
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	-	36%	TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng as of March 31, 2008. In July 2008, Chi Cherng was merged by Hsin Ruey.
	Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	-	36%	TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey as of March 31, 2008. In August 2008, Hsin Ruey was merged by TSMC.
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
Global Unichip Corporation (GUC)	36 %	37%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.	
XinTec Inc. (XinTec)	42%	43 %	TSMC obtained three out of five director positions and has a controlling interest in XinTec.	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	100%	-
	TSMC Development, Inc. (TSMC Development)	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	-
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	-
TSMC Development	WaferTech, LLC (WaferTech)	99.996%	99.996%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	51%	51%	-
	Growth Fund Limited (Growth Fund)	100%	-	Newly established in 2008.
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2009	2008	
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	-	Newly established in 2008.
	Global Unichip (BVI) Corp. (GUC-BVI)	100%	-	Newly established in 2009.

(Concluded)

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



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

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

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

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

## **Use of Estimates**

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

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

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

## **Cash Equivalents**

Repurchase agreements collateralized by government bonds and asset-backed commercial papers acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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

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

Fair value is determined as follows: Publicly traded stocks - closing prices at the end of the period; derivatives - using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectibility of notes and accounts receivable. The Company determines the amount of the allowance for doubtful receivables by examining the aging analysis of outstanding notes and accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

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

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

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

### **Inventories**

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.

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

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

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

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

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

## **Financial Assets Carried at Cost**

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Government Subsidies**

Income-related subsidies from governments are recognized in earnings when the requirements for subsidies are met.

### **Income Tax**

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

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



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

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

### **Stock-based Compensation**

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

### **Bonuses to Employees and Directors**

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

### **Treasury Stock**

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

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

### **Foreign-currency Transactions**

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

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

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

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

### 3. ACCOUNTING CHANGES

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

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of NT\$3,632,644 thousand and NT\$0.14, respectively, for the three months ended March 31, 2008.

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

### 4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Cash and deposits in banks	\$ 212,439,489	\$ 137,769,493
Repurchase agreements collateralized by government bonds	10,822,592	5,995,378
Asset-backed commercial papers	<u>-</u>	<u>512,155</u>
	<u>\$ 223,262,081</u>	<u>\$ 144,277,026</u>

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

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
<u>Trading financial assets</u>		
Publicly traded stocks	\$ 13,606	\$ 1,212,611
Forward exchange contracts	201,446	2,833
Cross currency swap contracts	<u>28,057</u>	<u>160,249</u>
	<u>\$ 243,109</u>	<u>\$ 1,375,693</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 455	\$ 125,989
Cross currency swap contracts	<u>2,756</u>	<u>118,294</u>
	<u>\$ 3,211</u>	<u>\$ 244,283</u>

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

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<u>March 31, 2009</u>		
Sell US\$/buy NT\$	April 2009	US\$200,300/NT\$6,989,885
Sell EUR/buy US\$	April 2009	EUR6,140/US\$8,266
Sell RMB /buy US\$	April 2009 to June 2009	RMB54,800/US\$8000
Sell US\$/buy JPY	April 2009	US\$46/JPY4,500
<u>March 31, 2008</u>		
Sell EUR/buy NT\$	April 2008 to July 2008	EUR44,500/NT\$2,010,109
Sell RMB/buy US\$	April 2008 to July 2008	RMB369,259/US\$53,270
Sell US\$/buy NT\$	April 2008	US\$5,000/NT\$153,371
Sell US\$/buy JPY	April 2008	US\$886/JPY89,000

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>March 31, 2009</u>			
April 2009 to May 2009	US\$130,000/NT\$4,434,625	0.66%-6.79%	0.00%-0.61%
<u>March 31, 2008</u>			
April 2008	US\$883,000/NT\$26,897,408	2.60%-3.75%	1.28%-2.42%

For the three months ended March 31, 2009 and 2008, valuation on financial instruments arising from derivative financial instruments was a net loss of NT\$444,663 thousand and a net gain of NT\$1,476,252 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 1,038,443	\$ 10,139,449
Open-end mutual funds	560,520	14,146,226
Government bonds	358,690	3,941,554
Publicly traded stocks	346,850	524,695
Corporate issued asset-backed securities	145,979	4,545,210
Money market funds	132,929	13,960,741
Agency bonds	-	7,426,193
	<u>2,583,411</u>	<u>54,684,068</u>
Current portion	<u>(1,544,968)</u>	<u>(54,681,566)</u>
	<u>\$ 1,038,443</u>	<u>\$ 2,502</u>

For the three months ended March 31, 2009 and 2008, the loss on impairment of available-for-sale financial assets was NT\$56,407 thousand and nil, respectively.

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 17,529,874	\$ 10,908,455
Government bonds	878,363	6,091,684
Structured time deposits	-	1,000,000
	<u>18,408,237</u>	<u>18,000,139</u>
Current portion	<u>(4,739,315)</u>	<u>(9,976,745)</u>
	<u>\$ 13,668,922</u>	<u>\$ 8,023,394</u>

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>March 31, 2008</u>				
Step-up callable domestic deposits	<u>\$ 1,000,000</u>	<u>\$ 3,844</u>	1.77%-1.83%	April 2008 to October 2008

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 455,751	\$ 701,807
Provision	59,306	1,596
Write-off	<u>(237,770)</u>	<u>(1,352)</u>
Balance, end of period	<u>\$ 277,287</u>	<u>\$ 702,051</u>

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

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 6,071,026	\$ 4,089,035
Provision	1,671,123	1,928,123
Write-off	<u>(1,233,540)</u>	<u>(1,450,521)</u>
Balance, end of period	<u>\$ 6,508,609</u>	<u>\$ 4,566,637</u>

## 9. INVENTORIES

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Finished goods	\$ 2,548,051	\$ 4,030,994
Work in process	10,365,616	15,067,392
Raw materials	679,349	1,572,488
Supplies and spare parts	<u>1,182,151</u>	<u>1,218,763</u>
	<u>\$ 14,775,167</u>	<u>\$ 21,889,637</u>

Write-downs of inventories to net realizable value in the amount of NT\$249,339 thousand and NT\$104,703 thousand, respectively, were included in the cost of sales for the three months ended March 31, 2009 and 2008.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>March 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
Vanguard International Semiconductor Corporation (VIS)	\$ 9,491,037	37	\$ 11,382,764	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	5,720,868	39	8,352,727	39
VisEra Holding Company (VisEra Holding)	2,207,895	49	2,208,268	49
Aiconn Technology Corporation (Aiconn)	<u>31,382</u>	41	<u>-</u>	-
	<u>\$ 17,451,182</u>		<u>\$ 21,943,759</u>	

For the three months ended March 31, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$812,511 thousand and a net gain of NT\$577,322 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except for Aiconn for the three months ended March 31, 2009. The Company believes that, had Aiconn's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's financial statements.

As of March 31, 2009 and 2008, fair values of publicly traded stocks in investments accounted for using equity method (VIS) was NT\$7,350,215 thousand and NT\$13,626,526 thousand, respectively.

