

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 06, 2009

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of October 2009

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: ____.)

**Taiwan Semiconductor Manufacturing
Company Limited
Financial Statements for the
Nine Months Ended September 30, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of September 30, 2009 and 2008, and the related statements of income and cash flows for the nine months then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China. As discussed in Note 3 to the financial statements, effective January 1, 2009, Taiwan Semiconductor Manufacturing Company Limited adopted the newly revised Statements of Financial Accounting Standards No. 10, Accounting for Inventories. In addition, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors, issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

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

October 9, 2009

Notice to Readers

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

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

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Taiwan Semiconductor Manufacturing Company Limited
BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

| | 2009 | | 2008 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 102,286,286 | 20 | \$ 71,356,901 | 13 |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 23) | 367,461 | | 12,970 | |
| Available-for-sale financial assets (Notes 2, 6 and 23) | | | 16,936,633 | 3 |
| Held-to-maturity financial assets (Notes 2, 7 and 23) | 8,374,389 | 2 | 5,063,096 | 1 |
| Receivables from related parties (Note 24) | 22,464,807 | 4 | 27,255,916 | 5 |
| Notes and accounts receivable | 20,825,053 | 4 | 22,662,860 | 4 |
| Allowance for doubtful receivables (Notes 2 and 8) | (436,000) | | (686,143) | |
| Allowance for sales returns and others (Notes 2 and 8) | (8,874,199) | (2) | (5,339,469) | (1) |
| Other receivables from related parties (Note 24) | 321,499 | | 315,293 | |
| Other financial assets (Note 25) | 903,842 | | 564,972 | |
| Inventories (Notes 2, 3 and 9) | 17,194,184 | 3 | 19,429,551 | 4 |
| Deferred income tax assets (Notes 2 and 17) | 4,287,040 | 1 | 2,915,006 | 1 |
| Prepaid expenses and other current assets | 613,580 | | 1,208,644 | |
| Total current assets | 168,327,942 | 32 | 161,696,230 | 30 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23) | | | | |
| Investments accounted for using equity method | 105,085,064 | 20 | 109,129,339 | 21 |
| Available-for-sale financial assets | 1,033,473 | | 4,003,970 | 1 |
| Held-to-maturity financial assets | 13,278,683 | 3 | 11,416,050 | 2 |
| Financial assets carried at cost | 501,563 | | 748,263 | |
| Total long-term investments | 119,898,783 | 23 | 125,297,622 | 24 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24) | | | | |
| Cost | | | | |
| Buildings | 123,783,029 | 24 | 113,146,254 | 21 |
| Machinery and equipment | 674,274,132 | 129 | 632,130,632 | 119 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Office equipment | 10,337,123 | 2 | 9,597,292 | 2 |
| | 808,394,284 | 155 | 754,874,178 | 142 |
| Accumulated depreciation | (610,117,838) | (117) | (538,829,638) | (101) |
| Advance payments and construction in progress | 18,320,302 | 4 | 10,960,925 | 2 |
| Net property, plant and equipment | 216,596,748 | 42 | 227,005,465 | 43 |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 1,567,756 | | 1,567,756 | |
| Deferred charges, net (Notes 2 and 13) | 5,453,680 | 1 | 6,466,929 | 1 |
| Total intangible assets | 7,021,436 | 1 | 8,034,685 | 1 |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 17) | 6,973,800 | 1 | 7,504,585 | 1 |
| Refundable deposits | 2,754,296 | 1 | 2,666,676 | 1 |
| Others (Note 2) | 487,358 | | 57,111 | |
| Total other assets | 10,215,454 | 2 | 10,228,372 | 2 |
| TOTAL | \$ 522,060,363 | 100 | \$ 532,262,374 | 100 |

**LIABILITIES AND SHAREHOLDERS
EQUITY**

CURRENT LIABILITIES

Financial liabilities at fair value through profit or loss

| | | | | |
|--|------------|---|------------|----|
| (Notes 2, 5 and 23) | \$ | | \$ 314,630 | |
| Accounts payable | 8,297,913 | 1 | 6,948,805 | 1 |
| Payables to related parties (Note 24) | 2,294,155 | | 2,573,875 | 1 |
| Income tax payable (Notes 2 and 17) | 5,726,656 | 1 | 9,071,046 | 2 |
| Bonuses payable to employees and directors (Notes 2, 3 and 19) | 8,618,411 | 2 | 13,265,568 | 3 |
| Payables to contractors and equipment suppliers | 15,520,005 | 3 | 7,390,905 | 1 |
| Accrued expenses and other current liabilities (Note 15) | 8,675,196 | 2 | 11,153,920 | 2 |
| Current portion of bonds payable (Note 14) | | | 8,000,000 | 1 |
| Total current liabilities | 49,132,336 | 9 | 58,718,749 | 11 |

