

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of September 30, 2009 and 2008, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

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

October 9, 2009

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 156,935,077	28	\$ 112,445,510	20	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 97	-	\$ 319,604	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	370,669	-	30,385	-	Accounts payable	9,593,847	2	8,407,378	2
Available-for-sale financial assets (Notes 2, 6 and 24)	14,638,990	3	40,630,326	7	Payables to related parties (Note 25)	1,039,482	-	1,263,512	-
Held-to-maturity financial assets (Notes 2,7 and 24)	8,374,389	2	5,063,096	1	Income tax payable (Notes 2 and 18)	5,749,028	1	9,137,982	2
Receivables from related parties	987	-	1,498	-	Bonuses payable to employees, directors and supervisors (Notes 2, 3 and 20)	8,680,353	2	13,457,491	2
Notes and accounts receivable	45,421,657	8	51,704,847	10	Payables to contractors and equipment suppliers	15,666,356	3	8,081,877	1
Allowance for doubtful receivables (Notes 2 and 8)	(535,383)	-	(695,474)	-	Accrued expenses and other current liabilities (Notes 16 and 28)	13,971,034	2	13,208,823	2
Allowance for sales returns and others (Notes 2 and 8)	(9,006,496)	(2)	(5,677,508)	(1)	Current portion of bonds payable and long-term bank loans (Notes 14, 15 and 26)	308,525	-	8,257,933	2
Other receivables from related parties	183,946	-	150,408	-					
Other financial assets (Note 26)	3,165,465	1	1,738,559	-	Total current liabilities	55,008,722	10	62,134,600	11
Inventories (Notes 2, 3 and 9)	19,176,052	4	21,817,238	4					
Deferred income tax assets (Notes 2 and 18)	4,531,774	1	3,198,007	1	LONG-TERM LIABILITIES				
Prepaid expenses and other current assets	983,812	-	1,942,267	-	Bonds payable (Note 14)	4,500,000	1	4,500,000	1
					Long-term bank loans (Notes 15 and 26)	1,418,469	-	1,547,240	-
Total current assets	244,240,939	45	232,349,159	42	Other long-term payables (Notes 16 and 28)	8,342,346	2	9,467,559	2
					Obligations under capital leases (Note 2)	707,050	-	706,900	-
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)									
Investments accounted for using equity method	17,587,438	3	19,200,105	3	Total long-term liabilities	14,967,865	3	16,221,699	3
Available-for-sale financial assets	1,329,853	-	4,645,724	1					
Held-to-maturity financial assets	16,473,164	3	14,039,087	3	OTHER LIABILITIES				
Financial assets carried at cost	3,162,849	1	3,988,976	1	Accrued pension cost (Notes 2 and 17)	3,776,757	1	3,702,144	1
					Guarantee deposits (Note 28)	1,157,131	-	1,624,231	-
Total long-term investments	38,553,304	7	41,873,892	8	Deferred credits (Note 2)	225,577	-	432,134	-
					Others	134,395	-	61,065	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)					Total other liabilities	5,293,860	1	5,819,574	1
Cost									
Land and land improvements	938,509	-	934,922	-	Total liabilities	75,270,447	14	84,175,873	15
Buildings	141,644,558	26	130,965,521	24					
Machinery and equipment	736,712,546	136	693,125,037	126	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Office equipment	13,165,301	2	12,208,581	2	Capital stock - \$10 par value (Notes 20 and 22)				
Leased assets	714,012	-	706,900	-	Authorized: 28,050,000 thousand shares				
	893,174,926	164	837,940,961	152	Issued: 25,900,662 thousand shares in 2009				
Accumulated depreciation	(675,028,153)	(124)	(597,523,587)	(108)	25,904,166 thousand shares in 2008	259,006,623	48	259,041,660	47
Advance payments and construction in progress	18,669,251	4	11,877,532	2		55,439,919	10	50,463,438	9
					Capital surplus (Notes 2 and 20)				
Net property, plant and equipment	236,816,024	44	252,294,906	46	Retained earning (Note 20)				
					Appropriated as legal capital reserve	77,317,710	14	67,324,393	12
INTANGIBLE ASSETS					Appropriated as special capital reserve	-	-	391,857	-
Goodwill (Note 2)	5,954,477	1	5,944,941	1	Unappropriated earnings	71,898,923	13	103,062,463	19
Deferred charges, net (Notes 2 and 13)	6,060,452	1	7,169,827	1		149,216,633	27	170,778,713	31
					Others (Notes 2, 22 and 24)				
Total intangible assets	12,014,929	2	13,114,768	2	Cumulative translation adjustments	(1,272,298)	-	(1,584,029)	-
					Unrealized gain/loss on financial instruments	494,421	-	(124,039)	-
OTHER ASSETS					Treasury stock: 278,875 thousand shares	-	-	(16,499,990)	(3)
Deferred income tax assets (Notes 2 and 18)	7,196,676	1	7,562,573	1		(777,877)	-	(18,208,058)	(3)
Refundable deposits	2,789,170	1	2,712,441	1	Equity attributable to shareholders of the parent	462,885,298	85	462,075,753	84
Others (Notes 2 and 26)	286,076	-	91,402	-					
					MINORITY INTEREST (Note 2)				
Total other assets	10,271,922	2	10,366,416	2		3,741,373	1	3,747,515	1
					Total shareholders' equity	466,626,671	86	465,823,268	85
TOTAL	\$ 541,897,118	100	\$ 549,999,141	100	TOTAL	\$ 541,897,118	100	\$ 549,999,141	100

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 213,468,240		\$ 274,538,509	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>9,820,449</u>		<u>5,943,249</u>	
NET SALES	203,647,791	100	268,595,260	100
COST OF SALES (Notes 3, 9, 19 and 25)	<u>119,013,880</u>	<u>58</u>	<u>147,041,060</u>	<u>55</u>
GROSS PROFIT	<u>84,633,911</u>	<u>42</u>	<u>121,554,200</u>	<u>45</u>
OPERATING EXPENSES (Note 19)				
Research and development	15,026,333	7	16,654,551	6
General and administrative	8,016,976	4	8,811,573	3
Marketing	<u>3,270,590</u>	<u>2</u>	<u>3,674,339</u>	<u>1</u>
Total operating expenses	<u>26,313,899</u>	<u>13</u>	<u>29,140,463</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>58,320,012</u>	<u>29</u>	<u>92,413,737</u>	<u>35</u>
NON-OPERATING INCOMES AND GAINS				
Interest income (Note 2)	2,156,083	1	4,042,397	2
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	580,706	1	-	-
Settlement income (Note 28)	494,070	-	456,195	-
Technical service income (Notes 25 and 28)	273,225	-	1,091,366	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	-	-	1,042,002	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	-	-	688,186	-
Foreign exchange gain, net (Note 2)	-	-	235,547	-
Others (Note 2)	<u>379,439</u>	<u>-</u>	<u>557,736</u>	<u>-</u>
Total non-operating incomes and gains	<u>3,883,523</u>	<u>2</u>	<u>8,113,429</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on impairment of financial assets (Notes 2, 6, 11 and 24)	804,409	1	1,048,063	1
Foreign exchange loss, net (Note 2)	605,140	-	-	-
Interest expense	297,927	-	460,024	-
Equity in losses of equity method investees, net (Notes 2 and 10)	253,185	-	-	-
Loss on settlement and disposal of financial assets, net (Notes 2 and 24)	26,035	-	-	-
Loss on idle assets (Note 2)	-	-	210,477	-

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2009		2008																					
	Amount	%	Amount	%																				
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	\$ -	-	\$ 139,202	-																				
Provision for litigation loss	-	-	99,126	-																				
Others (Note 2)	<u>122,165</u>	-	<u>191,665</u>	-																				
Total non-operating expenses and losses	<u>2,108,861</u>	<u>1</u>	<u>2,148,557</u>	<u>1</u>																				
INCOME BEFORE INCOME TAX	60,094,674	30	98,378,609	37																				
INCOME TAX EXPENSE (Notes 2 and 18)	<u>3,488,863</u>	<u>2</u>	<u>10,496,985</u>	<u>4</u>																				
NET INCOME	<u>\$ 56,605,811</u>	<u>28</u>	<u>\$ 87,881,624</u>	<u>33</u>																				
ATTRIBUTABLE TO:																								
Shareholders of the parent	\$ 56,551,787	28	\$ 87,487,392	33																				
Minority interest	<u>54,024</u>	-	<u>394,232</u>	-																				
	<u>\$ 56,605,811</u>	<u>28</u>	<u>\$ 87,881,624</u>	<u>33</u>																				
	<table border="1"> <thead> <tr> <th colspan="2">2009</th> <th colspan="2">2008</th> </tr> <tr> <th colspan="2">Income Attributable to Shareholders of the Parent</th> <th colspan="2">Income Attributable to Shareholders of the Parent</th> </tr> <tr> <th>Before Income Tax</th> <th>After Income Tax</th> <th>Before Income Tax</th> <th>After Income Tax</th> </tr> </thead> <tbody> <tr> <td>\$ 2.33</td> <td>\$ 2.19</td> <td>\$ 3.75</td> <td>\$ 3.35</td> </tr> <tr> <td>\$ 2.31</td> <td>\$ 2.18</td> <td>\$ 3.73</td> <td>\$ 3.33</td> </tr> </tbody> </table>		2009		2008		Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent		Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	\$ 2.33	\$ 2.19	\$ 3.75	\$ 3.35	\$ 2.31	\$ 2.18	\$ 3.73	\$ 3.33		
2009		2008																						
Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent																						
Before Income Tax	After Income Tax	Before Income Tax	After Income Tax																					
\$ 2.33	\$ 2.19	\$ 3.75	\$ 3.35																					
\$ 2.31	\$ 2.18	\$ 3.73	\$ 3.33																					
EARNINGS PER SHARE (NT\$, Note 23)																								
Basic earnings per share	<u>\$ 2.33</u>	<u>\$ 2.19</u>	<u>\$ 3.75</u>	<u>\$ 3.35</u>																				
Diluted earnings per share	<u>\$ 2.31</u>	<u>\$ 2.18</u>	<u>\$ 3.73</u>	<u>\$ 3.33</u>																				

