

**Taiwan Semiconductor Manufacturing
Company Limited**

**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 balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of September 30, 2009 and 2008, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these 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 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 financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

We have also reviewed, in accordance with Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the nine months ended September 30, 2009 and 2008, and have issued thereon an unqualified review report with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standard, Accounting for Inventories, and the adoption of Interpretation 2007-052, respectively.

October 9, 2009

Notice to Readers

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

Taiwan Semiconductor Manufacturing Company Limited

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)	\$ 102,286,286	20	\$ 71,356,901	13	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	\$ -	-	\$ 314,630	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	367,461	-	12,970	-	Accounts payable	8,297,913	1	6,948,805	1
Available-for-sale financial assets (Notes 2, 6 and 23)	-	-	16,936,633	3	Payables to related parties (Note 24)	2,294,155	-	2,573,875	1
Held-to-maturity financial assets (Notes 2, 7 and 23)	8,374,389	2	5,063,096	1	Income tax payable (Notes 2 and 17)	5,726,656	1	9,071,046	2
Receivables from related parties (Note 24)	22,464,807	4	27,255,916	5	Bonuses payable to employees and directors (Notes 2, 3 and 19)	8,618,411	2	13,265,568	3
Notes and accounts receivable	20,825,053	4	22,662,860	4	Payables to contractors and equipment suppliers	15,520,005	3	7,390,905	1
Allowance for doubtful receivables (Notes 2 and 8)	(436,000)	-	(686,143)	-	Accrued expenses and other current liabilities (Note 15)	8,675,196	2	11,153,920	2
Allowance for sales returns and others (Notes 2 and 8)	(8,874,199)	(2)	(5,339,469)	(1)	Current portion of bonds payable (Note 14)	-	-	8,000,000	1
Other receivables from related parties (Note 24)	321,499	-	315,293	-					
Other financial assets (Note 25)	903,842	-	564,972	-	Total current liabilities	49,132,336	9	58,718,749	11
Inventories (Notes 2, 3 and 9)	17,194,184	3	19,429,551	4					
Deferred income tax assets (Notes 2 and 17)	4,287,040	1	2,915,006	1	LONG-TERM LIABILITIES				
Prepaid expenses and other current assets	613,580	-	1,208,644	-	Bonds payable (Note 14)	4,500,000	1	4,500,000	1
					Other long-term payables (Note 15)	579,600	-	1,071,214	-
Total current assets	168,327,942	32	161,696,230	30					
					Total long-term liabilities	5,079,600	1	5,571,214	1
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)									
Investments accounted for using equity method	105,085,064	20	109,129,339	21	OTHER LIABILITIES				
Available-for-sale financial assets	1,033,473	-	4,003,970	1	Accrued pension cost (Notes 2 and 16)	3,786,616	1	3,695,766	1
Held-to-maturity financial assets	13,278,683	3	11,416,050	2	Guarantee deposits (Note 27)	1,104,704	-	1,618,686	-
Financial assets carried at cost	501,563	-	748,263	-	Deferred credits (Notes 2 and 24)	71,809	-	582,206	-
Total long-term investments	119,898,783	23	125,297,622	24	Total other liabilities	4,963,129	1	5,896,658	1
					Total liabilities	59,175,065	11	70,186,621	13
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)									
Cost					CAPITAL STOCK - NT\$10 PAR VALUE (Notes 19 and 21)				
Buildings	123,783,029	24	113,146,254	21	Authorized: 28,050,000 thousand shares				
Machinery and equipment	674,274,132	129	632,130,632	119	Issued: 25,900,662 thousand shares in 2009				
Office equipment	10,337,123	2	9,597,292	2	25,904,166 thousand shares in 2008	259,006,623	50	259,041,660	49
	808,394,284	155	754,874,178	142					
Accumulated depreciation	(610,117,838)	(117)	(538,829,638)	(101)	CAPITAL SURPLUS (Notes 2 and 19)	55,439,919	10	50,463,438	9
Advance payments and construction in progress	18,320,302	4	10,960,925	2					
					RETAINED EARNINGS (Note 19)				
Net property, plant and equipment	216,596,748	42	227,005,465	43	Appropriated as legal capital reserve	77,317,710	15	67,324,393	13
					Appropriated as special capital reserve	-	-	391,857	-
INTANGIBLE ASSETS					Unappropriated earnings	71,898,923	14	103,062,463	19
Goodwill (Note 2)	1,567,756	-	1,567,756	-		149,216,633	29	170,778,713	32
Deferred charges, net (Notes 2 and 13)	5,453,680	1	6,466,929	1					
					OTHERS (Notes 2, 21 and 23)				
Total intangible assets	7,021,436	1	8,034,685	1	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 17)	6,973,800	1	7,504,585	1		(777,877)	-	(18,208,058)	(3)
Refundable deposits	2,754,296	1	2,666,676	1	Total shareholders' equity	462,885,298	89	462,075,753	87
Others (Note 2)	487,358	-	57,111	-					
					TOTAL	\$ 522,060,363	100	\$ 532,262,374	100
Total other assets	10,215,454	2	10,228,372	2					
TOTAL	\$ 522,060,363	100	\$ 532,262,374	100					

