

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2009 and 2008 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2009 and 2008, and the results of their consolidated operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

July 27, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND 2008

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

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 239,517,163	41	\$ 185,346,119	30	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 32,966	-	\$ 118,146	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	39,193	-	44,912	-	Accounts payable	8,960,408	2	10,427,525	2
Available-for-sale financial assets (Notes 2, 6, and 24)	1,736,135	-	32,825,625	6	Payables to related parties (Note 25)	1,144,324	-	1,204,006	-
Held-to-maturity financial assets (Notes 2, 7 and 24)	5,476,955	1	5,771,334	1	Income tax payable (Notes 2 and 18)	3,095,016	-	5,850,172	1
Receivables from related parties (Note 25)	447	-	3,530	-	Cash dividends payable (Note 20)	77,165,649	13	77,042,768	13
Notes and accounts receivable	41,342,273	7	47,155,226	8	Bonuses payable to employees, directors and supervisors (Notes 2, 3 and 20)	11,695,197	2	12,961,511	2
Allowance for doubtful receivables (Notes 2 and 8)	(499,926)	-	(701,591)	-	Payables to contractors and equipment suppliers	15,852,503	3	9,511,319	2
Allowance for sales returns and others (Notes 2 and 8)	(7,458,429)	(1)	(4,598,856)	(1)	Accrued expenses and other current liabilities (Notes 16 and 28)	11,374,602	2	21,604,192	3
Other receivables from related parties (Note 25)	411,822	-	1,240,818	-	Current portion of bonds payable and long-term bank loans (Notes 14, 15 and 26)	308,971	-	8,261,656	1
Other financial assets (Note 26)	2,652,764	-	1,611,165	-	Total current liabilities	129,629,636	22	146,981,295	24
Inventories (Notes 2, 3 and 9)	18,973,907	3	23,358,777	4	LONG-TERM LIABILITIES				
Deferred income tax assets (Notes 2 and 18)	6,067,035	1	6,386,131	1	Bonds payable (Note 14)	4,500,000	1	4,500,000	1
Prepaid expenses and other current assets	1,159,533	-	1,320,101	-	Long-term bank loans (Notes 15 and 26)	1,492,545	-	1,590,120	-
Total current assets	309,418,872	52	299,763,291	49	Other long-term payables (Notes 16 and 28)	8,497,635	2	8,889,579	1
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)					Obligations under capital leases (Note 2)	720,091	-	663,731	-
Investments accounted for using equity method	17,138,508	3	20,955,923	3	Total long-term liabilities	15,210,271	3	15,643,430	2
Available-for-sale financial assets	1,035,686	-	-	-	OTHER LIABILITIES				
Held-to-maturity financial assets	11,120,591	2	7,240,785	1	Accrued pension cost (Notes 2 and 17)	3,750,502	1	3,698,572	1
Financial assets carried at cost	3,203,529	1	3,740,161	1	Guarantee deposits (Note 28)	1,233,784	-	1,707,572	-
Total long-term investments	32,498,314	6	31,936,869	5	Deferred credits (Notes 2 and 25)	323,915	-	469,677	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)					Others	41,667	-	35,654	-
Cost					Total other liabilities	5,349,868	1	5,911,475	1
Land and land improvements	954,573	-	888,065	-	Total liabilities	150,189,775	26	168,536,200	27
Buildings	133,111,093	23	120,005,058	19	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Machinery and equipment	708,451,415	121	674,666,739	110	Capital stock - NT\$10 par value (Notes 20 and 22)				
Office equipment	12,710,854	2	11,991,372	2	Authorized: 28,050,000 thousand shares				
Leased assets	720,091	-	663,731	-	Issued: 25,626,356 thousand shares in 2009				
	855,948,026	146	808,214,965	131	25,631,371 thousand shares in 2008	256,263,562	44	256,313,709	41
Accumulated depreciation	(656,826,056)	(111)	(574,737,419)	(93)	To be issued	2,699,971	-	5,221,238	1
Advance payments and construction in progress	25,949,019	4	28,720,751	5	Total equity attributable to shareholders of the parent	258,963,533	44	261,534,947	42
Net property, plant and equipment	225,070,989	39	262,198,297	43	Capital surplus (Notes 2 and 20)	55,331,535	10	50,916,645	8
INTANGIBLE ASSETS					Retained earnings (Note 20)				
Goodwill (Note 2)	6,038,670	1	5,702,990	1	Appropriated as legal capital reserve	77,317,710	13	67,324,393	11
Deferred charges, net (Notes 2 and 13)	6,321,124	1	7,755,165	1	Appropriated as special capital reserve	-	-	391,857	-
Total intangible assets	12,359,794	2	13,458,155	2	Unappropriated earnings	41,347,655	7	84,236,793	14
OTHER ASSETS					Others (Notes 2, 22 and 24)	118,665,365	20	151,953,043	25
Deferred income tax assets (Notes 2 and 18)	5,235,855	1	4,784,854	1	Cumulative translation adjustments	456,824	-	(6,787,320)	(1)
Refundable deposits	2,736,414	-	2,766,835	-	Unrealized gain on financial instruments	344,238	-	468,749	-
Others (Note 2)	222,646	-	315,120	-	Treasury stock: 250,770 thousand shares	-	-	(14,845,498)	(2)
Total other assets	8,194,915	1	7,866,809	1		801,062	-	(21,164,069)	(3)
TOTAL	\$ 587,542,884	100	\$ 615,223,421	100	Equity attributable to shareholders of the parent	433,761,495	74	443,240,566	72
					MINORITY INTERESTS (Note 2)	3,591,614	-	3,446,655	1
					Total shareholders' equity	437,353,109	74	446,687,221	73
					TOTAL	\$ 587,542,884	100	\$ 615,223,421	100

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

(With Deloitte & Touche audit report dated July 27, 2009)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 118,430,147		\$ 178,973,801	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>4,718,307</u>		<u>3,357,091</u>	
NET SALES	113,711,840	100	175,616,710	100
COST OF SALES (Notes 3, 9, 19 and 25)	<u>71,936,007</u>	<u>63</u>	<u>97,156,057</u>	<u>55</u>
GROSS PROFIT	<u>41,775,833</u>	<u>37</u>	<u>78,460,653</u>	<u>45</u>
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	8,824,835	8	10,673,813	6
General and administrative	4,475,728	4	5,832,564	4
Marketing	<u>2,139,354</u>	<u>2</u>	<u>2,457,830</u>	<u>1</u>
Total operating expenses	<u>15,439,917</u>	<u>14</u>	<u>18,964,207</u>	<u>11</u>
INCOME FROM OPERATIONS	<u>26,335,916</u>	<u>23</u>	<u>59,496,446</u>	<u>34</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	1,643,820	2	2,742,476	2
Settlement income (Note 28)	494,070	-	456,195	-
Technical service income (Notes 25 and 28)	145,310	-	958,217	1
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	-	-	1,921,977	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	-	-	856,517	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	-	-	672,578	-
Others (Notes 2 and 25)	<u>232,079</u>	<u>-</u>	<u>381,285</u>	<u>-</u>
Total non-operating income and gains	<u>2,515,279</u>	<u>2</u>	<u>7,989,245</u>	<u>4</u>

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2009</u>		<u>2008</u>	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
Equity in losses of equity method investees, net (Notes 2 and 10)	\$ 706,745	1	\$ -	-
Loss on impairment of financial assets (Notes 2, 6, 11 and 24)	542,764	-	885,268	1
Interest expense	203,390	-	306,449	-
Loss on settlement and disposal of financial assets, net (Notes 2 and 24)	139,619	-	-	-
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	43,637	-	-	-
Foreign exchange loss, net (Note 2)	6,526	-	1,740,143	1
Provision for litigation loss	-	-	459,078	-
Others (Note 2)	71,030	-	145,964	-
Total non-operating expenses and losses	<u>1,713,711</u>	<u>1</u>	<u>3,536,902</u>	<u>2</u>
INCOME BEFORE INCOME TAX	27,137,484	24	63,948,789	36
INCOME TAX EXPENSE (Notes 2 and 18)	<u>1,204,266</u>	<u>1</u>	<u>6,838,752</u>	<u>4</u>
NET INCOME	<u>\$ 25,933,218</u>	<u>23</u>	<u>\$ 57,110,037</u>	<u>32</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 26,000,519	23	\$ 56,913,888	32
Minority interests	<u>(67,301)</u>	<u>-</u>	<u>196,149</u>	<u>-</u>
	<u>\$ 25,933,218</u>	<u>23</u>	<u>\$ 57,110,037</u>	<u>32</u>
	<u>2009</u>		<u>2008</u>	
	<u>Income Attributable to Shareholders of the Parent</u>		<u>Income Attributable to Shareholders of the Parent</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income Tax</u>	<u>Income Tax</u>	<u>Income Tax</u>	<u>Income Tax</u>
EARNINGS PER SHARE (NT\$, Note 23)				
Basic earnings per share	<u>\$ 1.06</u>	<u>\$ 1.01</u>	<u>\$ 2.43</u>	<u>\$ 2.17</u>
Diluted earnings per share	<u>\$ 1.05</u>	<u>\$ 1.00</u>	<u>\$ 2.42</u>	<u>\$ 2.16</u>

