

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2010 and 2009 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

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

April 20, 2010

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

MARCH 31, 2010 AND 2009

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

(Reviewed, Not Audited)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 159,799,703	25	\$ 223,262,081	40	Short-term loans (Notes 15 and 25)	\$ 318,242	-	\$ -	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 25)	83,280	-	243,109	-	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25)	11,810	-	3,211	-
Available-for-sale financial assets (Notes 2, 6 and 25)	24,182,017	4	1,544,968	-	Hedging derivative financial liabilities (Notes 2, 11, 25)	238	-	-	-
Held-to-maturity financial assets (Notes 2, 7 and 25)	7,944,656	1	4,739,315	1	Accounts payable	10,511,246	2	5,314,336	1
Receivables from related parties	24,673	-	274	-	Payables to related parties (Note 26)	1,114,589	-	509,311	-
Notes and accounts receivable	47,459,954	8	20,607,929	4	Income tax payable (Notes 2 and 20)	11,057,936	2	9,835,673	2
Allowance for doubtful receivables (Notes 2 and 8)	(547,908)	-	(277,287)	-	Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2 and 22)	9,128,889	1	15,644,815	3
Allowance for sales returns and others (Notes 2 and 8)	(7,165,663)	(1)	(6,508,609)	(1)	Payables to contractors and equipment suppliers	28,784,713	4	5,144,858	1
Other receivables from related parties (Note 26)	158,787	-	52,826	-	Accrued expenses and other current liabilities (Notes 18, 25 and 29)	16,302,457	3	8,636,194	1
Other financial assets (Note 27)	2,597,698	-	2,478,466	1	Current portion of long-term bank loans (Notes 17, 25 and 27)	944,736	-	286,582	-
Inventories (Notes 2, 3 and 9)	22,694,233	4	14,775,167	3					
Deferred income tax assets (Notes 2 and 20)	6,305,602	1	6,267,893	1	Total current liabilities	78,174,856	12	45,374,980	8
Prepaid expenses and other current assets	2,079,007	-	1,370,899	-					
Total current assets	265,616,039	42	268,557,031	49	<b>LONG-TERM LIABILITIES</b>				
<b>LONG-TERM INVESTMENTS</b> (Notes 2, 6, 7, 10, 12 and 25)					Bonds payable (Notes 16 and 25)	4,500,000	1	4,500,000	1
Investments accounted for using equity method	24,246,735	4	17,451,182	3	Long-term bank loans (Notes 17, 25 and 27)	517,781	-	1,633,066	-
Available-for-sale financial assets	1,267,029	-	1,038,443	-	Other long-term payables (Notes 18, 25 and 29)	5,565,465	1	9,750,821	2
Held-to-maturity financial assets	11,114,601	2	13,668,922	2	Obligations under capital leases (Notes 2, 13, and 25)	702,826	-	744,074	-
Financial assets carried at cost	3,134,539	1	3,523,341	1	Total long-term liabilities	11,286,072	2	16,627,961	3
Total long-term investments	39,762,904	7	35,681,888	6	<b>OTHER LIABILITIES</b>				
<b>PROPERTY, PLANT AND EQUIPMENT</b> (Notes 2, 13 and 27)					Accrued pension cost (Notes 2 and 19)	3,797,319	1	3,717,959	1
Cost					Guarantee deposits (Note 29)	932,370	-	1,319,777	-
Land and land improvements	928,605	-	981,274	-	Deferred credits	157,610	-	390,179	-
Buildings	143,535,804	23	133,649,278	24	Others	176,209	-	30,779	-
Machinery and equipment	818,778,607	131	702,224,877	127	Total other liabilities	5,063,508	1	5,458,694	1
Office equipment	14,243,723	2	12,642,166	2	Total liabilities	94,524,436	15	67,461,635	12
Leased assets	709,705	-	744,074	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Accumulated depreciation	978,196,444	156	850,241,669	153	Capital stock - NTS\$10 par value (Note 22)				
Advance payments and construction in progress	(713,352,491)	(114)	(640,120,878)	(115)	Authorized: 28,050,000 thousand shares				
Net property, plant and equipment	299,629,219	48	227,078,392	41	Issued: 25,903,769 thousand shares in 2010	259,037,692	41	256,260,122	46
					25,626,012 thousand shares in 2009	55,530,845	9	49,965,450	9
<b>INTANGIBLE ASSETS</b>					Capital surplus (Notes 2 and 22)				
Goodwill (Note 2)	5,902,572	1	6,188,390	1	Retained earnings (Note 22)				
Deferred charges, net (Notes 2 and 14)	6,290,817	1	6,646,575	1	Appropriated as legal capital reserve	77,317,710	12	67,324,393	12
Total intangible assets	12,193,389	2	12,834,965	2	Appropriated as special capital reserve	-	-	391,857	-
					Unappropriated earnings	138,228,089	22	103,896,290	19
<b>OTHER ASSETS</b>					Others (Notes 2, 11 and 25)	215,545,799	34	171,612,540	31
Deferred income tax assets (Notes 2 and 20)	6,770,699	1	5,732,151	1	Cumulative translation adjustments	(2,378,010)	-	3,531,944	1
Refundable deposits	2,563,884	-	2,674,090	1	Unrealized gain on financial instruments	401,390	-	177,228	-
Others (Notes 2 and 27)	293,004	-	216,877	-		(1,976,620)	-	3,709,172	1
Total other assets	9,627,587	1	8,623,118	2	Equity attributable to shareholders of the parent	528,137,716	84	481,547,284	87
<b>TOTAL</b>	<b>\$ 626,829,138</b>	<b>100</b>	<b>\$ 552,775,394</b>	<b>100</b>	<b>MINORITY INTERESTS</b> (Note 2)	4,166,986	1	3,766,475	1
					Total shareholders' equity	532,304,702	85	485,313,759	88
					<b>TOTAL</b>	<b>\$ 626,829,138</b>	<b>100</b>	<b>\$ 552,775,394</b>	<b>100</b>

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

(With Deloitte & Touche review report dated April 20, 2010)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 26)	\$ 95,020,306		\$ 41,171,249	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>2,833,620</u>		<u>1,671,123</u>	
NET SALES	92,186,686	100	39,500,126	100
COST OF SALES (Notes 3, 9, 21 and 26)	<u>48,001,195</u>	<u>52</u>	<u>32,019,884</u>	<u>81</u>
GROSS PROFIT	<u>44,185,491</u>	<u>48</u>	<u>7,480,242</u>	<u>19</u>
OPERATING EXPENSES (Notes 21 and 26)				
Research and development	6,409,840	7	3,728,933	10
General and administrative	2,471,979	3	1,594,563	4
Marketing	<u>1,176,010</u>	<u>1</u>	<u>947,405</u>	<u>2</u>
Total operating expenses	<u>10,057,829</u>	<u>11</u>	<u>6,270,901</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>34,127,662</u>	<u>37</u>	<u>1,209,341</u>	<u>3</u>
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 29)	637,580	1	-	-
Interest income (Note 2)	403,215	1	983,772	3
Valuation gain on financial instruments, net (Notes 2, 5 and 25)	304,829	-	-	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	177,080	-	-	-
Technical service income (Notes 26 and 29)	116,834	-	40,271	-
Gain on disposal of property, plant and equipment (Notes 2 and 26)	56,344	-	296	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 25)	22,016	-	-	-
Foreign exchange gain, net (Note 2)	-	-	464,687	1
Others (Note 2)	<u>113,696</u>	<u>-</u>	<u>86,415</u>	<u>-</u>
Total non-operating income and gains	<u>1,831,594</u>	<u>2</u>	<u>1,575,441</u>	<u>4</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Foreign exchange loss, net (Note 2)	\$ 286,919	1	\$ -	-
Casualty loss (Note 9)	194,137	-	-	-
Interest expense	87,446	-	107,625	-
Impairment of financial assets (Notes 2, 6, 12 and 25)	8,709	-	331,284	1
Loss on disposal of property, plant and equipment (Notes 2 and 26)	196	-	1,623	-
Equity in losses of equity method investees, net (Notes 2 and 10)	-	-	812,511	2
Valuation loss on financial instruments, net (Notes 2, 5 and 25)	-	-	444,663	1
Loss on settlement and disposal of financial assets, net (Notes 2 and 25)	-	-	305,711	1
Others (Note 2)	<u>79,073</u>	<u>-</u>	<u>32,866</u>	<u>-</u>
Total non-operating expenses and losses	<u>656,480</u>	<u>1</u>	<u>2,036,283</u>	<u>5</u>
INCOME BEFORE INCOME TAX	35,302,776	38	748,499	2
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 20)	<u>(1,477,461)</u>	<u>(1)</u>	<u>739,228</u>	<u>2</u>
NET INCOME	<u>\$ 33,825,315</u>	<u>37</u>	<u>\$ 1,487,727</u>	<u>4</u>
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 33,663,117	37	\$ 1,558,873	4
Minority interests	<u>162,198</u>	<u>-</u>	<u>(71,146)</u>	<u>-</u>
	<u>\$ 33,825,315</u>	<u>37</u>	<u>\$ 1,487,727</u>	<u>4</u>
	<b>2010</b>		<b>2009</b>	
	<b>Income Attributable to Shareholders of the Parent</b>		<b>Income Attributable to Shareholders of the Parent</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	<u>\$ 1.36</u>	<u>\$ 1.30</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>
Diluted earnings per share	<u>\$ 1.36</u>	<u>\$ 1.30</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>

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

(With Deloitte & Touche review report dated April 20, 2010)

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 33,663,117	\$ 1,558,873
Net income (loss) attributable to minority interests	162,198	(71,146)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,002,670	20,483,463
Amortization of premium/discount of financial assets	7,828	(6,866)
Impairment of financial assets	8,709	331,284
Loss (gain) on disposal of available-for-sale financial assets, net	(10,114)	321,802
Gain on held-to-maturity financial assets redeemed by the issuer	-	(16,091)
Gain on disposal of financial assets carried at cost, net	(11,902)	-
Equity in losses (earnings) of equity method investees, net	(177,080)	812,511
Dividends received from equity method investees	-	988,201
Loss (gain) on disposal of property, plant and equipment, net	(56,148)	1,327
Deferred income tax	(717,689)	(1,393,841)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	114,586	(269,355)
Receivables from related parties	(12,149)	133
Notes and accounts receivable	(2,822,312)	4,415,392
Allowance for doubtful receivables	4,583	(178,464)
Allowance for sales returns and others	(1,558,818)	437,583
Other receivables from related parties	(37,495)	47,092
Other financial assets	(61,077)	(566,767)
Inventories	(1,780,482)	101,478
Prepaid expenses and other current assets	(796,236)	442,793
Increase (decrease) in:		
Accounts payable	(700,830)	(238,815)
Payables to related parties	331,582	19,454
Income tax payable	2,257,687	503,848
Accrued profit sharing to employees and bonus to directors and supervisors	2,310,546	275,085
Accrued expenses and other current liabilities	(5,059,113)	(1,188,132)
Accrued pension cost	287	16,375
Deferred credits	(28,079)	(38,884)
Net cash provided by operating activities	<u>46,034,269</u>	<u>26,788,333</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(46,135,779)	(5,616,980)
Available-for-sale financial assets	(24,259,847)	(9,045,555)
Held-to-maturity financial assets	(1,597,750)	(204,990)
Investments accounted for using equity method	(6,228,661)	-
Financial assets carried at cost	(111,409)	(83,155)

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	<b>2010</b>	<b>2009</b>
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 14,219,695	\$ 19,807,173
Held-to-maturity financial assets	8,000,000	3,246,100
Financial assets carried at cost	25,800	-
Property, plant and equipment	35,632	1,699
Increase in deferred charges	(383,034)	(52,343)
Decrease in refundable deposits	169,259	93,109
Increase in other assets	<u>(23,080)</u>	<u>(8,784)</u>
Net cash provided by (used in) investing activities	<u>(56,289,174)</u>	<u>8,136,274</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceed from short-term loans	318,242	-
Proceed from long-term bank loans	-	293,351
Repayment of:		
Long-term bank loans	(60,932)	(36,526)
Bonds payable	-	(8,000,000)
Decrease in other long-term payables	(1,112,323)	-
Decrease in guarantee deposits	(89,653)	(164,718)
Proceed from donation	49,021	-
Proceeds from exercise of employee stock options	36,791	15,418
Increase in minority interests	<u>15,187</u>	<u>17,472</u>
Net cash used in financing activities	<u>(843,667)</u>	<u>(7,875,003)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(11,098,572)</u>	<u>27,049,604</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(378,066)</u>	<u>1,598,725</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>171,276,341</u>	<u>194,613,752</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 159,799,703</u>	<u>\$ 223,262,081</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 184,499</u>	<u>\$ 412,460</u>
Income tax paid	<u>\$ 17,732</u>	<u>\$ 83,616</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 46,425,220	\$ 2,763,065
Decrease (increase) in payables to contractors and equipment suppliers	(166,640)	2,853,915
Nonmonetary exchange trade-out price	<u>(122,801)</u>	<u>-</u>
Cash paid	<u>\$ 46,135,779</u>	<u>\$ 5,616,980</u>