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LONG-TERM LIABILITIES

| | | | | |
|------------------------------------|-----------|---|-----------|---|
| Bonds payable (Note 14) | 4,500,000 | 1 | 4,500,000 | 1 |
| Other long-term payables (Note 15) | 579,600 | | 1,071,214 | |

| | | | | |
|-----------------------------|-----------|---|-----------|---|
| Total long-term liabilities | 5,079,600 | 1 | 5,571,214 | 1 |
|-----------------------------|-----------|---|-----------|---|

OTHER LIABILITIES

| | | | | |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 16) | 3,786,616 | 1 | 3,695,766 | 1 |
| Guarantee deposits (Note 27) | 1,104,704 | | 1,618,686 | |
| Deferred credits (Notes 2 and 24) | 71,809 | | 582,206 | |

| | | | | |
|-------------------------|-----------|---|-----------|---|
| Total other liabilities | 4,963,129 | 1 | 5,896,658 | 1 |
|-------------------------|-----------|---|-----------|---|

| | | | | |
|-------------------|------------|----|------------|----|
| Total liabilities | 59,175,065 | 11 | 70,186,621 | 13 |
|-------------------|------------|----|------------|----|

CAPITAL STOCK NT\$10 PAR VALUE (Notes 19 and 21)

| | | | | |
|--|-------------|----|-------------|----|
| Authorized: 28,050,000 thousand shares | | | | |
| Issued: 25,900,662 thousand shares in 2009 | | | | |
| 25,904,166 thousand shares in 2008 | 259,006,623 | 50 | 259,041,660 | 49 |

| | | | | |
|----------------------------------|------------|----|------------|---|
| CAPITAL SURPLUS (Notes 2 and 19) | 55,439,919 | 10 | 50,463,438 | 9 |
|----------------------------------|------------|----|------------|---|

RETAINED EARNINGS (Note 19)

| | | | | |
|---|-------------|----|-------------|----|
| Appropriated as legal capital reserve | 77,317,710 | 15 | 67,324,393 | 13 |
| Appropriated as special capital reserve | | | 391,857 | |
| Unappropriated earnings | 71,898,923 | 14 | 103,062,463 | 19 |
| | 149,216,633 | 29 | 170,778,713 | 32 |

OTHERS (Notes 2, 21 and 23)

| | | | | |
|---|-------------|--|--------------|-----|
| Cumulative translation adjustments | (1,272,298) | | (1,584,029) | |
| Unrealized gain/loss on financial instruments | 494,421 | | (124,039) | |
| Treasury stock: 278,875 thousand shares | | | (16,499,990) | (3) |
| | (777,877) | | (18,208,058) | (3) |

| | | | | |
|----------------------------|-------------|----|-------------|----|
| Total shareholders' equity | 462,885,298 | 89 | 462,075,753 | 87 |
|----------------------------|-------------|----|-------------|----|

| | | | | |
|-------|----------------|-----|----------------|-----|
| TOTAL | \$ 522,060,363 | 100 | \$ 532,262,374 | 100 |
|-------|----------------|-----|----------------|-----|

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche review report dated October 9, 2009)

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

| | 2009 | | 2008 | |
|---|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 24) | \$ 206,462,258 | | \$ 266,527,657 | |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8) | 9,715,735 | | 5,586,784 | |
| NET SALES | 196,746,523 | 100 | 260,940,873 | 100 |
| COST OF SALES (Notes 3, 9, 18 and 24) | 113,516,518 | 58 | 142,456,953 | 55 |
| GROSS PROFIT | 83,230,005 | 42 | 118,483,920 | 45 |
| UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2) | 128,152 | | 164,705 | |
| REALIZED GROSS PROFIT | 83,101,853 | 42 | 118,319,215 | 45 |
| OPERATING EXPENSES (Notes 18 and 24) | | | | |
| Research and development | 13,686,108 | 7 | 15,359,634 | 5 |
| General and administrative | 7,246,047 | 3 | 7,829,752 | 3 |
| Marketing | 1,427,041 | 1 | 1,845,955 | 1 |
| Total operating expenses | 22,359,196 | 11 | 25,035,341 | 9 |
| INCOME FROM OPERATIONS | 60,742,657 | 31 | 93,283,874 | 36 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income (Note 2) | 938,369 | 1 | 2,084,519 | 1 |
| Valuation gain on financial instruments, net (Notes 2, 5 and 23) | 576,910 | | | |
| Settlement income (Note 27) | 494,070 | | 456,195 | |
| Technical service income (Notes 24 and 27) | 279,644 | | 521,366 | |
| Gain on settlement and disposal of financial assets, net (Notes 2 and 23) | 53,364 | | 396,865 | |