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

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

Taiwan Semiconductor Manufacturing Company Limited

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 24)	\$ 206,462,258		\$ 266,527,657	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>9,715,735</u>		<u>5,586,784</u>	
NET SALES	196,746,523	100	260,940,873	100
COST OF SALES (Notes 3, 9, 18 and 24)	<u>113,516,518</u>	<u>58</u>	<u>142,456,953</u>	<u>55</u>
GROSS PROFIT	83,230,005	42	118,483,920	45
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>128,152</u>	<u>-</u>	<u>164,705</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>83,101,853</u>	<u>42</u>	<u>118,319,215</u>	<u>45</u>
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	13,686,108	7	15,359,634	5
General and administrative	7,246,047	3	7,829,752	3
Marketing	<u>1,427,041</u>	<u>1</u>	<u>1,845,955</u>	<u>1</u>
Total operating expenses	<u>22,359,196</u>	<u>11</u>	<u>25,035,341</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>60,742,657</u>	<u>31</u>	<u>93,283,874</u>	<u>36</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	938,369	1	2,084,519	1
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	576,910	-	-	-
Settlement income (Note 27)	494,070	-	456,195	-
Technical service income (Notes 24 and 27)	279,644	-	521,366	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 23)	53,364	-	396,865	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	-	-	1,306,897	1
Foreign exchange gain, net (Note 2)	-	-	146,196	-
Others (Notes 2 and 24)	<u>355,793</u>	<u>-</u>	<u>651,716</u>	<u>-</u>
Total non-operating income and gains	<u>2,698,150</u>	<u>1</u>	<u>5,563,754</u>	<u>2</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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)

	<u>2009</u>		<u>2008</u>	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
Equity in losses of equity method investees, net (Notes 2 and 10)	\$ 2,772,157	1	\$ -	-
Foreign exchange loss, net (Note 2)	611,098	-	-	-
Interest expense	108,276	-	266,250	-
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	-	-	299,565	-
Loss on idle assets (Note 2)	-	-	210,477	-
Provision for litigation loss	-	-	99,126	-
Others (Note 2)	102,553	-	89,369	-
Total non-operating expenses and losses	<u>3,594,084</u>	<u>1</u>	<u>964,787</u>	<u>-</u>
INCOME BEFORE INCOME TAX	59,846,723	31	97,882,841	38
INCOME TAX EXPENSE (Notes 2 and 17)	<u>3,294,936</u>	<u>2</u>	<u>10,395,449</u>	<u>4</u>
NET INCOME	<u>\$ 56,551,787</u>	<u>29</u>	<u>\$ 87,487,392</u>	<u>34</u>
	<u>2009</u>		<u>2008</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	<u>\$ 2.32</u>	<u>\$ 2.19</u>	<u>\$ 3.74</u>	<u>\$ 3.35</u>
Diluted earnings per share	<u>\$ 2.30</u>	<u>\$ 2.18</u>	<u>\$ 3.72</u>	<u>\$ 3.33</u>

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as available-for-sale financial assets instead of treasury stock for the nine months ended September 30, 2008 (Notes 2 and 21):

	<u>2008</u>
NET INCOME	<u>\$ 87,589,671</u>
EARNINGS PER SHARE (NT\$)	
Basic earnings per share	<u>\$ 3.35</u>
Diluted earnings per share	<u>\$ 3.33</u>

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

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	\$ 56,551,787	\$ 87,487,392
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,547,956	55,280,082
Unrealized gross profit from affiliates	128,152	164,705
Amortization of premium/discount of financial assets	(6,248)	(75,112)
Gain on disposal of available-for-sale financial assets, net	(37,370)	(397,535)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Loss on disposal of financial assets carried at cost	97	670
Equity in losses (earnings) of equity method investees, net	2,772,157	(1,306,897)
Dividends received from equity method investees	1,402,592	1,804,351
Gain on disposal of property, plant and equipment and other assets, net	(77,173)	(236,265)
Loss on idle assets	-	210,477
Deferred income tax	(1,112,168)	2,090,342
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(408,619)	96,097
Receivables from related parties	(10,736,603)	(554,268)
Notes and accounts receivable	(9,383,877)	(4,751,532)
Allowance for doubtful receivables	(746)	(2,829)
Allowance for sales returns and others	3,005,617	1,482,784
Other receivables from related parties	160,152	218,106
Other financial assets	(192,087)	(233,274)
Inventories	(4,386,248)	1,557,591
Prepaid expenses and other current assets	578,895	(346,833)
Increase (decrease) in:		
Accounts payable	4,306,139	(2,537,013)
Payables to related parties	1,091,805	(425,755)
Income tax payable	(3,496,155)	(1,917,918)
Bonuses payable to employees and directors	965,342	13,265,568
Accrued expenses and other current liabilities	641,917	31,466
Accrued pension cost	76,607	38,087
Deferred credits	(206,551)	(71,809)
Net cash provided by operating activities	<u>97,169,279</u>	<u>150,870,678</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(44,452,382)	(45,995,935)
Available-for-sale financial assets	-	(21,697,000)
Held-to-maturity financial assets	(9,405,409)	(5,989,999)
Investments accounted for using equity method	(262,922)	(380,569)
Financial assets carried at cost	(986)	(1,884)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited

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
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 1,037,370	\$ 24,638,222
Held-to-maturity financial assets	5,418,000	9,773,000
Financial assets carried at cost	18,828	1,111
Property, plant and equipment and other assets	68,579	2,033,745
Proceeds from return of capital by investees	20,201	2,460,122
Cash from merger of subsidiaries	-	270,650
Increase in deferred charges	(438,308)	(2,243,684)
Decrease (increase) in refundable deposits	<u>(34,559)</u>	<u>74,862</u>
Net cash used in investing activities	<u>(48,031,588)</u>	<u>(37,057,359)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(374,448)	(621,991)
Proceeds from exercise of employee stock options	190,995	222,552
Cash dividends	(76,876,312)	(76,881,311)
Cash bonus paid to employees	-	(3,939,883)
Bonus to directors	-	(176,890)
Repurchase of treasury stock	<u>-</u>	<u>(33,480,997)</u>
Net cash used in financing activities	<u>(85,059,765)</u>	<u>(114,878,520)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,922,074)	(1,065,201)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>138,208,360</u>	<u>72,422,102</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 102,286,286</u>	<u>\$ 71,356,901</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 351,803</u>	<u>\$ 355,000</u>
Income tax paid	<u>\$ 7,770,195</u>	<u>\$ 10,228,005</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant, and equipment	\$ 52,075,005	\$ 47,997,100
Increase in payables to contractors and equipment suppliers	<u>(7,622,623)</u>	<u>(2,001,165)</u>
Cash paid	<u>\$ 44,452,382</u>	<u>\$ 45,995,935</u>
Disposal of property, plant and equipment and other assets	\$ 60,488	\$ 2,041,836
Decrease (increase) in other receivables from related parties	<u>8,091</u>	<u>(8,091)</u>
Cash received	<u>\$ 68,579</u>	<u>\$ 2,033,745</u>