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 56,551,787	\$ 87,487,392
Net income attributable to minority interest	54,024	394,232
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,537,339	60,551,367
Amortization of premium/discount of financial assets	6,613	(74,497)
Loss on impairment of financial assets	804,409	1,048,063
Loss (gain) on disposal of available-for-sale financial assets, net	56,619	(647,722)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Gain on disposal of financial assets carried at cost, net	(14,493)	(40,464)
Equity in losses (earnings) of equity method investees, net	253,185	(1,042,002)
Dividends received from equity method investees	1,239,490	1,646,123
Loss (gain) on disposal of property, plant and equipment and other assets, net	6,351	(85,059)
Loss on idle assets	-	210,477
Deferred income tax	(1,122,247)	2,125,037
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(400,029)	1,672,293
Receivables from related parties	(580)	9,387
Notes and accounts receivable	(20,398,336)	(4,500,721)
Allowance for doubtful receivables	79,632	(6,333)
Allowance for sales returns and others	2,935,470	1,588,473
Other receivables from related parties	(84,028)	93,212
Other financial assets	(1,300,426)	(223,032)
Inventories	(4,299,407)	2,045,022
Prepaid expenses and other current assets	829,880	(596,334)
Increase (decrease) in:		
Accounts payable	4,369,663	(3,167,504)
Payables to related parties	549,625	(239,864)
Income tax payable	(3,582,797)	(1,988,146)
Bonuses payable to employees, directors and supervisors	805,611	13,457,491
Accrued expenses and other current liabilities	231,960	(745,785)
Accrued pension cost	75,173	36,622
Deferred credits	(201,353)	(758,108)
Net cash provided by operating activities	97,967,044	158,249,620

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	\$ (45,070,370)	\$ (47,965,009)
Available-for-sale financial assets	(20,375,729)	(60,210,961)
Held-to-maturity financial assets	(10,669,821)	(8,527,196)
Investments accounted for using equity method	(32,200)	(55,220)
Financial assets carried at cost	(270,609)	(389,722)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	20,509,336	81,009,121
Held-to-maturity financial assets	7,081,700	9,773,000
Financial assets carried at cost	93,684	126,400
Property, plant and equipment and other assets	6,892	171,190
Proceeds from return of capital by investees	-	2,345,867
Increase in deferred charges	(534,716)	(2,396,280)
Decrease (increase) in refundable deposits	(21,971)	65,328
Increase in other assets	(82,985)	(1,130)
	<u>(49,366,789)</u>	<u>(26,054,612)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term bank loans	287,865	96,510
Repayments of:		
Long-term bank loans	(183,710)	(288,507)
Bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(327,364)	(618,778)
Proceeds from exercise of employee stock options	190,995	222,552
Cash dividends	(76,876,312)	(76,779,032)
Cash bonus paid to employees	-	(3,939,883)
Bonus to directors	-	(176,890)
Repurchase of treasury stock	-	(33,480,997)
Decrease in minority interest	(285,325)	(130,326)
	<u>(85,193,851)</u>	<u>(115,095,351)</u>
Net cash used in financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,593,596)	17,099,657
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,085,079)	359,365
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>\$ 156,935,077</u>	<u>\$ 112,445,510</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 525,575</u>	<u>\$ 604,599</u>
Income tax paid	<u>\$ 7,996,390</u>	<u>\$ 10,400,208</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 52,408,986	\$ 49,803,703
Increase in payables to contractors and equipment suppliers	(7,338,616)	(1,825,145)
Increase in obligations under capital leases	<u>-</u>	<u>(13,549)</u>
Cash paid	<u>\$ 45,070,370</u>	<u>\$ 47,965,009</u>
Acquisition of available-for-sale financial assets	\$ 23,399,615	\$ 60,210,961
Increase in accrued expenses and other current liabilities	<u>(3,023,886)</u>	<u>-</u>
Cash paid	<u>\$ 20,375,729</u>	<u>\$ 60,210,961</u>
Repurchase of treasury stock	\$ -	\$ 30,427,413
Decrease in accrued expenses and other current liabilities	<u>-</u>	<u>3,053,584</u>
Cash paid	<u>\$ -</u>	<u>\$ 33,480,997</u>
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>\$ 308,525</u>	<u>\$ 257,933</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,476,550</u>	<u>\$ 1,901,323</u>

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company, Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which 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 September 30, 2009 and 2008, TSMC and its subsidiaries had 24,479 and 25,318 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

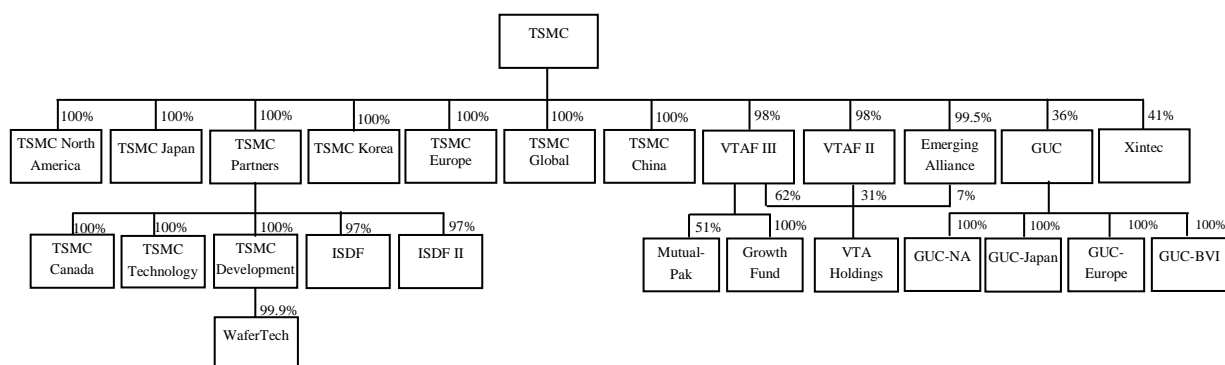
Principles of Consolidation

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

The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		September 30 2009	September 30 2008	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	-	100%	In June 2009, TSMC International was merged into TSMC Partners.
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	36%	36%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	42%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
	TSMC Technology, Inc. (TSMC Technology)	100%	-	Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009.
	TSMC Development, Inc. (TSMC Development)	100%	-	Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	-	Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	-	Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009.
TSMC Development	WaferTech, LLC (WaferTech)	99.9%	99.9%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	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.

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of September 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 and agency bonds acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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: Structured time deposits - using valuation techniques; 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 indicate that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

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

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

Pension Costs

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

Income Tax

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

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

Adjustments of prior years' tax liabilities are added to or deducted from the current 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 consolidated financial statements as of and for the nine months ended September 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\$11,199,865 thousand and NT\$0.43, respectively, for the nine months ended September 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 consolidated financial statements as of and for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	2009	2008
Cash and deposits in bank	\$ 144,018,278	\$ 105,455,122
Repurchase agreements collateralized by government bonds	10,582,919	6,990,388
Agency bonds	<u>2,333,880</u>	<u>-</u>
	<u>\$ 156,935,077</u>	<u>\$ 112,445,510</u>

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

	<u>September 30</u>	
	2009	2008
<u>Trading financial assets</u>		
Publicly traded stocks	\$ -	\$ 17,153
Forward exchange contracts	3,208	13,232
Cross currency swap contracts	<u>367,461</u>	<u>-</u>
	<u>\$ 370,669</u>	<u>\$ 30,385</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 97	\$ 141,024
Cross currency swap contracts	<u>-</u>	<u>178,580</u>
	<u>\$ 97</u>	<u>\$ 319,604</u>

The Company entered into derivative contracts during the nine months ended September 30, 2009 and 2008 to manage exposures due to 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 contracts consisted of the following:

	Maturity Date	Contract Amount (in Thousands)
<u>September 30, 2009</u>		
Sell US\$/buy RMB	October 2009	US\$3,950/RMB26,974
Sell US\$/buy NT\$	October 2009 to November 2009	US\$9,100/NT\$295,973
<u>September 30, 2008</u>		
Sell EUR/buy NT\$	October 2008	EUR15,000/NT\$691,465
Sell EUR/buy US\$	October 2008	EUR7,000/US\$10,175
Sell US\$/buy NT\$	October 2008 to December 2008	US\$576,000/NT\$18,401,729
Sell US\$/buy JPY	October 2008	US\$109/JPY12,000
Sell RMB/buy US\$	October 2008 to December 2008	RMB99,059/US\$14,500

Outstanding cross currency swap contracts consisted of the following:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>September 30, 2009</u>			
October 2009 to December 2009	US\$950,000/NT\$30,935,532	0.30%-1.00%	0.00%-0.61%
<u>September 30, 2008</u>			
October 2008 to November 2008	US\$536,000/NT\$17,080,480	2.48%-14.00%	0.00%-2.40%

For the nine months ended September 30, 2009 and 2008, valuation on financial instruments arising from derivative financial instruments was a net gain of NT\$580,706 thousand and a net loss of NT\$139,202 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>	
	2009	2008
Money market funds	\$ 7,276,497	\$ 758,253
Government bonds	4,595,397	3,631,519
Corporate bonds	2,870,817	8,860,920
Publicly traded stocks	641,286	372,883
Corporate issued notes	304,977	-
Open-end mutual funds	150,019	14,146,296
Agency bonds	129,850	8,995,524
Structured time deposits	-	4,645,724
Corporate issued asset-backed securities	-	<u>3,864,931</u>
	15,968,843	45,276,050
Current portion	<u>(14,638,990)</u>	<u>(40,630,326)</u>
	<u>\$ 1,329,853</u>	<u>\$ 4,645,724</u>

For the nine months ended September 30, 2009 and 2008, the loss on impairment of the above available-for-sale financial assets was NT\$202,797 thousand and NT\$902,411 thousand, respectively.

Structured time deposits categorized as available-for-sale financial assets consisted of the following:

	Principal Amount	Carrying Amount	Interest Rate	Maturity Date
<u>September 30, 2008</u>				
Callable deposits				
Domestic deposits	\$ 4,000,000	\$ 4,003,970	2.71%-2.80%	September 2011
Foreign deposits	<u>642,600</u>	<u>641,754</u>	4.20%	August 2011
	<u>\$ 4,642,600</u>	<u>\$ 4,645,724</u>		

The principal of the above callable deposits that resided in banks located in Hong Kong amounted to US\$20,000 thousand.

The interest rate of the callable deposits is pre-determined by the Company and the banks.

7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>September 30</u>	
	2009	2008
Corporate bonds	\$ 15,460,383	\$ 12,758,843
Structured time deposits	6,000,000	4,142,600
Government bonds	<u>3,387,170</u>	<u>2,200,740</u>
	24,847,553	19,102,183
Current portion	<u>(8,374,389)</u>	<u>(5,063,096)</u>
	<u>\$ 16,473,164</u>	<u>\$ 14,039,087</u>

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

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
<u>September 30, 2009</u>				
Callable deposits				
Domestic deposits	\$ 6,000,000	\$ 3,404	0.67%-0.95%	March 2011 to August 2011
<u>September 30, 2008</u>				
Callable deposits				
Domestic deposits	\$ 3,500,000	\$ 12,287	1.83%-2.90%	October 2008 to September 2011
Foreign deposits	642,600	1,954	4.21%	September 2011
	<u>\$ 4,142,600</u>	<u>\$ 14,241</u>		

As of September 30, 2008, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$20,000 thousand.

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	\$ 455,751	\$ 701,807
Provision	323,538	5,135
Write-off	<u>(243,906)</u>	<u>(11,468)</u>
Balance, end of period	<u>\$ 535,383</u>	<u>\$ 695,474</u>

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

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	\$ 6,071,026	\$ 4,089,035
Provision	9,820,449	5,943,249
Write-off	<u>(6,884,979)</u>	<u>(4,354,776)</u>
Balance, end of period	<u>\$ 9,006,496</u>	<u>\$ 5,677,508</u>

9. INVENTORIES

	September 30	
	2009	2008
Finished goods	\$ 2,419,467	\$ 4,426,208
Work in process	14,576,638	15,120,388
Raw materials	1,036,651	1,111,713
Supplies and spare parts	<u>1,143,296</u>	<u>1,158,929</u>
	<u>\$ 19,176,052</u>	<u>\$ 21,817,238</u>

Reversal of inventories among the original write-down amount to net realizable value in the amount of NT\$225,966 thousand and write-down of inventories to net realizable value in the amount of NT\$667,630 thousand were included in the cost of sales for the nine months ended September 30, 2009 and 2008, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2009		2008	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,410,696	37	\$ 10,151,846	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	5,899,305	39	6,761,630	39
VisEra Holding Company (VisEra Holding)	2,195,970	49	2,247,897	49
Aiconn Technology Corporation (Aiconn)	23,507	41	38,732	48
Mcube Inc. (Mcube)	25,760	74	-	-
Preferred stock				
Mcube	<u>32,200</u>	10	<u>-</u>	-
	<u>\$ 17,587,438</u>		<u>\$ 19,200,105</u>	

In September 2009, the Company acquired common stock and preferred stock in Mcube for NT\$57,960 thousand. The Company took both ownership of stocks and controlling power into consideration and concluded that the Company did not have controlling interest over Mcube as of September 30, 2009. Therefore, the Company used equity method to evaluate this investment and related equity in earnings/losses.

For the nine months ended September 30, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$253,185 thousand and a net gain of NT\$1,042,002 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except for Aiconn and Mcube for the nine months ended September 30, 2009. The Company believes that, had Aiconn and Mcube's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's financial statements.

As of September 30, 2009 and 2008, fair values of publicly traded stocks in investments accounted for using equity method (VIS) was NT\$8,795,129 thousand and NT\$7,318,803 thousand, respectively.

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

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	\$ 1,990,621	\$ 2,589,742
Amortization	<u>(449,341)</u>	<u>(449,341)</u>
Balance, end of period	<u>\$ 1,541,280</u>	<u>\$ 2,140,401</u>

As of September 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

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Non-publicly traded stocks	\$ 2,999,870	\$ 3,605,626
Mutual Funds	<u>162,979</u>	<u>383,350</u>
	<u>\$ 3,162,849</u>	<u>\$ 3,988,976</u>

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

For the nine months ended September 30, 2009 and 2008, the loss on impairment of the above financial assets carried at cost was NT\$601,612 thousand and NT\$145,652 thousand, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Nine Months Ended September 30, 2009</u>					
	<u>Balance, Beginning of Period</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, End of Period</u>
Cost						
Land and land improvements	\$ 953,857	\$ -	\$ -	\$ 1,830	\$ (17,178)	\$ 938,509
Buildings	132,249,996	9,768,373	(9,822)	66	(364,055)	141,644,558
Machinery and equipment	697,498,743	41,591,076	(1,176,786)	25,358	(1,225,845)	736,712,546
Office equipment	12,430,800	967,582	(189,608)	(5,201)	(38,272)	13,165,301
Leased asset	<u>722,339</u>	<u>-</u>	<u>-</u>	<u>7,194</u>	<u>(15,521)</u>	<u>714,012</u>
	<u>843,855,735</u>	<u>\$ 52,327,031</u>	<u>\$ (1,376,216)</u>	<u>\$ 29,247</u>	<u>\$ (1,660,871)</u>	<u>893,174,926</u>
Accumulated depreciation						
Land and land improvements	295,898	\$ 22,705	\$ -	\$ -	\$ (6,676)	311,927
Buildings	72,681,699	6,962,102	(9,823)	66	(176,627)	79,457,417
Machinery and equipment	535,962,291	51,017,742	(1,165,488)	2,565	(1,143,190)	584,673,920
Office equipment	9,693,809	911,478	(187,662)	(7,260)	(37,561)	10,372,804
Leased asset	<u>182,570</u>	<u>27,285</u>	<u>-</u>	<u>7,194</u>	<u>(4,964)</u>	<u>212,085</u>
	<u>618,816,267</u>	<u>\$ 58,941,312</u>	<u>\$ (1,362,973)</u>	<u>\$ 2,565</u>	<u>\$ (1,369,018)</u>	<u>675,028,153</u>
Advance payments and construction in progress	<u>18,605,882</u>	<u>\$ 81,955</u>	<u>\$ -</u>	<u>\$ (22,342)</u>	<u>\$ 3,756</u>	<u>18,669,251</u>
	<u>\$ 243,645,350</u>					<u>\$ 236,816,024</u>