(Continued)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

---

	2010	2009
Disposal of property, plant and equipment	\$ 158,433	\$ 1,699
Nonmonetary exchange trade-out price	<u>(122,801)</u>	<u>-</u>
Cash received	<u>\$ 35,632</u>	<u>\$ 1,699</u>
Acquisition of available-for-sale financial assets	\$ 24,799,258	\$ 9,045,555
Increase in accrued expenses and other current liabilities	<u>(539,411)</u>	<u>-</u>
Cash paid	<u>\$ 24,259,847</u>	<u>\$ 9,045,555</u>
Disposal of available-for-sale financial assets	\$ 14,906,329	\$ 19,807,173
Increase in other financial assets	<u>(686,634)</u>	<u>-</u>
Cash received	<u>\$ 14,219,695</u>	<u>\$ 19,807,173</u>
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	<u>\$ 944,736</u>	<u>\$ 286,582</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 2,837,536</u>	<u>\$ 1,184,679</u>

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

(With Deloitte & Touche review report dated April 20, 2010)

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

---

### 1. GENERAL

Taiwan Semiconductor Manufacturing Company, Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages 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 March 31, 2010 and 2009, TSMC and its subsidiaries had 28,303 and 23,557 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

#### **Principles of Consolidation**

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

The consolidated entities were as follows:

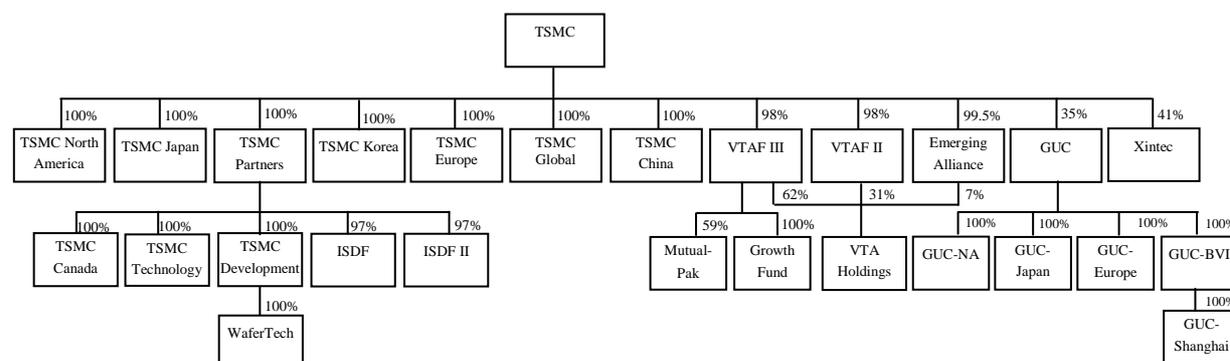
Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2010	2009	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	TSMC Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	-	100%	In June 2009, TSMC International was merged into TSMC Partners.
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	35%	36 %	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	42%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
	TSMC Technology, Inc. (TSMC Technology)	100%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	TSMC Development, Inc. (TSMC Development)	100%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
TSMC Development	WaferTech, LLC (WaferTech)	100%	99.9%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	59%	51%	-
	Growth Fund Limited (Growth Fund)	100%	100%	-
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership March 31		Remark
		2010	2009	
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	100%	-
	Global Unichip (BVI) Corp. (GUC-BVI)	100%	100%	-
GUC-BVI	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	100%	-	Newly established in January 2010.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of March 31, 2010:



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

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

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

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

## **Use of Estimates**

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

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

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

## **Cash Equivalents**

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

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

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

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

## **Hedging Derivative Financial Instruments**

Hedge derivatives are mainly derivatives instruments that are for cash flow hedge purposes and determined to be an effective hedge. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same period or period during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

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

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

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

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

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

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

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

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost. 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 collectability of receivables. The amount of the allowance for doubtful receivables is determined based on the account aging analysis and current trends in the credit quality of the customers. TSMC's provision is set at 1% of the amount of outstanding receivables.

### **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 collectability is reasonably assured. Provisions for estimated sales returns and others are recorded in the period the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

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

### **Inventories**

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods.

As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.

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

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

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

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

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

### **Financial Assets Carried at Cost**

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

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

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease, with the corresponding amount recorded as obligations under capital leases. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount

may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements - 20 years; buildings - 10 to 20 years; machinery and equipment - 3 to 5 years; office equipment - 3 to 15 years; and leased assets - 20 years.

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

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

### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

### **Stock-based Compensation**

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

### **Profit Sharing to Employees and Bonus to Directors and Supervisors**

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

### **Foreign-currency Transactions**

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

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

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

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

## **3. ACCOUNTING CHANGES**

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standard (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 on an 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 consolidated financial statements as of and for the three months ended March 31, 2009.

#### 4. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Cash and deposits in banks	\$ 157,826,361	\$ 212,439,489
Repurchase agreements collateralized by government bonds	1,241,551	10,822,592
Treasury bills	540,900	-
Corporate bonds	159,077	-
Commercial papers	<u>31,814</u>	<u>-</u>
	<u>\$ 159,799,703</u>	<u>\$ 223,262,081</u>

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
<u>Trading financial assets</u>		
Forward exchange contracts	\$ 3,974	\$ 201,446
Cross currency swap contracts	79,306	28,057
Publicly traded stocks	<u>-</u>	<u>13,606</u>
	<u>\$ 83,280</u>	<u>\$ 243,109</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 2,040	\$ 455
Cross currency swap contracts	<u>9,770</u>	<u>2,756</u>
	<u>\$ 11,810</u>	<u>\$ 3,211</u>

The Company entered into the above derivative contracts during the three months ended March 31, 2010 and 2009 to manage exposures due to the fluctuations of foreign exchange rates. The above 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 the above derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>March 31, 2010</u>		
Sell EUR/Buy NT\$	April 2010	EUR7,500/NT\$323,205
Sell EUR/Buy US\$	April 2010	EUR4,500/US\$5,998
Sell US\$/Buy RMB	April 2010	US\$1,000/RMB6,827
Sell US\$/Buy NT\$	April 2010 to May 2010	US\$13,750/NT\$438,590
<u>March 31, 2009</u>		
Sell US\$/Buy NT\$	April 2009	US\$200,300/NT\$6,989,885
Sell EUR/Buy US\$	April 2009	EUR6,140/US\$8,266
Sell RMB/Buy US\$	April 2009 to June 2009	RMB54,800/US\$8000
Sell US\$/Buy JPY	April 2009	US\$46/JPY4,500

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>March 31, 2010</u>			
April 2010 to May 2010	US\$930,000/NT\$29,662,580	0.21%-0.45%	0.00%-0.09%
<u>March 31, 2009</u>			
April 2009 to May 2009	US\$130,000/NT\$4,434,625	0.66%-6.79%	0.00%-0.61%

For the three months ended March 31, 2010 and 2009, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$304,829 thousand and a net loss of NT\$444,663 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 13,026,082	\$ 1,038,443
Agency bonds	7,557,888	-
Government bonds	4,047,337	358,690
Publicly traded stocks	478,293	346,850
Open-end mutual funds	170,090	560,520
Money market funds	86,827	132,929
Corporate issued notes	82,529	-
Corporate issued asset-backed securities	-	145,979
	<u>25,449,046</u>	<u>2,583,411</u>
Current portion	<u>(24,182,017)</u>	<u>(1,544,968)</u>
	<u>\$ 1,267,029</u>	<u>\$ 1,038,443</u>

For the three months ended March 31, 2009, the Company recognized impairment on available-for-sale financial assets of NT\$56,407 thousand.

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Corporate bonds	\$ 16,683,171	\$ 17,529,874
Government bonds	1,376,086	878,363
Structured time deposits	<u>1,000,000</u>	-
	19,059,257	18,408,237
Current portion	<u>(7,944,656)</u>	<u>(4,739,315)</u>
	<u>\$ 11,114,601</u>	<u>\$ 13,668,922</u>

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>March 31, 2010</u>				
Callable domestic deposits	<u>\$ 1,000,000</u>	<u>\$ 809</u>	0.36%	July 2010

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 543,325	\$ 455,751
Provision	4,583	59,306
Write-off	<u>-</u>	<u>(237,770)</u>
Balance, end of period	<u>\$ 547,908</u>	<u>\$ 277,287</u>

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

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 8,724,481	\$ 6,071,026
Provision	2,833,620	1,671,123
Write-off	<u>(4,392,438)</u>	<u>(1,233,540)</u>
Balance, end of period	<u>\$ 7,165,663</u>	<u>\$ 6,508,609</u>

## 9. INVENTORIES

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Finished goods	\$ 2,278,534	\$ 2,548,051
Work in process	17,265,051	10,365,616
Raw materials	1,708,680	679,349
Supplies and spare parts	<u>1,441,968</u>	<u>1,182,151</u>
	<u>\$ 22,694,233</u>	<u>\$ 14,775,167</u>

Write-downs of inventories to net realizable value in the amount of NT\$201,653 thousand and NT\$249,339 thousand, respectively, were included in the cost of sales for the three months ended March 31, 2010 and 2009. And inventories losses related to earthquake in the amount of NT\$194,137 thousand were classified under non-operating expenses and losses for the three months ended March 31, 2010.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2010		2009	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,359,350	37	\$ 9,491,037	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,308,810	39	5,720,868	39
Motech Industries Inc. (Motech)	6,210,916	20	-	-
VisEra Holding Company (VisEra Holding)	2,305,135	49	2,207,895	49
Mcube Inc. (Mcube)	16,817	70	-	-
Aiconn Technology Corporation (Aiconn)	15,508	42	31,382	41
Preferred stock				
Mcube	<u>30,199</u>	10	<u>-</u>	<u>-</u>
	<u>\$ 24,246,735</u>		<u>\$ 17,451,182</u>	

In February 2010, the Company subscribed 75,316 thousand shares in Motech through a private placement for NT\$6,228,661 thousand; after the subscription, the Company's percentage of ownership in Motech was 20%. Transfer of the aforementioned common shares within three years is prohibited according to the related regulations.

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

For the three months ended March 31, 2010 and 2009, equity in earnings/losses of equity method investees was a net gain of NT\$177,080 thousand and a net loss of NT\$812,511 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except for Aiconn and Mcube. The Company believes that, had Aiconn and Mcube's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's consolidated financial statements.

Fair values of equity-method investments traded over-the-counter which were calculated at their closing prices as of March 31, 2010 and 2009 were as follows:

	March 31	
	2010	2009
VIS	\$ 10,240,043	\$ 7,350,215
Motech	<u>10,167,705</u>	<u>-</u>
	<u>\$ 20,407,748</u>	<u>\$ 7,350,215</u>

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

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,391,500	\$ 1,990,621
Additions	2,055,660	-
Deductions	<u>(212,358)</u>	<u>(149,780)</u>
Balance, end of period	<u>\$ 3,234,802</u>	<u>\$ 1,840,841</u>

Movements of the difference allocated to goodwill were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Balance, beginning of period	\$ 1,061,885	\$ 1,061,885
Additions	<u>353,680</u>	<u>-</u>
Balance, end of period	<u>\$ 1,415,565</u>	<u>\$ 1,061,885</u>

## 11. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
<u>Hedging derivative financial liabilities</u>		
Interest rate swap contract	<u>\$ 238</u>	<u>\$ -</u>

The Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates. As of March 31, 2010, the outstanding interest rate swap contract consisted of the following:

<b>Contract Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
NT\$140,000	August 31, 2012	1.38%	0.55%-0.57%

The Company recognized NT\$238 thousand as an adjustment in shareholders equity for the above interest rate swap contract for the three months ended March 31, 2010.

## 12. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Non-publicly traded stocks	\$ 2,975,288	\$ 3,361,348
Mutual funds	<u>159,251</u>	<u>161,993</u>
	<u>\$ 3,134,539</u>	<u>\$ 3,523,341</u>

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

For the three months ended March 31, 2010 and 2009, the Company recognized impairment on financial assets carried at cost of NT\$8,709 thousand and NT\$274,877 thousand, respectively.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Three Months Ended March 31, 2010					Balance, End of Period
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	
Cost						
Land and land improvements	\$ 934,090	\$ -	\$ -	\$ -	\$ (5,485)	\$ 928,605
Buildings	142,294,558	1,351,012	-	4,422	(114,188)	143,535,804
Machinery and equipment	775,653,489	43,807,043	(352,530)	40,643	(370,038)	818,778,607
Office equipment	13,667,747	560,945	(22,804)	52,685	(14,850)	14,243,723
Leased asset	714,424	-	-	-	(4,719)	709,705
	<u>933,264,308</u>	<u>\$ 45,719,000</u>	<u>\$ (375,334)</u>	<u>\$ 97,750</u>	<u>\$ (509,280)</u>	<u>978,196,444</u>
Accumulated depreciation						
Land and land improvements	317,580	\$ 7,283	\$ -	\$ -	\$ (2,123)	322,740
Buildings	81,821,718	2,366,466	-	-	(55,562)	84,132,622
Machinery and equipment	600,795,474	17,787,671	(352,334)	443	(394,503)	617,836,751
Office equipment	10,589,349	280,027	(22,782)	(443)	(12,862)	10,833,289
Leased asset	219,765	8,811	-	-	(1,487)	227,089
	<u>693,743,886</u>	<u>\$ 20,450,258</u>	<u>\$ (375,116)</u>	<u>\$ -</u>	<u>\$ (466,537)</u>	<u>713,352,491</u>
Advance payments and construction in progress	34,154,365	\$ 730,760	\$ -	\$ (97,750)	\$ (2,109)	34,785,266
	<u>\$ 273,674,787</u>					<u>\$ 299,629,219</u>

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

The Company entered into agreements to lease buildings that qualify as capital leases. The terms of the leases ranged from December 2003 to December 2013. The future minimum lease payments as of March 31, 2010 were NT\$781,893 thousand.