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

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 1,990,621	\$ 2,589,742
Amortization	<u>(149,780)</u>	<u>(149,780)</u>
Balance, end of period	<u>\$ 1,840,841</u>	<u>\$ 2,439,962</u>

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

## 11. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Non-publicly traded stocks	\$ 3,361,348	\$ 3,340,342
Mutual funds	<u>161,993</u>	<u>383,247</u>
	<u>\$ 3,523,341</u>	<u>\$ 3,723,589</u>

For the three months ended March 31, 2009 and 2008, the loss on impairment of financial assets carried at cost was NT\$274,877 thousand and NT\$79,844 thousand, respectively.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Three Months Ended March 31, 2009</b>					
	<b>Balance, Beginning of Period</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, End of Period</b>
Cost						
Land and land improvements	\$ 953,857	\$ -	\$ -	\$ -	\$ 27,417	\$ 981,274
Buildings	132,249,996	875,051	-	(19,976)	544,207	133,649,278
Machinery and equipment	697,498,743	3,359,954	(439,515)	(57,435)	1,863,130	702,224,877
Office equipment	12,430,800	224,966	(103,488)	33,634	56,254	12,642,166
Leased asset	<u>722,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,735</u>	<u>744,074</u>
	<u>843,855,735</u>	<u>\$ 4,459,971</u>	<u>\$ (543,003)</u>	<u>\$ (43,777)</u>	<u>\$ 2,512,743</u>	<u>850,241,669</u>
Accumulated depreciation						
Land and land improvements	295,898	\$ 7,703	\$ -	\$ -	\$ 9,517	313,118
Buildings	72,681,699	2,348,227	-	(5,846)	227,548	75,251,628
Machinery and equipment	535,962,291	17,275,751	(436,524)	(14,348)	1,621,920	554,409,090
Office equipment	9,693,809	310,301	(103,453)	7,049	42,006	9,949,712
Leased asset	<u>182,570</u>	<u>9,271</u>	<u>-</u>	<u>-</u>	<u>5,489</u>	<u>197,330</u>
	<u>618,816,267</u>	<u>\$ 19,951,253</u>	<u>\$ (539,977)</u>	<u>\$ (13,145)</u>	<u>\$ 1,906,480</u>	<u>640,120,878</u>
Advance payments and construction in progress	<u>18,605,882</u>	<u>\$ (1,696,906)</u>	<u>\$ -</u>	<u>\$ 34,719</u>	<u>\$ 13,906</u>	<u>16,957,601</u>
	<u>\$ 243,645,350</u>					<u>\$ 227,078,392</u>

Three Months Ended March 31, 2008						
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 942,197	\$ -	\$ -	\$ -	\$ (52,810)	\$ 889,387
Buildings	118,640,027	864,969	-	410,215	(680,387)	119,234,824
Machinery and equipment	646,419,427	11,854,624	(395,747)	614,983	(4,672,108)	653,821,179
Office equipment	11,829,640	277,463	(6,277)	(204,318)	(94,058)	11,802,450
Leased asset	652,296	-	-	13,433	(15,788)	649,941
	<u>778,483,587</u>	<u>\$ 12,997,056</u>	<u>\$ (402,024)</u>	<u>\$ 834,313</u>	<u>\$ (5,515,151)</u>	<u>786,397,781</u>
Accumulated depreciation						
Land and land improvements	262,703	\$ 7,169	\$ -	\$ -	\$ (16,777)	253,095
Buildings	63,239,922	2,198,305	-	(4)	(271,740)	65,166,483
Machinery and equipment	467,665,072	16,637,661	(395,747)	116,346	(2,637,584)	481,385,748
Office equipment	8,796,752	309,149	(6,224)	(116,318)	(74,739)	8,908,620
Leased asset	135,118	8,231	-	-	(3,361)	139,988
	<u>540,099,567</u>	<u>\$ 19,160,515</u>	<u>\$ (401,971)</u>	<u>\$ 24</u>	<u>\$ (3,004,201)</u>	<u>555,853,934</u>
Advance payments and construction in progress	21,868,167	\$ 8,328,908	\$ -	\$ (851,874)	\$ 1,720,611	31,065,812
	<u>\$ 260,252,187</u>					<u>\$ 261,609,659</u>

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases ranged from December 2003 to December 2013. The future minimum lease payments as of March 31, 2009 were NT\$827,782 thousand.

### 13. DEFERRED CHARGES, NET

Three Months Ended March 31, 2009						
	Balance, Beginning of Period	Additions	Amortization	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Technology license fee	\$ 4,125,212	\$ 726	\$ (238,875)	\$ -	\$ (34)	\$ 3,887,029
Software and system design costs	1,801,831	50,475	(217,431)	(4,424)	391	1,630,842
Patent and others	1,198,785	1,142	(74,470)	-	3,247	1,128,704
	<u>\$ 7,125,828</u>	<u>\$ 52,343</u>	<u>\$ (530,776)</u>	<u>\$ (4,424)</u>	<u>\$ 3,604</u>	<u>\$ 6,646,575</u>

Three Months Ended March 31, 2008						
	Balance, Beginning of Period	Additions	Amortization	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Technology license fee	\$ 5,819,148	\$ 1,217	\$ (422,039)	\$ -	\$ (7,197)	\$ 5,391,129
Software and system design costs	1,449,603	219,553	(205,627)	(74)	(323)	1,463,132
Patent and others	654,850	2,527	(41,244)	-	(2,416)	613,717
	<u>\$ 7,923,601</u>	<u>\$ 223,297</u>	<u>\$ (668,910)</u>	<u>\$ (74)</u>	<u>\$ (9,936)</u>	<u>\$ 7,467,978</u>

### 14. BONDS PAYABLE

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

## 15. LONG-TERM BANK LOANS

	<u>March 31</u>	
	2009	2008
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.92%-2.70% in 2009 and 2.91%-2.99% in 2008	\$ 1,021,751	\$ 721,200
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.97% in 2009 and 5.88% in 2008	678,668	608,688
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.17%-2.42% in 2009 and 2.39%-3.20% in 2008	168,750	456,750
Repayable from May 2007 in 16 quarterly installments, annual interest at 1.42%-2.20% in 2009 and 2.48%-2.85% in 2008	33,625	50,438
Repayable from March 2007 in 12 quarterly installments, annual interest at 1.30%-2.53% in 2009 and 2.79%-3.16% in 2008	16,854	109,326
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.85%	-	35,980
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53%	-	32,430
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	-	<u>1,392</u>
	1,919,648	2,016,204
Current portion	<u>(286,582)</u>	<u>(279,587)</u>
	<u>\$ 1,633,066</u>	<u>\$ 1,736,617</u>

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

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

<b>Year of Repayment</b>	<b>Amount</b>
2009 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 221,074
2010	1,007,201
2011	282,673
2012	245,220
2013 and thereafter	<u>163,480</u>
	<u>\$ 1,919,648</u>



## 16. OTHER LONG-TERM PAYABLES

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Payables for acquisition of property, plant and equipment (Note 28g)	\$ 8,837,883	\$ 7,719,794
Payables for royalties	<u>2,097,617</u>	<u>4,644,036</u>
	10,935,500	12,363,830
Current portion (classified under accrued expenses and other current liabilities)	<u>(1,184,679)</u>	<u>(3,308,040)</u>
	<u>\$ 9,750,821</u>	<u>\$ 9,055,790</u>

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

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

<b>Year of Payment</b>	<b>Amount</b>
2009 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 1,097,974
2010	558,722
2011	440,921
2012	-
2013 and thereafter	<u>8,837,883</u>
	<u>\$ 10,935,500</u>

## 17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, XinTec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$187,975 thousand and NT\$203,360 thousand for the three months ended March 31, 2009 and 2008, respectively.

TSMC, GUC and XinTec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension costs of NT\$72,409 thousand and NT\$67,462 thousand for the three months ended March 31, 2009 and 2008, respectively.