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

(With Deloitte & Touche audit report dated July 27, 2009)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Equity Attributable to Shareholders of the Parent																Total Shareholders' Equity
	Capital Stock - Common Stock		To be Issued		Capital Surplus	Legal Capital Reserve	Retained Earnings			Cumulative Translation Adjustments	Others			Minority Interests			
	Shares (in Thousands)	Amount	Shares (in Thousands)	Amount			Special Capital Reserve	Unappropriated Earnings	Retained Earnings Total		Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Others Total		Total		
BALANCE, JANUARY 1, 2009	25,625,437	\$ 256,254,373	-	\$ -	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 170,053,667	\$ 481,158	\$ (287,342)	\$ -	\$ 193,816	\$ 476,377,111	\$ 3,995,356	\$ 480,372,467	
Appropriations of prior year's earnings (Note)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal capital reserve	-	-	-	-	-	9,993,317	-	(9,993,317)	-	-	-	-	-	-	-	-	
Reversal of special capital reserve	-	-	-	-	-	-	(391,857)	391,857	-	-	-	-	-	-	-	-	
Cash dividends to shareholders - NTS\$3.00 per share	-	-	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	-	-	(76,876,312)	-	(76,876,312)	
Stock dividends to shareholders - NTS\$0.02 per share	-	-	51,251	512,509	-	-	-	(512,509)	(512,509)	-	-	-	-	-	-	-	
Bonus to employees - in stock	-	-	141,870	1,418,699	6,076,289	-	-	-	-	-	-	-	-	7,494,988	155,818	7,650,806	
Capital surplus transferred to capital stock	-	-	76,876	768,763	(768,763)	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	26,000,519	26,000,519	-	-	-	-	26,000,519	(67,301)	25,933,218	
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	-	-	129,081	-	-	-	-	-	-	-	-	129,081	(52,558)	76,523	
Translation adjustments	-	-	-	-	-	-	-	-	-	(24,334)	-	-	(24,334)	(24,334)	(446)	(24,780)	
Issuance of stock from exercising employee stock options	919	9,189	-	-	19,673	-	-	-	-	-	-	-	-	28,862	-	28,862	
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	583,388	-	583,388	583,388	7,192	590,580	
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	-	-	48,192	-	48,192	48,192	-	48,192	
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(446,447)	(446,447)	
BALANCE, JUNE 30, 2009	25,626,356	\$ 256,263,562	269,997	\$ 2,699,971	\$ 55,331,535	\$ 77,317,710	\$ -	\$ 41,347,655	\$ 118,665,365	\$ 456,824	\$ 344,238	\$ -	\$ 801,062	\$ 433,761,495	\$ 3,591,614	\$ 437,353,109	
BALANCE, JANUARY 1, 2008	26,427,104	\$ 264,271,037	-	\$ -	\$ 53,732,682	\$ 56,406,684	\$ 629,550	\$ 161,828,337	\$ 218,864,571	\$ (1,072,853)	\$ 680,997	\$ (49,385,032)	\$ (49,776,888)	\$ 487,091,402	\$ 3,594,169	\$ 490,685,571	
Appropriations of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal capital reserve	-	-	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-	-	-	-	
Reversal of special capital reserve	-	-	-	-	-	-	(237,693)	237,693	-	-	-	-	-	-	-	-	
Bonus to employees - in cash	-	-	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	(3,939,883)	-	(3,939,883)	
Bonus to employees - in stock	-	-	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	-	-	-	
Cash dividends to shareholders - NTS\$3.00 per share	-	-	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	-	(76,881,311)	-	(76,881,311)	
Stock dividends to shareholders - NTS\$0.02 per share	-	-	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-	-	-	-	
Bonus to directors	-	-	-	-	-	-	-	(176,890)	(176,890)	-	-	-	-	(176,890)	-	(176,890)	
Capital surplus transferred to capital stock	-	-	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-	-	-	-	
Net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	56,913,888	56,913,888	-	-	-	-	56,913,888	196,149	57,110,037	
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	-	-	(186,344)	-	-	-	-	-	-	-	-	(186,344)	43,125	(143,219)	
Translation adjustments	-	-	-	-	-	-	-	-	-	(5,714,467)	-	-	(5,714,467)	(5,714,467)	(387,946)	(6,102,413)	
Issuance of stock from exercising employee stock options	4,267	42,672	-	-	128,891	-	-	-	-	-	-	-	-	171,563	-	171,563	
Cash dividends received by subsidiaries from parent company	-	-	-	-	102,279	-	-	-	-	-	-	-	-	102,279	-	102,279	
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(143,654)	-	(143,654)	(143,654)	(8,016)	(151,670)	
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	-	-	(68,594)	-	(68,594)	(68,594)	-	(68,594)	
Treasury stock retired	(800,000)	(8,000,000)	-	-	(2,092,050)	-	-	(38,374,907)	(38,374,907)	-	-	48,466,957	48,466,957	-	-	-	
Treasury stock repurchased by the company	-	-	-	-	-	-	-	-	-	-	-	(13,927,423)	(13,927,423)	(13,927,423)	-	(13,927,423)	
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,174	9,174	
BALANCE, JUNE 30, 2008	25,631,371	\$ 256,313,709	522,123	\$ 5,221,238	\$ 50,916,645	\$ 67,324,393	\$ 391,857	\$ 84,236,793	\$ 151,953,043	\$ (6,787,320)	\$ 468,749	\$ (14,845,498)	\$ (21,164,069)	\$ 443,240,566	\$ 3,446,655	\$ 446,687,221	

Note: Bonus to employees and directors in the amount of NTS\$14,989,976 thousand and NTS\$158,080 thousand, respectively, had been charged against earnings of 2008.

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

(With Deloitte & Touche audit report dated July 27, 2009)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 26,000,519	\$ 56,913,888
Net income (loss) attributable to minority interests	(67,301)	196,149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,536,498	39,865,278
Amortization of premium/ discount of financial assets	(8,685)	(51,144)
Loss on impairment of financial assets	542,764	885,268
Loss (gain) on disposal of available-for-sale financial assets, net	169,431	(630,834)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Gain on disposal of financial assets carried at cost, net	(13,721)	(41,744)
Equity in losses (earnings) of equity method investees, net	706,745	(856,517)
Dividends received from equity method investees	988,201	589,071
Loss (gain) on disposal of property, plant and equipment and other assets, net	1,362	(50,042)
Deferred income tax	(696,687)	1,714,632
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(35,684)	1,456,308
Receivables from related parties	(40)	7,355
Notes and accounts receivable	(16,318,952)	48,900
Allowance for doubtful receivables	44,175	(216)
Allowance for sales returns and others	1,387,403	509,821
Other receivables from related parties	(60,615)	65,421
Other financial assets	(743,475)	(95,638)
Inventories	(4,097,262)	503,483
Prepaid expenses and other current assets	654,159	50,129
Increase (decrease) in:		
Accounts payable	3,407,257	(1,147,357)
Payables to related parties	654,467	(299,370)
Income tax payable	(6,236,809)	(5,275,956)
Bonuses payable to employees, directors and supervisors	3,976,273	8,844,738
Accrued expenses and other current liabilities	592,841	(152,369)
Accrued pension cost	48,918	33,050
Deferred credits	(103,808)	(736,108)
Net cash provided by operating activities	<u>51,311,883</u>	<u>102,346,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(13,032,316)	(37,586,675)
Available-for-sale financial assets	(9,053,319)	(27,987,837)
Held-to-maturity financial assets	(1,165,380)	(549,455)
Financial assets carried at cost	(131,324)	(302,858)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 19,784,106	\$ 60,867,654
Held-to-maturity financial assets	5,920,650	7,788,000
Financial assets carried at cost	74,679	127,554
Property, plant and equipment and other assets	4,925	30,916
Increase in deferred charges	(271,906)	(1,926,895)
Decrease in refundable deposits	30,785	10,934
Increase in other assets	<u>(17,328)</u>	<u>(556)</u>
Net cash provided by investing activities	<u>2,143,572</u>	<u>470,782</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term bank loans	290,054	108,785
Repayment of:		
Long-term bank loans	(123,067)	(218,519)
Bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(250,711)	(535,437)
Proceeds from exercise of employee stock options	28,862	171,563
Repurchase of treasury stock	-	(9,668,896)
Increase (decrease) in minority interests	<u>(157,110)</u>	<u>9,174</u>
Net cash used in financing activities	<u>(8,211,972)</u>	<u>(10,133,330)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,243,483	92,683,648
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(340,072)	(2,324,017)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>194,613,752</u>	<u>94,986,488</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 239,517,163</u>	<u>\$ 185,346,119</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 469,761</u>	<u>\$ 497,376</u>
Income tax paid	<u>\$ 7,841,389</u>	<u>\$ 10,220,646</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 20,886,046	\$ 40,854,643
Increase in payables to contractors and equipment suppliers	(7,853,730)	(3,254,587)
Increase in accrued expenses and other current liabilities	-	(13,381)
Cash paid	<u>\$ 13,032,316</u>	<u>\$ 37,586,675</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
Repurchase of treasury stock	\$ -	\$ 13,927,423
Increase in accrued expenses and other current liabilities	<u>-</u>	<u>(4,258,527)</u>
Cash paid	<u>\$ -</u>	<u>\$ 9,668,896</u>
NON-CASH FINANCING ACTIVITIES		
Bonus to employees transferred to capital stock	<u>\$ 7,494,988</u>	<u>\$ -</u>
Current portion of bonds payable	<u>\$ -</u>	<u>\$ 8,000,000</u>
Current portion of long-term bank loans	<u>\$ 308,971</u>	<u>\$ 261,656</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,703,213</u>	<u>\$ 2,012,071</u>

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

(With Deloitte & Touche audit report dated July 27, 2009)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

1. GENERAL

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

As of June 30, 2009 and 2008, TSMC and its subsidiaries had 23,644 and 25,390 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:

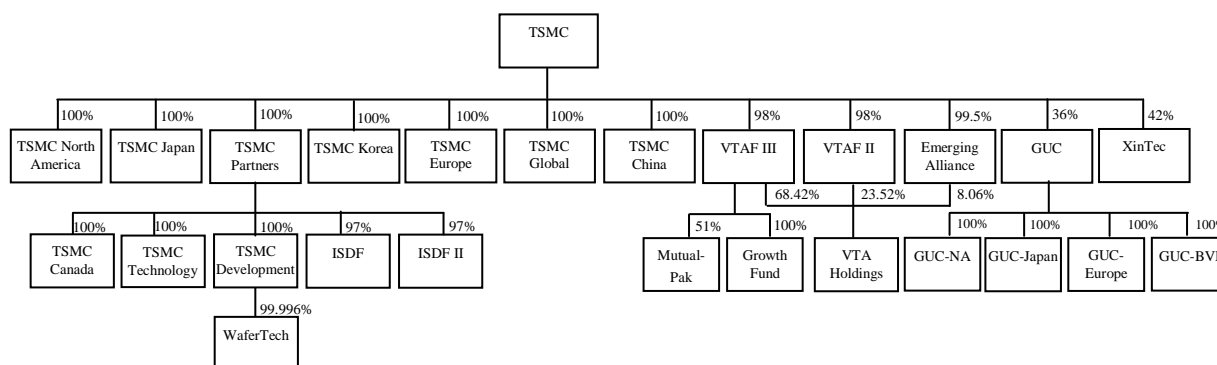
Name of Investor	Name of Investee	Percentage of Ownership June 30		Remark
		2009	2008	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	-	100%	In June 2009, TSMC International was merged by TSMC Partners.
	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 June 30, 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 June 30, 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 Technology, Inc. (TSMC Technology)	100%	-	Its previous shareholders, TSMC International, was merged by TSMC Partners in June 30, 2009.
	TSMC Development, Inc. (TSMC Development)	100%	-	Its previous shareholders, TSMC International, was merged by TSMC Partners in June 30, 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	-	Its previous shareholders, TSMC International, was merged by TSMC Partners in June 30, 2009.