### 14. DEFERRED CHARGES, NET

	Three Months Ended March 31, 2010					Balance, End of Period
	Balance, Beginning of Period	Additions	Amortization	Reclassification	Effect of Exchange Rate Changes	
Technology license fee	\$ 3,230,624	\$ -	\$ (214,183)	\$ -	\$ 910	\$ 3,017,351
Software and system design costs	1,834,528	377,852	(240,858)	-	(28)	1,971,494
Patent and others	1,393,402	5,182	(95,936)	-	(676)	1,301,972
	<u>\$ 6,458,554</u>	<u>\$ 383,034</u>	<u>\$ (550,977)</u>	<u>\$ -</u>	<u>\$ 206</u>	<u>\$ 6,290,817</u>

**Three Months Ended March 31, 2009**

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

**15. SHORT-TERM LOANS**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Unsecured loans		
Repayable in April 2010, annual interest at 1.07%	<u>\$ 318,242</u>	<u>\$ -</u>

**16. BONDS PAYABLE**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Domestic unsecured bonds:		
Issued in January 2002 and repayable in January 2012, 3.00% interest payable annually	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

**17. LONG-TERM BANK LOANS**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.66%-1.11% in 2010 and 0.92%-2.70% in 2009	\$ 727,157	\$ 1,021,751
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.83% in 2010 and 0.97% in 2009	636,485	678,668
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.10% in 2010 and 1.17%-2.42% in 2009	98,875	168,750
Repayable from May 2007 in 16 quarterly installments, fully repaid in June 2009, annual interest at 1.42%-2.20%	-	33,625
Repayable from March 2007 in 12 quarterly installments, fully repaid in June 2009, annual interest at 1.30%-2.53 %	<u>-</u>	<u>16,854</u>
	1,462,517	1,919,648
Current portion	<u>(944,736)</u>	<u>(286,582)</u>
	<u>\$ 517,781</u>	<u>\$ 1,633,066</u>

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

As of March 31, 2010, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2010 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 884,298
2011	275,351
2012	242,452
2013	<u>60,416</u>
	<u>\$ 1,462,517</u>

## 18. OTHER LONG-TERM PAYABLES

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Payables for acquisition of property, plant and equipment (Note 29g)	\$ 7,192,395	\$ 8,837,883
Payables for royalties	<u>1,210,606</u>	<u>2,097,617</u>
	8,403,001	10,935,500
Current portion (classified under accrued expenses and other current liabilities)	<u>(2,837,536)</u>	<u>(1,184,679)</u>
	<u>\$ 5,565,465</u>	<u>\$ 9,750,821</u>

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

As of March 31, 2010, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2010 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 2,837,536
2011	3,054,834
2012	<u>2,510,631</u>
	<u>\$ 8,403,001</u>

## 19. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$228,158 thousand and NT\$187,975 thousand for the three months ended March 31, 2010 and 2009, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension costs of NT\$59,683 thousand and NT\$72,409 thousand for the three months ended March 31, 2010 and 2009, respectively.

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

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>The Funds</b>		
Balance, beginning of period	\$ 2,644,988	\$ 2,434,876
Contributions	69,292	61,413
Interest	41,105	53,066
Payments	<u>-</u>	<u>(19,355)</u>
Balance, end of period	<u>\$ 2,755,385</u>	<u>\$ 2,530,000</u>
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,797,032	\$ 3,701,584
Accruals	<u>287</u>	<u>16,375</u>
Balance, end of period	<u>\$ 3,797,319</u>	<u>\$ 3,717,959</u>

## 20. INCOME TAX

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

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Income tax expense based on “income before income tax” at statutory rates	\$ 7,338,355	\$ 105,374
The effect of the following:		
Tax-exempt income	(3,999,921)	(595,378)
Temporary and permanent differences	(93,665)	1,351,613
Others	-	88,417
Net operating loss carryforwards used	(81,389)	163,636
Income tax credits used	<u>(1,604,378)</u>	<u>(471,154)</u>
Income tax currently payable	<u>\$ 1,559,002</u>	<u>\$ 642,508</u>

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

Income tax currently payable	\$ 1,559,002	\$ 642,508
Income tax adjustments on prior years	647,144	-
Other income tax adjustments	(9,164)	4,980
Net change in deferred income tax assets		
Investment tax credits	(1,039,371)	(422,525)
Net operating loss carryforwards	84,051	(228,893)
Temporary differences	(562,476)	109,041
Valuation allowance	<u>798,275</u>	<u>(844,339)</u>
Income tax expense (benefit)	<u>\$ 1,477,461</u>	<u>\$ (739,228)</u>

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,265,061	\$ 5,236,275
Temporary differences		
Allowance for sales returns and others	739,785	622,641
Others	446,489	613,422
Valuation allowance	<u>(145,733)</u>	<u>(204,445)</u>
	<u>\$ 6,305,602</u>	<u>\$ 6,267,893</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 11,263,026	\$ 9,383,864
Net operating loss carryforwards	3,331,918	3,932,945
Temporary differences		
Depreciation	2,521,058	1,449,904
Others	530,685	736,048
Valuation allowance	<u>(10,875,988)</u>	<u>(9,770,610)</u>
	<u>\$ 6,770,699</u>	<u>\$ 5,732,151</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 would be reduced from 25% to 20%, and would be effective starting in 2010. TSMC and its domestic subsidiaries which are subject to the Income Tax Law of the Republic of China had recalculated their deferred tax assets in accordance with the amended Article and adjusted the resulting difference as an income tax expense in 2009.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan on April 16, 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive is retroactive to January 1, 2010 and effective till December 31, 2019. Thus, TSMC and its domestic subsidiaries which are subject to the tax law of the Republic of China estimated that its income tax credits arising from the SII was NT\$507,098 thousand as of March 31, 2010, which will be recognized in the six months ended June 30, 2010.

As of March 31, 2010, the net operating loss carryforwards were generated by WaferTech, TSMC Development and Mutual-Pak and would expire on various dates through 2026.

- d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of March 31, 2010 and 2009 was NT\$369,265 thousand and NT\$521,634 thousand, respectively.

The estimated and actual creditable ratios for distribution of TSMC's earnings of 2009 and 2008 were 0.35% and 9.10%, respectively.

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

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

- f. As of March 31, 2010, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 110,489	\$ 110,489	2010
		66,368	66,368	2011
		3,464,868	2,986,504	2012
		6,693,346	6,693,346	2013
		<u>153,481</u>	<u>153,481</u>	2014
		<u>\$ 10,488,552</u>	<u>\$ 10,010,188</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 9,352	\$ 1,051	2010
		1,202,750	104,938	2011
		2,968,209	2,968,209	2012
		<u>3,409,744</u>	<u>3,409,744</u>	2013
				<u>\$ 7,590,055</u>
Statute for Upgrading Industries	Personnel training expenditures	\$ 759	\$ 151	2010
		20,081	788	2011
		32,534	32,534	2012
		<u>484</u>	<u>484</u>	2013
				<u>\$ 53,858</u>

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

	Tax-Exemption 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
Construction of Fab 14 - Module B and expansion of Fab 12 and others	2010 to 2014 (proposed)
Construction and expansion of 2003 by GUC	2007 to 2011
Construction and expansion of 2005 and 2006 by GUC	To be determined
Construction and expansion of 2003 by Xintec	2007 to 2011
Construction and expansion of 2002, 2003 and 2006 by Xintec	2010 to 2014

- h. The tax authorities have examined income tax returns of TSMC through 2007. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

## 21. LABOR COST, DEPRECIATION AND AMORTIZATION

	<b>Three Months Ended March 31, 2010</b>		
	<b>Classified as</b>	<b>Classified as</b>	
	<b>Cost of Sales</b>	<b>Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 5,731,160	\$ 4,706,686	\$ 10,437,846
Labor and health insurance	199,239	166,519	365,758
Pension	169,499	118,342	287,841
Meal	131,445	56,286	187,731
Welfare	150,950	62,137	213,087
Others	<u>23,797</u>	<u>72,265</u>	<u>96,062</u>
	<u>\$ 6,406,090</u>	<u>\$ 5,182,235</u>	<u>\$ 11,588,325</u>
Depreciation	<u>\$ 19,218,310</u>	<u>\$ 1,225,382</u>	<u>\$ 20,443,692</u>
Amortization	<u>\$ 334,090</u>	<u>\$ 216,887</u>	<u>\$ 550,977</u>

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

## 22. SHAREHOLDERS' EQUITY

As of March 31, 2010, 1,097,513 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,487,565 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Additional paid-in capital	\$ 23,483,970	\$ 17,972,138
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	348,240	294,677
Donations	<u>55</u>	<u>55</u>
	<u>\$ 55,530,845</u>	<u>\$ 49,965,450</u>

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- c. Bonus to directors and profit sharing to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

TSMC accrued profit sharing to employees as a charge to earnings of certain percentage of net income during the period amounted to NT\$2,272,790 thousand and NT\$236,060 thousand for the three months ended March 31, 2010 and 2009, respectively; bonuses to directors were accrued with an estimate based on historical experience. 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 profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2009 and 2008 had been approved in TSMC's Board of Directors' meeting held on February 9, 2010 and a shareholders' meeting held on June 10, 2009, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2008</b>	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2008</b>
Legal capital reserve	\$ 8,921,784	\$ 9,993,317		
Special capital reserve	1,313,047	(391,857)		
Cash dividends to shareholders	77,708,120	76,876,312	\$ 3.00	\$ 3.00
Stock dividends to shareholders	-	512,509	-	0.02
	<u>\$ 87,942,951</u>	<u>\$ 86,990,281</u>		

TSMC's profit sharing to employees and bonus to directors that will be paid in cash in the amounts of NT\$6,691,338 thousand and NT\$67,692 thousand for the year ended December 31, 2009, respectively, were resolved in the meeting of the Board of Directors held on February 9, 2010. Such amounts were not materially different from the amounts that have been charged against earnings for the year ended December 31, 2009.

The 2009 earnings appropriations related to profit sharing to employees and bonus to directors will be resolved by the shareholders. TSMC's annual shareholders' meeting is scheduled for June 15, 2010.

Profit sharing 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 profit sharing to employee in stock of 141,870 thousand shares was determined by the closing price of TSMC's common shares (after considering the effect of dividends) of the day immediately preceding the shareholders' meeting, which was NT\$52.83. The resolved amounts of the profit sharing to employees and bonus 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 profit sharing 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 the appropriations of bonuses to employees, directors and supervisors is available at the Market Observation Post System website.

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

## 23. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of March 31, 2010.

Information about TSMC's outstanding stock options for the three months ended March 31, 2010 and 2009 was as follows:

	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Three months ended March 31, 2010</u>		
Balance, beginning of period	28,810	\$ 33.5
Options exercised	<u>(1,063)</u>	34.6
Balance, end of period	<u>27,747</u>	33.4
<u>Three months ended March 31, 2009</u>		
Balance, beginning of period	36,234	35.3
Options exercised	(575)	26.8
Options canceled	<u>(127)</u>	45.4
Balance, end of period	<u>35,532</u>	35.4

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

As of March 31, 2010, information about TSMC's outstanding options was as follows:

Range of Exercise Price (NT\$)	Number of Options (In Thousands)	Options Outstanding	
		Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)
\$ 22.8-\$32.0	20,484	2.93	\$ 29.1
38.0- 50.1	<u>7,263</u>	4.65	45.6
	<u>27,747</u>	3.38	33.4

As of March 31, 2010, all of the above outstanding options were exercisable.