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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
<b>The Funds</b>		
Balance, beginning of period	\$ 2,434,876	\$ 2,184,435
Contributions	61,413	68,729
Interest	53,066	71,720
Payments	<u>(19,355)</u>	<u>(5,196)</u>
Balance, end of period	<u>\$ 2,530,000</u>	<u>\$ 2,319,688</u>
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,701,584	\$ 3,665,522
Accruals	<u>16,375</u>	<u>7,983</u>
Balance, end of period	<u>\$ 3,717,959</u>	<u>\$ 3,673,505</u>

## 18. INCOME TAX

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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax expense based on “income before income tax” at statutory rates	\$ 105,374	\$ 7,968,898
The effect of the following		
Tax-exempt income	(595,378)	(2,648,723)
Temporary and permanent differences	1,351,613	550,838
Others	88,417	55,161
Net operating loss carryforwards used	163,636	(218,817)
Income tax credits used	<u>(471,154)</u>	<u>(2,795,206)</u>
Income tax currently payable	<u>\$ 642,508</u>	<u>\$ 2,912,151</u>

- b. Income tax expense (benefit) consisted of the following:

Income tax currently payable	\$ 642,508	\$ 2,912,151
Other income tax adjustments	4,980	5,547
Net change in deferred income tax assets		
Investment tax credits	(422,525)	1,357,191
Net operating loss carryforwards	(228,893)	100,564
Temporary differences	109,041	(284,807)
Valuation allowance	<u>(844,339)</u>	<u>(754,848)</u>
Income tax expense (benefit)	<u>\$ (739,228)</u>	<u>\$ 3,335,798</u>

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,236,275	\$ 8,217,617
Temporary differences	1,520,572	783,544
Valuation allowance	<u>(488,954)</u>	<u>(521,197)</u>
	<u>\$ 6,267,893</u>	<u>\$ 8,479,964</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 9,383,864	\$ 5,683,405
Net operating loss carryforwards	3,932,945	3,617,579
Temporary differences	(1,800,503)	(2,471,405)
Valuation allowance	<u>(5,784,155)</u>	<u>(2,859,259)</u>
	<u>\$ 5,732,151</u>	<u>\$ 3,970,320</u>

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

- d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of March 31, 2009 and 2008 was NT\$521,634 thousand and NT\$3,012,848 thousand, respectively.

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2008 and 2007 was 0.51% and 9.83%, respectively.

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

- e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of March 31, 2009, investment tax credits of TSMC, GUC, XinTec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 5,921	\$ 5,921	2009
		114,239	114,239	2010
		4,658,769	4,658,769	2011
		2,987,278	2,987,278	2012
		<u>22,829</u>	<u>22,829</u>	2013
		<u>\$ 7,789,036</u>	<u>\$ 7,789,036</u>	

(Continued)

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 673,789	\$ 202,635	2010
		2,825,114	2,825,114	2011
		3,193,759	3,193,759	2012
		<u>548,516</u>	<u>548,516</u>	2013
		<u>\$ 7,241,178</u>	<u>\$ 6,770,024</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 37	\$ 37	2009
		23,599	23,599	2010
		37,355	37,355	2011
		<u>88</u>	<u>88</u>	2012
		<u>\$ 61,079</u>	<u>\$ 61,079</u>	

(Concluded)

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

**Tax-Exemption Period**

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

- h. The tax authorities have examined income tax returns of TSMC through 2006.

**19. LABOR COST, DEPRECIATION AND AMORTIZATION**

	Three Months Ended March 31, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 2,604,282	\$ 2,119,946	\$ 4,724,228
Labor and health insurance	195,585	129,338	324,923
Pension	153,618	106,766	260,384
Meal	99,958	39,796	139,754
Welfare	115,174	46,532	161,706
Others	<u>22,075</u>	<u>43,334</u>	<u>65,409</u>
	<u>\$ 3,190,692</u>	<u>\$ 2,485,712</u>	<u>\$ 5,676,404</u>
Depreciation	<u>\$ 18,968,736</u>	<u>\$ 978,451</u>	<u>\$ 19,947,187</u>
Amortization	<u>\$ 316,495</u>	<u>\$ 214,281</u>	<u>\$ 530,776</u>

	<b>Three Months Ended March 31, 2008</b>		
	<b>Classified as</b>	<b>Classified as</b>	
	<b>Cost of Sales</b>	<b>Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 5,158,642	\$ 3,637,477	\$ 8,796,119
Labor and health insurance	195,934	118,910	314,844
Pension	160,441	95,604	256,045
Meal	117,432	50,203	167,635
Welfare	168,638	68,000	236,638
Others	<u>55,492</u>	<u>49,239</u>	<u>104,731</u>
	<u>\$ 5,856,579</u>	<u>\$ 4,019,433</u>	<u>\$ 9,876,012</u>
Depreciation	<u>\$ 18,058,836</u>	<u>\$ 1,094,587</u>	<u>\$ 19,153,423</u>
Amortization	<u>\$ 463,671</u>	<u>\$ 205,239</u>	<u>\$ 668,910</u>

## 20. SHAREHOLDERS' EQUITY

As of March 31, 2009, 1,092,053 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,460,265 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
From merger	\$ 22,805,390	\$ 23,276,911
Additional paid-in capital	17,972,138	18,994,954
From convertible bonds	8,893,190	9,077,065
From long-term investments	294,677	347,180
Donations	<u>55</u>	<u>55</u>
	<u>\$ 49,965,450</u>	<u>\$ 51,696,165</u>

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

- c. Bonus to directors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue 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;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

For the three months ended March 31, 2009 and 2008, TSMC has recorded bonuses to employees and directors with an estimate based on historical experience with a charge to earnings of approximately 15% of its net income. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2008 and 2007 had been approved in TSMC's Board of Directors' meeting held on February 10, 2009 and a shareholders' meeting held on June 13, 2008, respectively. The appropriations and dividends per share were as follows:

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

The amounts of the appropriations of earnings for 2007 are consistent with the resolutions of the meeting of the Board of Directors held on February 19, 2008. Bonus to employees that will be paid in cash and in stock as well as bonus to directors in the amounts of NT\$7,494,988 thousand, NT\$7,494,988 thousand and NT\$158,080 thousand for 2008, respectively, had been charged against earnings and the amount was consistent with the resolutions of meeting of the Board of Directors held on February 10, 2009.

The Board of Directors meeting held on February 10, 2009 and the shareholders meeting held on June 13, 2008 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$768,763 thousand and NT\$768,813 thousand, respectively. The amounts of the appropriations of earnings for 2008, bonus to employees and directors, and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. TSMC's shareholders meeting is scheduled for June 10, 2009.

The information about the appropriations of bonuses to employees, directors and supervisors is available at the Market Observation Post System website.

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

## 21. STOCK-BASED COMPENSATION PLANS

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

Options of the aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2009.