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership June 30		Remark
		2009	2008	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	-	Its previous shareholders, TSMC International, was merged by TSMC Partners in June 30, 2009.
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%	100%	-
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	100%	-
	Global Unichip (BVI) Corp. (GUC-BVI)	100%	-	Newly established in February 2009.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of June 30, 2009:



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

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

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

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

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

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds, repurchase agreements collateralized by short-term notes and corporate notes 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, Directors and Supervisors

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," which requires companies to record 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 six months ended June 30, 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 and retroactively adjusted for the issuance of stock dividend) of NT\$7,285,797 thousand and NT\$0.28, respectively, for the six months ended June 30, 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 six months ended June 30, 2008.

4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cash and deposits in bank	\$ 232,103,033	\$ 168,767,410
Repurchase agreements collateralized by government bonds	7,414,130	12,229,689
Repurchase agreements collateralized by short-term notes	-	3,970,306
Corporate notes	-	378,714
	<u>\$ 239,517,163</u>	<u>\$ 185,346,119</u>

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

	<u>June 30</u>	
	2009	2008
<u>Trading financial assets</u>		
Publicly traded stocks	\$ -	\$ 21,684
Forward exchange contracts	310	232
Cross currency swap contracts	<u>38,883</u>	<u>22,996</u>
	<u>\$ 39,193</u>	<u>\$ 44,912</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 6,541	\$ 115,535
Cross currency swap contracts	<u>26,425</u>	<u>2,611</u>
	<u>\$ 32,966</u>	<u>\$ 118,146</u>

The Company entered into derivative contracts during the six months ended June 30, 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:

	Maturity Date	Contract Amount (in Thousands)
<u>June 30, 2009</u>		
Sell EUR/buy US\$	July 2009	EUR12,200/US\$17,019
Sell RMB/buy US\$	July 2009	RMB 27,360/ US\$4,000
Sell US\$/buy NT\$	July 2009	US\$3,730/NT\$122,418
Sell NT\$/buy US\$	September 2009	NT\$17,221/US\$530
<u>June 30, 2008</u>		
Sell EUR/buy US\$	July 2008	EUR11,500/US\$17,826
Sell EUR/buy NT\$	July 2008	EUR20,000/NT\$858,620
Sell US\$/buy JPY	July 2008 to August 2008	US\$365/JPY39,000
Sell RMB/buy US\$	July 2008 to September 2008	RMB199,445/US\$29,000
Sell US\$/buy NT\$	July 2008 to August 2008	US\$37,000/NT\$1,121,881

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2009</u>			
July 2009	US\$767,000/NT\$25,197,800	0.46%-9.26%	0.00%-0.76%
<u>June 30, 2008</u>			
July 2008	US\$971,000/NT\$29,509,297	2.49%-4.68%	0.43%-2.42%

For the six months ended June 30, 2009 and 2008, valuation on financial instruments arising from derivative financial instruments was a net loss of NT\$43,637 thousand and a net gain of NT\$1,921,977 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2009	2008
Corporate bonds	\$ 1,035,686	\$ 9,791,099
Open-end mutual funds	740,979	3,722,996
Publicly traded stocks	504,461	586,140
Government bonds	347,868	2,550,968
Corporate issued asset-backed securities	126,466	4,074,475
Money market funds	16,361	4,388,862
Agency bonds	<u>-</u>	<u>7,711,085</u>
	2,771,821	32,825,625
Current portion	<u>(1,736,135)</u>	<u>(32,825,625)</u>
	<u>\$ 1,035,686</u>	<u>\$ -</u>

For the six months ended June 30, 2009 and 2008, the loss on impairment of the above available-for-sale financial assets was NT\$70,434 thousand and NT\$755,910 thousand, respectively.

7. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30	
	2009	2008
Corporate bonds	\$ 15,714,113	\$ 9,516,207
Government bonds	883,433	2,995,912
Structured time deposits	<u>-</u>	<u>500,000</u>
	16,597,546	13,012,119
Current portion	<u>(5,476,955)</u>	<u>(5,771,334)</u>
	<u>\$ 11,120,591</u>	<u>\$ 7,240,785</u>

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

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
<u>June 30, 2008</u>				
Step-up callable domestic deposits	<u>\$ 500,000</u>	<u>\$ 2,031</u>	1.83%	October 2008

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

	<u>Six Months Ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of period	\$ 455,751	\$ 701,807
Provision	288,036	1,136
Write-off	<u>(243,861)</u>	<u>(1,352)</u>
Balance, end of period	<u>\$ 499,926</u>	<u>\$ 701,591</u>

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

	<u>Six Months Ended June 30</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of period	\$ 6,071,026	\$ 4,089,035
Provision	4,718,307	3,357,091
Write-off	<u>(3,330,904)</u>	<u>(2,847,270)</u>
Balance, end of period	<u>\$ 7,458,429</u>	<u>\$ 4,598,856</u>

9. INVENTORIES

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Finished goods	\$ 1,963,811	\$ 3,584,761
Work in process	14,793,338	17,636,248
Raw materials	1,108,629	976,568
Supplies and spare parts	<u>1,108,129</u>	<u>1,161,200</u>
	<u>\$ 18,973,907</u>	<u>\$ 23,358,777</u>

Write-down of inventories to net realizable value in the amount of NT\$178,682 thousand and NT\$369,316 thousand, respectively, were included in the cost of sales for the six months ended June 30, 2009 and 2008.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2009		2008	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Vanguard International Semiconductor Corporation (VIS)	\$ 9,209,323	37	\$ 10,111,033	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	5,744,178	39	8,641,503	39
VisEra Holding Company (VisEra Holding)	2,157,747	49	2,203,387	49
Aiconn Technology Corporation (Aiconn)	<u>27,260</u>	41	<u>-</u>	-
	<u>\$ 17,138,508</u>		<u>\$ 20,955,923</u>	

For the six months ended June 30, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$706,745 thousand and a net gain of NT\$856,517 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except for Aiconn for the six months ended June 30, 2009. The Company believes that, had Aiconn's financial statements been audited, any adjustments arising would have had no material effect on the Company's financial statements.

As of June 30, 2009 and 2008, fair values of publicly traded stocks in investments accounted for using equity method (VIS) was NT\$8,166,905 thousand and NT\$13,907,807 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:

	Six Months Ended June 30	
	2009	2008
Balance, beginning of period	\$ 1,990,621	\$ 2,589,742
Amortization	<u>(299,561)</u>	<u>(299,561)</u>
Balance, end of period	<u>\$ 1,691,060</u>	<u>\$ 2,290,181</u>

As of June 30, 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

	June 30	
	2009	2008
Non-publicly traded stocks	\$ 3,041,053	\$ 3,357,553
Mutual Funds	<u>162,476</u>	<u>382,608</u>
	<u>\$ 3,203,529</u>	<u>\$ 3,740,161</u>

For the six months ended June 30, 2009 and 2008, the loss on impairment of the above financial assets carried at cost was NT\$472,330 thousand and NT\$129,358 thousand, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

	Six Months Ended June 30, 2009					
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 953,857	\$ -	\$ -	\$ 1,843	\$ (1,127)	\$ 954,573
Buildings	132,249,996	922,974	(809)	(19,976)	(41,092)	133,111,093
Machinery and equipment	697,498,743	12,180,329	(1,123,467)	17,012	(121,202)	708,451,415
Office equipment	12,430,800	427,235	(169,271)	28,150	(6,060)	12,710,854
Leased asset	722,339	-	-	-	(2,248)	720,091
	<u>843,855,735</u>	<u>\$ 13,530,538</u>	<u>\$ (1,293,547)</u>	<u>\$ 27,029</u>	<u>\$ (171,729)</u>	<u>855,948,026</u>
Accumulated depreciation						
Land and land improvements	295,898	\$ 15,229	\$ -	\$ -	\$ (694)	310,433
Buildings	72,681,699	4,656,244	(809)	(5,846)	(26,850)	77,304,438
Machinery and equipment	535,962,291	34,162,617	(1,119,042)	1,361	(132,649)	568,874,578
Office equipment	9,693,809	613,180	(167,505)	7,050	(9,865)	10,136,669
Leased asset	182,570	18,321	-	-	(953)	199,938
	<u>618,816,267</u>	<u>\$ 39,465,591</u>	<u>\$ (1,287,356)</u>	<u>\$ 2,565</u>	<u>\$ (171,011)</u>	<u>656,826,056</u>
Advance payments and construction in progress	18,605,882	<u>\$ 7,355,508</u>	<u>\$ -</u>	<u>\$ (20,092)</u>	<u>\$ 7,721</u>	<u>25,949,019</u>
	<u>\$ 243,645,350</u>					<u>\$ 225,070,989</u>