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

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

Information about GUC's outstanding options for the three months ended March 31, 2010 and 2009 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2010</u>		
Balance, beginning of period	3,810	\$ 83.5
Options exercised	(170)	10.1
Options canceled	<u>(140)</u>	90.7
Balance, end of period	<u>3,500</u>	86.7
<u>Three months ended March 31, 2009</u>		
Balance, beginning of period	5,557	66.6
Options exercised	(630)	12.0
Options canceled	<u>(240)</u>	33.3
Balance, end of period	<u>4,687</u>	75.6

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

As of March 31, 2010, information about GUC's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$ 8.4	244	0.75	\$ 8.4	244	\$ 8.4
15.5	1,682	1.42	15.5	82	15.5
175.0	<u>1,574</u>	3.75	175.0	<u>728</u>	175.0
	<u>3,500</u>	2.42	86.7	<u>1,054</u>	124.0

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

Information about Xintec's outstanding options for the three months ended March 31, 2010 and 2009 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2010</u>		
Balance, beginning of period	3,960	\$ 14.7
Options exercised	(746)	14.2
Options canceled	<u>(170)</u>	17.1
Balance, end of period	<u><u>3,044</u></u>	14.7
<u>Three months ended March 31, 2009</u>		
Balance, beginning of period	7,442	14.8
Options exercised	(653)	12.8
Options canceled	<u>(404)</u>	15.4
Balance, end of period	<u><u>6,385</u></u>	15.0

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

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

	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>
\$ 12.2-\$14.1	1,523	6.75	\$ 12.5	510	\$ 12.5
15.2- 19.1	<u>1,521</u>	7.60	17.0	<u>330</u>	17.4
	<u><u>3,044</u></u>	7.17	14.7	<u><u>840</u></u>	14.4

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2010 and 2009. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the three months ended March 31, 2010 and 2009 would have been as follows:

		<b>Three Months Ended March 31</b>	
		<b>2010</b>	<b>2009</b>
<b>Assumptions:</b>			
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	0.00%-0.60%
	Expected volatility	22.65%-45.47%	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%	2.12%-2.56%
	Expected life	3-6 years	3-6 years
Xintec	Expected dividend yield	0.80%	0.80%
	Expected volatility	31.79%-47.42%	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-2.45%
	Expected life	3 years	3 years
<b>Net income attributable to shareholders of the parent:</b>			
As reported		\$ 33,663,117	\$ 1,558,873
Pro forma		33,700,273	1,445,013
<b>Earnings per share (EPS) - after income tax (NT\$):</b>			
Basic EPS as reported		\$1.30	\$0.06
Pro forma basic EPS		1.30	0.06
Diluted EPS as reported		1.30	0.06
Pro forma diluted EPS		1.30	0.06

## 24. EARNINGS PER SHARE

EPS was computed as follows:

	<b>Amounts (Numerator)</b>		<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>		<b>Before Income Tax</b>	<b>After Income Tax</b>
<u>Three months ended March 31, 2010</u>					
<b>Basic EPS</b>					
Earnings attributable to common shareholders of the parent	\$ 35,123,918	\$ 33,663,117	25,903,465	<u>\$ 1.36</u>	<u>\$ 1.30</u>
Effect of dilutive potential common shares	-	-	<u>12,822</u>		
<b>Diluted EPS</b>					
Earnings attributable to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 35,123,918</u>	<u>\$ 33,663,117</u>	<u>25,916,287</u>	<u>\$ 1.36</u>	<u>\$ 1.30</u>

(Continued)

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Three months ended March 31, 2009</u>					
Basic EPS					
Earnings attributable to common shareholders of the parent	\$ 812,429	\$ 1,558,873	25,753,921	\$ <u>0.03</u>	\$ <u>0.06</u>
Effect of dilutive potential common shares	-	-	165,978		
Diluted EPS					
Earnings attributable to common shareholders of the parent (including effect of dilutive potential common shares)	\$ <u>812,429</u>	\$ <u>1,558,873</u>	<u>25,919,899</u>	\$ <u>0.03</u>	\$ <u>0.06</u>

(Concluded)

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing 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 profit sharing to employees in stock by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees 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. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2009 to remain at NT\$0.06.

## 25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	March 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 83,280	\$ 83,280	\$ 243,109	\$ 243,109
Available-for-sale financial assets	25,449,046	25,449,046	2,583,411	2,583,411
Held-to-maturity financial assets	19,059,257	19,275,147	18,408,237	18,420,653
Financial assets carried at cost	3,134,539	-	3,523,341	-
<u>Liabilities</u>				
Short-term loans	318,242	318,242	-	-
Financial liabilities at fair value through profit or loss				
loss	11,810	11,810	3,211	3,211
Hedging derivative financial liabilities	238	238	-	-
Bonds payable	4,500,000	4,565,957	4,500,000	4,601,709
Long-term bank loans (including current portion)	1,462,517	1,462,517	1,919,648	1,919,648
Other long-term payables (including current portion)	8,403,001	8,403,001	10,935,500	10,935,500
Obligations under capital leases	702,826	702,826	744,074	744,074

- b. Methods and assumptions used in the estimation of fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
  - 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.
  - 5) Fair value of bonds payable was based on their quoted market price.
  - 6) Fair values of short-term loans, long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value of derivatives contracts which were outstanding as of March 31, 2010 and 2009 estimated using valuation techniques were recognized as net gains of NT\$71,470 thousand and NT\$226,292 thousand, respectively.
- d. As of March 31, 2010 and 2009, financial assets exposed to fair value interest rate risk were NT\$44,113,290 thousand and NT\$20,874,301 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$4,830,052 thousand and NT\$4,503,211 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,462,754 thousand and NT\$1,919,648 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the three months ended March 31, 2010 and 2009 were as follows:

	<b>Three Months Ended March 31, 2010</b>			
	<b>From Available- for-sale Financial Assets</b>	<b>Equity Method Investments</b>	<b>Gain (Loss) on Cash Flow Hedges</b>	<b>Total</b>
Balance, beginning of period	\$ 424,128	\$ 29,493	\$ -	\$ 453,621
Recognized directly in shareholders' equity	(55,489)	12,662	(97)	(42,924)
Removed from shareholders' equity and recognized in earnings	<u>(9,307)</u>	<u>-</u>	<u>-</u>	<u>(9,307)</u>
Balance, end of period	<u>\$ 359,332</u>	<u>\$ 42,155</u>	<u>\$ (97)</u>	<u>\$ 401,390</u>

**Three Months Ended March 31, 2009**

	<b>From Available- for-sale Financial Assets</b>	<b>Equity Method Investments</b>	<b>Gain (Loss) on Cash Flow Hedges</b>	<b>Total</b>
Balance, beginning of period	\$ (198,413)	\$ (88,929)	\$ -	\$ (287,342)
Recognized directly in shareholders' equity	55,753	30,608	-	86,361
Removed from shareholders' equity and recognized in earnings	<u>378,209</u>	<u>-</u>	<u>-</u>	<u>378,209</u>
Balance, end of period	<u>\$ 235,549</u>	<u>\$ (58,321)</u>	<u>\$ -</u>	<u>\$ 177,228</u>

f. Information about financial risk

- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities.
- 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. The Company evaluated whether the financial instruments for any possible counter-parties or third-parties are reputable financial institutions, business organizations and government agencies and accordingly, the Company believed that the Company's exposure to credit risk was not significant.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates. The Company's long-term bank loans were floating-rate loans. Therefore, changes in the market interest rates will result in changes in the effective rate of the long-term bank loans, which will affect future cash flows.

- g. The Company seeks to reduce the effects of future cash flow related interest rate changes by primarily using derivative financial instruments.

The Company's long-term bank loans bear floating interest rates; therefore, changes in the market interest rate may cause future cash flows to be volatile. Accordingly, the Company entered into an interest rate swap contract in order to hedge cash flow risk caused by floating interest rates. Information about outstanding interest rate swap contract consisted of the following:

Hedged Item	Hedging Financial Instrument	Fair Value March 31, 2010	Expected Cash Flow Generated Period	Expected Timing for the Recognition of Gains or Losses from Hedge
Long-term bank loans	Interest rate swap contracts	\$ (238)	2010 to 2012	2010 to 2012

## 26. RELATED PARTY TRANSACTIONS

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

- a. Investees of TSMC

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

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

	2010		2009	
	Amount	%	Amount	%
<u>For the three months ended March 31</u>				
Sales				
VIS	\$ 49,345	-	\$ 10,520	-
VisEra	24,064	-	504	-
SSMC	<u>956</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 74,365</u>	<u>-</u>	<u>\$ 11,024</u>	<u>-</u>
Purchases				
SSMC	\$ 1,041,954	2	\$ 514,174	2
VIS	965,783	2	397,579	1
VisEra	<u>-</u>	<u>-</u>	<u>2,685</u>	<u>-</u>
	<u>\$ 2,007,737</u>	<u>4</u>	<u>\$ 914,438</u>	<u>3</u>
Manufacturing expenses – rent and outsourcing				
VisEra	<u>\$ 18,567</u>	<u>-</u>	<u>\$ 20,630</u>	<u>-</u>
Research and development expense				
VIS (rent)	\$ 2,274	-	\$ -	-
VisEra	<u>1,663</u>	<u>-</u>	<u>133</u>	<u>-</u>
	<u>\$ 3,937</u>	<u>-</u>	<u>\$ 133</u>	<u>-</u>

	2010		2009	
	Amount	%	Amount	%
Sales of property, plant and equipment				
VIS	\$ 15,940	10	\$ -	-
Purchase of property, plant and equipment				
VIS	\$ 15,865	-	\$ -	-
Non-operating income and gains				
VIS (primarily technical service income; see Note 29e)	\$ 86,868	5	\$ 24,108	2
SSMC (primarily technical service income; see Note 29d)	44,503	2	17,289	1
	\$ 131,371	7	\$ 41,397	3
<u>As of March 31</u>				
Other receivables				
VIS	\$ 113,100	71	\$ 35,615	67
SSMC	45,687	29	17,211	33
	\$ 158,787	100	\$ 52,826	100
Payables				
VIS	\$ 697,992	63	\$ 299,259	59
SSMC	408,809	37	202,534	40
VisEra	7,788	-	7,518	1
	\$ 1,114,589	100	\$ 509,311	100

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 leased certain office space and building from VIS. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was prepaid by the Company and the related expenses were classified under research and development expenses.

The Company leased certain building from VisEra. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under manufacturing expenses.

## 27. PLEDGED OR MORTGAGED ASSETS

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Other financial assets	\$ 880,700	\$ 488,110
Property, plant and equipment, net	2,636,977	3,672,552
Other assets	<u>20,000</u>	<u>-</u>
	<u>\$ 3,537,677</u>	<u>\$ 4,160,662</u>

## 28. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Zhongli Industrial Park Service Center. These operating leases expire on various dates from December 2010 to December 2029 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2010 and 2018 and can be renewed upon expiration.

As of March 31, 2010, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2010 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 455,823
2011	555,332
2012	534,610
2013	507,618
2014	486,612
2015 and thereafter	<u>3,702,407</u>
	<u>\$ 6,242,402</u>

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of March 31, 2010, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of March 31, 2010 TSMC had a total of US\$26,937 thousand of guarantee deposits.

- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of March 31, 2010, 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. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. TSMC, TSMC North America and WaferTech have subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC, TSMC North America and WaferTech in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC, TSMC North America and WaferTech. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and, conditional upon relevant government regulatory approvals, to issue to TSMC a total of 1,789,493,218 common shares of Semiconductor Manufacturing International Corporation (representing about 8% of Semiconductor Manufacturing International Corporation's total shares outstanding as of December 31, 2009) and a three-year warrant to purchase 695,914,030 common shares (subject to adjustment) of Semiconductor Manufacturing International Corporation at HK\$1.30 per share (subject to adjustment).

- g. The Company entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$7,192,395 thousand and NT\$8,837,883 thousand as of March 31, 2010 and 2009, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of March 31, 2010 were NT\$99,022 thousand.