Information about TSMC's outstanding stock options for the three months ended March 31, 2009 and 2008 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2009</u>		
Balance, beginning of period	36,234	\$35.3
Options exercised	(575)	26.8
Options canceled	<u>(127)</u>	45.4
Balance, end of period	<u>35,532</u>	35.4 (Continued)

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2008</u>		
Balance, beginning of period	41,875	\$37.4
Options exercised	(2,138)	37.9
Options canceled	<u>(193)</u>	46.8
Balance, end of period	<u>39,544</u>	37.3 (Concluded)

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

As of March 31, 2009, information about TSMC's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$24.2-\$33.9	25,057	3.91	\$31.0	25,057	\$31.0
38.2- 50.4	<u>10,475</u>	5.65	45.8	<u>8,571</u>	45.5
	<u>35,532</u>		35.4	<u>33,628</u>	34.7

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

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



Information about GUC's outstanding options for the three months ended March 31, 2009 and 2008 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2009</u>		
Balance, beginning of period	5,557	\$ 66.6
Options exercised	(630)	12.0
Options canceled	<u>(240)</u>	33.3
Balance, end of period	<u><u>4,687</u></u>	75.6
<u>Three months ended March 31, 2008</u>		
Balance, beginning of period	7,598	60.3
Options exercised	(302)	10.2
Options canceled	<u>(66)</u>	194.0
Balance, end of period	<u><u>7,230</u></u>	60.4

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

As of March 31, 2009, information about GUC's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$8.9-\$10.5	1,061	2.50	\$ 9.2	489	\$ 9.5
16.4	1,905	2.42	16.4	277	16.4
182.0	<u>1,721</u>	4.75	182.0	<u>-</u>	182.0
	<u><u>4,687</u></u>		75.6	<u><u>766</u></u>	12.0

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

Information about XinTec's outstanding options for the three months ended March 31, 2009 and 2008 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2009</u>		
Balance, beginning of period	7,442	\$14.8
Options exercised	(653)	12.8
Options canceled	<u>(404)</u>	15.4
Balance, end of period	<u><u>6,385</u></u>	15.0
<u>Three months ended March 31, 2008</u>		
Balance, beginning of period	9,642	15.1
Options canceled	<u>(144)</u>	14.5
Balance, end of period	<u><u>9,498</u></u>	15.1

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

As of March 31, 2009, information about XinTec's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$12.4-\$14.3	3,240	7.54	\$12.7	930	\$12.8
15.4- 19.4	<u>3,145</u>	8.48	17.4	<u>-</u>	-
	<u><u>6,385</u></u>		15.0	<u><u>930</u></u>	12.8

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

Assumptions:		<b>Three Months Ended March 31</b>	
		<b>2009</b>	<b>2008</b>
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	0.00%-0.60%
	Expected volatility	22.65%-45.47%	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%	2.12%-2.56%
	Expected life	3-6 years	3-6 years

		<b>2009</b>	<b>2008</b>
XinTec	Expected dividend yield	0.80%	0.80%
	Expected volatility	31.79%-47.42%	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-2.45%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
	As reported	\$ 1,558,873	\$ 28,143,382
	Pro forma	1,445,013	28,081,304
Earnings per share (EPS) - after income tax (NT\$):			
	Basic EPS as reported	\$0.06	\$1.08
	Pro forma basic EPS	\$0.06	\$1.08
	Diluted EPS as reported	\$0.06	\$1.08
	Pro forma diluted EPS	\$0.06	\$1.07

## 22. TREASURY STOCK

(Shares in Thousands)

	<b>Beginning Shares</b>	<b>Addition</b>	<b>Retirement</b>	<b>Ending Shares</b>
<u>Three months ended March 31, 2008</u>				
Parent company stock held by subsidiaries	34,096	-	-	34,096
Repurchase under share buyback plan	<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>-</u>
	<u>834,096</u>	<u>-</u>	<u>800,000</u>	<u>34,096</u>

As of March 31, 2008, the book value of the treasury stock was NT\$918,075 thousand and the market value was NT\$2,151,452 thousand. TSMC's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

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

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

## 23. EARNINGS PER SHARE

EPS was computed as follows:

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Three months ended March 31, 2009</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 812,429	\$ 1,558,873	25,625,796	<u>\$ 0.03</u>	<u>\$ 0.06</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	157,947		
Stock options	-	-	<u>8,471</u>		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 812,429</u>	<u>\$ 1,558,873</u>	<u>25,792,214</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>
<u>Three months ended March 31, 2008</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 31,471,701	\$ 28,143,382	26,115,770	<u>\$ 1.21</u>	<u>\$ 1.08</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	35,390		
Stock options	-	-	<u>16,022</u>		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 31,471,701</u>	<u>\$ 28,143,382</u>	<u>26,167,182</u>	<u>\$ 1.20</u>	<u>\$ 1.08</u>

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

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2008 to decrease from NT\$1.10 to NT\$1.08.

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	March 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 243,109	\$ 243,109	\$ 1,375,693	\$ 1,375,693
Available-for-sale financial assets	2,583,411	2,583,411	54,684,068	54,684,068
Held-to-maturity financial assets	18,408,237	18,420,653	18,000,139	18,001,071
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	3,211	3,211	244,283	244,283
Bonds payable (including current portion)	4,500,000	4,601,709	12,500,000	12,657,936
Long-term bank loans (including current portion)	1,919,648	1,919,648	2,016,204	2,016,204
Other long-term payables (including current portion)	10,935,500	10,935,500	12,363,830	12,363,830
Obligations under capital leases	744,074	744,074	649,941	649,941

- b. Methods and assumptions used in the estimation of fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
  - 3) For those derivatives and structured time deposits with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value of derivatives contracts which were outstanding as of March 31, 2009 and 2008 estimated using valuation techniques were recognized as gains of NT\$226,292 thousand and losses of NT\$81,201 thousand, respectively.
- d. As of March 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$20,874,301 thousand and NT\$72,322,594 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$4,503,211 thousand and NT\$12,744,282 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,919,648 thousand and NT\$2,014,812 thousand, respectively.

- e. Movements of the unrealized gain/loss on financial instruments for the three months ended March 31, 2009 and 2008 were as follows:

	<b>Three Months Ended March 31, 2009</b>		
	<b>From Available-for-sale Financial Assets</b>	<b>From Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ (198,413)	\$ (88,929)	\$ (287,342)
Recognized directly in shareholders' equity	55,753	30,608	86,361
Removed from shareholders' equity and recognized in earnings	<u>378,209</u>	<u>-</u>	<u>378,209</u>
Balance, end of period	<u>\$ 235,549</u>	<u>\$ (58,321)</u>	<u>\$ 177,228</u>

	<b>Three Months Ended March 31, 2008</b>		
	<b>From Available-for-sale Financial Assets</b>	<b>From Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	(151,003)	(11,821)	(162,824)
Removed from shareholders' equity and recognized in earnings	<u>(117,312)</u>	<u>-</u>	<u>(117,312)</u>
Balance, end of period	<u>\$ 359,523</u>	<u>\$ 41,338</u>	<u>\$ 400,861</u>

f. Information about financial risk

- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. Subject to recent turmoil in the global financial market, the Company evaluated its financial assets and determined that certain impairment for its asset-backed securities is other-than-temporary. The Company had appropriately recognized related impairment losses.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to recent turmoil in the global financial market, the Company evaluated the financial instruments for any possible counter-party or third-party default. As a result of the evaluation, the Company determined that certain financial instruments are exposed to credit risk and had appropriately recognized related impairment losses.

- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

## 25. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

VIS (accounted for using equity method)  
SSMC (accounted for using equity method)

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

c. Others

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

	2009		2008	
	Amount	%	Amount	%
<u>For the three months ended March 31</u>				
Sales				
VIS	\$ 10,520	-	\$ 22,577	-
VisEra	504	-	16,324	-
SSMC	<u>-</u>	<u>-</u>	<u>461</u>	<u>-</u>
	<u>\$ 11,024</u>	<u>-</u>	<u>\$ 39,362</u>	<u>-</u>
Purchases				
SSMC	\$ 514,174	2	\$ 1,358,468	3
VIS	397,579	1	798,344	1
VisEra	<u>2,685</u>	<u>-</u>	<u>594</u>	<u>-</u>
	<u>\$ 914,438</u>	<u>3</u>	<u>\$ 2,157,406</u>	<u>4</u>
Manufacturing expenses				
VisEra	<u>\$ 20,630</u>	<u>-</u>	<u>\$ 4,741</u>	<u>-</u>
Research and development expenses				
VisEra	<u>\$ 133</u>	<u>-</u>	<u>\$ 8,632</u>	<u>-</u>

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Non-operating income and gains				
VIS (primarily technical service income; see Note 28e.)	\$ 24,108	2	\$ 106,748	2
SSMC (primarily technical service income; see Note 28d.)	17,289	1	61,712	1
VisEra	<u>-</u>	<u>-</u>	<u>66,101</u>	<u>2</u>
	<u>\$ 41,397</u>	<u>3</u>	<u>\$ 234,561</u>	<u>5</u>
 <u>As of March 31</u>				
Receivables				
VisEra	\$ 274	100	\$ 7,758	100
VIS	<u>-</u>	<u>-</u>	<u>32</u>	<u>-</u>
	<u>\$ 274</u>	<u>100</u>	<u>\$ 7,790</u>	<u>100</u>
Other receivables				
VIS	\$ 35,615	67	\$ 108,629	50
SSMC	17,211	33	77,688	36
VisEra	<u>-</u>	<u>-</u>	<u>29,328</u>	<u>14</u>
	<u>\$ 52,826</u>	<u>100</u>	<u>\$ 215,645</u>	<u>100</u>
Payables				
VIS	\$ 299,259	59	\$ 479,180	50
SSMC	202,534	40	465,295	49
VisEra	<u>7,518</u>	<u>1</u>	<u>11,630</u>	<u>1</u>
	<u>\$ 509,311</u>	<u>100</u>	<u>\$ 956,105</u>	<u>100</u>
Deferred credits				
VisEra	<u>\$ -</u>	<u>-</u>	<u>\$ 46,631</u>	<u>9</u>

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

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

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



## 26. PLEDGED OR MORTGAGED ASSETS

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

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Other financial assets	\$ 488,110	\$ 28,511
Property, plant and equipment, net	<u>3,672,552</u>	<u>5,206,652</u>
	<u>\$ 4,160,662</u>	<u>\$ 5,235,163</u>

## 27. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from December 2009 to December 2028 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2009 and 2018 and can be renewed upon expiration.

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

<b>Year</b>	<b>Amount</b>
2009 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 397,003
2010	456,230
2011	407,384
2012	421,757
2013	394,501
2014 and thereafter	<u>2,598,846</u>
	<u>\$ 4,675,721</u>

## 28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of March 31, 2009, TSMC had a total of US\$37,042 thousand of guarantee deposits.

- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of March 31, 2009, SMIC had paid US\$120 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case." Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and

WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. The matters are pending in both courts. The result of the above-mentioned litigation cannot be determined at this time.

- g. The Company entered into an agreement with a counterparty in 2003 whereby TSMC Shanghai is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC Shanghai is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC Shanghai since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$8,837,883 thousand and NT\$7,719,794 thousand as of March 31, 2009 and 2008, respectively, which is included in other long-term payables on the Company's consolidated balance sheets.
- h. Amounts available under unused letters of credit as of March 31, 2009 were NT\$101,751 thousand.

## 29. ADDITIONAL DISCLOSURES

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

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

- j. Information on investment in Mainland China
- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 6 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 7 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 7 attached.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