	Six Months Ended June 30, 2008					
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 942,197	\$ -	\$ -	\$ -	\$ (54,132)	\$ 888,065
Buildings	118,640,027	1,869,513	(1,887)	(1,096)	(501,499)	120,005,058
Machinery and equipment	646,419,427	32,169,313	(624,202)	26,910	(3,324,709)	674,666,739
Office equipment	11,829,640	561,994	(109,057)	(201,470)	(89,735)	11,991,372
Leased asset	652,296	13,381	-	-	(1,946)	663,731
	<u>778,483,587</u>	<u>\$ 34,614,201</u>	<u>\$ (735,146)</u>	<u>\$ (175,656)</u>	<u>\$ (3,972,021)</u>	<u>808,214,965</u>
Accumulated depreciation						
Land and land improvements	262,703	\$ 14,070	\$ -	\$ -	\$ (17,220)	259,553
Buildings	63,239,922	4,379,585	(1,887)	402	(206,147)	67,411,875
Machinery and equipment	467,665,072	33,485,290	(612,529)	(102,034)	(2,632,607)	497,803,192
Office equipment	8,796,752	602,090	(108,768)	(104,770)	(73,729)	9,111,575
Leased asset	135,118	16,398	-	-	(292)	151,224
	<u>540,099,567</u>	<u>\$ 38,497,433</u>	<u>\$ (723,184)</u>	<u>\$ (206,402)</u>	<u>\$ (2,929,995)</u>	<u>574,737,419</u>
Advance payments and construction in progress	21,868,167	<u>\$ 6,240,442</u>	<u>\$ -</u>	<u>\$ (45,850)</u>	<u>\$ 657,992</u>	<u>28,720,751</u>
	<u>\$ 260,252,187</u>					<u>\$ 262,198,297</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 June 30, 2009 were NT\$801,101 thousand.

13. DEFERRED CHARGES, NET

	Six Months Ended June 30, 2009						
	Balance, Beginning of Period	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Technology license fee	\$ 4,125,212	\$ -	\$ (473,181)	\$ -	\$ -	\$ 2,167	\$ 3,654,198
Software and system design costs	1,801,831	266,688	(447,338)	-	(4,372)	74	1,616,883
Patent and others	1,198,785	5,218	(147,519)	(96)	(6,035)	(310)	1,050,043
	<u>\$ 7,125,828</u>	<u>\$ 271,906</u>	<u>\$ (1,068,038)</u>	<u>\$ (96)</u>	<u>\$ (10,407)</u>	<u>\$ 1,931</u>	<u>\$ 6,321,124</u>
	Six Months Ended June 30, 2008						
	Balance, Beginning of Period	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Technology license fee	\$ 5,819,148	\$ 8,756	\$ (844,135)	\$ -	\$ -	\$ (6,782)	\$ 4,976,987
Software and system design costs	1,449,603	724,153	(400,817)	(14,279)	59	(81)	1,758,638
Patent and others	654,850	460,282	(95,262)	-	-	(330)	1,019,540
	<u>\$ 7,923,601</u>	<u>\$ 1,193,191</u>	<u>\$ (1,340,214)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ (7,193)</u>	<u>\$ 7,755,165</u>

14. BONDS PAYABLE

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
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	<u>-</u>	<u>(8,000,000)</u>
	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

15. LONG-TERM BANK LOANS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.75%-2.70% in 2009 and at 2.94%-3.67% in 2008	\$ 1,013,507	\$ 721,020
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.76-0.97% in 2009 and 3.62% in 2008	656,409	607,442
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.12%-2.42% in 2009 and 2.95%-3.23% in 2008	131,600	361,500
Repayable from March 2007 in 12 quarterly installments, annual interest at 3.06%-3.21%	-	63,708
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.85%-2.93%	-	46,235
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.85%-2.93%	-	26,985
Repayable from February 2005 in 17 quarterly installments, annual interest at 3.06%-3.09%	-	24,190
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	<u>-</u>	<u>696</u>
	1,801,516	1,851,776
Current portion	<u>(308,971)</u>	<u>(261,656)</u>
	<u>\$ 1,492,545</u>	<u>\$ 1,590,120</u>

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC China have to meet certain financial covenants. As of June 30, 2009, TSMC China was in compliance with such financial covenants. According to the terms of Xintec's loan agreements, semi-annual and annual financial statements of XinTec must comply with predetermined financial covenants. As of June 30, 2009, XinTec was not in compliance with part of the aforementioned financial covenants. However, XinTec is currently negotiating with the financial institution to waive probable obligations arising from violation of the covenants. The Company did not expect any material impact on the Company's financial statements.

As of June 30, 2009, future principal repayments for the long-term bank loans were as follows:

Year of Repayment	Amount
2009 (3rd to 4th quarter)	\$ 154,485
2010	965,380
2011	276,071
2012	243,171
2013	<u>162,409</u>
	<u>\$ 1,801,516</u>

16. OTHER LONG-TERM PAYABLES

	June 30	
	2009	2008
Payables for acquisition of property, plant and equipment (Note 28g)	\$ 8,553,019	\$ 7,883,591
Payables for royalties	<u>1,647,829</u>	<u>3,018,059</u>
	10,200,848	10,901,650
Current portion (classified under accrued expenses and other current liabilities)	<u>(1,703,213)</u>	<u>(2,012,071)</u>
	<u>\$ 8,497,635</u>	<u>\$ 8,889,579</u>

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

As of June 30, 2009, future payments for other long-term payables were as follows:

Year of Payment	Amount
2009 (3 rd and 4 th quarter)	\$ 650,866
2010	1,242,422
2011	1,124,902
2012	685,180
2013	685,180
2014 and thereafter	<u>5,812,298</u>
	<u>\$ 10,200,848</u>

17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, XinTec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension cost of NT\$358,282 thousand and NT\$389,317 thousand for the six months ended June 30, 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 cost of NT\$144,816 thousand and NT\$135,061 thousand for the six months ended June 30, 2009 and 2008, respectively.

Movements of the Fund and accrued pension cost under the defined benefit plan were summarized as follows:

	<u>Six Months Ended June 30</u>	
	2009	2008
The Fund		
Balance, beginning of period	\$ 2,434,876	\$ 2,184,435
Contributions	99,908	111,621
Interest	53,066	72,210
Payments	<u>(37,801)</u>	<u>(13,726)</u>
Balance, end of period	<u>\$ 2,550,049</u>	<u>\$ 2,354,540</u>
Accrued pension cost		
Balance, beginning of period	\$ 3,701,584	\$ 3,665,522
Accruals	<u>48,918</u>	<u>33,050</u>
Balance, end of period	<u>\$ 3,750,502</u>	<u>\$ 3,698,572</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:

	<u>Six Months Ended June 30</u>	
	2009	2008
Income tax expense based on "income before income tax" at statutory rate	\$ 7,050,740	\$ 16,115,433
Tax effect of the following:		
Tax-exempt income	(3,246,392)	(5,101,163)
Temporary and permanent differences	2,136,464	741,646
Others	69,174	41,333
Additional tax at 10% on unappropriated earnings	19,237	13,926
Net operating loss carryforwards used	(41,243)	(330,739)
Income tax credits used	<u>(2,889,391)</u>	<u>(5,672,001)</u>
Income tax currently payable	<u>\$ 3,098,589</u>	<u>\$ 5,808,435</u>

b. Income tax expense consisted of the following:

	Six Months Ended June 30	
	2009	2008
Income tax currently payable	\$ 3,098,589	\$ 5,808,435
Income tax adjustments on prior years	(1,155,898)	(707,255)
Other income tax adjustments	(37,876)	37,045
Net change in deferred income tax assets		
Investment tax credits	(2,428,140)	1,216,954
Net operating loss carryforwards	(176,527)	243,615
Temporary differences	54,728	(268,565)
Valuation allowance	<u>1,849,390</u>	<u>508,523</u>
Income tax expense	<u>\$ 1,204,266</u>	<u>\$ 6,838,752</u>

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

	June 30	
	2009	2008
Current deferred income tax assets		
Investment tax credits	\$ 5,056,379	\$ 6,126,540
Temporary differences	1,471,998	759,818
Valuation allowance	<u>(461,342)</u>	<u>(500,227)</u>
	<u>\$ 6,067,035</u>	<u>\$ 6,386,131</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 11,569,375	\$ 7,914,720
Net operating loss carryforwards	3,759,283	3,469,904
Temporary differences	(1,600,798)	(2,456,221)
Valuation allowance	<u>(8,492,005)</u>	<u>(4,143,549)</u>
	<u>\$ 5,235,855</u>	<u>\$ 4,784,854</u>

The amendment of Article 5 of the Income Tax Law which was public in May, 2009 announced that the income tax rate of profit-seeking enterprises reduces from 25% to 20% since 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and adjusted the resulting difference as an income tax benefit and expense.

As of June 30, 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 June 30, 2009 and 2008 was NT\$8,102,454 thousand and NT\$12,141,222 thousand, respectively.

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2008 and 2007 was 9.06% and 9.83%, respectively.