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| | | | | |
|--|-----------|---|-----------|---|
| Equity in earnings of equity method investees, net (Notes 2 and 10) | | | 1,306,897 | 1 |
| Foreign exchange gain, net (Note 2) | | | 146,196 | |
| Others (Notes 2 and 24) | 355,793 | | 651,716 | |
| Total non-operating income and gains | 2,698,150 | 1 | 5,563,754 | 2 |

(Continued)

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

| | 2009 | | 2008 | |
|---|----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Equity in losses of equity method investees, net (Notes 2 and 10) | \$ 2,772,157 | 1 | \$ | |
| Foreign exchange loss, net (Note 2) | 611,098 | | | |
| Interest expense | 108,276 | | 266,250 | |
| Valuation loss on financial instruments, net (Notes 2, 5 and 23) | | | 299,565 | |
| Loss on idle assets (Note 2) | | | 210,477 | |
| Provision for litigation loss | | | 99,126 | |
| Others (Note 2) | 102,553 | | 89,369 | |
| Total non-operating expenses and losses | 3,594,084 | 1 | 964,787 | |
| INCOME BEFORE INCOME TAX | 59,846,723 | 31 | 97,882,841 | 38 |
| INCOME TAX EXPENSE (Notes 2 and 17) | 3,294,936 | 2 | 10,395,449 | 4 |
| NET INCOME | \$ 56,551,787 | 29 | \$ 87,487,392 | 34 |

| | 2009 | | 2008 | |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 22) | | | | |
| Basic earnings per share | \$ 2.32 | \$ 2.19 | \$ 3.74 | \$ 3.35 |
| Diluted earnings per share | \$ 2.30 | \$ 2.18 | \$ 3.72 | \$ 3.33 |

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

| | |
|-------------------|-------------------------------------|
| NET INCOME | 2008 \$ 87,589,671 |
|-------------------|-------------------------------------|

EARNINGS PER SHARE (NT\$)

| | | |
|----------------------------|----|------|
| Basic earnings per share | \$ | 3.35 |
| Diluted earnings per share | \$ | 3.33 |

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

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

(Concluded)

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

| | 2009 | 2008 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 56,551,787 | \$ 87,487,392 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 55,547,956 | 55,280,082 |
| Unrealized gross profit from affiliates | 128,152 | 164,705 |
| Amortization of premium/discount of financial assets | (6,248) | (75,112) |
| Gain on disposal of available-for-sale financial assets, net | (37,370) | (397,535) |
| Gain on held-to-maturity financial assets redeemed by the issuer | (16,091) | |
| Loss on disposal of financial assets carried at cost | 97 | 670 |
| Equity in losses (earnings) of equity method investees, net | 2,772,157 | (1,306,897) |
| Dividends received from equity method investees | 1,402,592 | 1,804,351 |
| Gain on disposal of property, plant and equipment and other assets, net | (77,173) | (236,265) |
| Loss on idle assets | | 210,477 |
| Deferred income tax | (1,112,168) | 2,090,342 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | (408,619) | 96,097 |
| Receivables from related parties | (10,736,603) | (554,268) |
| Notes and accounts receivable | (9,383,877) | (4,751,532) |
| Allowance for doubtful receivables | (746) | (2,829) |
| Allowance for sales returns and others | 3,005,617 | 1,482,784 |
| Other receivables from related parties | 160,152 | 218,106 |
| Other financial assets | (192,087) | (233,274) |
| Inventories | (4,386,248) | 1,557,591 |
| Prepaid expenses and other current assets | 578,895 | (346,833) |
| Increase (decrease) in: | | |
| Accounts payable | 4,306,139 | (2,537,013) |
| Payables to related parties | 1,091,805 | (425,755) |
| Income tax payable | (3,496,155) | (1,917,918) |
| Bonuses payable to employees and directors | 965,342 | 13,265,568 |
| Accrued expenses and other current liabilities | 641,917 | 31,466 |
| Accrued pension cost | 76,607 | 38,087 |
| Deferred credits | (206,551) | (71,809) |
| | | |
| Net cash provided by operating activities | 97,169,279 | 150,870,678 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Property, plant and equipment | (44,452,382) | (45,995,935) |

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| | | |
|---|-------------|--------------|
| Available-for-sale financial assets | | (21,697,000) |
| Held-to-maturity financial assets | (9,405,409) | (5,989,999) |
| Investments accounted for using equity method | (262,922) | (380,569) |
| Financial assets carried at cost | (986) | (1,884) |
| | | (Continued) |