	<u>Nine Months Ended September 30, 2008</u>					
	<u>Balance, Beginning of Period</u>	<u>Additions (Deductions)</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, End of Period</u>
Cost						
Land and land improvements	\$ 942,197	\$ -	\$ -	\$ 809	\$ (8,084)	\$ 934,922
Buildings	118,640,027	11,837,497	(8,524)	(1,150)	497,671	130,965,521
Machinery and equipment	646,419,427	46,431,989	(1,078,214)	117,941	1,233,894	693,125,037
Office equipment	11,829,640	795,917	(267,009)	(168,692)	18,725	12,208,581
Leased asset	<u>652,296</u>	<u>13,549</u>	<u>-</u>	<u>-</u>	<u>41,055</u>	<u>706,900</u>
	<u>778,483,587</u>	<u>\$ 59,078,952</u>	<u>\$ (1,353,747)</u>	<u>\$ (51,092)</u>	<u>\$ 1,783,261</u>	<u>837,940,961</u>
Accumulated depreciation						
Land and land improvements	262,703	\$ 21,140	\$ -	\$ -	\$ (1,815)	282,028
Buildings	63,239,922	6,711,544	(8,524)	394	179,083	70,122,419
Machinery and equipment	467,665,072	50,820,528	(945,851)	(35,055)	74,618	517,579,312
Office equipment	8,796,752	913,963	(266,610)	(84,662)	10,521	9,369,964
Leased asset	<u>135,118</u>	<u>24,905</u>	<u>-</u>	<u>-</u>	<u>9,841</u>	<u>169,864</u>
	<u>540,099,567</u>	<u>\$ 58,492,080</u>	<u>\$ (1,220,985)</u>	<u>\$ (119,323)</u>	<u>\$ 272,248</u>	<u>597,523,587</u>
Advance payments and construction in progress	<u>21,868,167</u>	<u>\$ (9,275,249)</u>	<u>\$ -</u>	<u>\$ (83,336)</u>	<u>\$ (632,050)</u>	<u>11,877,532</u>
	<u>\$ 260,252,187</u>					<u>\$ 252,294,906</u>

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of September 30, 2009 is NT\$786,593 thousand.

13. DEFERRED CHARGES, NET

	Nine Months Ended September 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	\$ -	\$ (687,538)	\$ -	\$ -	\$ 4,244	\$ 3,441,918
Software and system design costs	1,801,831	523,365	(684,458)	-	(4,340)	(10)	1,636,388
Patent and others	1,198,785	11,351	(219,728)	-	(6,035)	(2,227)	982,146
	<u>\$ 7,125,828</u>	<u>\$ 534,716</u>	<u>\$ (1,591,724)</u>	<u>\$ -</u>	<u>\$ (10,375)</u>	<u>\$ 2,007</u>	<u>\$ 6,060,452</u>

	Nine Months Ended September 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	\$ (1,266,268)	\$ -	\$ -	\$ (5,393)	\$ 4,556,243
Software and system design costs	1,449,603	805,168	(598,082)	(14,279)	59	756	1,643,225
Patent and others	654,850	462,828	(153,491)	-	-	6,172	970,359
	<u>\$ 7,923,601</u>	<u>\$ 1,276,752</u>	<u>\$ (2,017,841)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ 1,535</u>	<u>\$ 7,169,827</u>

14. BONDS PAYABLE

	September 30	
	2009	2008
Domestic unsecured bonds:		
Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	\$ 4,500,000	\$ 12,500,000
Current portion	-	(8,000,000)
	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

15. LONG-TERM BANK LOANS

	September 30	
	2009	2008
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.68%-2.70% in 2009 and 2.94%-3.67% in 2008	\$ 950,971	\$ 726,510
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.70%-0.97% in 2009 and 3.62% in 2008	644,248	643,102
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.11%-2.42% in 2009 and 2.95%-3.23% in 2008	131,775	311,500
Repayable from March 2007 in 12 quarterly installments, annual interest at 3.06%-3.21%	-	48,090
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.85%-3.00%	-	42,031

(Continued)

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.85%-3.00%	\$ -	\$ 17,990
Repayable from February 2005 in 17 quarterly installments, annual interest at 3.06%-3.15%	-	15,950
	<u>1,726,994</u>	<u>1,805,173</u>
Current portion	<u>(308,525)</u>	<u>(257,933)</u>
	<u>\$ 1,418,469</u>	<u>\$ 1,547,240</u> (Concluded)

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC China have to meet certain financial covenants. According to the terms of Xintec's loan agreements, semi-annual and annual financial statements of Xintec must comply with predetermined financial covenants. Xintec was not in compliance with part of the aforementioned financial covenants for six months ended June 30, 2009, but it had obtained waiver of related obligations resulting from violation of the covenants from the related financial institution as of September 30, 2009.

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

Year of Repayment	Amount
2009 (4 th quarter)	\$ 93,756
2010	952,774
2011	275,626
2012	242,726
2013	<u>162,112</u>
	<u>\$ 1,726,994</u>

16. OTHER LONG-TERM PAYABLES

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Payables for acquisition of property, plant and equipment (Note 28g)	\$ 8,398,125	\$ 8,396,345
Payables for royalties	<u>1,420,771</u>	<u>2,972,537</u>
	9,818,896	11,368,882
Current portion (classified under accrued expenses and other current liabilities)	<u>(1,476,550)</u>	<u>(1,901,323)</u>
	<u>\$ 8,342,346</u>	<u>\$ 9,467,559</u>

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

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

Year of Payment	Amount
2009 (4 th quarter)	\$ 444,710
2010	1,217,285
2011	1,104,320
2012	672,772
2013	672,772
2014 and thereafter	<u>5,707,037</u>
	<u>\$ 9,818,896</u>

17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$549,457 thousand and NT\$589,229 thousand for the nine months ended September 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 length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension costs of NT\$217,193 thousand and NT\$202,308 thousand for the nine months ended September 30, 2009 and 2008, respectively.

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

	Nine Months Ended	
	September 30	
	2009	2008
The Funds		
Balance, beginning of period	\$ 2,434,876	\$ 2,184,435
Contributions	145,685	160,868
Interest	53,066	72,210
Payments	<u>(37,801)</u>	<u>(28,990)</u>
Balance, end of period	<u>\$ 2,595,826</u>	<u>\$ 2,388,523</u>
Accrued pension cost		
Balance, beginning of period	\$ 3,701,584	\$ 3,665,522
Accruals	<u>75,173</u>	<u>36,622</u>
Balance, end of period	<u>\$ 3,776,757</u>	<u>\$ 3,702,144</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:

	Nine Months Ended	
	September 30	
	2009	2008
Income tax expense based on “income before income tax” at statutory rates	\$ 15,088,240	\$ 24,926,428
Tax effect of the following:		
Tax-exempt income	(6,609,978)	(7,458,478)
Temporary and permanent differences	2,958,278	1,041,525
Others	69,174	43,792
Additional tax at 10% on unappropriated earnings	30,707	13,926
Net operating loss carryforwards used	(54,459)	(509,943)
Income tax credits used	<u>(5,668,306)</u>	<u>(9,050,487)</u>
Income tax currently payable	<u>\$ 5,813,656</u>	<u>\$ 9,006,763</u>

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 5,813,656	\$ 9,006,763
Income tax adjustments on prior years	(1,157,674)	(707,255)
Other income tax adjustments	(40,056)	72,354
Net change in deferred income tax assets		
Investment tax credits	(3,332,014)	3,106,458
Net operating loss carryforwards	(66,114)	445,137
Temporary differences	26,336	(549,286)
Valuation allowance	<u>2,244,729</u>	<u>(877,186)</u>
Income tax expense	<u>\$ 3,488,863</u>	<u>\$ 10,496,985</u>

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

	September 30	
	2009	2008
Current deferred income tax assets		
Investment tax credits	\$ 3,542,275	\$ 3,081,710
Temporary differences	1,409,793	629,787
Valuation allowance	<u>(420,294)</u>	<u>(513,490)</u>
	<u>\$ 4,531,774</u>	<u>\$ 3,198,007</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 13,987,353	\$ 9,070,045
Net operating loss carryforwards	3,583,246	3,464,579
Temporary differences	(1,450,644)	(2,214,854)
Valuation allowance	<u>(8,923,279)</u>	<u>(2,757,197)</u>
	<u>\$ 7,196,676</u>	<u>\$ 7,562,573</u>

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

As of September 30, 2009, the net operating loss carryforwards were generated by WaferTech, TSMC Development, 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 September 30, 2009 and 2008 was NT\$214,826 thousand and NT\$1,602,560 thousand, respectively.

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2008 and 2007 was 9.10% and 9.83%, respectively.