### **30. ADDITIONAL DISCLOSURES**

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

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

- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;
- j. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

MARCH 31, 2010

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				Note	
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)		
TSMC	<u>Corporate bond</u>								
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	\$ 1,043,306	N/A	\$ 1,043,306		
	Formosa Petrochemical Corporation	-	Held-to-maturity financial assets	-	3,178,032	N/A	3,204,143		
	Taiwan Power Company	-	"	-	3,000,247	N/A	3,005,673		
	Nan Ya Plastics Corporation	-	"	-	2,000,539	N/A	2,044,833		
	Formosa Plastics Corporation	-	"	-	1,671,753	N/A	1,686,870		
	China Steel Corporation	-	"	-	1,510,969	N/A	1,524,294		
	CPC Corporation, Taiwan	-	"	-	500,016	N/A	499,921		
	Taipei Fubon Commercial Bank Co., Ltd.	-	"	-	299,297	N/A	299,215		
	First Commercial Bank Co., Ltd.	-	"	-	99,950	N/A	99,952		
	<u>Government bond</u>								
	2003 Asian Development Bank Govt. Bond	-	Held-to-maturity financial assets	-	898,801	N/A	875,103		
	<u>Stock</u>								
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	45,245,474	100	45,245,474		
	TSMC Partners	Subsidiary	"	988,268	32,637,828	100	32,637,828		
	VIS	Investee accounted for using equity method	"	628,223	9,359,350	37	10,240,043		
	SSMC	Investee accounted for using equity method	"	314	6,308,810	39	5,782,912		
	Motech	Investee accounted for using equity method	"	75,316	6,210,916	20	10,167,705		
	TSMC North America	Subsidiary	"	11,000	2,726,868	100	2,726,868		
	Xintec	Investee with a controlling financial interest	"	93,081	1,532,384	41	1,501,019		
	GUC	Investee with a controlling financial interest	"	46,688	1,039,348	35	6,723,052		
	TSMC Europe	Subsidiary	"	-	158,190	100	158,190		
	TSMC Japan	Subsidiary	"	6	133,420	100	133,420		
	TSMC Korea	Subsidiary	"	80	19,460	100	19,460		
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	315,767		
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	339,223		
	W.K. Technology Fund IV	-	"	4,000	40,000	2	43,606		
	<u>Fund</u>								
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992		
	Crimson Asia Capital	-	"	-	55,259	1	55,259		
	<u>Capital</u>								
	TSMC China	Subsidiary	Investments accounted for using equity method	-	2,787,558	100	2,792,627		
	VTAF III	Subsidiary	"	-	1,351,399	98	1,333,492		
VTAF II	Subsidiary	"	-	1,140,879	98	1,135,109			
Emerging Alliance	Subsidiary	"	-	303,768	99	303,768			