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

| | 2009 | 2008 |
|---|--------------------|-------------------|
| Proceeds from disposal or redemption of: | | |
| Available-for-sale financial assets | \$ 1,037,370 | \$ 24,638,222 |
| Held-to-maturity financial assets | 5,418,000 | 9,773,000 |
| Financial assets carried at cost | 18,828 | 1,111 |
| Property, plant and equipment and other assets | 68,579 | 2,033,745 |
| Proceeds from return of capital by investees | 20,201 | 2,460,122 |
| Cash from merger of subsidiaries | | 270,650 |
| Increase in deferred charges | (438,308) | (2,243,684) |
| Decrease (increase) in refundable deposits | (34,559) | 74,862 |
| Net cash used in investing activities | (48,031,588) | (37,057,359) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of bonds payable | (8,000,000) | |
| Decrease in guarantee deposits | (374,448) | (621,991) |
| Proceeds from exercise of employee stock options | 190,995 | 222,552 |
| Cash dividends | (76,876,312) | (76,881,311) |
| Cash bonus paid to employees | | (3,939,883) |
| Bonus to directors | | (176,890) |
| Repurchase of treasury stock | | (33,480,997) |
| Net cash used in financing activities | (85,059,765) | (114,878,520) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (35,922,074) | (1,065,201) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 138,208,360 | 72,422,102 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 102,286,286 | \$ 71,356,901 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 351,803 | \$ 355,000 |
| Income tax paid | \$ 7,770,195 | \$ 10,228,005 |

INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH
AND NON-CASH ITEMS

| | | |
|---|---------------|---------------|
| Acquisition of property, plant, and equipment | \$ 52,075,005 | \$ 47,997,100 |
| Increase in payables to contractors and equipment suppliers | (7,622,623) | (2,001,165) |
| Cash paid | \$ 44,452,382 | \$ 45,995,935 |
| Disposal of property, plant and equipment and other assets | \$ 60,488 | \$ 2,041,836 |
| Decrease (increase) in other receivables from related parties | 8,091 | (8,091) |
| Cash received | \$ 68,579 | \$ 2,033,745 |

(Continued)

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

| | 2009 | 2008 |
|--|--------------|---------------|
| Repurchase of treasury stock | \$ | \$ 30,427,413 |
| Decrease in accrued expenses and other current liabilities | | 3,053,584 |
| Cash paid | \$ | \$ 33,480,997 |
| NON-CASH FINANCING ACTIVITIES | | |
| Bonus to employees transferred to capital stock | \$ 7,494,988 | \$ |
| Current portion of bonds payable | \$ | \$ 8,000,000 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 775,567 | \$ 1,901,323 |

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

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

(Concluded)

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

1. GENERAL

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

As of September 30, 2009 and 2008, the Company had 20,566 and 20,702 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Available-for-sale Financial Assets

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

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Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

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

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

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

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

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

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

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

the idle assets are tested for impairment on a periodical basis.

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Intangible Assets

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

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized over the following periods: Technology license fees – the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges – 3 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

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

Pension Costs

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

Income Tax

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

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

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

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using

this method is recognized in earnings over the employee vesting period. Employee stock option plans that were granted or modified after December 31, 2007 are accounted for using fair value method in accordance with Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment. The Company did not grant or modify any employee stock options since January 1, 2008.

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Bonuses to Employees and Directors

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

Treasury Stock

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

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

Foreign-currency Transactions

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

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

3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised SFAS No. 10, Accounting for Inventories. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. Such changes in accounting principle did not have significant effect on the Company's financial statements for the nine months ended September 30, 2009.

Effective January 1, 2008, the Company adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors, issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax and retroactively adjusted for the issuance of stock dividend) of NT\$11,055,454 thousand and NT\$0.42, respectively, for the nine months ended September 30, 2008.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 39, Accounting for Share-based Payment, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's financial statements as of and for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

| | September 30 | |
|--|-----------------------|----------------------|
| | 2009 | 2008 |
| Cash and deposits in banks | \$ 91,703,367 | \$ 64,366,513 |
| Repurchase agreements collateralized by government bonds | 10,582,919 | 6,990,388 |
| | \$ 102,286,286 | \$ 71,356,901 |

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

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

The Company entered into derivative contracts during the nine months ended September 30, 2009 and 2008 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