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Taiwan Semiconductor Manufacturing Company Limited

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
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 other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 775,567</u>	<u>\$ 1,901,323</u>

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

NOTES TO 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 (the “Company” or “TSMC”), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. The Company 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, the Company had 20,566 and 20,702 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the convenience of readers, the accompanying 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 financial statements shall prevail.

Significant accounting policies are summarized as follows:

Use of Estimates

The preparation of financial statements in conformity with the aforementioned guidelines, law 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 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 are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives 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 estimated 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

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.

The fair value of structured time deposits is estimated using valuation techniques. Fair value of open-end mutual funds is determined using the net assets value at the end of the period. For debt securities, fair value is determined using the average of bid and asked prices at the end of the period.

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 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. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until such gains or losses are realized through subsequent sales of the related products to third parties. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are realized through transactions with third parties. Gains or losses on sales between equity method investees over each of which the Company has control are deferred in proportion to the Company's weighted-average ownership percentage in the investee which records gains or losses. In transactions between equity method investees over either or both of which the Company has no control, gains or losses on sales are deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are recorded until they 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.

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.

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. 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: buildings - 10 to 20 years; machinery and equipment - 5 years; and office equipment - 3 to 5 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 - 3 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 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 at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

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

Bonuses to Employees and Directors

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," which requires companies to record bonuses paid to employees and directors 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 the Company 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.

The Company'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 the Company 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.

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 changes in accounting principle did not have significant effect on the Company's financial statements 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\$11,055,454 thousand and NT\$0.42, 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 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 banks	\$ 91,703,367	\$ 64,366,513
Repurchase agreements collateralized by government bonds	<u>10,582,919</u>	<u>6,990,388</u>
	<u>\$ 102,286,286</u>	<u>\$ 71,356,901</u>

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

	<u>September 30</u>	
	2009	2008
<u>Trading - financial assets</u>		
Forward exchange contracts	\$ -	\$ 12,970
Cross currency swap contracts	<u>367,461</u>	<u>-</u>
	<u>\$ 367,461</u>	<u>\$ 12,970</u>
<u>Trading - financial liabilities</u>		
Forward exchange contracts	\$ -	\$ 136,050
Cross currency swap contracts	<u>-</u>	<u>178,580</u>
	<u>\$ -</u>	<u>\$ 314,630</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.

As of September 30, 2009, no forward exchange contracts was outstanding. As of September 30, 2008, outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (in Thousands)
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\$565,000/NT\$18,054,010

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\$576,910 thousand and a net loss of NT\$299,565 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Corporate bonds	\$ 1,033,473	\$ 2,790,337
Open-end mutual funds	-	14,146,296
Structured time deposits	-	<u>4,003,970</u>
	<u>1,033,473</u>	<u>20,940,603</u>
Current portion	-	<u>(16,936,633)</u>
	<u>\$ 1,033,473</u>	<u>\$ 4,003,970</u>

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	<u>\$ 4,000,000</u>	<u>\$ 4,003,970</u>	2.71%-2.80%	September 2011

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Corporate bonds	\$ 12,748,902	\$ 10,778,406
Structured time deposits	6,000,000	3,500,000
Government bonds	<u>2,904,170</u>	<u>2,200,740</u>
	<u>21,653,072</u>	<u>16,479,146</u>
Current portion	<u>(8,374,389)</u>	<u>(5,063,096)</u>
	<u>\$ 13,278,683</u>	<u>\$ 11,416,050</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 domestic deposits	<u>\$ 6,000,000</u>	<u>\$ 3,404</u>	0.67%-0.95%	March 2011 to August 2011
<u>September 30, 2008</u>				
Callable domestic deposits	<u>\$ 3,500,000</u>	<u>\$ 12,287</u>	1.83%-2.90%	October 2008 to September 2011

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	\$ 436,746	\$ 688,972
Provision	243,061	-
Write-off	<u>(243,807)</u>	<u>(2,829)</u>
Balance, end of period	<u>\$ 436,000</u>	<u>\$ 686,143</u>

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

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	\$ 5,868,582	\$ 3,856,685
Provision	9,715,735	5,586,784
Write-off	<u>(6,710,118)</u>	<u>(4,104,000)</u>
Balance, end of period	<u>\$ 8,874,199</u>	<u>\$ 5,339,469</u>

9. INVENTORIES

	September 30	
	2009	2008
Finished goods	\$ 2,013,527	\$ 4,054,388
Work in process	13,654,961	13,966,641
Raw materials	907,655	863,378
Supplies and spare parts	<u>618,041</u>	<u>545,144</u>
	<u>\$ 17,194,184</u>	<u>\$ 19,429,551</u>