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

- e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of June 30, 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	\$ 507,244	\$ 500,000	2009
		1,168,087	110,488	2010
		4,658,983	4,658,983	2011
		3,078,705	3,078,705	2012
		<u>47,581</u>	<u>47,581</u>	2013
		<u>\$ 9,460,600</u>	<u>\$ 8,395,757</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,711,736	\$ 888,563	2010
		2,826,406	2,825,068	2011
		2,965,423	2,965,423	2012
		<u>1,293,656</u>	<u>1,293,656</u>	2013
				<u>\$ 9,797,221</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 37	\$ -	2009
		23,905	23,905	2010
		37,356	37,356	2011
		28,946	28,946	2012
		<u>175</u>	<u>175</u>	2013
		<u>\$ 90,419</u>	<u>\$ 90,382</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 87,101	\$ 87,101	2009
		<u>79,804</u>	<u>79,804</u>	2010
		<u>\$ 166,905</u>	<u>\$ 166,905</u>	

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

Tax-Exemption Periods

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. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

19. LABOR COST, DEPRECIATION AND AMORTIZATION

	Six Months Ended June 30, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 7,142,575	\$ 6,203,912	\$ 13,346,487
Labor and health insurance	339,727	270,692	610,419
Pension	292,380	210,718	503,098
Meal	206,162	87,602	293,764
Welfare	250,085	108,932	359,017
Others	46,548	137,036	183,584
	<u>\$ 8,277,477</u>	<u>\$ 7,018,892</u>	<u>\$ 15,296,369</u>
Depreciation	<u>\$ 37,506,468</u>	<u>\$ 1,950,990</u>	<u>\$ 39,457,458</u>
Amortization	<u>\$ 638,559</u>	<u>\$ 429,479</u>	<u>\$ 1,068,038</u>

	Six Months Ended June 30, 2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 10,294,436	\$ 8,505,686	\$ 18,800,122
Labor and health insurance	384,315	238,801	623,116
Pension	319,124	205,254	524,378
Meal	237,428	95,051	332,479
Welfare	338,003	138,817	476,820
Others	102,942	78,497	181,439
	<u>\$ 11,676,248</u>	<u>\$ 9,262,106</u>	<u>\$ 20,938,354</u>
Depreciation	<u>\$ 36,348,092</u>	<u>\$ 2,140,748</u>	<u>\$ 38,488,840</u>
Amortization	<u>\$ 925,533</u>	<u>\$ 414,681</u>	<u>\$ 1,340,214</u>

20. SHAREHOLDERS' EQUITY

As of June 30, 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. Also, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus consisted of the following:

	June 30	
	2009	2008
Additional paid-in capital	\$ 23,289,667	\$ 18,295,464
From merger	22,805,390	23,276,911
From convertible bonds	8,893,190	9,077,065
From long-term investments	343,233	164,871
Donations	55	55
From treasury stock transactions	-	102,279
	<u>\$ 55,331,535</u>	<u>\$ 50,916,645</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 subjected to shareholders' approval in the following year.

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 dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2008 and 2007 had been approved in TSMC's shareholders meetings held on June 10, 2009 and 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</u> <u>Year 2008</u>	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2008</u>	<u>For Fiscal</u> <u>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>		

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

TSMC's shareholders meeting held on June 10, 2009 also resolved to distribute stock dividends out of capital surplus, and stock dividends to shareholders as well as bonus to employee to be paid in stock in the amount of NT\$768,763 thousand, NT\$512,509 thousand and NT\$7,494,988 thousand, respectively. The aforementioned capital increase had been approved by SFB and has taken effect on July 21, 2009.

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

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

21. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans consisting of the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share 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 equals 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 June 30, 2009.

Information about TSMC's outstanding stock options for the six months ended June 30, 2009 and 2008 was as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2009</u>		
Balance, beginning of period	36,234	\$ 35.3
Options exercised	(919)	31.4
Options canceled	<u>(243)</u>	46.4
Balance, end of period	<u>35,072</u>	35.3
<u>Six months ended June 30, 2008</u>		
Balance, beginning of period	41,875	\$ 37.4
Options exercised	(4,267)	40.2
Options canceled	<u>(260)</u>	46.8
Balance, end of period	<u>37,348</u>	37.0

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 June 30, 2009, information about TSMC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$24.2-\$ 33.9	24,903	3.66	\$31.0	24,903	\$31.0
38.2- 50.4	<u>10,169</u>	5.39	45.8	<u>10,160</u>	45.8
	<u>35,072</u>		35.3	<u>35,063</u>	35.3

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

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

Information about GUC's outstanding stock options for the six months ended June 30, 2009 and 2008 was as follows:

	Number of Options	Weighted- average Exercise Prices (NT\$)
<u>Six months ended June 30, 2009</u>		
Balance, beginning of period	5,557	\$ 66.6
Options exercised	(846)	11.6
Options canceled	<u>(226)</u>	34.7
Balance, end of period	<u>4,485</u>	78.5
<u>Six months ended June 30, 2008</u>		
Balance, beginning of period	7,598	\$ 60.3
Options exercised	(462)	10.3
Options canceled	<u>(66)</u>	194.0
Balance, end of period	<u>7,070</u>	61.5

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 June 30, 2009, information about GUC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
\$8.9-\$10.5	898	2.25	\$ 9.3	569	\$ 9.5
16.4	1,866	2.17	16.4	238	16.4
182.0	<u>1,721</u>	4.50	182.0	<u>-</u>	-
	<u>4,485</u>		78.5	<u>807</u>	11.5

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

Information about XinTec's outstanding stock options for the six months ended June 30, 2009 and 2008 as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2009</u>		
Balance, beginning of period	7,442	\$14.8
Options exercised	(1,055)	12.9
Options canceled	<u>(650)</u>	16.5
Balance, end of period	<u><u>5,737</u></u>	15.0
<u>Six months ended June 30, 2008</u>		
Balance, beginning of period	9,642	\$15.1
Options canceled	<u>(686)</u>	15.4
Balance, end of period	<u><u>8,956</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 June 30, 2009, information about XinTec's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$12.4-\$14.3	2,810	7.28	\$12.6	527	\$12.7
15.4 - 19.4	<u>2,927</u>	8.16	17.3	<u>780</u>	-
	<u><u>5,737</u></u>		15.0	<u><u>1,307</u></u>	12.7

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 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 six months ended June 30, 2009 and 2008 would have been as follows:

		<u>Six Months Ended June 30</u>	
		2009	2008
Assumptions:			
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	0.00%-0.60%
	Expected volatility	22.65%-45.47%	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%	2.12%-2.56%
	Expected life	3-6 years	3-6 years
XinTec	Expected dividend yield	0.80%	0.80%
	Expected volatility	31.79%-47.42%	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-2.45%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
	As reported	\$ 26,000,519	\$ 56,913,888
	Pro forma	25,823,759	56,802,663
Earnings per share (EPS) - after income tax (NT\$):			
	Basic EPS as reported	\$1.01	\$2.17
	Pro forma basic EPS	1.00	2.16
	Diluted EPS as reported	1.00	2.16
	Pro forma diluted EPS	1.00	2.16

22. TREASURY STOCK

	(Shares in Thousands)			
	Beginning Shares	Addition	Retirement	Ending Shares
<u>Six months ended June 30, 2008</u>				
Parent company stock held by subsidiaries	34,096	-	-	34,096
Repurchase under share buyback plan	<u>800,000</u>	<u>216,674</u>	<u>800,000</u>	<u>216,674</u>
	<u>834,096</u>	<u>216,674</u>	<u>800,000</u>	<u>250,770</u>

As of June 30, 2008, the book value of the treasury stock was NT\$14,845,498 thousand and the market value was NT\$16,300,044 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 right.

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

TSMC 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>Six months ended June 30, 2009</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 27,192,976	\$ 26,000,519	25,770,637	<u>\$ 1.06</u>	<u>\$ 1.01</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	163,412		
Stock options	-	-	10,118		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 27,192,976</u>	<u>\$ 26,000,519</u>	<u>25,944,167</u>	<u>\$ 1.05</u>	<u>\$ 1.00</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 63,736,122	\$ 56,913,888	26,245,748	<u>\$ 2.43</u>	<u>\$ 2.17</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	69,348		
Stock options	-	-	17,401		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 63,736,122</u>	<u>\$ 56,913,888</u>	<u>26,332,497</u>	<u>\$ 2.42</u>	<u>\$ 2.16</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 considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of 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 six months ended June 30, 2008 to decrease from NT\$2.22 to NT\$2.17 and NT\$2.22 to NT\$2.16, respectively.

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

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

	June 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 39,193	\$ 39,193	\$ 44,912	\$ 44,912
Available-for-sale financial assets	2,771,821	2,771,821	32,825,625	32,825,625
Held-to-maturity financial assets	16,597,546	16,718,013	13,012,119	13,004,523
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	32,966	32,966	118,146	118,146
Bonds payable (including current portion)	4,500,000	4,592,795	12,500,000	12,642,479
Long-term bank loans (including current portion)	1,801,516	1,801,516	1,851,776	1,851,776
Other long-term payables (including current portion)	10,200,848	10,200,848	10,901,650	10,901,650
Obligations under capital leases	720,091	720,091	663,731	663,731

- 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 June 30, 2009 and 2008 estimated using valuation techniques were recognized gains of NT\$6,227 thousand and losses of NT\$94,918 thousand, respectively.
- d. As of June 30, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$18,904,099 thousand and NT\$45,274,832 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$4,532,966 thousand and NT\$12,618,146 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,801,516 thousand and NT\$1,851,080 thousand, respectively.