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

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

f. As of September 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
		1,331,228	110,488	2010
		4,658,983	2,958,746	2011
		3,144,816	3,144,816	2012
		<u>2,050,507</u>	<u>2,050,507</u>	2013
		<u>\$ 11,692,778</u>	<u>\$ 8,764,557</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,711,736	\$ 9,353	2010
		2,826,406	2,811,887	2011
		2,963,558	2,963,558	2012
		<u>2,744,180</u>	<u>2,744,180</u>	2013
				<u>\$ 11,245,880</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 37	\$ -	2009
		23,905	759	2010
		37,356	37,356	2011
		30,811	30,811	2012
		<u>262</u>	<u>262</u>	2013
		<u>\$ 92,371</u>	<u>\$ 69,188</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:

	<u>Tax-Exemption Periods</u>
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

	<u>Nine Months Ended September 30, 2009</u>		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 12,631,169	\$ 10,938,484	\$ 23,569,653
Labor and health insurance	509,889	422,070	931,959
Pension	444,923	321,727	766,650
Meal	324,895	143,092	467,987
Welfare	365,194	144,646	509,840
Other	<u>110,587</u>	<u>183,107</u>	<u>293,694</u>
	<u>\$ 14,386,657</u>	<u>\$ 12,153,126</u>	<u>\$ 26,539,783</u>
Depreciation	<u>\$ 55,879,597</u>	<u>\$ 3,049,516</u>	<u>\$ 58,929,113</u>
Amortization	<u>\$ 942,756</u>	<u>\$ 648,968</u>	<u>\$ 1,591,724</u>
	<u>Nine Months Ended September 30, 2008</u>		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 15,880,633	\$ 12,677,172	\$ 28,557,805
Labor and health insurance	579,886	366,343	946,229
Pension	481,586	309,951	791,537
Meal	359,989	144,638	504,627
Welfare	519,771	214,654	734,425
Other	<u>199,905</u>	<u>210,405</u>	<u>410,310</u>
	<u>\$ 18,021,770</u>	<u>\$ 13,923,163</u>	<u>\$ 31,944,933</u>
Depreciation	<u>\$ 55,411,297</u>	<u>\$ 3,068,389</u>	<u>\$ 58,479,686</u>
Amortization	<u>\$ 1,378,460</u>	<u>\$ 639,381</u>	<u>\$ 2,017,841</u>

20. SHAREHOLDERS' EQUITY

As of September 30, 2009, 1,097,513 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,487,565 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Additional paid-in capital	\$ 23,408,710	\$ 18,154,782
From merger	22,805,390	23,053,576
From convertible bonds	8,893,190	8,989,973
From long-term investments	332,574	265,052
Donations	<u>55</u>	<u>55</u>
	<u>\$ 55,439,919</u>	<u>\$ 50,463,438</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 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 the 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 that have been paid in cash and in stock as well as bonus to directors in the amounts of NT\$7,494,988 thousand, NT\$7,494,988 thousand and NT\$158,080 thousand for 2008, respectively, had been approved in the shareholders' meeting held on June 10, 2009. The employee stock bonus of 141,870 thousand shares was determined by the closing price of TSMC's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting, which was NT\$52.83. The resolved amounts of the 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 bonuses to employees to be paid in stock in the amount of NT\$768,763 thousand, NT\$512,509 thousand and NT\$7,494,988 thousand, respectively. The aforementioned capital increase had taken effect on July 21, 2009.

The information about appropriations of the bonus 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 of TSMC when exercisable. The options may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the grant date.

Options of the aforementioned plans that had never been granted or had been granted but subsequently canceled had expired as of September 30, 2009.

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

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<u>Nine months ended September 30, 2009</u>		
Balance, beginning of period	36,234	\$34.0
Options granted	175	34.0
Options exercised	(5,228)	36.5
Options canceled	<u>(321)</u>	46.5
		33.5
Balance, end of period	<u>30,860</u>	
<u>Nine months ended September 30, 2008</u>		
Balance, beginning of period	41,875	\$35.6
Options granted	767	35.2
Options exercised	(5,880)	37.8
Options canceled	<u>(302)</u>	46.3
Balance, end of period	<u>36,460</u>	35.3

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

As of September 30, 2009, information about TSMC's outstanding options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding		
	Number of Options (in Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)
\$22.8-\$32.0	22,685	3.41	\$29.2
38.0- 50.1	<u>8,175</u>	5.14	45.5
	<u>30,860</u>		33.5

As of September 30, 2009, all of the above outstanding options were exercisable.

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

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

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

	Number of Options	Weighted-average Exercise Prices (NT\$)
<u>Nine months ended September 30, 2009</u>		
Balance, beginning of period	5,557	\$ 66.6
Options granted	87	13.8
Options exercised	(1,004)	10.8
Options canceled	<u>(287)</u>	53.8
Balance, end of period	<u>4,353</u>	75.8
<u>Nine months ended September 30, 2008</u>		
Balance, beginning of period	7,598	\$ 60.3
Options granted	284	14.8
Options exercised	(1,681)	14.3
Options canceled	<u>(168)</u>	169.1
Balance, end of period	<u>6,033</u>	63.4

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

As of September 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 Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
\$8.4-\$10.5	802	1.25	\$ 9.0	756	\$ 9.0
15.5	1,874	1.92	15.5	197	15.5
175.0	<u>1,677</u>	4.25	175.0	<u>-</u>	-
	<u>4,353</u>		75.8	<u>953</u>	10.3

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

Information about Xintec's outstanding stock options for the nine months ended September 30, 2009 and 2008 was as follows:

	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
<u>Nine months ended September 30, 2009</u>		
Balance, beginning of period	7,442	\$14.8
Options exercised	(1,789)	13.5
Options canceled	<u>(754)</u>	16.5
Balance, end of period	<u>4,899</u>	14.8
<u>Nine months ended September 30, 2008</u>		
Balance, beginning of period	9,642	\$15.1
Options exercised	(89)	12.4
Options canceled	<u>(1,260)</u>	15.8
Balance, end of period	<u>8,293</u>	14.6

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

As of September 30, 2009, information about Xintec's outstanding 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	Weighted-average Exercise Price (NT\$)
\$12.2-\$14.1	2,579	7.03	\$12.5	1,357	\$12.2
15.2- 19.1	<u>2,320</u>	7.96	17.4	<u>251</u>	15.2
	<u>4,899</u>		14.8	<u>1,608</u>	12.7

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

		Nine Months Ended	
		September 30	
		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		\$ 56,551,787	\$ 87,487,392
Pro forma		56,173,879	87,482,618
Earnings per share (EPS) - after income tax (NT\$):			
Basic EPS as reported		\$2.19	\$3.35
Pro forma basic EPS		2.18	3.35
Diluted EPS as reported		2.18	3.33
Pro forma diluted EPS		2.16	3.33

22. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Retirement	Ending Shares
<u>Nine months ended September 30, 2008</u>					
Parent company stock held by subsidiaries	34,096	-	171	34,267	-
Repurchase under share buyback plan	<u>800,000</u>	<u>495,549</u>	<u>-</u>	<u>1,016,674</u>	<u>278,875</u>
	<u>834,096</u>	<u>495,549</u>	<u>171</u>	<u>1,050,941</u>	<u>278,875</u>

As of September 30, 2008, the book value of the treasury stock was NT\$16,499,990 thousand and the market value was NT\$14,640,938 thousand. TSMC's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

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

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

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

23. EARNINGS PER SHARE

EPS is 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>Nine months ended September 30, 2009</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 60,021,689	\$ 56,551,787	25,813,614	<u>\$ 2.33</u>	<u>\$ 2.19</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	153,069		
Stock options	-	-	<u>14,459</u>		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 60,021,689</u>	<u>\$ 56,551,787</u>	<u>25,981,142</u>	<u>\$ 2.31</u>	<u>\$ 2.18</u>

(Continued)

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (in Thousands)</u>	<u>EPS (NT\$)</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>
<u>Nine months ended September 30, 2008</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 97,959,164	\$ 87,487,392	26,139,848	<u>\$ 3.75</u>	<u>\$ 3.35</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	133,161		
Stock options	-	-	17,001		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 97,959,164</u>	<u>\$ 87,487,392</u>	<u>26,290,010</u>	<u>\$ 3.73</u>	<u>\$ 3.33</u>

(Concluded)

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 nine months ended September 30, 2008 to decrease from NT\$3.36 to NT\$3.35 and NT\$3.34 to NT\$3.33, respectively.

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>September 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 370,669	\$ 370,669	\$ 30,385	\$ 30,385
Available-for-sale financial assets	15,968,843	15,968,843	45,276,050	45,276,050
Held-to-maturity financial assets	24,847,553	25,029,053	19,102,183	19,088,629
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	97	97	319,604	319,604
Bonds payable (including current portion)	4,500,000	4,583,826	12,500,000	12,630,945
Long-term bank loans (including current portion)	1,726,994	1,726,994	1,805,173	1,805,173
Other long-term payables (including current portion)	9,818,896	9,818,896	11,368,882	11,368,882
Obligations under capital leases	707,050	707,050	706,900	706,900

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.