Write-down of inventories to net realizable value in the amount of NT\$313,175 thousand and NT\$448,520 thousand, respectively, were included in the cost of sales for sales for the nine months ended September 30, 2009 and 2008.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2009		2008	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
TSMC Global Ltd. (TSMC Global)	\$ 45,492,790	100	\$ 44,368,847	100
TSMC Partners, Ltd. (TSMC Partners)	32,627,788	100	3,667,050	100
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
TSMC China Company Limited (TSMC China)	3,606,012	100	7,308,098	100
TSMC North America	2,686,753	100	2,390,713	100
Xintec Inc. (Xintec)	1,372,699	41	1,445,512	42
VentureTech Alliance Fund III, L.P. (VTAF III)	1,341,398	98	1,208,584	98
VentureTech Alliance Fund II, L.P. (VTAF II)	1,059,820	98	1,016,435	98
Global UniChip Corporation (GUC)	960,442	36	891,783	36
Emerging Alliance Fund, L.P. (Emerging Alliance)	319,571	99	418,709	99
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	152,965	100	116,122	100
TSMC Japan Limited (TSMC Japan)	136,710	100	116,484	100
TSMC Korea Limited (TSMC Korea)	18,115	100	14,940	100
TSMC International Investment Ltd. (TSMC International)	-	-	<u>29,252,586</u>	100
	<u>\$ 105,085,064</u>		<u>\$ 109,129,339</u>	

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

For the nine months ended September 30, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$2,772,157 thousand and a net gain of NT\$1,306,897 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except those of Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea for the nine months ended September 30, 2009. The Company believes that, had Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea'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 value of publicly traded stocks in investments accounted for using equity method (VIS and GUC) was NT\$15,891,684 thousand and NT\$15,446,393 thousand, respectively.

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

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	\$ 2,053,253	\$ 2,677,388
Amortization	<u>(468,101)</u>	<u>(468,101)</u>
Balance, end of period	<u>\$ 1,585,152</u>	<u>\$ 2,209,287</u>

Movements of the aforementioned difference allocated to goodwill were as follows:

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	\$ 1,061,885	\$ 987,349
From merger of subsidiaries	<u>-</u>	<u>74,536</u>
Balance, end of period	<u>\$ 1,061,885</u>	<u>\$ 1,061,885</u>

11. FINANCIAL ASSETS CARRIED AT COST

	September 30	
	2009	2008
Non-publicly traded stocks	\$ 338,584	\$ 364,913
Mutual Funds	<u>162,979</u>	<u>383,350</u>
	<u>\$ 501,563</u>	<u>\$ 748,263</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Nine Months Ended September 30, 2009				
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Balance, End of Period
Cost					
Buildings	\$ 114,014,588	\$ 9,778,198	\$ (9,823)	\$ 66	\$ 123,783,029
Machinery and equipment	635,008,261	40,995,876	(1,732,570)	2,565	674,274,132
Office equipment	<u>9,748,869</u>	<u>738,667</u>	<u>(150,347)</u>	<u>(66)</u>	<u>10,337,123</u>
	<u>758,771,718</u>	<u>\$ 51,512,741</u>	<u>\$ (1,892,740)</u>	<u>\$ 2,565</u>	<u>808,394,284</u>
Accumulated depreciation					
Buildings	65,351,514	\$ 6,067,051	\$ (9,823)	\$ 66	71,408,808
Machinery and equipment	484,046,160	47,404,997	(1,129,563)	2,565	530,324,159
Office equipment	<u>7,849,580</u>	<u>685,519</u>	<u>(150,162)</u>	<u>(66)</u>	<u>8,384,871</u>
	<u>557,247,254</u>	<u>\$ 54,157,567</u>	<u>\$ (1,289,548)</u>	<u>\$ 2,565</u>	<u>610,117,838</u>
Advance payments and construction in progress	<u>17,758,038</u>	<u>\$ 562,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,320,302</u>
	<u>\$ 219,282,502</u>				<u>\$ 216,596,748</u>

Nine Months Ended September 30, 2008

	Balance, Beginning of Period	Additions (Deductions)	Disposals	Reclassification	Balance, End of Period
Cost					
Buildings	\$ 101,907,892	\$ 11,247,197	\$ (8,524)	\$ (311)	\$ 113,146,254
Machinery and equipment	589,131,625	46,276,182	(3,143,000)	(134,175)	632,130,632
Office equipment	9,167,107	595,749	(165,621)	57	9,597,292
	<u>700,206,624</u>	<u>\$ 58,119,128</u>	<u>\$ (3,317,145)</u>	<u>\$ (134,429)</u>	<u>754,874,178</u>
Accumulated depreciation					
Buildings	57,349,828	\$ 5,901,060	\$ (8,524)	\$ (4)	63,242,360
Machinery and equipment	422,278,071	46,820,532	(1,025,129)	(119,347)	467,954,127
Office equipment	7,097,120	701,627	(165,622)	26	7,633,151
	<u>486,725,019</u>	<u>\$ 53,423,219</u>	<u>\$ (1,199,275)</u>	<u>\$ (119,325)</u>	<u>538,829,638</u>
Advance payments and construction in progress	21,082,953	\$ (10,122,028)	-	-	10,960,925
	<u>\$ 234,564,558</u>				<u>\$ 227,005,465</u>

No interest was capitalized during the nine months ended September 30, 2009 and 2008.

13. DEFERRED CHARGES, NET

Nine Months Ended September 30, 2009

	Balance, Beginning of Period	Additions	Amortization	Disposals	Reclassification	Balance, End of Period
Technology license fees	\$ 3,786,251	\$ -	\$ (614,959)	\$ -	\$ -	\$ 3,171,292
Software and system design costs	1,559,857	438,308	(569,672)	-	-	1,428,493
Patent and others	1,055,353	-	(201,458)	-	-	853,895
	<u>\$ 6,401,461</u>	<u>\$ 438,308</u>	<u>\$ (1,386,089)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,453,680</u>

Nine Months Ended September 30, 2008

	Balance, Beginning of Period	Additions	Amortization	Disposals	Reclassification	Balance, End of Period
Technology license fees	\$ 5,349,937	\$ -	\$ (1,172,765)	\$ -	\$ -	\$ 4,177,172
Software and system design costs	1,309,272	670,031	(509,931)	(14,279)	59	1,455,152
Patent and others	513,204	454,125	(132,724)	-	-	834,605
	<u>\$ 7,172,413</u>	<u>\$ 1,124,156</u>	<u>\$ (1,815,420)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ 6,466,929</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. OTHER LONG-TERM PAYABLES

Most of the Company's long-term payables resulted from license agreements 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 (4th quarter)	\$ 442,619
2010	493,948
2011	<u>418,600</u>
	1,355,167
Current portion (classified under accrued expenses and other current liabilities)	<u>(775,567)</u>
	<u>\$ 579,600</u>

16. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts and recognized pension costs of NT\$441,429 thousand and NT\$495,468 thousand for the nine months ended September 30, 2009 and 2008, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. The Company recognized pension costs of NT\$216,482 thousand and NT\$201,741 thousand for the nine months ended September 30, 2009 and 2008, respectively.