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

| | Maturity Date | Contract Amount (in Thousands) |
|--------------------|-------------------------------|---|
| Sell EUR/buy NT\$ | October 2008 | EUR15,000/NT\$691,465 |
| Sell EUR/buy US\$ | October 2008 | EUR7,000/US\$10,175 |
| Sell US\$/buy NT\$ | October 2008 to December 2008 | US\$565,000/NT\$18,054,010 |

Outstanding cross currency swap contracts consisted of the following:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|---|---|---|
| September 30, 2009 | | | |
| October 2009 to December 2009 | US\$950,000/NT\$30,935,532 | 0.30%-1.00% | 0.00%-0.61% |

September 30, 2008

October 2008 to November 2008

US\$536,000/NT\$17,080,480
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2.48%-14.00%

0.00%-2.40%

For the nine months ended September 30, 2009 and 2008, valuation on financial instruments arising from derivative financial instruments was a net gain of NT\$576,910 thousand and a net loss of NT\$299,565 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

| | Principal Amount | Carrying Amount | Interest Rate | Maturity Date |
|-------------------------------------|---------------------|--------------------|------------------|-------------------|
| September 30, 2008 | | | | |
| Callable deposits Domestic deposits | \$ 4,000,000 | \$ 4,003,970 | 2.71%-2.80% | September 2011 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | September 30 | |
|--------------------------|---------------|---------------|
| | 2009 | 2008 |
| Corporate bonds | \$ 12,748,902 | \$ 10,778,406 |
| Structured time deposits | 6,000,000 | 3,500,000 |
| Government bonds | 2,904,170 | 2,200,740 |
| | 21,653,072 | 16,479,146 |
| Current portion | (8,374,389) | (5,063,096) |
| | \$ 13,278,683 | \$ 11,416,050 |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|--------------------|---------------------|------------------------|-------------------------------|------------------|
| September 30, 2009 | | | | |

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| | | | | |
|----------------------------|--------------|-----------|-------------|-----------------------------------|
| Callable domestic deposits | \$ 6,000,000 | \$ 3,404 | 0.67%-0.95% | March 2011 to August 2011 |
| September 30, 2008 | | | | |
| Callable domestic deposits | \$ 3,500,000 | \$ 12,287 | 1.83%-2.90% | October 2008 to September 2011 |

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8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

| | Nine Months Ended September 30 | |
|------------------------------|---|-------------|
| | 2009 | 2008 |
| Balance, beginning of period | \$ 436,746 | \$ 688,972 |
| Provision | 243,061 | |
| Write-off | (243,807) | (2,829) |
| Balance, end of period | \$ 436,000 | \$ 686,143 |

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

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

9. INVENTORIES

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

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | September 30 | | | |
|--|--------------------|----------------|--------------------|----------------|
| | 2009 | % of | 2008 | % of |
| | Carrying Amount | Owner- ship | Carrying Amount | Owner- ship |
| TSMC Global Ltd. (TSMC Global) | \$ 45,492,790 | 100 | \$ 44,368,847 | 100 |
| TSMC Partners, Ltd. (TSMC Partners) | 32,627,788 | 100 | 3,667,050 | 100 |
| Vanguard International Semiconductor Corporation (VIS) | 9,410,696 | 37 | 10,151,846 | 37 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 5,899,305 | 39 | 6,761,630 | 39 |
| TSMC China Company Limited (TSMC China) | 3,606,012 | 100 | 7,308,098 | 100 |
| TSMC North America | 2,686,753 | 100 | 2,390,713 | 100 |
| Xintec Inc. (Xintec) | 1,372,699 | 41 | 1,445,512 | 42 |
| VentureTech Alliance Fund III, L.P. (VTAF III) | 1,341,398 | 98 | 1,208,584 | 98 |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 1,059,820 | 98 | 1,016,435 | 98 |
| Global UniChip Corporation (GUC) | 960,442 | 36 | 891,783 | 36 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 319,571 | 99 | 418,709 | 99 |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 152,965 | 100 | 116,122 | 100 |
| TSMC Japan Limited (TSMC Japan) | 136,710 | 100 | 116,484 | 100 |
| TSMC Korea Limited (TSMC Korea) | 18,115 | 100 | 14,940 | 100 |
| TSMC International Investment Ltd. (TSMC International) | | | 29,252,586 | 100 |
| | \$ 105,085,064 | | \$ 109,129,339 | |

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

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

For the nine months ended September 30, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$2,772,157 thousand and a net gain of NT\$1,306,897 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except those of Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea for the nine months ended September 30, 2009. The Company believes that, had Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's financial statements.

As of September 30, 2009 and 2008, fair value of publicly traded stocks in investments accounted for using equity method (VIS and GUC) was NT\$15,891,684 thousand and NT\$15,446,393 thousand, respectively.