- e. Movements of the unrealized gains or losses on financial instruments for the six months ended June 30, 2009 and 2008 were as follows:

	Six Months Ended June 30, 2009		
	Form Available- for-sale Financial Assets	Form Available- for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ (198,413)	\$ (88,929)	\$ (287,342)
Recognized directly in shareholders' equity	339,270	48,192	387,462
Removed from shareholders' equity and recognized in earnings	<u>244,118</u>	<u>-</u>	<u>244,118</u>
Balance, end of period	<u>\$ 384,975</u>	<u>\$ (40,737)</u>	<u>\$ 344,238</u>

	Six Months Ended June 30, 2008		
	Form Available- for-sale Financial Assets	Form Available- for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	481,508	(68,594)	412,914
Removed from shareholders' equity and recognized in earnings	<u>(625,162)</u>	<u>-</u>	<u>(625,162)</u>
Balance, end of period	<u>\$ 484,184</u>	<u>\$ (15,435)</u>	<u>\$ 468,749</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 in the consolidated financial statements and other notes, the following is a summary of significant related party transactions:

a. Investees of TSMC

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

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

c. Others

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

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Six months ended June 30</u>				
Sales				
VIS	\$ 69,218	-	\$ 46,425	-
VisEra	1,137	-	29,172	-
SSMC	<u>3</u>	<u>-</u>	<u>1,830</u>	<u>-</u>
	<u>\$ 70,358</u>	<u>-</u>	<u>\$ 77,427</u>	<u>-</u>
Purchases				
SSMC	\$ 1,422,840	2	\$ 2,300,893	2
VIS	1,406,142	2	1,741,101	2
VisEra	<u>2,685</u>	<u>-</u>	<u>594</u>	<u>-</u>
	<u>\$ 2,831,667</u>	<u>4</u>	<u>\$ 4,042,588</u>	<u>4</u>
Manufacturing expenses				
VisEra	<u>\$ 37,692</u>	<u>-</u>	<u>\$ 74,343</u>	<u>-</u>
Research and development expenses				
VisEra	\$ 306	-	\$ 8,699	-
VIS	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 315</u>	<u>-</u>	<u>\$ 8,699</u>	<u>-</u>

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Non-operating income and gains				
VIS (primarily technical service income; see Note 28e)	\$ 88,964	4	\$ 181,670	2
SSMC (primarily technical service income; see Note 28d)	57,560	2	131,194	2
VisEra	<u>129</u>	<u>-</u>	<u>70,381</u>	<u>1</u>
	<u>\$ 146,653</u>	<u>6</u>	<u>\$ 383,245</u>	<u>5</u>
 <u>As of June 30</u>				
Receivables				
VisEra	<u>\$ 447</u>	<u>100</u>	<u>\$ 3,530</u>	<u>100</u>
Other receivables				
VIS	\$ 373,849	91	\$ 1,132,499	91
SSMC	36,923	9	108,319	9
VisEra	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 411,822</u>	<u>100</u>	<u>\$ 1,240,818</u>	<u>100</u>
Payables				
VIS	\$ 737,352	64	\$ 690,644	57
SSMC	400,558	35	11,926	1
VisEra	<u>6,414</u>	<u>1</u>	<u>501,436</u>	<u>42</u>
	<u>\$ 1,144,324</u>	<u>100</u>	<u>\$ 1,204,006</u>	<u>100</u>
Deferred credits				
VisEra	<u>\$ -</u>	<u>-</u>	<u>\$ 31,087</u>	<u>7</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 and gains. The lease terms and prices were determined in accordance with mutual agreements. The lease agreement between TSMC and VisEra expired in April 2008.

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>June 30</u>	
	<u>2009</u>	<u>2008</u>
Other financial assets	\$ 654,619	\$ 27,798
Property, plant and equipment, net	<u>2,991,511</u>	<u>4,804,734</u>
	<u>\$ 3,646,130</u>	<u>\$ 4,832,532</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 office equipment located in the United State, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2009 and 2016 and can be renewed upon expiration.

As of June 30, 2009, future lease payments were as follows:

Year	Amount
2009 (3 rd and 4 th quarter)	\$ 265,363
2010	456,754
2011	404,511
2012	423,253
2013	396,048
2014 and thereafter	<u>2,586,979</u>
	<u>\$ 4,532,908</u>

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of June 30, 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 June 30, 2009, TSMC had a total of US\$35,302 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 at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of June 30, 2009, SMIC had paid US\$135 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case." Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and

WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. Regarding the claims raised by SMIC in the Beijing lawsuit, the Beijing People's High Court has on June 10, 2009 rejected those claims and dismissed the lawsuit. SMIC has appealed. 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 China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$8,553,019 thousand and NT\$7,883,591 thousand as of June 30, 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 June 30, 2009 were NT\$19,363 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 investment: 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

JUNE 30, 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	June 30, 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	-	\$ 1,035,686	N/A	\$ 1,035,686	
	Formosa Petrochemical Corporation	-	Held-to-maturity financial assets	-	3,377,910	N/A	3,400,029	
	Taiwan Power Company	-	"	-	3,360,659	N/A	3,370,778	
	Nan Ya Plastics Corporation	-	"	-	2,697,204	N/A	2,726,018	
	Formosa Plastics Corporation	-	"	-	1,569,297	N/A	1,583,713	
	China Steel Corporation	-	"	-	1,204,374	N/A	1,226,296	
	CPC Corporation, Taiwan	-	"	-	1,000,066	N/A	999,793	
	<u>Government bond</u>							
	2003 Asian Development Bank Govt. Bond	-	Held-to-maturity financial assets	-	883,433	N/A	875,103	
	<u>Stocks</u>							
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	46,275,534	100	46,275,534	
	TSMC Partners	Subsidiary	"	988,268	32,889,200	100	32,889,200	
	VIS	Investee accounted for using equity method	"	628,223	9,209,323	37	8,166,905	
	SSMC	Investee accounted for using equity method	"	314	5,744,178	39	5,070,531	
	TSMC North America	Subsidiary	"	11,000	2,593,228	100	2,593,228	
	XinTec	Investee with a controlling financial interest	"	92,620	1,349,779	42	1,299,653	
	GUC	Investee with a controlling financial interest	"	44,904	920,198	36	6,915,187	
	TSMC Europe	Subsidiary	"	-	141,821	100	141,821	
	TSMC Japan	Subsidiary	"	6	132,285	100	132,285	
	TSMC Korea	Subsidiary	"	80	16,576	100	16,576	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	277,884	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	325,997	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	41,033	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	"	-	58,484	1	58,484	
	<u>Capital</u>							
	TSMC China	Subsidiary	Investments accounted for using equity method	-	4,286,079	100	4,285,507	
	VTAF III	Subsidiary	"	-	1,418,421	98	1,401,742	
	VTAF II	Subsidiary	"	-	807,446	98	802,990	
	Emerging Alliance	Subsidiary	"	-	332,124	99	332,124	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2009				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Partners	<u>Corporate bond</u>							
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US\$ 20,669	N/A	US\$ 20,625	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,257	N/A	US\$ 20,761	
	<u>Stocks</u>							
	TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 677,274	100	US\$ 677,274	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 65,749	49	US\$ 65,749	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	32,289	US\$ 29,763	97	US\$ 29,763	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 8,924	97	US\$ 8,924	
TSMC Development	TSMC Technology	Subsidiary	"	1	US\$ 8,630	100	US\$ 8,630	
	TSMC Canada	Subsidiary	"	2,300	US\$ 2,814	100	US\$ 2,814	
	<u>Corporate bond</u>							
	GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,391	N/A	US\$ 20,761	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,135	
	<u>Stocks</u>							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 186,304	100	US\$ 186,304	
	Emerging Alliance	<u>Common stock</u>						
RichWave Technology Corp.		-	Financial assets carried at cost	4,247	US\$ 1,648	10	US\$ 1,648	
Global Investment Holding Inc.		-	"	10,000	US\$ 3,065	6	US\$ 3,065	
<u>Preferred stock</u>								
Audience, Inc.		-	Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250	
Axiom Microdevices, Inc.		-	"	1,000	US\$ 24	1	US\$ 24	
GemFire Corporation		-	"	-	US\$ 31	-	US\$ 31	
Mosaic Systems, Inc.		-	"	2,481	US\$ 12	6	US\$ 12	
Next IO, Inc.		-	"	800	US\$ 500	1	US\$ 500	
Optichron, Inc.		-	"	714	US\$ 1,000	2	US\$ 1,000	
Optimal Corporation		-	"	-	US\$ 229	-	US\$ 229	
Pixim, Inc.		-	"	4,642	US\$ 1,137	2	US\$ 1,137	
QST Holding, LLC		-	"	-	US\$ 131	4	US\$ 131	
Teknovus, Inc.		-	"	6,977	US\$ 1,327	2	US\$ 1,327	
<u>Capital</u>								
VentureTech Alliance Holdings, LLC (VTA Holdings)		Subsidiary	Investments accounted for using equity method	-	-	8	-	
VTAF II		<u>Common stock</u>						
	Leadtrend	-	Financial assets carried at cost	1,265	US\$ 660	5	US\$ 660	
	RichWave Technology Corp.	-	"	1,043	US\$ 730	1	US\$ 730	
	Sentelic	-	"	1,200	US\$ 2,040	15	US\$ 2,040	
	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	15	US\$ 2,168	
	Aquantia	-	"	2,108	US\$ 2,573	5	US\$ 2,573	
	Audience, Inc.	-	"	7,956	US\$ 1,838	2	US\$ 1,838	
	Axiom Microdevices, Inc.	-	"	7,017	US\$ 757	13	US\$ 757	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2009				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	Beceem Communications	-	Financial assets carried at cost	834	US\$ 1,701	1	US\$ 1,701	
	GemFire Corporation	-	"	600	US\$ 68	1	US\$ 68	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Next IO, Inc.	-	"	3,795	US\$ 953	2	US\$ 953	
	Optichron, Inc.	-	"	1,050	US\$ 1,844	4	US\$ 1,844	
	Pixim, Inc.	-	"	32,836	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	
	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\$ 1,172	51	US\$ 1,172	
	Acionn Technology Corporation	Investee accounted for using equity method	"	4,500	US\$ 830	41	US\$ 830	
	<u>Preferred stock</u>							
	Advasense Sensors, Inc.	-	Financial assets carried at cost	1,929	US\$ 188	6	US\$ 188	
	Auramicro, Inc.	-	"	3,816	US\$ 1,145	20	US\$ 1,145	
	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		
InvenSense, Inc.	-	"	816	US\$ 1,000	1	US\$ 1,000		
LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800		
M2000, Inc.	-	"	3,000	US\$ 3,000	5	US\$ 3,000		
Neoconix, Inc.	-	"	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.	-	"	8,070	US\$ 3,089	3	US\$ 3,089		
<u>Capital</u>								
Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 887	100	US\$ 887		
VTA Holdings	Subsidiary	"	-	-	68	-		
<u>Common stock</u>								
Staccato	-	Financial assets carried at cost	10	US\$ 25	-	US\$ 25		
SiliconBlue Technologies Inc.	-	"	5,107	US\$ 762	2	US\$ 762		
<u>Common stock</u>								
Memsic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 5,781	6	US\$ 5,781		
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\$ 327	2	US\$ 327		
Sonics, Inc.	-	"	230	US\$ 730	2	US\$ 730		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2009				Note	
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)		
ISDF II	<u>Common stock</u>								
	Memic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 4,853	5	US\$ 4,853		
	Richtek Technology Corp.	-	"	224	US\$ 1,407	-	US\$ 1,407		
	Ralink Technology (Taiwan), Inc.	-	"	243	US\$ 694	-	US\$ 694		
	Treadchip Technologies Corp.	-	"	883	US\$ 2,637	3	US\$ 2,637		
	Sonics, Inc.	-	Financial assets carried at cost	278	US\$ 32	3	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		
	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\$ 1,000	5	US\$ 1,000		
	NanoAmp Solutions, Inc.	-	"	375	US\$ 227	1	US\$ 227		
	Sonics, Inc.	-	"	264	US\$ 1,685	3	US\$ 1,685		
	GUC	<u>Open-end mutual funds</u>							
		Prudential Financial Bond Fund	-	Available-for-sale financial assets	11,261	170,272	-	170,272	
PCA Well Pool Fund		-	"	13,121	170,211	-	170,211		
Jih Sun Bond Fund		-	"	7,804	110,024	-	110,024		
Hua Nan Phoenix Bond Fund		-	"	6,434	100,111	-	100,111		
FSITC Taiwan Bond Fund		-	"	500	85,164	-	85,164		
Uni-President James Bond Fund		-	"	4,392	70,152	-	70,152		
Yuanta Wan Tai Bond Fund		-	"	1,385	20,019	-	20,019		
Cathay Bond Fund		-	"	1,259	15,026	-	15,026		
<u>Common stock</u>									
GUC-NA		Subsidiary	Investments accounted for using equity method	800	35,618	100	35,618		
GUC-Japan		Subsidiary	"	1	12,101	100	12,101		
GUC-Europe		Subsidiary	"	-	5,137	100	5,137		
GUC-BVI	Subsidiary	"	50	1,641	100	1,641			
XinTec	<u>Capital</u>								
	Compositeltd Ltd.	-	Financial assets carried at cost	587	-	3	-		
TSMC Global	<u>Government bonds</u>								
	United States Treas Nts	-	Available-for-sale financial assets	10,392	US\$ 10,600	N/A	US\$ 10,600		
	<u>Corporate issued asset-backed securities</u>								
	Cbass Tr	-	Available-for-sale financial assets	4,260	US\$ 832	N/A	US\$ 832		
	Credit Suisse First Boston Mtg	-	"	3,580	US\$ 393	N/A	US\$ 393		
	First Franklin Mtg Ln Tr	-	"	4,300	US\$ 375	N/A	US\$ 375		
	Gs Mtg Secs Corp.	-	"	4,049	US\$ 786	N/A	US\$ 786		
	Home Equity Mortgage Trust	-	"	3,750	US\$ 537	N/A	US\$ 537		
	Home Equity Mtg Tr 2006 4	-	"	4,200	US\$ 225	N/A	US\$ 225		
	Nomura Asset Accep Corp.	-	"	4,150	US\$ 428	N/A	US\$ 428		
	Terwin Mtg Tr	-	"	4,150	US\$ 278	N/A	US\$ 278		
	<u>Money market funds</u>								
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	498	US\$ 498	N/A	US\$ 498		