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

	Nine Months Ended	
	September 30	
	2009	2008
The Fund		
Balance, beginning of period	\$ 2,389,519	\$ 2,145,010
Contributions	143,540	157,390
Interest	52,445	71,236
Payments	<u>(37,801)</u>	<u>(28,990)</u>
Balance, end of period	<u>\$ 2,547,703</u>	<u>\$ 2,344,646</u>
Accrued pension cost		
Balance, beginning of period	\$ 3,710,009	\$ 3,657,679
Accruals	<u>76,607</u>	<u>38,087</u>
Balance, end of period	<u>\$ 3,786,616</u>	<u>\$ 3,695,766</u>

17. INCOME TAX

- a. A reconciliation of income tax expense based on “income before income tax” at statutory rate 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 rate (25%)	\$ 14,961,671	\$ 24,470,700
Tax effect of the following:		
Tax-exempt income	(6,678,202)	(7,412,660)
Temporary and permanent differences	2,854,793	778,663
Others	69,174	41,235
Income tax credits used	<u>(5,603,718)</u>	<u>(8,938,969)</u>
Income tax currently payable	<u>\$ 5,603,718</u>	<u>\$ 8,938,969</u>

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 5,603,718	\$ 8,938,969
Income tax adjustments on prior years	(1,155,113)	(707,255)
Other income tax adjustments	(41,501)	73,393
Net change in deferred income tax assets		
Investment tax credits	(3,159,546)	3,227,924
Temporary differences	143,079	(326,907)
Valuation allowance	<u>1,904,299</u>	<u>(810,675)</u>
Income tax expense	<u>\$ 3,294,936</u>	<u>\$ 10,395,449</u>

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

	September 30	
	2009	2008
Current deferred income tax assets		
Investment tax credits	\$ 3,442,000	\$ 2,915,006
Temporary differences	<u>845,040</u>	<u>-</u>
	<u>\$ 4,287,040</u>	<u>\$ 2,915,006</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 13,329,764	\$ 8,693,825
Temporary differences	1,947,981	1,470,218
Valuation allowance	<u>(8,303,945)</u>	<u>(2,659,458)</u>
	<u>\$ 6,973,800</u>	<u>\$ 7,504,585</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. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and adjusted the resulting difference as an income tax benefit and expense.

d. Integrated income tax information:

The balance of the imputation credit account 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 earnings of 2008 and 2007 was 9.10% and 9.83%, respectively.

The imputation credit allocated to 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 earnings generated prior to December 31, 1997 have been appropriated.

f. As of September 30, 2009, investment tax credits consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 500,000	\$ 500,000	2009
		1,216,551	-	2010
		4,592,615	2,892,378	2011
		3,142,459	3,142,459	2012
		<u>2,049,992</u>	<u>2,049,992</u>	2013
		<u>\$ 11,501,617</u>	<u>\$ 8,584,829</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,663,784	\$ -	2010
		2,687,841	2,687,841	2011
		2,688,201	2,688,201	2012
		<u>2,580,384</u>	<u>2,580,384</u>	2013
				<u>\$ 10,620,210</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 23,146	\$ -	2010
		36,568	36,568	2011
		<u>27,036</u>	<u>27,036</u>	2012
				<u>\$ 86,750</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>

g. The profits generated from the following projects are exempt from income tax for a five-year period:

	Tax-exemption Period
Construction of Fab 14 - Module A	2006 to 2010
Construction of Fab 12 - Module B and expansion of Fab 14 - Module A	2007 to 2011
Construction of Fab 14 - Module B and expansion of Fab 12 and others	2008 to 2012

h. The tax authorities have examined income tax returns of the Company through 2006. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

18. LABOR COST, DEPRECIATION AND AMORTIZATION

	<u>Nine Months Ended September 30, 2009</u>		
	Classified as	Classified as	
	Cost of Sales	Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 11,010,069	\$ 8,299,658	\$ 19,309,727
Labor and health insurance	458,611	278,310	736,921
Pension	409,387	248,524	657,911
Meal	305,276	132,322	437,598
Welfare	107,465	67,310	174,775
Others	<u>79,471</u>	<u>14,697</u>	<u>94,168</u>
	<u>\$ 12,370,279</u>	<u>\$ 9,040,821</u>	<u>\$ 21,411,100</u>
Depreciation	<u>\$ 51,354,934</u>	<u>\$ 2,790,434</u>	<u>\$ 54,145,368</u>
Amortization	<u>\$ 897,733</u>	<u>\$ 488,356</u>	<u>\$ 1,386,089</u>
	<u>Nine Months Ended September 30, 2008</u>		
	Classified as	Classified as	
	Cost of Sales	Operating Expenses	Total
Labor cost			
Salary and bonus	\$ 14,026,566	\$ 10,006,675	\$ 24,033,241
Labor and health insurance	506,692	285,693	792,385
Pension	445,831	251,378	697,209
Meal	332,621	134,159	466,780
Welfare	141,981	83,180	225,161
Others	<u>140,675</u>	<u>11,378</u>	<u>152,053</u>
	<u>\$ 15,594,366</u>	<u>\$ 10,772,463</u>	<u>\$ 26,366,829</u>
Depreciation	<u>\$ 50,585,293</u>	<u>\$ 2,825,532</u>	<u>\$ 53,410,825</u>
Amortization	<u>\$ 1,332,761</u>	<u>\$ 482,659</u>	<u>\$ 1,815,420</u>

19. SHAREHOLDERS' EQUITY

As of September 30, 2009, 1,097,513 thousand ADSs of the Company 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 the Company's paid-in capital. In addition, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus consisted of the following:

	<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>

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company 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 the Company'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 the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company 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.