March 31, 2009

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC	<u>Corporate bond</u>							
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	\$ 1,038,443	N/A	\$ 1,038,443	
	Taiwan Power Company	-	Held-to-maturity financial assets	-	4,203,835	N/A	4,215,665	
	Formosa Petrochemical Corporation	-	"	-	3,557,958	N/A	3,583,700	
	Nan Ya Plastics Corporation	-	"	-	3,492,875	N/A	3,516,047	
	Formosa Plastic Corporation	-	"	-	1,986,809	N/A	1,992,888	
	China Steel Corporation	-	"	-	1,204,918	N/A	1,229,514	
	CPC Corporation, Taiwan	-	"	-	1,000,095	N/A	999,755	
	<u>Government bond</u>							
	2003 Asian Development Bank Govt. Bond	-	Held-to-maturity financial assets	-	878,363	N/A	875,103	
	<u>Stocks</u>							
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	47,526,422	100	47,526,422	
	TSMC International	Subsidiary	"	987,968	30,028,035	100	30,028,035	
	VIS	Investee accounted for using equity method	"	628,223	9,491,037	37	7,350,215	
	SSMC	Investee accounted for using equity method	"	314	5,720,868	39	4,997,972	
	TSMC Partners	Subsidiary	"	300	3,719,188	100	3,719,188	
	TSMC North America	Subsidiary	"	11,000	2,613,897	100	2,613,897	
	XinTec	Investee with a controlling financial interest	"	92,620	1,397,538	42	1,341,159	
	GUC	Investee with a controlling financial interest	"	44,904	991,305	36	6,690,668	
	TSMC Japan	Subsidiary	"	6	132,714	100	132,714	
	TSMC Europe	Subsidiary	"	-	129,083	100	129,083	
	TSMC Korea	Subsidiary	"	80	14,996	100	14,996	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	311,225	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	377,948	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	39,432	
	Hontung Venture Capital Co., Ltd.	-	"	2,633	18,925	10	18,816	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	"	-	58,001	1	58,001	
	<u>Capital</u>							
	TSMC China	Subsidiary	Investments accounted for using equity method	-	5,220,310	100	5,221,589	
	VTAF III	Subsidiary	"	-	1,403,469	98	1,388,128	
VTAF II	Subsidiary	"	-	841,597	98	837,141		
Emerging Alliance	Subsidiary	"	-	371,095	99	371,095		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC North America	<u>Preferred stock</u> NeXen, Inc.	-	Financial assets carried at cost	328	US\$ 656	1	US\$ 1,912	
TSMC International	<u>Corporate bond</u> General Elec Cap Corp. Mtn General Elec Cap Corp. Mtn	- -	Held-to-maturity financial assets "	- -	US\$ 20,730 US\$ 20,276	N/A N/A	US\$ 20,035 US\$ 19,584	
	<u>Stocks</u> TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 675,301	100	US\$ 675,301	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	32,289	US\$ 25,508	97	US\$ 25,508	
	TSMC Technology	Subsidiary	"	1	US\$ 8,494	100	US\$ 8,494	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 7,076	97	US\$ 7,076	
TSMC Development	<u>Corporate bond</u> GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,420	N/A	US\$ 19,584	
	<u>Stocks</u> WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 186,309	100	US\$ 186,309	
TSMC Partners	<u>Common stock</u> VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 65,097	49	US\$ 65,097	
	TSMC Canada	Subsidiary	"	2,300	US\$ 2,547	100	US\$ 2,547	
Emerging Alliance	<u>Common stock</u> RichWave Technology Corp. Global Investment Holding Inc.	- -	Financial assets carried at cost "	4,247 10,000	US\$ 1,648 US\$ 3,065	10 6	US\$ 1,648 US\$ 3,065	
	<u>Preferred stock</u> Audience, Inc. Axiom Microdevices, Inc. GemFire Corporation Mosaic Systems, Inc. Next IO, Inc. Optichron, Inc. Optimal Corporation Pixim, Inc. QST Holding, LLC Teknovus, Inc.	- - - - - - - - - - -	Financial assets carried at cost " " " " " " " " " "	1,654 1,000 - 2,481 800 714 - 4,642 - 6,977	US\$ 250 US\$ 24 US\$ 31 US\$ 12 US\$ 500 US\$ 1,000 US\$ 229 US\$ 1,137 US\$ 131 US\$ 1,327	1 1 - 6 1 2 - 2 4 2	US\$ 250 US\$ 24 US\$ 31 US\$ 12 US\$ 500 US\$ 1,000 US\$ 229 US\$ 1,137 US\$ 131 US\$ 1,327	
	<u>Capital</u> VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	8	-	
VTAF II	<u>Common stock</u> Aquantia Leadtrend Sentelic	- - -	Financial assets carried at cost " "	2,108 1,265 1,200	US\$ 2,573 US\$ 660 US\$ 2,040	5 5 15	US\$ 2,573 US\$ 660 US\$ 2,040	
	<u>Preferred stock</u> 5V Technologies, Inc. Audience, Inc. Axiom Microdevices, Inc.	- - -	Financial assets carried at cost " "	2,890 7,956 7,017	US\$ 2,168 US\$ 1,838 US\$ 1,787	15 2 13	US\$ 2,168 US\$ 1,838 US\$ 1,787	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	Beceem Communications	-	Financial assets carried at cost	650	US\$ 1,600	1	US\$ 1,600	
	GemFire Corporation	-	"	600	US\$ 68	1	US\$ 68	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Miradia, Inc.	-	"	3,416	US\$ 148	3	US\$ 148	
	Next IO, Inc.	-	"	2,775	US\$ 756	2	US\$ 756	
	Optichron, Inc.	-	"	1,050	US\$ 1,844	4	US\$ 1,844	
	Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878	
	Power Analog Microelectronics	-	"	5,232	US\$ 2,790	18	US\$ 2,790	
	QST Holding, LLC	-	"	-	US\$ 415	13	US\$ 415	
	RichWave Technology Corp.	-	"	1,043	US\$ 730	1	US\$ 730	
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454	
	Xceive	-	"	870	US\$ 1,177	2	US\$ 1,177	
	<u>Capital</u>							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	24	-	
	<u>Common stock</u>							
	Mutual-pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,276	51	US\$ 1,276	
	Acionn Technology Corporation	Investee accounted for using equity method	"	4,500	US\$ 925	41	US\$ 925	
	Auramicro, Inc.	-	Financial assets carried at cost	3,816	US\$ 1,145	20	US\$ 1,145	
	InvenSense, Inc.	-	"	816	US\$ 1,000	1	US\$ 1,000	
	<u>Preferred stock</u>							
	Advansense Sensors, Inc.	-	Financial assets carried at cost	1,929	US\$ 1,834	6	US\$ 1,834	
	BridgeLux, Inc.	-	"	3,333	US\$ 5,000	3	US\$ 5,000	
	Exclara, Inc.	-	"	21,708	US\$ 4,568	18	US\$ 4,568	
	GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800	
	M2000, Inc.	-	"	3,000	US\$ 3,000	5	US\$ 3,000	
	Neoconix, Inc.	-	"	2,458	US\$ 4,000	6	US\$ 4,000	
	Powervation, Ltd.	-	"	191	US\$ 2,930	19	US\$ 2,930	
	Quellan, Inc.	-	"	3,106	US\$ 3,500	6	US\$ 3,500	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	2	US\$ 1,208	
	Tilera, Inc.	-	"	3,222	US\$ 2,781	3	US\$ 2,781	
	Validity Sensors, Inc.	-	"	6,879	US\$ 2,695	3	US\$ 2,695	
	<u>Capital</u>							
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 69	100	US\$ 69		
VTA Holdings	Subsidiary	"	-	-	68	-		
<u>Common stock</u>								
Staccato	-	Financial assets carried at cost	10	US\$ 25	-	US\$ 25		
ISDF	<u>Common stock</u>							
	Memsic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 2,727	6	US\$ 2,727	
Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	530	US\$ 154	2	US\$ 154		
<u>Preferred stock</u>								
Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221		
IP Unity, Inc.	-	"	1,008	US\$ 290	1	US\$ 290		
NanoAmp Solutions, Inc.	-	"	541	US\$ 541	2	US\$ 541		
Sonics, Inc.	-	"	230	US\$ 1,843	2	US\$ 1,843		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2009				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
ISDF II	<u>Common stock</u>							
	Richtek Technology Corp.	-	Financial assets at fair value through profit or loss	85	US\$ 401	-	US\$ 401	
	Memic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 2,289	5	US\$ 2,289	
	Richtek Technology Corp.	-	"	288	US\$ 1,357	-	US\$ 1,357	
	Ralink Technology (Taiwan), Inc.	-	"	1,512	US\$ 3,854	1	US\$ 3,854	
	Sonics, Inc.	-	Financial assets carried at cost	278	US\$ 32	2	US\$ 32	
	Epic Communication, Inc.	-	"	50	US\$ 23	-	US\$ 23	
	EON Technology, Corp.	-	"	2,494	US\$ 691	3	US\$ 691	
	Goyatek Technology, Corp.	-	"	932	US\$ 545	6	US\$ 545	
	Trendchip Technologies Corp.	-	"	1,020	US\$ 574	3	US\$ 574	
	Capella Microsystems (Taiwan), Inc.	-	"	534	US\$ 210	2	US\$ 210	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u>							
	Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US\$ 3,664	18	US\$ 3,664	
	FangTek, Inc.	-	"	7,064	US\$ 3,428	16	US\$ 3,428	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 1,746	5	US\$ 1,746	
	NanoAmp Solutions, Inc.	-	"	375	US\$ 375	1	US\$ 375	
Sonics, Inc.	-	"	264	US\$ 3,082	2	US\$ 3,082		
GUC	<u>Open-end mutual funds</u>							
	Prudential Financial Bond Fund	-	Available-for-sale financial assets	11,261	170,153	-	170,153	
	PCA Well Pool Fund	-	"	7,724	100,111	-	100,111	
	Hua Nan Phoenix Bond Fund	-	"	6,434	100,041	-	100,041	
	NITC Taiwan Bond Fund	-	"	500	85,096	-	85,096	
	Uni-President James Bond Fund	-	"	4,392	70,107	-	70,107	
	Yuanta Wan Tai Bond Fund	-	"	1,385	20,009	-	20,009	
	Cathay Bond Fund	-	"	1,259	15,003	-	15,003	
	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	35,555	100	35,555	
	GUC-Japan	Subsidiary	"	1	12,027	100	12,027	
	GUC-Europe	Subsidiary	"	-	4,867	100	4,867	
	GUC-BVI	Subsidiary	"	50	1,696	100	1,696	
XinTec	<u>Capital</u>							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Government bonds</u>							
	United States Treas Nts	-	Available-for-sale financial assets	-	US\$ 10,576	N/A	US\$ 10,576	
	<u>Corporate issued asset-backed securities</u>							
	Cbass Tr	-	Available-for-sale financial assets	-	US\$ 771	N/A	US\$ 771	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 439	N/A	US\$ 439	
	First Franklin Mtg Ln Tr	-	"	-	US\$ 379	N/A	US\$ 379	
	Gs Mtg Secs Corp.	-	"	-	US\$ 824	N/A	US\$ 824	
	Home Equity Mortgage Trust	-	"	-	US\$ 563	N/A	US\$ 563	
	Home Equity Mtg Tr 2006 4	-	"	-	US\$ 352	N/A	US\$ 352	
	Nomura Asset Accep Corp.	-	"	-	US\$ 628	N/A	US\$ 628	
	Terwin Mtg Tr	-	"	-	US\$ 348	N/A	US\$ 348	
	<u>Money market funds</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	-	US\$ 3,919	N/A	US\$ 3,919	