(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 SIX MONTHS ENDED JUNE 30, 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	-	\$ 1,035,686
	Formosa Petrochemical Corporation	Held-to-maturity financial assets	"	-	-	3,554,908	-	355,966	-	-	-	-	-	3,377,910
	Formosa Plastic Corporation	"	"	-	-	2,385,285	-	101,729	-	-	-	-	-	1,569,297
	China Steel Corporation	"	"	-	-	1,000,000	-	204,990	-	-	-	-	-	1,204,374
	<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	-	-
	<u>Capital</u> VTAF III	Investments accounted for using equity method	-	Subsidiary	-	1,305,605	-	210,999	-	-	-	-	-	1,418,421
TSMC Development	<u>Corporate bond</u> Morgan Chase & Co.	Held-to-maturity financial assets	JP Morgan Secured Inc.	-	-	-	-	US\$ 15,000	-	-	-	-	-	US\$ 15,000
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	170,272
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	13,121	170,000	-	-	-	-	13,121	170,211
	Jih Sun Bond Fund	"	Jih Sun Investment Trust Co., Ltd.	-	-	-	7,804	110,000	-	-	-	-	7,804	110,024
	Hua Nan Phoenix Bond Fund	"	Hua Nan Investment Trust Co., Ltd.	-	-	-	6,434	100,000	-	-	-	-	6,434	100,111
TSMC Global	<u>Corporate issued asset-backed securities</u> Banc Amer Coml Mtg Inc.	Available-for-sale financial assets	-	-	4,597	US\$ 4,584	-	-	4,472	US\$ 4,480	US\$ 4,584	US\$ (104)	125	-
	Cit Equip Coll Tr	"	-	-	4,000	US\$ 3,884	-	-	4,000	US\$ 3,925	US\$ 3,996	US\$ (71)	-	-
	Credit Suisse First Boston Mtg	"	-	-	4,353	US\$ 4,349	-	-	4,090	US\$ 4,085	US\$ 4,188	US\$ (103)	263	-
	First Un Natl Bk Coml Mtg Tr	"	-	-	4,788	US\$ 4,715	-	-	4,774	US\$ 4,780	US\$ 4,954	US\$ (174)	14	-
	Lb Ubs Coml Mtg Tr	"	-	-	3,737	US\$ 3,495	-	-	3,725	US\$ 3,537	US\$ 3,697	US\$ (160)	12	-
	Tiaa Seasoned Coml Mtg Tr	"	-	-	3,397	US\$ 3,163	-	-	3,375	US\$ 3,283	US\$ 3,392	US\$ (109)	22	-
	Wamu Mtg	"	-	-	3,214	US\$ 2,925	-	-	3,127	US\$ 3,106	US\$ 3,114	US\$ (8)	42	-
	<u>Money market funds</u> Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	30,435	US\$ 30,435	245,938	US\$ 245,939	275,875	US\$ 275,875	US\$ 275,875	-	498	US\$ 498

(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	-	-	3,215	US\$ 3,285	-	US\$ -	3,179	US\$ 3,281	US\$ 3,171	US\$ 110		36	US\$ -	
	Fed Hm Ln Pc Pool B19205	"	-	-	5,449	US\$ 5,501	-	-	5,335	US\$ 5,511	US\$ 5,225	US\$ 286		114	-	
	Federal Home Ln Mtg Corp.	"	-	-	3,060	US\$ 3,108	-	-	3,005	US\$ 3,078	US\$ 3,003	US\$ 75		55	-	
	Fnma Pool 257245	"	-	-	3,456	US\$ 3,513	-	-	3,415	US\$ 3,513	US\$ 3,437	US\$ 76		41	-	
	Fnma Pool 691283	"	-	-	2,963	US\$ 3,039	-	-	2,932	US\$ 3,028	US\$ 2,920	US\$ 108		31	-	
	Fnma Pool 888738	"	-	-	3,669	US\$ 3,776	-	-	3,659	US\$ 3,828	US\$ 3,801	US\$ 27		10	-	
	Fnma Pool 888793	"	-	-	4,105	US\$ 4,242	-	-	4,071	US\$ 4,265	US\$ 4,207	US\$ 58		34	-	
	Fed Home Ln Bank	"	-	-	5,000	US\$ 5,305	-	-	5,000	US\$ 5,282	US\$ 5,035	US\$ 247		-	-	
	Federal Farm Cr Bks	"	-	-	3,400	US\$ 3,610	-	-	3,400	US\$ 3,590	US\$ 3,411	US\$ 179		-	-	
	Federal Farm Credit Bank	"	-	-	3,375	US\$ 3,433	-	-	3,375	US\$ 3,430	US\$ 3,370	US\$ 60		-	-	
	Federal Home Ln Bks	"	-	-	3,725	US\$ 3,854	-	-	3,725	US\$ 3,852	US\$ 3,721	US\$ 131		-	-	
	Federal Home Ln Bks	"	-	-	5,000	US\$ 5,320	-	-	5,000	US\$ 5,312	US\$ 5,098	US\$ 214		-	-	
	Federal Home Ln Bks	"	-	-	4,000	US\$ 4,148	-	-	4,000	US\$ 4,151	US\$ 4,136	US\$ 15		-	-	
	Federal Home Ln Mtg	"	-	-	5,000	US\$ 5,340	-	-	5,000	US\$ 5,334	US\$ 5,186	US\$ 148		-	-	
	Federal Home Ln Mtg Corp.	"	-	-	3,340	US\$ 3,428	-	-	3,340	US\$ 3,432	US\$ 3,336	US\$ 96		-	-	
	Federal Home Ln Mtg Corp.	"	-	-	3,500	US\$ 3,560	-	-	3,500	US\$ 3,561	US\$ 3,494	US\$ 67		-	-	
	Federal Home Ln Mtg Corp.	"	-	-	3,500	US\$ 3,743	-	-	3,500	US\$ 3,749	US\$ 3,786	US\$ (37)		-	-	
	Federal Home Loan Bank	"	-	-	4,500	US\$ 4,710	-	-	4,500	US\$ 4,709	US\$ 4,518	US\$ 191		-	-	
	Federal Natl Mtg Assn	"	-	-	3,700	US\$ 3,713	-	-	3,700	US\$ 3,712	US\$ 3,700	US\$ 12		-	-	
	Federal Natl Mtg Assn	"	-	-	4,000	US\$ 4,169	-	-	4,000	US\$ 4,179	US\$ 4,116	US\$ 63		-	-	
	Federal Natl Mtg Assn	"	-	-	3,500	US\$ 3,809	-	-	3,500	US\$ 3,801	US\$ 3,645	US\$ 156		-	-	
	Federal Natl Mtg Assn	"	-	-	3,750	US\$ 4,134	-	-	3,750	US\$ 4,127	US\$ 4,151	US\$ (24)		-	-	
	<u>Corporate bonds</u>															
	Chase Manhattan Corp. New	Available-for-sale financial assets	-	-	3,250	US\$ 3,353	-	-	3,250	US\$ 3,380	US\$ 3,480	US\$ (100)		-	-	
	Deutsche Bank Ag London	"	-	-	2,995	US\$ 3,013	-	-	2,995	US\$ 3,021	US\$ 3,041	US\$ (20)		-	-	
	Morgan Stanley	"	-	-	4,855	US\$ 4,552	-	-	4,855	US\$ 4,751	US\$ 4,768	US\$ (17)		-	-	
	Wachovia Corp. New	"	-	-	3,130	US\$ 3,135	-	-	3,130	US\$ 3,195	US\$ 3,100	US\$ 95		-	-	
	Wells Fargo + Co. New Med Trm	"	-	-	4,500	US\$ 4,493	-	-	4,500	US\$ 4,524	US\$ 4,282	US\$ 242		-	-	