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

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

The Company 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.

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

The appropriation for legal capital reserve shall be made until the reserve equals the Company'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 the Company has no unappropriated earnings and the reserve balance has exceeded 50% of the Company's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of the Company'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 shareholders' meetings held on June 10, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

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

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 the Company'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.

The 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 the Company on earnings generated since January 1, 1998.

20. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans, consisting of the 2004 Plan, 2003 Plan and 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 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company'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 the Company'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 outstanding 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
Balance, end of period	<u>30,860</u>	33.5
<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 have been adjusted to reflect the distribution of earnings in accordance with the plans. The options granted were the result of the aforementioned adjustment.

As of September 30, 2009, information about 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.

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:		
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
Net income:		
Net income as reported	\$ 56,551,787	\$ 87,487,392
Pro forma net income	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

21. 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. The Company'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.

The Company held a meeting of the Board of Directors on November 13, 2007 and approved a share buyback plan to repurchase the Company'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. The Company had repurchased 800,000 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in February 2008.

The Company held a meeting of the Board of Directors on May 13, 2008 and approved a share buyback plan to repurchase the Company'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. The Company had repurchased 216,674 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in August 2008.

The Company held a meeting of the Board of Directors on August 12, 2008 and approved a share buyback plan to repurchase the Company'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. The Company had repurchased 278,875 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in November 2008.

As discussed in Note 10, the Company merged Chi Cherng and Hsin Ruey in the third quarter of 2008. The Company's common shares held by Chi Cherng and Hsin Ruey in the number of 34,267 thousand shares were retired in August 2008.

22. 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 available to common shareholders	\$ 59,846,723	\$ 56,551,787	25,813,614	<u>\$ 2.32</u>	<u>\$ 2.19</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	153,069		
Stock options	-	-	14,459		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	<u>\$ 59,846,723</u>	<u>\$ 56,551,787</u>	<u>25,981,142</u>	<u>\$ 2.30</u>	<u>\$ 2.18</u>
<u>Nine months ended September 30, 2008</u>					
Basic EPS					
Earnings available to common shareholders	\$ 97,882,841	\$ 87,487,392	26,139,848	<u>\$ 3.74</u>	<u>\$ 3.35</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	133,161		
Stock options	-	-	17,001		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	<u>\$ 97,882,841</u>	<u>\$ 87,487,392</u>	<u>26,290,010</u>	<u>\$ 3.72</u>	<u>\$ 3.33</u>

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

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the 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.

23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 367,461	\$ 367,461	\$ 12,970	\$ 12,970
Available-for-sale financial assets	1,033,473	1,033,473	20,940,603	20,940,603
Held-to-maturity financial assets	21,653,072	21,747,720	16,479,146	16,604,176
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	-	-	314,630	314,630
Bonds payable (including current portion)	4,500,000	4,583,826	12,500,000	12,630,945
Other long-term payables (including current portion)	1,355,167	1,355,167	2,972,537	2,972,537

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 value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value of derivatives contracts which was outstanding as of September 30, 2009 and 2008 estimated using valuation techniques were recognized as gains of NT\$367,461 thousand and losses of NT\$301,660 thousand, respectively.
- d. As of September 30, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$23,054,006 thousand and NT\$37,432,719 thousand, respectively and financial liabilities exposed to fair value interest rate risk were NT\$4,500,000 thousand and NT\$12,814,630 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:

	Nine Months Ended September 30, 2009		
	From Available-for-sale Financial Assets	From Available-for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ 32,658	\$ (320,000)	\$ (287,342)
Recognized directly in shareholders' equity	38,185	780,948	819,133
Removed from shareholders' equity and recognized in earnings	<u>(37,370)</u>	<u>-</u>	<u>(37,370)</u>
Balance, end of period	<u>\$ 33,473</u>	<u>\$ 460,948</u>	<u>\$ 494,421</u>

	Nine Months Ended September 30, 2008		
	From Available-for-sale Financial Assets	From Available-for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ 266,573	\$ 414,424	\$ 680,997
Recognized directly in shareholders' equity	179,779	(587,280)	(407,501)
Removed from shareholders' equity and recognized in earnings	<u>(397,535)</u>	<u>-</u>	<u>(397,535)</u>
Balance, end of period	<u>\$ 48,817</u>	<u>\$ (172,856)</u>	<u>\$ (124,039)</u>

f. Information about financial risks

- 1) Market risk. 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 will result in changes in fair values of these debt securities. Subject to turmoils in the global financial market, the Company had evaluated its financial instruments and the Company believed the exposure to market risk as of September 30, 2009 was not significant.

- 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 whether the financial instruments for any possible counter-party or third-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believed that the Company's exposure to credit risk as of September 30, 2009 was not significant.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. 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.

24. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

a. Subsidiaries

TSMC North America
TSMC China
TSMC Europe
TSMC Japan
TSMC Korea

b. Investees

GUC (with a controlling financial interest)
Xintec (with a controlling financial interest)
VIS (accounted for using equity method)
SSMC (accounted for using equity method)

c. Indirect subsidiaries

WaferTech, LLC (WaferTech)
TSMC Technology, Inc. (TSMC Technology)
TSMC Design Technology Canada Inc. (TSMC Canada)

d. Indirect investee

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

e. Others

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

Transactions with the aforementioned parties, other than those disclosed in other notes, are summarized as follows:

	2009		2008	
	Amount	%	Amount	%
<u>Nine months ended September 30</u>				
Sales				
TSMC North America	\$ 111,683,024	54	\$ 156,727,226	59
Others	<u>1,662,378</u>	<u>1</u>	<u>1,333,072</u>	<u>-</u>
	<u>\$ 113,345,402</u>	<u>55</u>	<u>\$ 158,060,298</u>	<u>59</u>
Purchases				
WaferTech	\$ 3,872,117	18	\$ 6,776,756	21
TSMC China	2,611,248	12	3,882,384	12
SSMC	2,530,044	11	3,624,887	11
VIS	<u>2,433,937</u>	<u>11</u>	<u>2,584,615</u>	<u>8</u>
	<u>\$ 11,447,346</u>	<u>52</u>	<u>\$ 16,868,642</u>	<u>52</u>
Manufacturing expenses - outsourcing				
VisEra	<u>\$ 22,550</u>	<u>-</u>	<u>\$ 66,328</u>	<u>-</u>
Marketing expenses - commission				
TSMC Europe	\$ 234,892	16	\$ 299,045	16
TSMC Japan	166,109	12	195,344	11
TSMC Korea	<u>10,667</u>	<u>1</u>	<u>13,522</u>	<u>1</u>
	<u>\$ 411,668</u>	<u>29</u>	<u>\$ 507,911</u>	<u>28</u>
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 299,636	2	\$ 263,287	2
TSMC Canada (primarily consulting fee)	115,534	1	138,515	1
Others	<u>41,778</u>	<u>-</u>	<u>13,319</u>	<u>-</u>
	<u>\$ 456,948</u>	<u>3</u>	<u>\$ 415,121</u>	<u>3</u>
Sales of property, plant and equipment and other assets				
Xintec	\$ 58,450	97	\$ -	-
TSMC China	-	-	1,849,317	91
Others	<u>263</u>	<u>-</u>	<u>10,665</u>	<u>-</u>
	<u>\$ 58,713</u>	<u>97</u>	<u>\$ 1,859,982</u>	<u>91</u>
Non-operating income and gains				
VIS (primarily technical service income, see Note 27e)	\$ 179,168	7	\$ 262,132	5
TSMC China	146,585	5	233,761	4
SSMC (primarily technical service income, see Note 27d)	98,806	4	193,039	3
Others	<u>263</u>	<u>-</u>	<u>85,277</u>	<u>2</u>
	<u>\$ 424,822</u>	<u>16</u>	<u>\$ 774,209</u>	<u>14</u>

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>As of September 30</u>				
Receivables				
TSMC North America	\$ 22,009,288	98	\$ 26,903,610	99
Others	<u>455,519</u>	<u>2</u>	<u>352,306</u>	<u>1</u>
	<u>\$ 22,464,807</u>	<u>100</u>	<u>\$ 27,255,916</u>	<u>100</u>
Other receivables				
VIS	\$ 141,358	44	\$ 86,918	28
TSMC China	119,544	37	115,766	37
SSMC	42,588	13	63,490	20
TSMC North America	13,851	5	18,985	6
WaferTech	3,921	1	25,958	8
Others	<u>237</u>	<u>-</u>	<u>4,176</u>	<u>1</u>
	<u>\$ 321,499</u>	<u>100</u>	<u>\$ 315,293</u>	<u>100</u>
Payables				
VIS	\$ 759,737	33	\$ 668,215	26
WaferTech	605,006	26	800,324	31
TSMC China	456,026	20	370,154	14
SSMC	273,184	12	574,010	22
TSMC Technology	126,074	6	64,799	3
Others	<u>74,128</u>	<u>3</u>	<u>96,373</u>	<u>4</u>
	<u>\$ 2,294,155</u>	<u>100</u>	<u>\$ 2,573,875</u>	<u>100</u>
Deferred credits				
TSMC China	\$ 43,730	61	\$ 230,617	40
VisEra	<u>-</u>	<u>-</u>	<u>15,544</u>	<u>2</u>
	<u>\$ 43,730</u>	<u>61</u>	<u>\$ 246,161</u>	<u>42</u>

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

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

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

25. PLEDGED OR MORTGAGED ASSETS

As of September 30, 2009, the Company had pledged time deposits of NT\$605,602 thousand (classified as other financial assets) as collateral for land lease agreements and customs duty guarantee.

26. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2009 to December 2028 and can be renewed upon expiration.

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

Year	Amount
2009 (4th quarter)	\$ 75,328
2010	256,543
2011	254,962
2012	287,491
2013	265,847
2014 and thereafter	<u>2,014,873</u>
	<u>\$ 3,155,044</u>

27. 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 the Company can use up to 35% of the Company's capacity if the Company'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, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of September 30, 2009 the Company 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. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company 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, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company 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. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company 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. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company 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 the Company 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.

28. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;

- d. Marketable securities acquired or 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 of 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 on which the Company exercises significant influence: Please see Table 5 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC China entered into forward exchange contracts during the nine months ended September 30, 2009 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of September 30, 2009:

	Maturity Date	Contract Amount (in Thousands)
Sell US\$/Buy RMB	October 2009	US\$3,950/RMB26,974

For the nine months ended September 30, 2009, net losses arising from forward exchange contracts of TSMC China were NT\$844 thousand.

Xintec entered into forward exchange contracts during the nine months ended September 30, 2009 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of September 30, 2009:

	Maturity Date	Contract Amount (in Thousands)
Sell US\$/Buy NT\$	October 2009 to November 2009	US\$9,100/NT\$295,973

For the nine months ended September 30, 2009, net gains arising from forward exchange contracts of Xintec were NT\$686 thousand.