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				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\$ 20,480	N/A	US\$ 21,443	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 20,200	N/A	US\$ 21,582	
	<u>Common stock</u>							
	TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 350,118	100	US\$ 350,118	
	VisEra Holding Company	Investee accounted for using equity method	"	43,000	US\$ 72,445	49	US\$ 72,445	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	21,415	US\$ 13,670	97	US\$ 13,670	
	TSMC Technology	Subsidiary	"	1	US\$ 9,431	100	US\$ 9,431	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 7,188	97	US\$ 7,188	
	TSMC Canada	Subsidiary	"	2,300	US\$ 3,555	100	US\$ 3,555	
Mcube Inc.	Investee accounted for using equity method	"	5,333	US\$ 529	70	US\$ 529		
	<u>Preferred stock</u>							
	Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	1,000	US\$ 949	10	US\$ 949	
TSMC Development	<u>Corporate bond</u>							
	GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,305	N/A	US\$ 21,582	
	JP Morgan Chase & Co.	-	"	-	US\$ 15,000	N/A	US\$ 15,103	
	<u>Stock</u>							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 164,246	100	US\$ 164,246	
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.	-	"	11,124	US\$ 3,065	6	US\$ 3,065	
	<u>Preferred stock</u>							
	Audience, Inc.	-	Financial assets carried at cost	1,654	US\$ 250	-	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.	-	"	710	US\$ 1,072	2	US\$ 1,072	
	Pixim, Inc.	-	"	4,641	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	1,272	US\$ 554	3	US\$ 554	
	Aether Systems, Inc.	-	Financial assets carried at cost	1,600	US\$ 1,503	25	US\$ 1,503	
	RichWave Technology Corp.	-	"	1,043	US\$ 730	1	US\$ 730	
	Sentelic	-	"	1,200	US\$ 2,040	15	US\$ 2,040	
	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	
	Aquantia	-	"	3,974	US\$ 3,816	3	US\$ 3,816	
	Audience, Inc.	-	"	12,378	US\$ 2,378	3	US\$ 2,378	
	Axiom Microdevices, Inc.	-	"	759	US\$ 517	13	US\$ 517	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF II	Beceem Communications	-	Financial assets carried at cost	797	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.	-	"	1,583	US\$ 2,664	4	US\$ 2,664	
	Pixim, Inc.	-	"	33,347	US\$ 1,878	2	US\$ 1,878	
	Power Analog Microelectronics	-	"	7,027	US\$ 3,383	19	US\$ 3,383	
	QST Holdings, LLC	-	"	-	US\$ 593	13	US\$ 593	
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454	
	Xceive	-	"	4,210	US\$ 1,554	3	US\$ 1,554	
	<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	9,180	US\$ 1,962	59	US\$ 1,962	
	Aiconn Technology Corporation	Investee accounted for using equity method	"	4,500	US\$ 487	42	US\$ 487	
	<u>Preferred stock</u> Auramicro, Inc.	-	Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408	
	BridgeLux, Inc.	-	"	6,113	US\$ 7,781	4	US\$ 7,781	
	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	16	US\$ 4,678	
	Quellan, Inc.	-	"	3,106	US\$ 457	6	US\$ 457	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	-	US\$ 1,208	
	Tilera, Inc.	-	"	3,222	US\$ 2,781	2	US\$ 2,781	
	Validity Sensors, Inc.	-	"	8,070	US\$ 3,089	4	US\$ 3,089	
	<u>Capital</u> Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US\$ 892	100	US\$ 892	
	VTA Holdings	Subsidiary	"	-	-	62	-	
Growth Fund	<u>Common stock</u> SiliconBlue Technologies, Inc.	-	Financial assets carried at cost	5,107	US\$ 762	2	US\$ 762	
	Staccato	-	"	10	US\$ 25	-	US\$ 25	
ISDF	<u>Common stock</u> Memsic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 4,350	6	US\$ 4,350	
	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	5,226	US\$ 1,221	9	US\$ 1,221	
	IP Unity, Inc.	-	"	1,008	US\$ 290	1	US\$ 290	
	Sonics, Inc.	-	"	230	US\$ 497	2	US\$ 497	
ISDF II	<u>Common stock</u> Memsic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 3,651	5	US\$ 3,651	
	Sonics, Inc.	-	Financial assets carried at cost	278	US\$ 10	3	US\$ 10	
	EON Technology, Corp.	-	"	1,804	US\$ 500	2	US\$ 500	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
ISDF II	Goyatek Technology, Corp.	-	Financial assets carried at cost	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.	-	"	1,032	US\$ 686	6	US\$ 686	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 250	5	US\$ 250	
Sonics, Inc.	-	"	264	US\$ 456	3	US\$ 456		
GUC	<u>Open-end mutual fund</u>							
	Jih Sun Bond Fund	-	Available-for-sale financial assets	5,668	\$ 80,059	-	\$ 80,059	
	Cathay Bond Fund	-	"	2,509	30,014	-	30,014	
	Hua Nan Phoenix Bond Fund	-	"	1,926	30,009	-	30,009	
	Prudential Financial Bond Fund	-	"	1,982	30,008	-	30,008	
	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	39,313	100	39,313	
	GUC-BVI	Subsidiary	"	550	17,351	100	17,351	
	GUC-Japan	Subsidiary	"	1	13,160	100	13,160	
	GUC-Europe	Subsidiary	"	-	4,860	100	4,860	
GUC-BVI	<u>Capital</u>							
	Global Unichip (Shanghai) Company, Limited (GUC-Shanghai)	Subsidiary	Investments accounted for using equity method	-	15,902	100	15,902	
Xintec	<u>Capital</u>							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Corporate bond</u>							
	Ab Svensk Exportkredit Swedish	-	Available-for-sale financial assets	5,000	US\$ 5,095	N/A	US\$ 5,095	
	African Development Bank	-	"	2,600	US\$ 2,620	N/A	US\$ 2,620	
	Alltel Corp.	-	"	100	US\$ 111	N/A	US\$ 111	
	American Honda Fin Corp. Mtn	-	"	4,000	US\$ 3,974	N/A	US\$ 3,974	
	Anz National Intl Ltd.	-	"	3,500	US\$ 3,507	N/A	US\$ 3,507	
	Asian Development Bank	-	"	2,500	US\$ 2,498	N/A	US\$ 2,498	
	Astrazeneca Plc	-	"	3,150	US\$ 3,440	N/A	US\$ 3,440	
	AT+T Wireless	-	"	3,500	US\$ 3,950	N/A	US\$ 3,950	
	Australia + New Zealand Bkg	-	"	2,000	US\$ 2,066	N/A	US\$ 2,066	
	Banco Bilbao Vizcaya P R	-	"	3,250	US\$ 3,248	N/A	US\$ 3,248	
	Bank New York Inc.	-	"	1,615	US\$ 1,602	N/A	US\$ 1,602	
	Bank New York Inc. Medium	-	"	2,100	US\$ 2,277	N/A	US\$ 2,277	
	Bank of America	-	"	2,900	US\$ 3,121	N/A	US\$ 3,121	
	Bank of America Corp. Fdic Gtd	-	"	3,400	US\$ 3,533	N/A	US\$ 3,533	
	Bank of New York Mellon	-	"	2,200	US\$ 2,208	N/A	US\$ 2,208	
	Bank of Nova Scotia	-	"	5,000	US\$ 4,998	N/A	US\$ 4,998	
	Bank of Scotland Plc	-	"	4,000	US\$ 3,991	N/A	US\$ 3,991	
	Barclays Bank Plc	-	"	12,000	US\$ 11,995	N/A	US\$ 11,995	
	Bbva US Senior SA Uniper	-	"	4,745	US\$ 4,743	N/A	US\$ 4,743	
	Bear Stearns Cos Inc.	-	"	5,000	US\$ 4,982	N/A	US\$ 4,982	
	Bear Stearns Cos Inc.	-	"	3,500	US\$ 3,442	N/A	US\$ 3,442	
	Berkshire Hathaway Inc. Del	-	"	3,500	US\$ 3,513	N/A	US\$ 3,513	
	Bhp Billiton Fin USA Ltd.	-	"	2,000	US\$ 2,141	N/A	US\$ 2,141	
	Bk Tokyo Mitsubishi Ufj	-	"	2,000	US\$ 2,015	N/A	US\$ 2,015	
	Bmw US Capital LLC	-	"	1,600	US\$ 1,602	N/A	US\$ 1,602	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Global	Bnp Paribas SA	-	Available-for-sale financial assets	2,310	US\$ 2,343	N/A	US\$ 2,343	
	Boeing Cap Corp.	-	"	2,925	US\$ 3,219	N/A	US\$ 3,219	
	Boeing Co.	-	"	450	US\$ 452	N/A	US\$ 452	
	Bsch Issuances Ltd.	-	"	2,250	US\$ 2,313	N/A	US\$ 2,313	
	Caterpillar Financial SE	-	"	300	US\$ 303	N/A	US\$ 303	
	Cello Part/Veri Wirelss	-	"	3,000	US\$ 3,087	N/A	US\$ 3,087	
	Citibank NA	-	"	4,020	US\$ 4,017	N/A	US\$ 4,017	
	Citigroup Funding Inc.	-	"	6,000	US\$ 6,043	N/A	US\$ 6,043	
	Citigroup Funding Inc.	-	"	2,000	US\$ 2,029	N/A	US\$ 2,029	
	Citigroup Inc.	-	"	1,000	US\$ 1,030	N/A	US\$ 1,030	
	Citigroup Inc.	-	"	400	US\$ 420	N/A	US\$ 420	
	Commonwealth Bank Aust	-	"	2,800	US\$ 2,805	N/A	US\$ 2,805	
	Countrywide Finl Corp.	-	"	4,000	US\$ 4,252	N/A	US\$ 4,252	
	Credit Suisse First Boston USA	-	"	2,150	US\$ 2,310	N/A	US\$ 2,310	
	Credit Suisse New York	-	"	3,945	US\$ 4,084	N/A	US\$ 4,084	
	Dexia Credit Local	-	"	6,000	US\$ 5,998	N/A	US\$ 5,998	
	Dexia Credit Local SA NY	-	"	5,000	US\$ 5,004	N/A	US\$ 5,004	
	Finance for Danish Ind	-	"	1,900	US\$ 1,899	N/A	US\$ 1,899	
	General Elec Cap Corp.	-	"	1,000	US\$ 985	N/A	US\$ 985	
	General Elec Cap Corp.	-	"	300	US\$ 299	N/A	US\$ 299	
	General Elec Cap Corp.	-	"	7,000	US\$ 7,005	N/A	US\$ 7,005	
	General Elec Cap Corp. Fdic Gtd	-	"	2,500	US\$ 2,540	N/A	US\$ 2,540	
	General Electric Capital Corp.	-	"	2,000	US\$ 1,930	N/A	US\$ 1,930	
	Georgia Pwr Co.	-	"	6,000	US\$ 6,012	N/A	US\$ 6,012	
	Goldman Sachs Group Inc.	-	"	2,000	US\$ 1,948	N/A	US\$ 1,948	
	Goldman Sachs Group Inc. Mtn	-	"	1,500	US\$ 1,450	N/A	US\$ 1,450	
	Goldman Sachs Group Incser 2	-	"	3,000	US\$ 3,012	N/A	US\$ 3,012	
	Hewlett Packard Co.	-	"	3,000	US\$ 3,001	N/A	US\$ 3,001	
	Hewlett Packard Co.	-	"	1,365	US\$ 1,386	N/A	US\$ 1,386	
	Household Fin Corp.	-	"	4,330	US\$ 4,742	N/A	US\$ 4,742	
	HSBC Fin Corp.	-	"	2,315	US\$ 2,295	N/A	US\$ 2,295	
	HSBC Fin Corp.	-	"	2,900	US\$ 3,119	N/A	US\$ 3,119	
	HSBC USA Inc. Fdic Gtd Tlgp	-	"	2,200	US\$ 2,278	N/A	US\$ 2,278	
	Hutchison Whampoa Intl	-	"	1,750	US\$ 1,799	N/A	US\$ 1,799	
	IBM Corp.	-	"	6,100	US\$ 6,102	N/A	US\$ 6,102	
	IBM Corp.	-	"	3,000	US\$ 3,024	N/A	US\$ 3,024	
	Intl Bk Recon + Develop	-	"	5,000	US\$ 5,013	N/A	US\$ 5,013	
	Intl Bk Recon + Develop	-	"	2,000	US\$ 2,075	N/A	US\$ 2,075	
	Istituto Bancario SA	-	"	1,700	US\$ 1,700	N/A	US\$ 1,700	
	John Deer Capital Corp. Fdic GT	-	"	3,500	US\$ 3,621	N/A	US\$ 3,621	
	JP Morgan Chase + Co.	-	"	2,500	US\$ 2,517	N/A	US\$ 2,517	
	JP Morgan Chase + Co.	-	"	5,000	US\$ 5,025	N/A	US\$ 5,025	
	JP Morgan Chase + Co. Fdic Gtd Tlgp	-	"	3,000	US\$ 3,026	N/A	US\$ 3,026	
	Kfw Medium Term Nts Book Entry	-	"	1,950	US\$ 1,952	N/A	US\$ 1,952	
	Kreditanstalt Fur Wiederaufbau	-	"	650	US\$ 672	N/A	US\$ 672	
	Lloyds Tsb Bank Plc Ser 144A	-	"	4,850	US\$ 4,877	N/A	US\$ 4,877	
	Lloyds Tsb Bank Plc Ser 144A	-	"	5,950	US\$ 6,038	N/A	US\$ 6,038	
	Mellon Fdg Corp.	-	"	3,500	US\$ 3,443	N/A	US\$ 3,443	
	Merck + Co. Inc.	-	"	4,000	US\$ 4,038	N/A	US\$ 4,038	
	Merck + Co. Inc.	-	"	2,000	US\$ 2,126	N/A	US\$ 2,126	
	Merrill Lynch + Co. Inc.	-	"	4,691	US\$ 4,602	N/A	US\$ 4,602	
	Met Life Glob Funding I	-	"	4,675	US\$ 4,752	N/A	US\$ 4,752	
	Met Life Glob Funding I	-	"	500	US\$ 502	N/A	US\$ 502	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Global	Metlife Inc.	-	Available-for-sale financial assets	2,000	US\$ 2,016	N/A	US\$ 2,016	
	Metropolitan Life Global Fdg	-	"	750	US\$ 740	N/A	US\$ 740	
	Metropolitan Life Global Fdg I	-	"	3,340	US\$ 3,284	N/A	US\$ 3,284	
	Monumental Gbl Fdg II	-	"	500	US\$ 499	N/A	US\$ 499	
	Morgan Stanley	-	"	2,200	US\$ 2,209	N/A	US\$ 2,209	
	Morgan Stanley	-	"	1,500	US\$ 1,389	N/A	US\$ 1,389	
	Morgan Stanley	-	"	2,000	US\$ 2,041	N/A	US\$ 2,041	
	Morgan Stanley Dean Witter	-	"	8,000	US\$ 8,680	N/A	US\$ 8,680	
	Morgan Stanley for Equity	-	"	2,000	US\$ 1,955	N/A	US\$ 1,955	
	National Australia Bank	-	"	1,000	US\$ 1,006	N/A	US\$ 1,006	
	New York Life Global Fdg	-	"	2,000	US\$ 2,011	N/A	US\$ 2,011	
	Nordea Bank Fld Plc	-	"	2,250	US\$ 2,245	N/A	US\$ 2,245	
	Oesterreichische Kontrollbank	-	"	2,000	US\$ 2,039	N/A	US\$ 2,039	
	Ontario (Province of)	-	"	2,000	US\$ 2,013	N/A	US\$ 2,013	
	Paccar Finl Corp. Mtn Bk Ent	-	"	1,000	US\$ 1,006	N/A	US\$ 1,006	
	Pepsico Inc.	-	"	3,000	US\$ 3,001	N/A	US\$ 3,001	
	Pnc Funding Corp.	-	"	2,000	US\$ 1,985	N/A	US\$ 1,985	
	Pricoa Global Fdg I Med Term	-	"	1,750	US\$ 1,668	N/A	US\$ 1,668	
	Pricoa Global Funding I	-	"	1,200	US\$ 1,173	N/A	US\$ 1,173	
	Princoa Global Fdg I Medium	-	"	2,200	US\$ 2,141	N/A	US\$ 2,141	
	Roche Hldgs Inc.	-	"	2,000	US\$ 2,114	N/A	US\$ 2,114	
	Royal Bk of Scotland Plc	-	"	4,000	US\$ 4,004	N/A	US\$ 4,004	
	Royal Bk of Scotland Plc	-	"	5,000	US\$ 5,078	N/A	US\$ 5,078	
	Royal Bk Scotlnd Grp Plc 144A	-	"	9,450	US\$ 9,550	N/A	US\$ 9,550	
	Shell International Fin	-	"	1,200	US\$ 1,206	N/A	US\$ 1,206	
	Shell International Fin	-	"	2,000	US\$ 1,998	N/A	US\$ 1,998	
	Southern Co.	-	"	600	US\$ 603	N/A	US\$ 603	
	Sovereign Bancorp Fdic Gtd Tlg	-	"	2,200	US\$ 2,252	N/A	US\$ 2,252	
	State Str Corp.	-	"	7,020	US\$ 7,005	N/A	US\$ 7,005	
	State Street Corp.	-	"	5,500	US\$ 5,561	N/A	US\$ 5,561	
	Suncorp Metway Ltd.	-	"	8,800	US\$ 9,070	N/A	US\$ 9,070	
	Suncorp Metway Ltd.	-	"	2,000	US\$ 2,003	N/A	US\$ 2,003	
	Svenska Handelsbanken AB	-	"	2,200	US\$ 2,242	N/A	US\$ 2,242	
	Swedbank AB	-	"	2,000	US\$ 1,994	N/A	US\$ 1,994	
	Swedbank Foreningssparbanken A	-	"	1,500	US\$ 1,543	N/A	US\$ 1,543	
	Ubs Ag Stamford	-	"	1,300	US\$ 1,300	N/A	US\$ 1,300	
	Ub Bancorp	-	"	2,000	US\$ 2,038	N/A	US\$ 2,038	
	US Central Federal Cred	-	"	4,800	US\$ 4,829	N/A	US\$ 4,829	
	Verizon Communications Inc.	-	"	2,200	US\$ 2,289	N/A	US\$ 2,289	
	Verizon Global Fdg Corp.	-	"	500	US\$ 522	N/A	US\$ 522	
	Wachovia Corp. New	-	"	1,400	US\$ 1,386	N/A	US\$ 1,386	
	Wachovia Corp. New	-	"	4,000	US\$ 4,232	N/A	US\$ 4,232	
	Wal Mart Stores Inc.	-	"	2,603	US\$ 2,680	N/A	US\$ 2,680	
	Wells Fargo + Company	-	"	2,000	US\$ 2,010	N/A	US\$ 2,010	
	Westfield Cap Corp. Ltd.	-	"	500	US\$ 508	N/A	US\$ 508	
	Westpac Banking Corp.	-	"	2,100	US\$ 2,112	N/A	US\$ 2,112	
	Westpac Banking Corp.	-	"	4,000	US\$ 4,008	N/A	US\$ 4,008	
	Westpac Banking Corp.	-	"	2,170	US\$ 2,168	N/A	US\$ 2,168	
	Nationwide Building Society-UK Government Guarantee	-	Held-to-maturity financial assets	8,000	US\$ 8,000	N/A	US\$ 7,999	
	Westpac Banking Corporation Govet Gtd	-	"	5,000	US\$ 5,000	N/A	US\$ 5,006	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 25,233	
	Commonwealth Bank of Australia	-	"	25,000	US\$ 25,000	N/A	US\$ 25,253	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				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>Agency bond</u>							
	Fannie Mae	-	Available-for-sale financial assets	8,000	US\$ 7,995	N/A	US\$ 7,995	
	Fannie Mae	-	"	2,820	US\$ 2,823	N/A	US\$ 2,823	
	Fannie Mae	-	"	3,770	US\$ 3,761	N/A	US\$ 3,761	
	Fannie Mae	-	"	4,000	US\$ 4,006	N/A	US\$ 4,006	
	Fannie Mae	-	"	4,000	US\$ 3,993	N/A	US\$ 3,993	
	Fannie Mae	-	"	3,000	US\$ 2,985	N/A	US\$ 2,985	
	Fed Hm Ln Pc Pool 1b2830	-	"	2,261	US\$ 2,330	N/A	US\$ 2,330	
	Fed Hm Ln Pc Pool 1g0115	-	"	2,260	US\$ 2,275	N/A	US\$ 2,275	
	Fed Hm Ln Pc Pool 1k1210	-	"	1,714	US\$ 1,771	N/A	US\$ 1,771	
	Fed Hm Ln Pc Pool 780741	-	"	2,071	US\$ 2,099	N/A	US\$ 2,099	
	Federal Farm Cr Bks	-	"	2,250	US\$ 2,253	N/A	US\$ 2,253	
	Federal Farm Cr Bks	-	"	2,000	US\$ 2,110	N/A	US\$ 2,110	
	Federal Farm Credit Bank	-	"	1,000	US\$ 999	N/A	US\$ 999	
	Federal Farm Credit Bank	-	"	4,000	US\$ 3,993	N/A	US\$ 3,993	
	Federal Farm Credit Bank	-	"	4,020	US\$ 4,007	N/A	US\$ 4,007	
	Federal Farm Credit Bank	-	"	5,000	US\$ 4,998	N/A	US\$ 4,998	
	Federal Farm Credit Bank	-	"	3,100	US\$ 3,101	N/A	US\$ 3,101	
	Federal Farm Credit Bank	-	"	2,200	US\$ 2,249	N/A	US\$ 2,249	
	Federal Home Ln Mtg Corp.	-	"	4,717	US\$ 4,671	N/A	US\$ 4,671	
	Federal Home Ln Mtg Corp.	-	"	2,004	US\$ 2,093	N/A	US\$ 2,093	
	Federal Home Ln Mtg Corp.	-	"	3,630	US\$ 3,796	N/A	US\$ 3,796	
	Federal Home Ln Mtg Corp.	-	"	3,002	US\$ 3,101	N/A	US\$ 3,101	
	Federal Home Ln Mtg Corp.	-	"	2,414	US\$ 2,515	N/A	US\$ 2,515	
	Federal Home Ln Mtg Corp.	-	"	1,945	US\$ 1,979	N/A	US\$ 1,979	
	Federal Home Ln Mtg Corp.	-	"	1,837	US\$ 1,870	N/A	US\$ 1,870	
	Federal Home Ln Mtg Corp.	-	"	2,072	US\$ 2,157	N/A	US\$ 2,157	
	Federal Home Ln Mtg Corp.	-	"	3,681	US\$ 3,916	N/A	US\$ 3,916	
	Federal Home Ln Mtg Corp.	-	"	2,300	US\$ 2,302	N/A	US\$ 2,302	
	Federal Home Ln Mtg Corp. Multi	-	"	4,197	US\$ 4,251	N/A	US\$ 4,251	
	Federal Home Loan Bank	-	"	5,000	US\$ 5,005	N/A	US\$ 5,005	
	Federal Home Loan Bank	-	"	4,700	US\$ 4,715	N/A	US\$ 4,715	
	Federal Home Loan Bank	-	"	5,000	US\$ 4,993	N/A	US\$ 4,993	
	Federal Home Loan Bank	-	"	8,000	US\$ 7,991	N/A	US\$ 7,991	
	Federal Home Loan Bank	-	"	12,700	US\$ 12,694	N/A	US\$ 12,694	
	Federal Home Loan Bank	-	"	3,310	US\$ 3,312	N/A	US\$ 3,312	
	Federal Home Loan Bank	-	"	4,000	US\$ 4,009	N/A	US\$ 4,009	
	Federal Home Loan Bank	-	"	3,000	US\$ 3,009	N/A	US\$ 3,009	
	Federal Home Loan Bank	-	"	3,000	US\$ 3,000	N/A	US\$ 3,000	
	Federal Home Loan Mtg Corp.	-	"	3,684	US\$ 3,660	N/A	US\$ 3,660	
	Federal Home Loan Mtg Corp.	-	"	1,091	US\$ 1,105	N/A	US\$ 1,105	
	Federal Home Loan Mtg Corp.	-	"	1,745	US\$ 1,781	N/A	US\$ 1,781	
	Federal National Mort Assoc	-	"	1,713	US\$ 1,753	N/A	US\$ 1,753	
	Federal National Mort Assoc	-	"	1,192	US\$ 1,206	N/A	US\$ 1,206	
	Federal Natl Mtg Assn Gtd	-	"	3,151	US\$ 3,261	N/A	US\$ 3,261	
	Federal Natl Mtg Assn Gtd Remi	-	"	2,714	US\$ 2,838	N/A	US\$ 2,838	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Global	Federal Natl Mtg Assn Gtd Remi	-	Available-for-sale financial assets	2,235	US\$ 2,281	N/A	US\$ 2,281	
	Federal Natl Mtg Assn Mtn	-	"	2,377	US\$ 2,475	N/A	US\$ 2,475	
	Federal Natl Mtg Assn Remic	-	"	2,377	US\$ 2,439	N/A	US\$ 2,439	
	Federal Natl Mtge Assn	-	"	1,905	US\$ 1,998	N/A	US\$ 1,998	
	Fhr 3087 Jb	-	"	2,242	US\$ 2,342	N/A	US\$ 2,342	
	Fnma Pool 745688	-	"	1,957	US\$ 1,993	N/A	US\$ 1,993	
	Fnma Pool 790772	-	"	1,393	US\$ 1,445	N/A	US\$ 1,445	
	Fnma Pool 819649	-	"	2,177	US\$ 2,200	N/A	US\$ 2,200	
	Fnma Pool 829989	-	"	1,990	US\$ 2,063	N/A	US\$ 2,063	
	Fnma Pool 846233	-	"	2,102	US\$ 2,149	N/A	US\$ 2,149	
	Fnma Pool 870884	-	"	2,223	US\$ 2,325	N/A	US\$ 2,325	
	Fnma Pool 879908	-	"	1,844	US\$ 1,917	N/A	US\$ 1,917	
	Fnr 2005 47 HA	-	"	2,461	US\$ 2,570	N/A	US\$ 2,570	
	Fnr 2006 60 CO	-	"	2,537	US\$ 2,605	N/A	US\$ 2,605	
	Fnr 2009 70 NT	-	"	2,391	US\$ 2,479	N/A	US\$ 2,479	
	Freddie Mac	-	"	1,750	US\$ 1,752	N/A	US\$ 1,752	
	Freddie Mac	-	"	10,420	US\$ 10,400	N/A	US\$ 10,400	
	Freddie Mac	-	"	8,000	US\$ 7,997	N/A	US\$ 7,997	
	Freddie Mac	-	"	4,500	US\$ 4,493	N/A	US\$ 4,493	
	Freddie Mac	-	"	7,000	US\$ 6,991	N/A	US\$ 6,991	
	Freddie Mac	-	"	4,500	US\$ 4,496	N/A	US\$ 4,496	
	Freddie Mac	-	"	1,425	US\$ 1,424	N/A	US\$ 1,424	
	Gnma II Pool 082431	-	"	1,988	US\$ 2,024	N/A	US\$ 2,024	
	Gnr 2008 9 SA	-	"	2,872	US\$ 2,865	N/A	US\$ 2,865	
	Gnr 2009 45 AB	-	"	6,796	US\$ 7,073	N/A	US\$ 7,073	
	<u>Government bond</u>							
	United States Treas Nts	-	Available-for-sale financial assets	4,800	US\$ 4,819	N/A	US\$ 4,819	
	US Treasury N/B	-	"	43,900	US\$ 43,809	N/A	US\$ 43,809	
	US Treasury N/B	-	"	47,000	US\$ 47,094	N/A	US\$ 47,094	
	US Treasury N/B	-	"	16,800	US\$ 16,887	N/A	US\$ 16,887	
	US Treasury N/B	-	"	2,170	US\$ 2,173	N/A	US\$ 2,173	
	US Treasury Sec	-	"	8,000	US\$ 8,031	N/A	US\$ 8,031	
	Wi Treasury Sec	-	"	4,400	US\$ 4,386	N/A	US\$ 4,386	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US\$ 15,000	N/A	US\$ 15,078	
	<u>Money market fund</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	2,729	US\$ 2,729	N/A	US\$ 2,729	
	<u>Corporate issued note</u>							
	Barclays U.S. Fdg LLC	-	Available-for-sale financial assets	2,600	US\$ 2,594	N/A	US\$ 2,594	