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

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 61,280,891	53	Net 30 days after invoice date	-	-	\$ 18,436,885	47	
		Investee with a controlling financial interest	Sales	803,180	1	Net 30 days after monthly closing	-	-	279,729	1	
	WaferTech SSMC	Indirect subsidiary	Purchases	2,012,386	16	Net 30 days after monthly closing	-	-	(480,794)	5	
		Investee accounted for using equity method	Purchases	1,422,840	11	Net 30 days after monthly closing	-	-	(400,558)	4	
	VIS	Investee accounted for using equity method	Purchases	1,399,271	11	Net 30 days after monthly closing	-	-	(735,925)	7	
	TSMC China	Subsidiary	Purchases	1,288,201	10	Net 30 days after monthly closing	-	-	(365,620)	4	
GUC	TSMC North America	Same parent company	Purchases	391,623	28	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(179,010)	22	
XinTec	OmniVision	Parent company of director (represented for XinTec)	Sales	437,434	73	Net 30 days after monthly closing	-	-	202,326	83	

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

JUNE 30, 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	\$ 18,444,729	45	\$ 5,981,651	-	\$ 8,330,730	\$ -
		Investee with a controlling financial interest	433,603	56	-	-	-	-
	VIS	Investee accounted for using equity method	373,849	(Note 2)	16,188	Accelerate demand on account receivable	-	-
	TSMC China	Subsidiary	136,106	(Note 2)	-	-	-	-
XinTec	OmniVision	Parent company of director (represented for XinTec)	202,326	107	2,029	-	112,580	-

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

JUNE 30, 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 June 30, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				June 30, 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	\$ 46,275,534	\$ 221,327	\$ 221,327	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry.	31,456,130	31,456,130	988,268	100	32,889,200	(668,969)	(668,969)	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	9,209,323	(682,228)	(456,558)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	5,744,178	(76,050)	(127,999)	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	4,286,079	(2,006,898)	(2,006,326)	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	2,593,228	164,078	164,078	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,651,240	1,440,241	-	98	1,418,421	(96,004)	(94,084)	Subsidiary
	XinTec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	92,620	42	1,349,779	(335,684)	(151,889)	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	920,198	211,554	75,667	Investee with a controlling financial interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,036,422	1,036,422	-	98	807,446	(173,684)	(170,209)	Subsidiary
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	966,596	986,797	-	99	332,124	(82,606)	(82,193)	Subsidiary (Note 3)
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	141,821	16,778	16,778	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	132,285	2,360	2,360	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	16,576	1,526	1,526	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 677,274	US\$ (12,820)	Note 2	Subsidiary
	VisEra Holding Company	Cayman Islands	Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 65,749	US\$ (6,947)	Note 2	Investee accounted for using equity method
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 32,289	US\$ 32,289	32,289	97	US\$ 29,763	US\$ 1,074	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 8,924	US\$ (1,176)	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$ 8,630	US\$ 222	Note 2	Subsidiary (Note 3)
TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 2,814	US\$ 108	Note 2	Subsidiary (Note 3)	
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\$ 186,304	US\$ (18,253)	Note 2	Subsidiary
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US\$ 91,041	US\$ 91,041	253,120	89	US\$ 115,422	US\$ (7,781)	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				June 30, 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\$ 1,172	US\$ (436)	Note 2	Subsidiary (Note 3)
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	-	-	4,500	41	US\$ 830	US\$ (560)	Note 2	Investee accounted for using equity method (Note 3)
	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\$ 1,550 -	US\$ 700 -	- -	100 68	US\$ 887 -	US\$ (63) -	Note 2 Note 2	Subsidiary (Note 3) Subsidiary (Note 3)
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	35,618	1,624	Note 2	Subsidiary (Note 3)
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,101	931	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50	-	100	5,137	248	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US\$ 50	-	50	100	1,641	-	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 unaudited financial statements.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2009 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of June 30, 2009	Accumulated Inward Remittance of Earnings as of June 30, 2009
					Outflow	Inflow					
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$ -	\$ -	\$12,180,367 (US\$371,000)	100%	\$(2,006,326)	\$4,286,079	\$ -

Accumulated Investment in Mainland China as of June 30, 2009 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

A. FOR THE SIX MONTHS ENDED JUNE 30, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount	Terms (Note 2)	
0	TSMC	TSMC North America	1	Sales	\$ 61,280,891	-	52%
				Receivables from related parties	18,436,885	-	3%
				Other receivables from related parties	7,844	-	-
				Payables to related parties	6,493	-	-
		TSMC China	1	Sales	31,219	-	-
				Purchases	1,288,201	-	1%
				Gain on disposal of property, plant and equipment	93,444	-	-
				Technical service income	3,742	-	-
				Other receivables from related parties	136,106	-	-
				Payables to related parties	365,620	-	-
				Deferred credits	90,452	-	-
		TSMC Japan	1	Marketing expenses - commission	104,755	-	-
				Payables to related parties	55,881	-	-
		TSMC Europe	1	Marketing expenses - commission	151,844	-	-
				Research and development expenses	6,475	-	-
				Payables to related parties	36,465	-	-
		TSMC Korea	1	Marketing expenses - commission	6,336	-	-
				Payables to related parties	1,164	-	-
		GUC	1	Sales	803,180	-	1%
				Research and development expenses	18,014	-	-
				Receivables from related parties	279,729	-	-
				Other receivables from related parties	153,874	-	-
		TSMC Technology	1	Research and development expenses	179,751	-	-
Payables to related parties	123,536			-	-		
WaferTech	1	Sales	2,935	-	-		
		Purchases	2,012,386	-	2%		
		Other receivables from related parties	14,732	-	-		
		Payables to related parties	480,794	-	-		
XinTec	1	Proceeds from disposal of property, plant and equipment	58,540	-	-		
		Other receivables from related parties	70,823	-	-		
TSMC Canada	1	Research and development expenses	76,380	-	-		
		Other receivables from related parties	12,853	-	-		

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
2	GUC	TSMC North America	3	Purchases	\$ 391,623	-	-
				Manufacturing overhead	175,373	-	-
				Payables to related parties	179,010	-	-
		GUC-NA	3	Operating expenses	74,761	-	-
				Accrued expenses	11,637	-	-
		GUC-Japan	3	Operating expenses	19,527	-	-
				Accrued expenses	3,071	-	-
		GUC-Europe	3	Operating expenses	5,234	-	-
				Accrued expenses	2,518	-	-

Note 1: No. 1 represents transactions between parent company to subsidiaries.
No. 3 represents 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 SIX MONTHS ENDED JUNE 30, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 103,800,578	-	58%
				Receivables from related parties	23,871,291	-	4%
				Other receivables from related parties	28,677	-	-
				Payables to related parties	3,681	-	-
		TSMC China	1	Sales	46,661	-	-
				Purchases	2,650,161	-	2%
				Proceeds from disposal of property, plant and equipment	1,871,252	-	1%
				Gain on disposal of property, plant and equipment	103,421	-	-
				Technical service income	58,102	-	-
				Other receivables from related parties	191,032	-	-
				Payables to related parties	476,025	-	-
				Deferred credits	277,340	-	-
		TSMC Japan	1	Marketing expenses - commission	116,844	-	-
				Payables to related parties	40,414	-	-
		TSMC Europe	1	Marketing expenses - commission	184,005	-	-
				Payables to related parties	42,540	-	-
		TSMC Korea	1	Marketing expenses - commission	9,837	-	-
				Other receivables from related parties	3,068	-	-
				Payables to related parties	2,716	-	-
		GUC	1	Sales	662,720	-	-
				General and administrative expenses - rental	525	-	-
				Research and development expenses	11,883	-	-
				Receivables from related parties	286,529	-	-
				Other receivables from related parties	140,489	-	-
		TSMC Technology	1	Payables to related parties	9,499	-	-
				Payables to related parties	52,761	-	-
				Research and development expenses	167,355	-	-
WaferTech	1	Sales	4,848	-	-		
		Purchases	4,410,290	-	3%		
		Proceeds from disposal of property, plant and equipment	10,645	-	-		
		Other receivables from related parties	22,526	-	-		
XinTec	1	Payables to related parties	666,082	-	-		
		Other receivables from related parties	18,214	-	-		
TSMC Canada	1	Research and development expenses	95,549	-	-		
		Research and development expenses	95,549	-	-		
1	TSMC Partners	TSMC International	3	Other receivables	7,527,792	-	1%
				Deferred revenue	7,527,792	-	1%

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
2	GUC	TSMC North America	3	Purchases	\$ 974,101	-	1%
				Manufacturing overhead	141,382	-	-
				Operating expenses	1,458	-	-
				Payables to related parties	121,935	-	-
		GUC-NA	3	Operating expenses	43,492	-	-
				Accrued expenses	12,828	-	-
		GUC-Japan	3	Operating expenses	12,889	-	-
				Accrued expenses	1,687	-	-

Note 1: No. 1 represents transactions between parent company to subsidiaries.
No. 3 represents 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)