- k. Information on investment in Mainland China
 - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 6 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Note 24.

Taiwan Semiconductor Manufacturing Company Limited and Investees

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)	
The Company	<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	<u>Preferred stock</u>							
	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	
	Neoconix, 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>							
	Memsic, 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>	-	Available-for-sale financial assets	5,000	US\$ 4,982	N/A	US\$ 4,982	
	Royal bk of scotland	-	"	4,500	US\$ 4,489	N/A	US\$ 4,489	
	Barclays U.S. Fdg LLC	-						
	<u>Agency bonds</u>							
	Finma Pool 852347	-	Available-for-sale financial assets	3,805	US\$ 4,033	N/A	US\$ 4,033	

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Investees

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)
The Company	<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 Secured 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
	<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)	-	-	US\$ -
	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)	-	-	US\$ -
	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	-	-	US\$ -
	Wells Fargo + Co. New Med Trm	"	-	-	4,500	US\$ 4,493	-	-	4,500	US\$ 4,524	US\$ 4,282	US\$ 242	-	-	US\$ -
	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	-	US\$ -
	Fed Hm Ln Pc Pool B19205	"	-	-	5,449	US\$ 5,501	-	-	5,335	US\$ 5,511	US\$ 5,225	US\$ 286	114	-	US\$ -
	Federal Home Ln Mtg Corp.	"	-	-	3,060	US\$ 3,108	-	-	3,005	US\$ 3,078	US\$ 3,003	US\$ 75	55	-	US\$ -
	Fnma Pool 257245	"	-	-	3,456	US\$ 3,513	-	-	3,415	US\$ 3,513	US\$ 3,437	US\$ 76	41	-	US\$ -
	Fnma Pool 691283	"	-	-	2,963	US\$ 3,039	-	-	2,932	US\$ 3,028	US\$ 2,920	US\$ 108	31	-	US\$ -
	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	-	US\$ -
	Fnma Pool 888793	"	-	-	4,105	US\$ 4,242	-	-	4,071	US\$ 4,265	US\$ 4,207	US\$ 58	34	-	US\$ -
	Fed Home Ln Bank	"	-	-	5,000	US\$ 5,305	-	-	5,000	US\$ 5,282	US\$ 5,035	US\$ 247	-	-	US\$ -
	Federal Farm Cr Bks	"	-	-	3,400	US\$ 3,610	-	-	3,400	US\$ 3,590	US\$ 3,411	US\$ 179	-	-	US\$ -
	Federal Farm Credit Bank	"	-	-	3,375	US\$ 3,433	-	-	3,375	US\$ 3,430	US\$ 3,370	US\$ 60	-	-	US\$ -
	Federal Home Ln Bks	"	-	-	3,725	US\$ 3,854	-	-	3,725	US\$ 3,852	US\$ 3,721	US\$ 131	-	-	US\$ -
	Federal Home Ln Bks	"	-	-	5,000	US\$ 5,320	-	-	5,000	US\$ 5,312	US\$ 5,098	US\$ 214	-	-	US\$ -
	Federal Home Ln Bks	"	-	-	4,000	US\$ 4,148	-	-	4,000	US\$ 4,151	US\$ 4,136	US\$ 15	-	-	US\$ -
	Federal Home Ln Mtg	"	-	-	5,000	US\$ 5,340	-	-	5,000	US\$ 5,334	US\$ 5,186	US\$ 148	-	-	US\$ -
	Federal Home Ln Mtg Corp.	"	-	-	3,340	US\$ 3,428	-	-	3,340	US\$ 3,432	US\$ 3,336	US\$ 96	-	-	US\$ -
	Federal Home Ln Mtg Corp.	"	-	-	3,500	US\$ 3,560	-	-	3,500	US\$ 3,561	US\$ 3,494	US\$ 67	-	-	US\$ -
	Federal Home Ln Mtg Corp.	"	-	-	3,500	US\$ 3,743	-	-	3,500	US\$ 3,749	US\$ 3,786	US\$ (37)	-	-	US\$ -
	Federal Home Loan Bank	"	-	-	4,500	US\$ 4,710	-	-	4,500	US\$ 4,709	US\$ 4,518	US\$ 191	-	-	US\$ -
	Federal Natl Mtg Assn	"	-	-	3,700	US\$ 3,713	-	-	3,700	US\$ 3,712	US\$ 3,700	US\$ 12	-	-	US\$ -
	Federal Natl Mtg Assn	"	-	-	4,000	US\$ 4,169	-	-	4,000	US\$ 4,179	US\$ 4,116	US\$ 63	-	-	US\$ -
	Federal Natl Mtg Assn	"	-	-	3,500	US\$ 3,809	-	-	3,500	US\$ 3,801	US\$ 3,645	US\$ 156	-	-	US\$ -
	Federal Natl Mtg Assn	"	-	-	3,750	US\$ 4,134	-	-	3,750	US\$ 4,127	US\$ 4,151	US\$ (24)	-	-	US\$ -

(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)

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Investees**

**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	
The Company	TSMC North America	Subsidiary	Sales	\$ 111,683,024	54	Net 30 days after invoice date	-	-	\$ 22,009,288	51	
	GUC	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 Investees

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		
The Company	TSMC North America GUC	Subsidiary	\$ 22,023,139	41	\$ 7,315,356	-	\$ 8,350,804	\$ -
		Investee with a controlling financial interest	455,417	61	276	-	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.

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Investees

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)			
The Company	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 VTA Holdings	Cayman Islands Delaware, U.S.A.	Investing in new start-up technology companies Investing in new start-up technology companies	US\$ 1,550 -	US\$ 700 -	- -	100 62	US\$ 856 -	US\$ (94) -	Note 2 Note 2	Subsidiary (Note 3) Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	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

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.