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

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

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

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

11. FINANCIAL ASSETS CARRIED AT COST

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

12. PROPERTY, PLANT AND EQUIPMENT

| | Balance, Beginning of Period | Nine Months Ended September 30, 2009 | | | Balance, End of Period |
|--------------------------|---|---|------------------|-------------------------|-----------------------------------|
| | | Additions | Disposals | Reclassification | |
| Cost | | | | | |
| Buildings | \$ 114,014,588 | \$ 9,778,198 | \$ (9,823) | \$ 66 | \$ 123,783,029 |
| Machinery and equipment | 635,008,261 | 40,995,876 | (1,732,570) | 2,565 | 674,274,132 |
| Office equipment | 9,748,869 | 738,667 | (150,347) | (66) | 10,337,123 |
| | 758,771,718 | \$ 51,512,741 | \$ (1,892,740) | \$ 2,565 | 808,394,284 |
| Accumulated depreciation | | | | | |
| Buildings | 65,351,514 | \$ 6,067,051 | \$ (9,823) | \$ 66 | 71,408,808 |

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| | | | | | |
|--|----------------|---------------|----------------|----------|----------------|
| Machinery and equipment | 484,046,160 | 47,404,997 | (1,129,563) | 2,565 | 530,324,159 |
| Office equipment | 7,849,580 | 685,519 | (150,162) | (66) | 8,384,871 |
| | 557,247,254 | \$ 54,157,567 | \$ (1,289,548) | \$ 2,565 | 610,117,838 |
| Advance payments and construction in progress | 17,758,038 | \$ 562,264 | \$ | \$ | 18,320,302 |
| | \$ 219,282,502 | | | | \$ 216,596,748 |

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| | Nine Months Ended September 30, 2008 | | | | |
|---|---|---------------------|------------------|-------------------------|----------------------------|
| | Balance, Beginning of | Additions | | | Balance, End of |
| | Period | (Deductions) | Disposals | Reclassification | Period |
| Cost | | | | | |
| Buildings | \$ 101,907,892 | \$ 11,247,197 | \$ (8,524) | \$ (311) | \$ 113,146,254 |
| Machinery and equipment | 589,131,625 | 46,276,182 | (3,143,000) | (134,175) | 632,130,632 |
| Office equipment | 9,167,107 | 595,749 | (165,621) | 57 | 9,597,292 |
| | 700,206,624 | \$ 58,119,128 | \$ (3,317,145) | \$ (134,429) | 754,874,178 |
| Accumulated depreciation | | | | | |
| Buildings | 57,349,828 | \$ 5,901,060 | \$ (8,524) | \$ (4) | 63,242,360 |
| Machinery and equipment | 422,278,071 | 46,820,532 | (1,025,129) | (119,347) | 467,954,127 |
| Office equipment | 7,097,120 | 701,627 | (165,622) | 26 | 7,633,151 |
| | 486,725,019 | \$ 53,423,219 | \$ (1,199,275) | \$ (119,325) | 538,829,638 |
| Advance payments and construction in progress | 21,082,953 | \$ (10,122,028) | \$ | \$ | 10,960,925 |
| | \$ 234,564,558 | | | | \$ 227,005,465 |

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

13. DEFERRED CHARGES, NET

| | Nine Months Ended September 30, 2009 | | | | |
|----------------------------------|---|---------------------|------------------|-------------------------|----------------------------|
| | Balance, Beginning of | Additions | | | Balance, End of |
| | Period | Amortization | Disposals | Reclassification | Period |
| Technology license fees | \$ 3,786,251 | \$ | \$ (614,959) | \$ | \$ 3,171,292 |
| Software and system design costs | 1,559,857 | 438,308 | (569,672) | | 1,428,493 |
| Patent and others | 1,055,353 | | (201,458) | | 853,895 |
| | \$ 6,401,461 | \$ 438,308 | \$ (1,386,089) | \$ | \$ 5,453,680 |

| Nine Months Ended September 30, 2008 | | | | |
|---|--|--|--|-----------------|
| Balance, | | | | Balance, |

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

14. BONDS PAYABLE

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

15. OTHER LONG-TERM PAYABLES

Most of the Company's long-term payables resulted from license agreements for certain semiconductor-related patents. As of September 30, 2009, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|---|---------------|
| 2009 (4th quarter) | \$ 442,619 |
| 2010 | 493,948 |
| 2011 | 418,600 |
| | 1,355,167 |
| Current portion (classified under accrued expenses and other current liabilities) | (775,567) |
| | \$ 579,600 |