- 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
 - 3) 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 values of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value of derivatives contracts which were outstanding as of September 30, 2009 and 2008 estimated using valuation techniques were recognized as gains of NT\$370,572 thousand and losses of NT\$306,372 thousand, respectively.
- d. As of September 30, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$40,545,779 thousand and NT\$64,018,582 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$4,500,097 thousand and NT\$12,819,604 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$1,726,995 thousand and NT\$1,805,173 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the nine months ended September 30, 2009 and 2008 were as follows:

	<u>Nine Months Ended September 30, 2009</u>		
	From Available- for-sale Financial Assets	From Available- for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ (198,413)	\$ (88,929)	\$ (287,342)
Recognized directly in shareholders' equity	418,581	95,757	514,338
Removed from shareholders' equity and recognized in earnings	<u>267,425</u>	<u>-</u>	<u>267,425</u>
Balance, end of period	<u>\$ 487,593</u>	<u>\$ 6,828</u>	<u>\$ 494,421</u>

	<u>Nine Months Ended September 30, 2008</u>		
	From Available- for-sale Financial Assets	From Available- for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	(54,799)	(108,925)	(163,724)
Removed from shareholders' equity and recognized in earnings	<u>(641,312)</u>	<u>-</u>	<u>(641,312)</u>
Balance, end of period	<u>\$ (68,273)</u>	<u>\$ (55,766)</u>	<u>\$ (124,039)</u>

f. Information about financial risks

- 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 turmoils 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 turmoils 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>Nine months ended September 30</u>				
Sales				
VIS	\$ 107,607	-	\$ 72,394	-
VisEra	2,725	-	30,940	-
SSMC	<u>36</u>	<u>-</u>	<u>1,858</u>	<u>-</u>
	<u>\$ 110,368</u>	<u>-</u>	<u>\$ 105,192</u>	<u>-</u>
Purchases				
SSMC	\$ 2,530,044	2	\$ 3,624,887	2
VIS	2,446,687	2	2,629,175	2
VisEra	<u>-</u>	<u>-</u>	<u>594</u>	<u>-</u>
	<u>\$ 4,976,731</u>	<u>4</u>	<u>\$ 6,254,656</u>	<u>4</u>
Non-operating incomes and gains				
VIS (primarily technical service income; see Note 28e)	\$ 179,168	5	\$ 262,132	3
SSMC (primarily technical service income; see Note 28d)	98,806	2	193,039	3
VisEra	<u>129</u>	<u>-</u>	<u>86,061</u>	<u>1</u>
	<u>\$ 278,103</u>	<u>7</u>	<u>\$ 541,232</u>	<u>7</u>
<u>As of September 30</u>				
Payables				
VIS	\$ 761,346	73	\$ 676,817	54
SSMC	273,184	26	574,010	45
VisEra	<u>4,952</u>	<u>1</u>	<u>12,685</u>	<u>1</u>
	<u>\$ 1,039,482</u>	<u>100</u>	<u>\$ 1,263,512</u>	<u>100</u>

The sales prices and payment term 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 secured long-term bank loans, land lease agreement and customs duty guarantee, which were as follows:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Other financial assets	\$ 634,287	\$ 27,956
Property, plant and equipment, net	2,455,643	4,477,678
Other assets	<u>20,000</u>	<u>-</u>
	<u>\$ 3,109,930</u>	<u>\$ 4,505,634</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 2018 and can be renewed upon expiration.

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

Year	Amount
2009 (4 th quarter)	\$ 129,754
2010	458,163
2011	405,811
2012	424,403
2013	396,649
2014 and thereafter	<u>2,578,520</u>
	<u>\$ 4,393,300</u>

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of September 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 September 30, 2009, TSMC had a total of US\$32,654 thousand of guarantee deposits.

- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of September 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\$8,398,125 thousand and NT\$8,396,345 thousand as of September 30, 2009 and 2008, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of September 30, 2009 were NT\$101,108 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