(Concluded)

TABLE 2

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2010  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
TSMC	<u>Stock</u> Motech	Investments accounted for using equity method	-	Investee accounted for using equity method	-	\$ -	75,316	\$ 6,228,661	-	\$ -	\$ -	\$ -	75,316	\$ 6,210,916
TSMC Global	<u>Corporate bond</u> American Honda Fin Corp. Mtn	Available-for-sale financial assets	-	-	-	-	4,000	US\$ 3,985	-	-	-	-	4,000	US\$ 3,974
	Anz National Intl Ltd.	"	-	-	-	-	3,500	US\$ 3,515	-	-	-	-	3,500	US\$ 3,507
	AT+T Wireless	"	-	-	-	-	3,500	US\$ 3,979	-	-	-	-	3,500	US\$ 3,950
	Bank of America	"	-	-	-	-	2,900	US\$ 3,121	-	-	-	-	2,900	US\$ 3,121
	Bank of America Corp. Fdic Gtd	"	-	-	-	-	3,400	US\$ 3,548	-	-	-	-	3,400	US\$ 3,533
	Bank of Nova Scotia	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 4,998
	Bank of Scotland Plc	"	-	-	-	-	4,000	US\$ 3,984	-	-	-	-	4,000	US\$ 3,991
	Barclays Bank Plc	"	-	-	-	-	12,000	US\$ 12,035	-	-	-	-	12,000	US\$ 11,995
	Bbva US Senior SA Uniper	"	-	-	-	-	4,745	US\$ 4,744	-	-	-	-	4,745	US\$ 4,743
	Berkshire Hathaway Inc. Del	"	-	-	-	-	3,500	US\$ 3,500	-	-	-	-	3,500	US\$ 3,513
	Boeing Cap Corp.	"	-	-	-	-	2,925	US\$ 3,235	-	-	-	-	2,925	US\$ 3,219
	Citibank NA	"	-	-	-	-	4,020	US\$ 4,021	-	-	-	-	4,020	US\$ 4,017
	Citibank NA	"	-	-	5,000	US\$ 4,996	-	-	5,000	US\$ 5,023	US\$ 4,995	US\$ 28	-	-
	Citigroup Funding Inc.	"	-	-	-	-	6,000	US\$ 6,040	-	-	-	-	6,000	US\$ 6,043
	Countrywide Finl Corp.	"	-	-	-	-	4,000	US\$ 4,291	-	-	-	-	4,000	US\$ 4,252
	Dexia Credit Local	"	-	-	-	-	6,000	US\$ 6,000	-	-	-	-	6,000	US\$ 5,998
	Dexia Credit Local SA NY	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,004
	Georgia Pwr Co.	"	-	-	-	-	6,000	US\$ 6,000	-	-	-	-	6,000	US\$ 6,012
	Household Fin Corp.	"	-	-	-	-	4,330	US\$ 4,781	-	-	-	-	4,330	US\$ 4,742
	HSBC Fin Corp.	"	-	-	-	-	2,900	US\$ 3,142	-	-	-	-	2,900	US\$ 3,119
	IBM Corp.	"	-	-	1,800	US\$ 1,796	4,300	US\$ 4,302	-	-	-	-	6,100	US\$ 6,102
	Intl Bk Recon + Develop	"	-	-	-	-	5,000	US\$ 5,014	-	-	-	-	5,000	US\$ 5,013
	John Deer Capital Corp. Fdic GT	"	-	-	-	-	3,500	US\$ 3,634	-	-	-	-	3,500	US\$ 3,621
	JP Morgan Chase + Co.	"	-	-	-	-	5,000	US\$ 5,000	-	-	-	-	5,000	US\$ 5,025
	Landwirtsch Rentenbank	"	-	-	-	-	3,800	US\$ 3,800	3,800	US\$ 3,801	US\$ 3,800	US\$ 1	-	-
	Lloyds Tsb Bank Plc Ser 144A	"	-	-	-	-	4,850	US\$ 4,895	-	-	-	-	4,850	US\$ 4,877
	Merck + Co. Inc.	"	-	-	-	-	4,000	US\$ 4,066	-	-	-	-	4,000	US\$ 4,038
	Merrill Lynch + Co. Inc.	"	-	-	-	-	4,691	US\$ 4,603	-	-	-	-	4,691	US\$ 4,602
	Morgan Stanley Dean Witter	"	-	-	-	-	8,000	US\$ 8,796	-	-	-	-	8,000	US\$ 8,680
	Pepsico Inc.	"	-	-	-	-	3,000	US\$ 3,000	-	-	-	-	3,000	US\$ 3,001
	Royal Bk of Scotland Plc	"	-	-	-	-	4,000	US\$ 4,015	-	-	-	-	4,000	US\$ 4,004
	State Str Corp.	"	-	-	1,940	US\$ 1,920	5,080	US\$ 5,065	-	-	-	-	7,020	US\$ 7,005
	State Street Corp.	"	-	-	-	-	5,500	US\$ 5,585	-	-	-	-	5,500	US\$ 5,561
	Suncorp Metway Ltd.	"	-	-	5,000	US\$ 5,170	3,800	US\$ 3,933	-	-	-	-	8,800	US\$ 9,070
	Westpac Banking Corp.	"	-	-	-	-	4,000	US\$ 4,044	-	-	-	-	4,000	US\$ 4,008
	Commonwealth Bank of Australia	Held-to-maturity financial assets	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000
	Commonwealth Bank of Australia	"	-	-	-	-	25,000	US\$ 25,000	-	-	-	-	25,000	US\$ 25,000

(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>Agency bond</u>														
	Fannie Mae	Available-for-sale financial assets	-	-	-	US\$ -	8,000	US\$ 7,995	-	US\$ -	US\$ -	US\$ -	-	8,000	US\$ 7,995
	Fannie Mae	"	-	-	-	-	3,770	US\$ 3,770	-	-	-	-	-	3,770	US\$ 3,761
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,014	-	-	-	-	-	4,000	US\$ 4,006
	Fannie Mae	"	-	-	-	-	4,000	US\$ 4,011	-	-	-	-	-	4,000	US\$ 3,993
	Federal Farm Credit Bank	"	-	-	-	-	4,000	US\$ 3,995	-	-	-	-	-	4,000	US\$ 3,993
	Federal Farm Credit Bank	"	-	-	-	-	4,020	US\$ 4,017	-	-	-	-	-	4,020	US\$ 4,007
	Federal Farm Credit Bank	"	-	-	-	-	5,000	US\$ 4,997	-	-	-	-	-	5,000	US\$ 4,998
	Federal Farm Credit Bank	"	-	-	-	-	3,100	US\$ 3,100	-	-	-	-	-	3,100	US\$ 3,101
	Fed Home Ln Bank	"	-	-	11,000	US\$ 11,028	-	-	11,000	US\$ 11,049	US\$ 11,038	US\$ 11	-	-	-
	Fed Home Ln Mtg Corp.	"	-	-	-	-	4,289	US\$ 4,282	4,289	US\$ 4,292	US\$ 4,282	US\$ 10	-	-	-
	Fed Home Ln Mtg Corp.	"	-	-	-	-	4,717	US\$ 4,719	-	-	-	-	-	4,717	US\$ 4,671
	Fed Home Ln Mtg Corp.	"	-	-	-	-	3,840	US\$ 4,027	-	-	-	-	-	3,630	US\$ 3,796
	Fed Home Ln Mtg Corp.	"	-	-	-	-	3,720	US\$ 3,953	-	-	-	-	-	3,681	US\$ 3,916
	Fed Home Ln Mtg Corp. Multi	"	-	-	-	-	4,197	US\$ 4,261	-	-	-	-	-	4,197	US\$ 4,251
	Federal Home Loan Bank	"	-	-	10,000	US\$ 9,987	-	-	10,000	US\$ 10,007	US\$ 9,996	US\$ 11	-	-	-
	Federal Home Loan Bank	"	-	-	8,000	US\$ 7,992	-	-	8,000	US\$ 8,009	US\$ 8,002	US\$ 7	-	-	-
	Federal Home Loan Bank	"	-	-	-	-	5,000	US\$ 5,009	-	-	-	-	-	5,000	US\$ 5,005
	Federal Home Loan Bank	"	-	-	10,000	US\$ 10,012	-	-	10,000	US\$ 10,047	US\$ 10,035	US\$ 12	-	-	-
	Federal Home Loan Bank	"	-	-	-	-	5,000	US\$ 4,996	-	-	-	-	-	5,000	US\$ 4,993
	Federal Home Loan Bank	"	-	-	-	-	8,000	US\$ 7,996	-	-	-	-	-	8,000	US\$ 7,991
	Federal Home Loan Bank	"	-	-	-	-	4,000	US\$ 4,012	-	-	-	-	-	4,000	US\$ 4,009
	Federal Home Loan Mtg Corp.	"	-	-	-	-	3,684	US\$ 3,682	-	-	-	-	-	3,684	US\$ 3,660
	Federal Natl Mtg Assn	"	-	-	4,000	US\$ 4,228	-	-	4,000	US\$ 4,205	US\$ 4,261	US\$ (56)	-	-	-
	Federal Natl Mtg Assn Gtd	"	-	-	-	-	3,343	US\$ 3,466	-	-	-	-	-	3,151	US\$ 3,261
	Freddie Mac	"	-	-	-	-	10,420	US\$ 10,412	-	-	-	-	-	10,420	US\$ 10,400
	Freddie Mac	"	-	-	-	-	8,000	US\$ 8,002	-	-	-	-	-	8,000	US\$ 7,997
	Freddie Mac	"	-	-	-	-	7,000	US\$ 6,994	-	-	-	-	-	7,000	US\$ 6,991
	Freddie Mac	"	-	-	-	-	4,500	US\$ 4,507	-	-	-	-	-	4,500	US\$ 4,496
	Gnr 2009 45 AB	"	-	-	-	-	7,004	US\$ 7,305	-	-	-	-	-	6,796	US\$ 7,073
	<u>Government bond</u>														
	United States Treas Nts	Available-for-sale financial assets	-	-	-	-	24,000	US\$ 24,116	24,000	US\$ 24,105	US\$ 24,116	US\$ (11)	-	-	-
	United States Treas Nts	"	-	-	-	-	45,070	US\$ 45,309	40,270	US\$ 40,440	US\$ 40,484	US\$ (44)	4,800	US\$ 4,819	
	US Treasury N/B	"	-	-	-	-	43,900	US\$ 43,832	-	-	-	-	43,900	US\$ 43,809	
	US Treasury N/B	"	-	-	21,400	US\$ 21,394	-	-	21,400	US\$ 21,487	US\$ 21,416	US\$ 71	-	-	
	US Treasury N/B	"	-	-	-	-	53,000	US\$ 53,069	6,000	US\$ 6,018	US\$ 6,008	US\$ 10	47,000	US\$ 47,094	
	US Treasury N/B	"	-	-	-	-	16,800	US\$ 16,889	-	-	-	-	16,800	US\$ 16,887	
	US Treasury Nts	"	-	-	37,700	US\$ 39,012	-	-	37,700	38,784	39,346	US\$ (562)	-	-	
	US Treasury Sec	"	-	-	-	-	8,000	US\$ 8,040	-	-	-	-	8,000	US\$ 8,031	
	US Treasury Sec	"	-	-	-	-	4,400	US\$ 4,380	-	-	-	-	4,400	US\$ 4,386	
	<u>Money market fund</u>														
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	8,858	US\$ 8,858	204,079	US\$ 204,079	210,208	US\$ 210,208	US\$ 210,208	-	2,729	US\$ 2,729	
	<u>Corporate issued note</u>														
	Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	4,500	US\$ 4,489	-	-	1,900	US\$ 1,895	US\$ 1,895	-	2,600	US\$ 2,594	