(Concluded)



## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2009

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)		
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	
TSMC	<u>Corporate bond</u> Taiwan Mobile Co., Ltd.	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	\$ 2,032,658	-	\$ -	-	\$ 1,037,370	\$ 1,000,000	\$ 37,370	-	\$ 1,038,443	
	China Steel Corporation	Held-to-maturity financial assets	"	-	-	1,000,000	-	204,990	-	-	-	-	-	1,204,918	
	<u>Government bond</u> European Investment Bank Bonds	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	383,387	-	-	-	400,000	383,909	16,091	-	-	
GUC	<u>Open-end mutual funds</u> Prudential Financial Bond Fund	Available-for-sale financial assets	Prudential Financial Securities Investment Trust Enterprise	-	-	-	11,261	170,000	-	-	-	-	-	11,261	170,153
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	7,724	100,000	-	-	-	-	-	7,724	100,111
	Hua Nan Phoenix Bond Fund	"	Hua Nan Investment Trust Co., Ltd.	-	-	-	6,434	100,000	-	-	-	-	-	6,434	100,041
TSMC Global	<u>Corporate issued asset-backed securities</u> Banc Amer Coml Mtg Inc.	Available-for-sale financial assets	-	-	-	US\$ 4,584	-	-	-	US\$ 4,480	US\$ 4,584	US\$ (104)	-	-	
	Cit Equip Coll Tr	"	-	-	-	US\$ 3,884	-	-	-	US\$ 3,925	US\$ 3,996	US\$ (71)	-	-	
	Credit Suisse First Boston Mtg	"	-	-	-	US\$ 4,349	-	-	-	US\$ 4,085	US\$ 4,188	US\$ (103)	-	-	
	First Un Natl Bk Coml Mtg Tr	"	-	-	-	US\$ 4,715	-	-	-	US\$ 4,780	US\$ 4,954	US\$ (174)	-	-	
	Lb Ubs Coml Mtg Tr	"	-	-	-	US\$ 3,495	-	-	-	US\$ 3,537	US\$ 3,697	US\$ (160)	-	-	
	Tiaa Seasoned Coml Mtg Tr	"	-	-	-	US\$ 3,163	-	-	-	US\$ 3,283	US\$ 3,392	US\$ (109)	-	-	
	Wamu Mtg	"	-	-	-	US\$ 2,925	-	-	-	US\$ 3,106	US\$ 3,114	US\$ (8)	-	-	
	<u>Money market funds</u> Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	-	US\$ 30,435	-	US\$ 243,824	-	US\$ 270,339	US\$ 270,339	-	-	US\$ 3,919	

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)		
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	
	<u>Agency bonds</u>														
	Fed Hm Ln Pc Pool 1g1282	Available-for-sale financial assets	-	-	-	US\$ 3,285	-	US\$ -	-	US\$ 3,281	US\$ 3,171	US\$ 110	-	US\$ -	-
	Fed Hm Ln Pc Pool B19205	"	-	-	-	US\$ 5,501	-	-	-	US\$ 5,511	US\$ 5,225	US\$ 286	-	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	US\$ 3,108	-	-	-	US\$ 3,078	US\$ 3,003	US\$ 75	-	-	-
	Fnma Pool 257245	"	-	-	-	US\$ 3,513	-	-	-	US\$ 3,513	US\$ 3,437	US\$ 76	-	-	-
	Fnma Pool 691283	"	-	-	-	US\$ 3,039	-	-	-	US\$ 3,028	US\$ 2,920	US\$ 108	-	-	-
	Fnma Pool 888738	"	-	-	-	US\$ 3,776	-	-	-	US\$ 3,828	US\$ 3,801	US\$ 27	-	-	-
	Fnma Pool 888793	"	-	-	-	US\$ 4,242	-	-	-	US\$ 4,265	US\$ 4,207	US\$ 58	-	-	-
	Fed Home Ln Bank	"	-	-	-	US\$ 5,305	-	-	-	US\$ 5,282	US\$ 5,035	US\$ 247	-	-	-
	Federal Farm Cr Bks	"	-	-	-	US\$ 3,610	-	-	-	US\$ 3,590	US\$ 3,411	US\$ 179	-	-	-
	Federal Farm Credit Bank	"	-	-	-	US\$ 3,433	-	-	-	US\$ 3,430	US\$ 3,370	US\$ 60	-	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 3,854	-	-	-	US\$ 3,852	US\$ 3,721	US\$ 131	-	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 5,320	-	-	-	US\$ 5,312	US\$ 5,098	US\$ 214	-	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 4,148	-	-	-	US\$ 4,151	US\$ 4,136	US\$ 15	-	-	-
	Federal Home Ln Mtg	"	-	-	-	US\$ 5,340	-	-	-	US\$ 5,334	US\$ 5,186	US\$ 148	-	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	US\$ 3,428	-	-	-	US\$ 3,432	US\$ 3,336	US\$ 96	-	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	US\$ 3,560	-	-	-	US\$ 3,561	US\$ 3,494	US\$ 67	-	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	US\$ 3,743	-	-	-	US\$ 3,749	US\$ 3,786	US\$ (37)	-	-	-
	Federal Home Loan Bank	"	-	-	-	US\$ 4,710	-	-	-	US\$ 4,709	US\$ 4,518	US\$ 191	-	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 3,713	-	-	-	US\$ 3,712	US\$ 3,700	US\$ 12	-	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 4,169	-	-	-	US\$ 4,179	US\$ 4,116	US\$ 63	-	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 3,809	-	-	-	US\$ 3,801	US\$ 3,645	US\$ 156	-	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 4,134	-	-	-	US\$ 4,127	US\$ 4,151	US\$ (24)	-	-	-
	<u>Corporate bonds</u>														
	Chase Manhattan Corp. New	Available-for-sale financial assets	-	-	-	US\$ 3,353	-	-	-	US\$ 3,380	US\$ 3,480	US\$ (100)	-	-	-
	Deutsche Bank Ag London	"	-	-	-	US\$ 3,013	-	-	-	US\$ 3,021	US\$ 3,041	US\$ (20)	-	-	-
	Morgan Stanley	"	-	-	-	US\$ 4,552	-	-	-	US\$ 4,751	US\$ 4,768	US\$ (17)	-	-	-
	Wachovia Corp. New	"	-	-	-	US\$ 3,135	-	-	-	US\$ 3,195	US\$ 3,100	US\$ 95	-	-	-
	Wells Fargo + Co. New Med Trm	"	-	-	-	US\$ 4,493	-	-	-	US\$ 4,524	US\$ 4,282	US\$ 242	-	-	-

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

Note 2: The data for marketable securities disposed exclude bonds maturities and capital return from subsidiaries.