SEPTEMBER 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	September 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	-	\$ 1,033,473	N/A	\$ 1,033,473		
	Taiwan Power Company	-	Held-to-maturity financial assets	-	3,384,845	N/A	3,393,121		
	Formosa Petrochemical Corporation	-	"	-	3,179,081	N/A	3,206,644		
	Nan Ya Plastics Corporation	-	"	-	1,999,746	N/A	2,031,690		
	Formosa Plastics Corporation	-	"	-	1,671,881	N/A	1,688,217		
	China Steel Corporation	-	"	-	1,513,313	N/A	1,532,465		
	CPC Corporation, Taiwan	-	"	-	1,000,036	N/A	999,854		
	<u>Government bond</u>								
	European Investment Bank Bonds	-	Held-to-maturity financial assets	-	2,015,610	N/A	2,025,500		
	2003 Asian Development Bank Govt. Bond	-	"	-	888,560	N/A	875,103		
	<u>Stocks</u>								
	TSMC Global	Subsidiary		Investments accounted for using equity method	1	45,492,790	100	45,492,790	
	TSMC Partners	Subsidiary		"	988,268	32,627,788	100	32,627,788	
	VIS	Investee accounted for using equity method		"	628,223	9,410,696	37	8,795,129	
	SSMC	Investee accounted for using equity method		"	314	5,899,305	39	5,274,907	
	TSMC North America	Subsidiary		"	11,000	2,686,753	100	2,686,753	
	Xintec	Investee with a controlling financial interest		"	93,081	1,372,699	41	1,328,827	
	GUC	Investee with a controlling financial interest		"	46,688	960,442	36	7,096,555	
	TSMC Europe	Subsidiary		"	-	152,965	100	152,965	
	TSMC Japan	Subsidiary		"	6	136,710	100	136,710	
	TSMC Korea	Subsidiary		"	80	18,115	100	18,115	
	United Industrial Gases Co., Ltd.	-		Financial assets carried at cost	16,783	193,584	10	288,159	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-		"	10,500	105,000	7	328,546	
	W.K. Technology Fund IV	-		"	4,000	40,000	2	43,413	
	<u>Fund</u>								
	Horizon Ventures Fund	-		Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-		"	-	58,987	1	58,987	
	<u>Capital</u>								
	TSMC China	Subsidiary		Investments accounted for using equity method	-	3,606,012	100	3,607,259	
	VTAF III	Subsidiary		"	-	1,341,398	98	1,324,195	
	VTAF II	Subsidiary		"	-	1,059,820	98	1,055,364	
	Emerging Alliance	Subsidiary		"	-	319,571	99	319,571	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 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\$ 20,606	N/A	US\$ 21,412	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,239	N/A	US\$ 21,078	
	<u>Common Stocks</u>							
	TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 690,624	100	US\$ 690,624	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 68,198	49	US\$ 68,198	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	32,289	US\$ 28,133	97	US\$ 28,133	
	TSMC Technology	Subsidiary	"	1	US\$ 8,932	100	US\$ 8,932	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 7,746	97	US\$ 7,746	
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,057	100	US\$ 3,057	
Mcube Inc.	Investee accounted for using equity method	"	5,333	US\$ 800	74	US\$ 800		
	<u>Preferred stock</u>							
	Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 1,000	10	US\$ 1,000	
TSMC Development	<u>Corporate bond</u>							
	GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,363	N/A	US\$ 21,078	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,246	
	<u>Stocks</u>							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 196,675	100	US\$ 196,675	
Emerging Alliance	<u>Common stock</u>							
	RichWave Technology Corp.	-	Financial assets carried at cost	4,247	US\$ 1,648	10	US\$ 1,648	
	Global Investment Holding Inc.	-	"	10,000	US\$ 3,065	6	US\$ 3,065	
	<u>Preferred stock</u>							
	Audience, Inc.	-	Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250	
	Axiom Microdevices, Inc.	-	"	1,000	US\$ 24	1	US\$ 24	
	Mosaic Systems, Inc.	-	"	2,481	US\$ 12	6	US\$ 12	
	Next IO, Inc.	-	"	800	US\$ 500	1	US\$ 500	
	Optichron, Inc.	-	"	1,281	US\$ 1,072	2	US\$ 1,072	
	Optimal Corporation	-	"	-	US\$ 229	-	US\$ 229	
	Pixim, Inc.	-	"	4,642	US\$ 1,137	2	US\$ 1,137	
	QST Holdings, LLC	-	"	-	US\$ 131	4	US\$ 131	
	Teknovus, Inc.	-	"	6,977	US\$ 1,327	2	US\$ 1,327	
		<u>Capital</u>						
	VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7	-	
VTAF II	<u>Common stock</u>							
	Leadtrend	-	Available-for-sale financial assets	1,515	US\$ 9,204	5	US\$ 9,204	
	RichWave Technology Corp.	-	Financial assets carried at cost	1,043	US\$ 730	1	US\$ 730	
	Sentelic	-	"	1,200	US\$ 2,040	15	US\$ 2,040	
	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	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\$ 741	13	US\$ 741	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 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 II	Beceem Communications	-	Financial assets carried at cost	834	US\$ 1,701	1	US\$ 1,701		
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000		
	Next IO, Inc.	-	"	3,795	US\$ 953	2	US\$ 953		
	Optichron, Inc.	-	"	2,784	US\$ 2,664	4	US\$ 2,664		
	Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878		
	Power Analog Microelectronics	-	"	6,249	US\$ 3,185	18	US\$ 3,185		
	QST Holdings, LLC	-	"	-	US\$ 593	19	US\$ 593		
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454		
	Xceive	-	"	3,800	US\$ 1,496	2	US\$ 1,496		
		<u>Capital</u> VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
VTAF III									
		<u>Common stock</u> Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,055	51	US\$ 1,055	
		Acionn Technology Corporation	Investee accounted for using equity method	"	4,500	US\$ 730	41	US\$ 730	
		<u>Preferred stock</u> Auramicro, Inc.	-	Financial assets carried at cost	3,816	US\$ 1,145	20	US\$ 1,145	
		BridgeLux, Inc.	-	"	4,955	US\$ 6,391	4	US\$ 6,391	
		Exclara, Inc.	-	"	21,708	US\$ 4,568	18	US\$ 4,568	
		GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
		InvenSense, Inc.	-	"	816	US\$ 1,000	1	US\$ 1,000	
		LiquidLeds Lighting Corp.	-	"	1,600	US\$ 800	11	US\$ 800	
		M2000, Inc.	-	"	3,000	US\$ 3,000	5	US\$ 3,000	
		Neconix, Inc.	-	"	3,283	US\$ 4,608	6	US\$ 4,608	
		Powervation, Ltd.	-	"	310	US\$ 4,678	19	US\$ 4,678	
		Quellan, Inc.	-	"	3,106	US\$ 495	6	US\$ 495	
		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\$ 856	100	US\$ 856		
	VTA Holdings	Subsidiary	"	-	-	62	-		
Growth Fund									
		<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		
ISDF									
		<u>Common stock</u> Memic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 5,113	6	US\$ 5,113	
		Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	557	US\$ 154	2	US\$ 154	
		<u>Preferred stock</u> Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221	
		IP Unity, Inc.	-	"	1,008	US\$ 290	1	US\$ 290	
	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	September 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\$ 4,292	5	US\$ 4,292	
	Treadchip Technologies Corp.	-	"	503	US\$ 1,306	1	US\$ 1,306	
	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.	-	"	561	US\$ 210	2	US\$ 210	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u>							
	Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US\$ 3,664	18	US\$ 3,664	
	FangTek, Inc.	-	"	7,064	US\$ 3,428	16	US\$ 3,428	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 500	5	US\$ 500	
	NanoAmp Solutions, Inc.	-	"	375	US\$ 227	1	US\$ 227	
Sonics, Inc.	-	"	264	US\$ 926	3	US\$ 926		
GUC	<u>Open-end mutual funds</u>							
	Jih Sun Bond Fund	-	Available-for-sale financial assets	5,671	\$ 80,010	-	\$ 80,010	
	FSITC Taiwan Bond Fund	-	"	294	50,004	-	50,004	
	Cathay Bond Fund	-	"	1,674	20,005	-	20,005	
	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	36,870	100	36,870	
	GUC-Japan	Subsidiary	"	1	13,062	100	13,062	
GUC-Europe	Subsidiary	"	-	5,281	100	5,281		
GUC-BVI	Subsidiary	"	50	1,485	100	1,485		
Xintec	<u>Capital</u>							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Money market funds</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	225,978	US\$ 225,978	N/A	US\$ 225,978	
	<u>Government bond</u>							
	US Treasury N/B	-	Available-for-sale financial assets	25,000	US\$ 25,019	N/A	US\$ 25,019	
	United States Treas Nts	-	"	10,496	US\$ 10,595	N/A	US\$ 10,595	
	WI Treasury	-	"	107,500	US\$ 107,100	N/A	US\$ 107,100	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US\$ 15,000	N/A	US\$ 15,081	
	<u>Corporate bond</u>							
	Ab Svensk Exportkredit Swedish	-	Available-for-sale financial assets	5,000	US\$ 5,189	N/A	US\$ 5,189	
	American Exp Bk Fdic Gtd Tlgp	-	"	1,750	US\$ 1,786	N/A	US\$ 1,786	
	Bear Stearns Cos Inc.	-	"	5,000	US\$ 4,965	N/A	US\$ 4,965	
	Citibank NA	-	"	5,000	US\$ 4,997	N/A	US\$ 4,997	
	General Elec Cap Corp.	-	"	5,000	US\$ 4,817	N/A	US\$ 4,817	
	General Elec Cap Corp.	-	"	7,000	US\$ 7,002	N/A	US\$ 7,002	
	Keycorp Fdic Gtd Tlgp	-	"	5,000	US\$ 5,061	N/A	US\$ 5,061	
	Met Life Glob Funding I	-	"	500	US\$ 505	N/A	US\$ 505	
	Metropolitan Life Global Fdg I	-	"	1,750	US\$ 1,646	N/A	US\$ 1,646	
	Royal Bk of Scotland Plc	-	"	5,000	US\$ 5,071	N/A	US\$ 5,071	
	Royal Bk Scotland Grp Plc 144A	-	"	6,500	US\$ 6,597	N/A	US\$ 6,597	
	Suncorp Metway Ltd.	-	"	5,000	US\$ 5,187	N/A	US\$ 5,187	
Wachovia Corp. New	-	"	4,000	US\$ 4,238	N/A	US\$ 4,238		
Nationwide Building Society	-	Held-to-maturity financial assets	8,000	US\$ 8,000	N/A	US\$ 8,010		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 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 Global	<u>Corporate issued note</u>							
	Royal bk of scotland	-	Available-for-sale financial assets	5,000	US\$ 4,982	N/A	US\$ 4,982	
	Barclays U.S. Fdg LLC	-	"	4,500	US\$ 4,489	N/A	US\$ 4,489	
	<u>Agency bonds</u>							
	Finma Pool 852347	-	Available-for-sale financial assets	3,805	US\$ 4,033	N/A	US\$ 4,033	

(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 NINE MONTHS ENDED SEPTEMBER 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	-	\$ 1,033,473
	Taiwan Power Company	Held-to-maturity financial assets	"	-	-	4,209,629	-	203,892	-	-	-	-	-	3,384,845
	Formosa Petrochemical Corporation	"	"	-	-	3,554,908	-	457,351	-	-	-	-	-	3,179,081
	Formosa Plastic Corporation	"	"	-	-	2,385,285	-	203,994	-	-	-	-	-	1,671,881
	China Steel Corporation	"	"	-	-	1,000,000	-	514,672	-	-	-	-	-	1,513,313
	<u>Government bond</u> European Investment Bank Bonds	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	383,387	-	2,025,500	-	400,000	383,909	16,091	-	2,015,610
	<u>Capital</u> VTAF III	Investments accounted for using equity method	-	Subsidiary	-	1,305,605	-	262,922	-	-	-	-	-	1,341,398
TSMC Development	<u>Corporate bond</u> JP Morgan Chase & Co.	Held-to-maturity financial assets	JP Morgan Securitied Inc.	-	-	-	-	US\$ 15,000	-	-	-	-	-	US\$ 15,000
GUC	<u>Open-end mutual funds</u> Jih Sun Bond Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	-	-	13,475	190,000	7,804	110,075	110,000	75	5,671	80,010
	FSITC Taiwan Bond Fund	"	First Securities Investment Trust Co., Ltd.	-	-	-	794	135,000	500	85,193	85,000	193	294	50,004
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise	-	-	-	11,261	170,000	11,261	170,319	170,000	319	-	-
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	13,121	170,000	13,261	170,241	170,000	241	-	-
	Hua Nan Phoenix Bond Fund	"	Hua Nan Investment Trust Co., Ltd.	-	-	-	6,434	100,000	6,434	100,131	100,000	131	-	-
TSMC Global	<u>Money market funds</u> Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	30,435	US\$ 30,435	471,418	US\$ 471,418	275,875	US\$ 275,875	US\$ 275,875	-	225,978	US\$ 225,978
	<u>Government bond</u> US Treasury N/B	Available-for-sale financial assets	-	-	-	-	25,000	US\$ 25,014	-	-	-	-	25,000	US\$ 25,019
	WI Treasury	"	-	-	-	-	107,500	US\$ 107,100	-	-	-	-	107,500	US\$ 107,100
	Societe De Financement De Lec	Held-to-maturity financial assets	-	-	-	-	15,000	US\$ 15,000	-	-	-	-	15,000	US\$ 15,000