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.

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/ losses on financial assets, translation adjustments, equity in earnings/losses of equity method investees and other adjustments to long-term investment using equity method.

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2010**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	January 28, 2010 to February 24, 2010	\$ 201,231	By the construction progress	China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	January 28, 2010 to March 28, 2010	126,825	By the construction progress	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab	February 19, 2010	426,000	By the construction progress	Da Cin Constructure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

**TABLE 4****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2010  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 48,676,679	53	Net 30 days after invoice date	-	-	\$ 22,055,122	49	
		Investee with a controlling financial interest	Sales	320,263	-	Net 30 days after monthly closing	-	-	205,381	-	
	WaferTech TSMC China	Indirect subsidiary	Purchases	1,636,493	17	Net 30 days after monthly closing	-	-	(647,205)	6	
		Subsidiary	Purchases	1,577,962	16	Net 30 days after monthly closing	-	-	(762,578)	7	
	SSMC	Investee accounted for using equity method	Purchases	1,041,954	10	Net 30 days after monthly closing	-	-	(408,809)	3	
			Purchases	960,978	10	Net 30 days after monthly closing	-	-	(695,640)	6	
VIS	Investee accounted for using equity method	Purchases	960,978	10	Net 30 days after monthly closing	-	-	(695,640)	6		
GUC	TSMC North America	Same parent company	Purchases	181,144	20	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(107,527)	14	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	725,568	75	Net 30 days after monthly closing	-	-	368,052	70	

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

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

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

**MARCH 31, 2010**

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

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
TSMC	TSMC North America GUC	Subsidiary	\$ 22,063,932	41	\$ 6,442,143	-	\$ 8,998,856	\$ -
		Investee with a controlling financial interest	205,381	77	322	-	91,107	-
	TSMC China VIS	Subsidiary	123,354	(Note 2)	-	-	-	-
		Investee accounted for using equity method	113,100	(Note 2)	19,545	-	-	-
Xintec	OmniVision	Parent company of director (represented for Xintec)	368,052	48	40	-	136,161	-

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 6

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

MARCH 31, 2010

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2010			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				March 31, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 45,245,474	\$ 119,194	\$ 119,194	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry.	31,456,130	31,456,130	988,268	100	32,637,828	299,571	299,571	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	9,359,350	220,278	(18,084)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,308,810	615,379	189,456	Investee accounted for using equity method
	Motech	Taipei, Taiwan	Manufacturing and sales of solar cells, crystalline silicon solar cell, and test and measurement instruments and design and construction of solar power systems	6,228,661	-	75,316	20	6,210,916	301,572	(16,686)	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	2,787,558	(146,829)	(151,898)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Selling and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,726,868	21,174	21,174	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,532,384	156,535	57,856	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,772,789	1,703,163	-	98	1,351,399	(19,888)	(19,490)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,166,470	1,093,943	-	98	1,140,879	34,402	33,714	Subsidiary (Note 3)
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	1,039,348	113,610	40,139	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	965,414	959,044	-	99	303,768	(6,475)	(6,442)	Subsidiary (Note 3)
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	158,190	11,014	11,014	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	133,420	(145)	(145)	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical supporting activities	13,656	13,656	80	100	19,460	535	535	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 350,118	US\$ 9,731	Note 2	Subsidiary
	VisEra Holding Company	Cayman Islands	Investing 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\$ 72,445	US\$ 2,246	Note 2	Investee accounted for using equity method
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 21,415	US\$ 21,415	21,415	97	US\$ 13,670	US\$ 30	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 9,431	US\$ 360	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\$ 7,188	US\$ (30)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 3,555	US\$ 256	Note 2	Subsidiary (Note 3)
	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 800	US\$ 800	5,333	70	US\$ 529	US\$ (1,493)	Note 2	Investee accounted for using equity method (Note 3)
	Mcube Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$ 1,000	US\$ 1,000	1,000	10	US\$ 949	US\$ (1,493)	Note 2	Investee accounted for using equity method (Note 3)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2010			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				March 31, 2010 (Foreign Currencies in Thousands)	December 31, 2009 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 330,000	US\$ 330,000	293,637	100	US\$ 164,246	US\$ 9,814	Note 2	Subsidiary
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 3,088	US\$ 3,088	9,180	59	US\$ 1,962	US\$ (272)	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	42	US\$ 487	US\$ (194)	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	US\$ 1,650	US\$ 1,550	-	100	US\$ 892	US\$ (31)	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	\$ 39,313	\$ 929	Note 2	Subsidiary
	GUC-BVI	British Virgin Islands	Investment activities	US\$ 550	US\$ 550	550	100	17,351	(13)	Note 2	Subsidiary (Note 3)
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	13,160	508	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 100	-	100	4,860	30	Note 2	Subsidiary (Note 3)
GUC-BVI	GUC-Shanghai	Shanghai, China	Consulting services in main products	US\$ 500	-	-	100	15,902	-	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary (Note 3)

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

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2010

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

Investor Company	Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2010 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses)	Carrying Value as of March 31, 2010	Accumulated Inward Remittance of Earnings as of March 31, 2010
						Outflow	Inflow					
TSMC	TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$ 12,180,367 (RMB 3,070,623)	(Note 1)	\$ 12,180,367 (US\$ 371,000)	\$ -	\$ -	\$ 12,180,367 (US\$ 371,000)	100%	\$ (151,898) (Note 3)	\$ 2,787,558	\$ -
GUC	GUC-Shanghai	Consulting services in main products	16,160 (US\$ 500)	(Note 2)	-	16,160 (US\$ 500)	-	16,160 (US\$ 500)	100%	- (Note 4)	15,902	-

Investor Company	Accumulated Investment in Mainland China as of March 31, 2010 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
TSMC	\$ 12,180,367 (US\$ 371,000)	\$ 12,180,367 (US\$ 371,000)	\$ 12,180,367 (US\$ 371,000)
GUC	16,160 (US\$ 500)	16,160 (US\$ 500)	1,765,057 (Note 5)

Note 1: TSMC directly invested US\$371,000 thousand in TSMC China.

Note 2: GUC, TSMC's investee with a controlling financial interest, indirectly invested in GUC-Shanghai through GUC-BVI.

Note 3: Amount was recognized based on the reviewed financial statements.

Note 4: Equity in earnings/losses was determined based on the unreviewed financial statements.

Note 5: Subject to 60% of net asset value of GUC according to the revised "Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission.

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

A. For the three months ended March 31, 2010

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 48,676,679	-	51%
				Receivables from related parties	22,055,122	-	4%
				Other receivables from related parties	8,810	-	-
				Payables to related parties	8,667	-	-
		TSMC China	1	Sales	1,409	-	-
				Purchases	1,557,962	-	2%
				Marketing expenses - commission	11,446	-	-
				Sales of property, plant, and equipment	11,224	-	-
				Purchase of property, plant, and equipment	14,498	-	-
				Gain on disposal of property, plant and equipment, net	23,866	-	-
				Technical service income	1,560	-	-
				Other receivables from related parties	123,354	-	-
				Payables to related parties	762,578	-	-
				Deferred debits	4,672	-	-
		TSMC Japan	1	Marketing expenses - commission	59,644	-	-
				Payables to related parties	22,869	-	-
		TSMC Europe	1	Marketing expenses - commission	98,913	-	-
				Research and development expenses	6,352	-	-
		TSMC Korea	1	Payables to related parties	35,186	-	-
				Marketing expenses - commission	4,285	-	-
		GUC	1	Payables to related parties	1,333	-	-
				Sales	320,263	-	-
		TSMC Technology	1	Receivables from related parties	205,381	-	-
Research and development expenses	131,169			-	-		
WaferTech	1	Payables to related parties	129,058	-	-		
		Sales	1,648	-	-		
		Purchases	1,636,493	-	2%		
		Purchase of property, plant, and equipment	9,624	-	-		
		Other receivables from related parties	4,703	-	-		
TSMC Canada	1	Payables to related parties	647,205	-	-		
		Research and development expenses	45,209	-	-		
Xintec	1	Payables to related parties	15,983	-	-		
		Manufacturing overhead	45,546	-	-		
			Payables to related parties	27,979	-	-	

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
1	GUC	TSMC North America	3	Purchases	\$ 181,144	-	-
				Manufacturing overhead	61,478	-	-
				Payables to related parties	107,527	-	-
		GUC-NA	3	Operating expenses	44,847	-	-
				Accrued Expense	13,917	-	-
		GUC-Japan	3	Operating expenses	10,706	-	-
				Accrued Expense	3,472	-	-
GUC-Shanghai	3	Other receivables from related parties	5,960	-	-		

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

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

(Continued)

B. For the three months ended March 31, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 22,964,954	-	56%
				Receivables from related parties	10,033,427	-	2%
				Other receivables from related parties	3,041	-	-
				Payables to related parties	11,104	-	-
		TSMC China	1	Purchases	447,631	-	1%
				Gain on disposal of property, plant and equipment	46,722	-	-
				Technical service income	1,077	-	-
				Other receivables from related parties	107,608	-	-
				Payables to related parties	193,560	-	-
				Deferred credits	137,174	-	-
		TSMC Japan	1	Marketing expenses - commission	49,114	-	-
				Payables to related parties	16,573	-	-
		TSMC Europe	1	Marketing expenses - commission	71,736	-	-
				Research and development expenses	1,808	-	-
		TSMC Korea	1	Payables to related parties	27,311	-	-
				Marketing expenses - commission	3,375	-	-
		GUC	1	Sales	282,542	-	1%
				Research and development expenses	17,970	-	-
				Receivables from related parties	148,475	-	-
		TSMC Technology	1	Research and development expenses	85,917	-	-
Payables to related parties	97,970			-	-		
WaferTech	1	Sales	2,237	-	-		
		Purchases	739,712	-	2%		
		Other receivables from related parties	2,220	-	-		
		Payables to related parties	237,033	-	-		
TSMC Canada	1	Research and development expenses	37,632	-	-		
		Payables to related parties	12,417	-	-		
Xintec	1	Other receivables from related parties	59,862	-	-		
Emerging Alliance	1	Other receivables from related parties	5,314	-	-		
1	TSMC Partners	TSMC International	3	Other receivables	8,411,416	-	2%
				Deferred revenue	8,411,416	-	2%
2	GUC	TSMC North America	3	Purchases	124,079	-	-
				Manufacturing expenses	88,628	-	-
				Payables to related parties	161,756	-	-
		GUC-NA	3	Operating expenses	35,321	-	-
				Accrued Expenses	12,240	-	-
		GUC-Japan	3	Operating expenses	10,187	-	-
				Accrued expenses	3,145	-	-
		GUC-Europe	3	Operating expenses	2,561	-	-
Accrued expenses	2,014			-	-		

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

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

(Concluded)