16. PENSION PLANS

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

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

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

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

| | | |
|------------------------|--------------|--------------|
| Balance, end of period | \$ 3,786,616 | \$ 3,695,766 |
|------------------------|--------------|--------------|

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17. INCOME TAX

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

| | Nine Months Ended September 30 | |
|--|---|---------------|
| | 2009 | 2008 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ 14,961,671 | \$ 24,470,700 |
| Tax effect of the following: | | |
| Tax-exempt income | (6,678,202) | (7,412,660) |
| Temporary and permanent differences | 2,854,793 | 778,663 |
| Others | 69,174 | 41,235 |
| Income tax credits used | (5,603,718) | (8,938,969) |
| | | |
| Income tax currently payable | \$ 5,603,718 | \$ 8,938,969 |

b. Income tax expense consisted of the following:

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

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

| | September 30 | |
|---------------------------------------|---------------------|--------------|
| | 2009 | 2008 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 3,442,000 | \$ 2,915,006 |
| Temporary differences | 845,040 | |
| | \$ 4,287,040 | \$ 2,915,006 |
| | | |
| Noncurrent deferred income tax assets | | |
| Investment tax credits | \$ 13,329,764 | \$ 8,693,825 |
| Temporary differences | 1,947,981 | 1,470,218 |
| Valuation allowance | (8,303,945) | (2,659,458) |

\$ 6,973,800 \$ 7,504,585

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

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d. Integrated income tax information:

The balance of the imputation credit account as of September 30, 2009 and 2008 was NT\$214,826 thousand and NT\$1,602,560 thousand, respectively.

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

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

e. All earnings generated prior to December 31, 1997 have been appropriated.

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

| Law/Statute | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---------------------------------------|-------------------------|-----------------------------|---------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 500,000 | \$ 500,000 | 2009 |
| | | 1,216,551 | | 2010 |
| | | 4,592,615 | 2,892,378 | 2011 |
| | | 3,142,459 | 3,142,459 | 2012 |
| | | 2,049,992 | 2,049,992 | 2013 |
| | | \$ 11,501,617 | \$ 8,584,829 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 2,663,784 | \$ | 2010 |
| | | 2,687,841 | 2,687,841 | 2011 |
| | | 2,688,201 | 2,688,201 | 2012 |
| | | 2,580,384 | 2,580,384 | 2013 |
| | | | | \$ 10,620,210 |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 23,146 | \$ | 2010 |
| | | 36,568 | 36,568 | 2011 |
| | | 27,036 | 27,036 | 2012 |
| | | \$ 86,750 | \$ 63,604 | |
| | | \$ 87,101 | \$ 87,101 | 2009 |

| | | | | |
|----------------------------------|---|------------|------------|------|
| Statute for Upgrading Industries | Investments in important technology-based enterprises | 79,804 | 79,804 | 2010 |
| | | \$ 166,905 | \$ 166,905 | |

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

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

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

18. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Nine Months Ended September 30, 2009 | | |
|----------------------------|---|---------------------|----------------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | | |
| | Cost of | Expenses | Total |
| | Sales | | |
| Labor cost | | | |
| Salary and bonus | \$ 11,010,069 | \$ 8,299,658 | \$ 19,309,727 |
| Labor and health insurance | 458,611 | 278,310 | 736,921 |
| Pension | 409,387 | 248,524 | 657,911 |
| Meal | 305,276 | 132,322 | 437,598 |
| Welfare | 107,465 | 67,310 | 174,775 |
| Others | 79,471 | 14,697 | 94,168 |
| | \$ 12,370,279 | \$ 9,040,821 | \$ 21,411,100 |
| Depreciation | \$ 51,354,934 | \$ 2,790,434 | \$ 54,145,368 |
| Amortization | \$ 897,733 | \$ 488,356 | \$ 1,386,089 |

| | Nine Months Ended September 30, 2008 | | |
|----------------------------|---|----------------------|----------------------|
| | Classified as | | |
| | as | | |
| | Classified | Operating | |
| | as | | |
| | Cost of | Expenses | Total |
| | Sales | | |
| Labor cost | | | |
| Salary and bonus | \$ 14,026,566 | \$ 10,006,675 | \$ 24,033,241 |
| Labor and health insurance | 506,692 | 285,693 | 792,385 |
| Pension | 445,831 | 251,378 | 697,209 |
| Meal | 332,621 | 134,159 | 466,780 |
| Welfare | 141,981 | 83,180 | 225,161 |
| Others | 140,675 | 11,378 | 152,053 |
| | \$ 15,594,366 | \$ 10,772,463 | \$ 26,366,829 |
| Depreciation | \$ 50,585,293 | \$ 2,825,532 | \$ 53,410,825 |
| Amortization | \$ 1,332,761 | \$ 482,659 | \$ 1,815,420 |

19. SHAREHOLDERS EQUITY

As of September 30, 2009, 1,097,513 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,487,565 thousand (one ADS represents five common shares). Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of the Company's paid-in capital. In addition, the capital surplus from long-term investments may not be used for any purpose.