(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)	
TSMC Global	<u>Corporate bond</u>														
	Ab Svensk Exportkredit Swedish	Available-for-sale financial assets	-	-	-	\$ -	5,000	US\$ 5,185	-	\$ -	\$ -	\$ -	-	5,000	US\$ 5,189
	Bear Stearns Cos Inc.	"	-	-	-	-	5,000	US\$ 4,965	-	-	-	-	-	5,000	US\$ 4,965
	Chase Manhattan Corp. New	"	-	-	3,250	US\$ 3,353	-	US\$ -	3,250	US\$ 3,380	US\$ 3,480	US\$ (100)	-	US\$ -	
	Citibank NA	"	-	-	-	-	5,000	US\$ 4,995	-	-	-	-	-	5,000	US\$ 4,997
	Deutsche Bank Ag London	"	-	-	2,995	US\$ 3,013	-	-	2,995	US\$ 3,021	US\$ 3,041	US\$ (20)	-	-	
	General Elec Cap Corp.	"	-	-	-	-	5,000	US\$ 4,834	-	-	-	-	-	5,000	US\$ 4,817
	General Elec Cap Corp.	"	-	-	-	-	7,000	US\$ 7,002	-	-	-	-	-	7,000	US\$ 7,002
	Keycorp Fdic Gtd Tlgp	"	-	-	-	-	5,000	US\$ 5,061	-	-	-	-	-	5,000	US\$ 5,061
	Morgan Stanley	"	-	-	4,855	US\$ 4,552	-	-	4,855	US\$ 4,751	US\$ 4,768	US\$ (17)	-	-	
	Royal Bk of Scotland Plc	"	-	-	-	-	5,000	US\$ 5,106	-	-	-	-	-	5,000	US\$ 5,071
	Royal Bk Scotland Grp Plc 144A	"	-	-	-	-	6,500	US\$ 6,597	-	-	-	-	-	6,500	US\$ 6,597
	Suncorp Metway Ltd.	"	-	-	-	-	5,000	US\$ 5,192	-	-	-	-	-	5,000	US\$ 5,187
	Wachovia Corp. New	"	-	-	-	-	4,000	US\$ 4,239	-	-	-	-	-	4,000	US\$ 4,238
	Wachovia Corp. New	"	-	-	3,130	US\$ 3,135	-	-	3,130	US\$ 3,195	US\$ 3,100	US\$ 95	-	-	
	Wells Fargo + Co. New Med Trm	"	-	-	4,500	US\$ 4,493	-	-	4,500	US\$ 4,524	US\$ 4,282	US\$ 242	-	-	
	Nationwide Building Society	Held-to-maturity financial assets	-	-	-	-	8,000	US\$ 8,000	-	-	-	-	-	8,000	US\$ 8,000
	<u>Corporate issued note</u>														
	Royal bk of scotland	Available-for-sale financial assets	-	-	-	-	5,000	US\$ 4,982	-	-	-	-	-	5,000	US\$ 4,982
	Barclays U.S. Fdg LLC	"	-	-	-	-	4,500	US\$ 4,489	-	-	-	-	-	4,500	US\$ 4,489
	<u>Agency bonds</u>														
	Fed Hm Ln Pc Pool 1g1282	Available-for-sale financial assets	-	-	3,215	US\$ 3,285	-	-	3,179	US\$ 3,281	US\$ 3,171	US\$ 110	36	-	
	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 852347	"	-	-	-	-	3,805	US\$ 4,038	-	-	-	-	-	3,805	US\$ 4,033
	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)	-	-	

(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)	
	Corporate issued asset-backed securities														
	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	-	-	3,172	US\$ 3,106	US\$ 3,114	US\$ (8)	42	-	

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 NINE MONTHS ENDED SEPTEMBER 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	\$ 111,683,024	54	Net 30 days after invoice date	-	-	\$ 22,009,288	51	
		Investee with a controlling financial interest	Sales	1,497,213	1	Net 30 days after monthly closing	-	-	455,417	1	
	VIS	Investee accounted for using equity method	Sales	107,316	-	Net 30 days after monthly closing	-	-	-	-	
	WaferTech	Indirect subsidiary	Purchases	3,872,117	18	Net 30 days after monthly closing	-	-	(605,006)	6	
	TSMC China	Subsidiary	Purchases	2,611,248	12	Net 30 days after monthly closing	-	-	(456,026)	4	
	SSMC	Investee accounted for using equity method	Purchases	2,530,044	11	Net 30 days after monthly closing	-	-	(273,184)	3	
	VIS	Investee accounted for using equity method	Purchases	2,433,937	11	Net 30 days after monthly closing	-	-	(759,737)	7	
GUC	TSMC North America	Same parent company	Purchases	701,967	29	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(97,319)	10	

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

SEPTEMBER 30, 2009

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
TSMC	TSMC North America GUC	Subsidiary	\$ 22,023,139	41	\$ 7,315,356	-	\$ 8,350,804	\$ -
		Investee with a controlling financial interest	455,417	61		-		169,404
	VIS	Investee accounted for using equity method	141,358	(Note 2)	22,012	Accelerate demand on accounts receivable	216	-
	TSMC China	Subsidiary	119,544	(Note 2)	-	-	-	-

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

SEPTEMBER 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 September 30, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				September 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	\$ 45,492,790	\$ 318,351	\$ 318,351	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	32,627,788	(186,169)	(186,169)	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	9,410,696	1,893	(300,883)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	5,899,305	723,310	132,823	Investee accounted for using equity method
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	3,606,012	(2,613,274)	(2,614,520)	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	2,686,753	310,014	310,014	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,372,699	(254,952)	(123,929)	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,703,163	1,440,241	-	98	1,341,398	(203,330)	(199,264)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,036,422	1,036,422	-	98	1,059,820	(174,693)	(171,199)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	36	960,442	343,568	121,958	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	966,596	986,797	-	99	319,571	(88,558)	(88,115)	Subsidiary (Note 3)
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	152,965	25,714	25,714	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	136,710	926	926	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	18,115	2,136	2,136	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 690,624	US\$ 529	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\$ 68,198	US\$ (4,501)	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\$ 28,133	US\$ 3,020	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 8,932	US\$ 524	Note 2	Subsidiary (Note 3)
	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$ 7,746	US\$ (1,181)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,057	US\$ 155	Note 2	Subsidiary (Note 3)
	Mcube Inc.(Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	-	5,333	74	US\$ 800	-	Note 2	Investee accounted for using equity method
Mcube Inc.(Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	-	1,000	10	US\$ 1,000	-	Note 2	Investee accounted for using equity method	
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 380,000	US\$ 380,000	293,637	100	US\$ 196,675	US\$ (7,882)	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\$ 120,401	US\$ (5,099)	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				September 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\$ 1,055	US\$ (689)	Note 2	Subsidiary (Note 3)
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 1,777	US\$ 1,777	4,500	41	US\$ 730	US\$ (836)	Note 2	Investee accounted for using equity method (Note 3)
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	US\$ 1,550	US\$ 700	-	100	US\$ 856	US\$ (94)	Note 2	Subsidiary (Note 3)
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	36,870	3,632	Note 2	Subsidiary (Note 3)
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	13,062	1,353	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50	-	100	5,281	318	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US\$ 50	-	50	100	1,485	(127)	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary (Note 3)

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

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2009 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of September 30, 2009	Accumulated Inward Remittance of Earnings as of September 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%	\$(2,614,520)	\$3,606,012	\$ -

Accumulated Investment in Mainland China as of September 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 reviewed financial statements.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

A. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

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

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

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

(Continued)

B. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 156,727,226	-	57%
				Receivables from related parties	26,903,610	-	5%
				Other receivables from related parties	18,985	-	-
				Payables to related parties	4,731	-	-
		TSMC China	1	Sales	72,013	-	-
				Purchases	3,882,384	-	1%
				Gain on disposal of property, plant and equipment	150,959	-	-
				Technical service income	82,802	-	-
				Other receivables from related parties	115,766	-	-
				Payables to related parties	370,154	-	-
		TSMC Japan	1	Marketing expenses - commission	195,344	-	-
				Payables to related parties	34,809	-	-
		TSMC Europe	1	Marketing expenses - commission	299,045	-	-
				Payables to related parties	46,406	-	-
		TSMC Korea	1	Marketing expenses - commission	13,522	-	-
				Other receivables from related parties	3,206	-	-
				Payables to related parties	2,404	-	-
		GUC	1	Sales	1,167,490	-	-
				Research and development expenses	12,325	-	-
				Receivables from related parties	352,213	-	-
TSMC Technology	1	Research and development expenses	263,287	-	-		
		Payables to related parties	64,799	-	-		
WaferTech	1	Sales	11,674	-	-		
		Purchases	6,776,756	-	2%		
		Other receivables from related parties	25,958	-	-		
		Payables to related parties	800,324	-	-		
TSMC Canada	1	Research and development expenses	138,515	-	-		
1	TSMC Partners	TSMC International	3	Other receivables from related parties	7,968,240	-	1%
				Deferred revenue	7,968,240	-	1%
2	GUC	TSMC North America	3	Purchases	1,408,376	-	1%
				Manufacturing overhead	253,726	-	-
				Operating expenses	1,458	-	-
		GUC-NA	3	Payables to related parties	199,333	-	-
				Operating expenses	74,002	-	-
		GUC-Japan	3	Accrued expenses	11,556	-	-
Operating expenses	20,008			-	-		
GUC-Europe	3	Accrued expenses	3,580	-	-		
		Operating expenses	1,954	-	-		

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

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

(Concluded)