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

(Concluded)

**TABLE 3**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2009  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 22,964,954	58	Net 30 days after invoice date	-	-	\$ 10,033,427	54	
		Investee with a controlling financial interest	Sales	282,542	1	Net 30 days after monthly closing	-	-	148,475	1	
	WaferTech SSMC	Indirect subsidiary	Purchases	739,712	17	Net 30 days after monthly closing	-	-	(237,033)	4	
		Investee accounted for using equity method	Purchases	514,174	11	Net 30 days after monthly closing	-	-	(202,534)	4	
	TSMC China VIS	Subsidiary	Purchases	447,631	10	Net 30 days after monthly closing	-	-	(193,560)	3	
		Investee accounted for using equity method	Purchases	393,296	9	Net 30 days after monthly closing	-	-	(298,360)	5	
GUC	TSMC North America	Same parent company	Purchases	124,079	24	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(161,755)	25	
XinTec	OmniVision	Parent company of director (represented for XinTec)	Sales	183,869	78	Net 30 days after monthly closing	-	-	39,677	45	

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

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

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

**MARCH 31, 2009**

**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
TSMC	TSMC North America GUC	Subsidiary	\$ 10,036,468	43	\$ 3,336,961	-	\$ 3,529,284	\$ -
		Investee with a controlling financial interest	148,475	59	28	-	28	-
	TSMC China	Subsidiary	107,608	(Note 2)	-	-	-	-
XinTec	OmniVision	Parent company of director (represented for XinTec)	39,677	87	-	-	-	-

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

MARCH 31, 2009

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				March 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 47,526,422	\$ (77,446)	\$ (77,446)	Subsidiary
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	30,028,035	(622,367)	(622,367)	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	37	9,491,037	(831,689)	(412,001)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	5,720,868	(701,869)	(321,505)	Investee accounted for using equity method
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	5,220,310	(1,237,357)	(1,238,636)	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,719,188	(61,735)	(61,735)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,613,897	99,898	99,898	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,518,713	1,440,241	-	98	1,403,469	(19,697)	(19,303)	Subsidiary
	XinTec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	92,620	42	1,397,538	(245,162)	(108,234)	Investee with a controlling financial interest
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	44,904	36	991,305	119,374	42,771	Investee with a controlling financial interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,036,422	1,036,422	-	98	841,597	(168,394)	(165,026)	Subsidiary
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	986,797	986,797	-	99	371,095	(76,725)	(76,341)	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	132,714	1,158	1,158	Subsidiary (Note 3)
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	129,083	8,099	8,099	Subsidiary (Note 3)
TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	14,996	676	676	Subsidiary (Note 3)	
TSMC International	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 675,301	US\$ (14,794)	Note 2	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 32,289	US\$ 32,289	32,289	97	US\$ 25,508	US\$ (1,311)	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 8,494	US\$ 86	Note 2	Subsidiary (Note 3)
	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 7,076	US\$ (27)	Note 2	Subsidiary
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 380,000	US\$ 380,000	293,637	100	US\$ 186,309	US\$ (18,248)	Note 2	Subsidiary
TSMC Partners	VisEra Holding Company	Cayman Islands	Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 65,097	US\$ (4,489)	Note 2	Investee accounted for using equity method
	TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 2,547	US\$ 61	Note 2	Subsidiary (Note 3)
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US\$ 91,041	US\$ 91,041	253,120	89	US\$ 114,159	US\$ (5,061)	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				March 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 1,705	US\$ 1,705	4,590	51	US\$ 1,276	US\$ (181)	Note 2	Subsidiary (Note 3)
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	-	-	4,500	41	US\$ 925	US\$ (260)	Note 2	
	Growth Fund VTA Holdings	Cayman Islands Delaware, U.S.A.	Investing in new start-up technology companies Investing in new start-up technology companies	US\$ 700 -	US\$ 700 -	- -	100 68	US\$ 69 -	US\$ (31) -	Note 2 Note 2	
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	24	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	35,555	386	Note 2	Subsidiary (Note 3)
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,027	824	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50	-	100	4,867	119	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US\$ 50	-	50	100	1,696	-	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	8	-	-	Note 2	Subsidiary (Note 3)

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

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2009

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2009 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2009 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of March 31, 2009	Accumulated Inward Remittance of Earnings as of March 31, 2009
					Outflow (US\$ in Thousand)	Inflow					
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$ -	\$ -	\$12,180,367 (US\$371,000)	100%	\$(1,238,636)	\$5,220,310	\$ -

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

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

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

A. For the three months ended March 31, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 22,964,954	-	56%
				Receivables from related parties	10,033,427	-	2%
				Other receivables from related parties	3,041	-	-
				Payables to related parties	11,104	-	-
		TSMC China	1	Purchases	447,631	-	1%
				Gain on disposal of property, plant and equipment	46,722	-	-
				Technical service income	1,077	-	-
				Other receivables from related parties	107,608	-	-
				Payables to related parties	193,560	-	-
				Deferred credits	137,174	-	-
		TSMC Japan	1	Marketing expenses - commission	49,114	-	-
		TSMC Europe	1	Payables to related parties	16,573	-	-
				Marketing expenses - commission	71,736	-	-
				Research and development expenses	1,808	-	-
		TSMC Korea	1	Payables to related parties	27,311	-	-
				Marketing expenses - commission	3,375	-	-
		GUC	1	Sales	282,542	-	1%
				Receivables from related parties	148,475	-	-
				Research and development expenses	17,970	-	-
		TSMC Technology	1	Research and development expenses	85,917	-	-
Payables to related parties	97,970			-	-		
WaferTech	1	Sales	2,237	-	-		
		Purchases	739,712	-	2%		
		Other receivables from related parties	2,220	-	-		
		Payables to related parties	237,033	-	-		
TSMC Canada	1	Research and development expenses	37,632	-	-		
		Payables to related parties	12,417	-	-		
XinTec	1	Other receivables from related parties	59,862	-	-		
Emerging Alliance	1	Other receivables from related parties	5,314	-	-		
1	TSMC Partners	TSMC International	3	Other receivables	8,411,416	-	2%
				Deferred revenue	8,411,416	-	2%

(Continued)



No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
2	GUC	TSMC North America	3	Purchases	\$ 124,079	-	-
				Manufacturing expenses	88,628	-	-
				Payables to related parties	161,756	-	-
		GUC-NA	3	Operating expenses	35,321	-	-
				Accrued Expenses	12,240	-	-
		GUC-Japan	3	Operating expenses	10,187	-	-
				Other prepaid expenses	3,145	-	-
		GUC-Europe	3	Operating expenses	2,561	-	-
				Other prepaid expenses	2,014	-	-

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

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

(Continued)

B. For the three months ended March 31, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 54,293,942	-	61%
				Receivables from related parties	24,508,626	-	4%
				Other receivables from related parties	44,392	-	-
				Payables to related parties	7,147	-	-
		TSMC China	1	Sales	26,474	-	-
				Purchases	1,220,202	-	1%
				Technical service income	88,760	-	-
				Other receivables from related parties	1,942,566	-	-
				Payables to related parties	304,048	-	-
		TSMC Japan	1	Marketing expenses - commission	45,186	-	-
				Payables to related parties	16,028	-	-
		TSMC Europe	1	Marketing expenses - commission	76,949	-	-
				Payables to related parties	47,494	-	-
		TSMC Korea	1	Marketing expenses - commission	5,198	-	-
		GUC	1	Sales	289,453	-	-
				Receivables from related parties	178,786	-	-
TSMC Technology	1	Payables to related parties	59,499	-	-		
		Research and development expenses	89,660	-	-		
WaferTech	1	Sales	2,524	-	-		
		Purchases	2,378,252	-	3%		
		Other receivables from related parties	14,923	-	-		
1	GUC	TSMC North America	3	Purchases	573,761	-	-
				Manufacturing expenses	106,325	-	-
				Operating expenses	1,458	-	-
				Payables to related parties	261,678	-	-
		GUC-NA	3	Operating expenses	17,959	-	-
				Accrued Expenses	2,772	-	-
		GUC-Japan	3	Operating expenses	5,499	-	-
				Other prepaid expenses	2,328	-	-

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

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

(Concluded)