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Capital surplus consisted of the following:

| | September 30 | |
|----------------------------|----------------------|----------------------|
| | 2009 | 2008 |
| Additional paid-in capital | \$ 23,408,710 | \$ 18,154,782 |
| From merger | 22,805,390 | 23,053,576 |
| From convertible bonds | 8,893,190 | 8,989,973 |
| From long-term investments | 332,574 | 265,052 |
| Donations | 55 | 55 |
| | \$ 55,439,919 | \$ 50,463,438 |

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

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

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

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

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

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

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

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

The appropriations of earnings for 2008 and 2007 had been approved in the shareholders' meetings held on June 10, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

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

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

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

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

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

20. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 2009 and 2008. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the nine months ended September 30, 2009 and 2008 would have been as follows:

| | Nine Months Ended September 30 | |
|---|-----------------------------------|---------------|
| | 2009 | 2008 |
| Assumptions: | | |
| Expected dividend yield | 1.00%-3.44% | 1.00%-3.44% |
| Expected volatility | 43.77%-46.15% | 43.77%-46.15% |
| Risk free interest rate | 3.07%-3.85% | 3.07%-3.85% |
| Expected life | 5 years | 5 years |
| Net income: | | |
| Net income as reported | \$ 56,551,787 | \$ 87,487,392 |
| Pro forma net income | 56,173,879 | 87,482,618 |
| Earnings per share (EPS) after income tax (NT\$): | | |
| Basic EPS as reported | \$ 2.19 | \$ 3.35 |
| Pro forma basic EPS | 2.18 | 3.35 |
| Diluted EPS as reported | 2.18 | 3.33 |
| Pro forma diluted EPS | 2.16 | 3.33 |

21. TREASURY STOCK

| | (Shares in Thousands) | | | | |
|---|-----------------------|----------|--------------------|------------|------------------|
| | Beginning Shares | Addition | Stock Dividends | Retirement | Ending Shares |
| Nine months ended September 30, 2008 | 34,096 | | 171 | 34,267 | |

| | | | | | |
|---|---------|---------|-----|-----------|---------|
| Parent company stock held by subsidiaries | | | | | |
| Repurchase under share buyback plan | 800,000 | 495,549 | | 1,016,674 | 278,875 |
| | 834,096 | 495,549 | 171 | 1,050,941 | 278,875 |

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

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

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

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

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

22. EARNINGS PER SHARE

EPS is computed as follows:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|--|----------------------|---------------------|---|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| Nine months ended September 30, 2009 | | | | | |
| Basic EPS | | | | | |
| Earnings available to common shareholders | \$ 59,846,723 | \$ 56,551,787 | 25,813,614 | \$ 2.32 | \$ 2.19 |
| Effect of dilutive potential common shares | | | | | |
| Bonus to employees | | | 153,069 | | |
| Stock options | | | 14,459 | | |
| Diluted EPS | | | | | |
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 59,846,723 | \$ 56,551,787 | 25,981,142 | \$ 2.30 | \$ 2.18 |
| Nine months ended September 30, 2008 | | | | | |

Basic EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Earnings available to common shareholders | \$ 97,882,841 | \$ 87,487,392 | 26,139,848 | \$ 3.74 | \$ 3.35 |
|---|---------------|---------------|------------|---------|---------|

Effect of dilutive potential common shares

| | | | | | |
|--------------------|--|--|---------|--|--|
| Bonus to employees | | | 133,161 | | |
| Stock options | | | 17,001 | | |

Diluted EPS

| | | | | | |
|--|---------------|---------------|------------|---------|---------|
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 97,882,841 | \$ 87,487,392 | 26,290,010 | \$ 3.72 | \$ 3.33 |
|--|---------------|---------------|------------|---------|---------|

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

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the nine months ended September 30, 2008 to decrease from NT\$3.36 to NT\$3.35 and NT\$3.34 to NT\$3.33, respectively.

23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) For those derivatives and structured time deposits with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 4) Fair value of bonds payable was based on their quoted market price.

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

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

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

- f. Information about financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities. Subject to turmoils in the global financial market, the Company had evaluated its financial

instruments and the Company believed the exposure to market risk as of September 30, 2009 was not significant.

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- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to turmoils in the global financial market, the Company evaluated whether the financial instruments for any possible counter-party or third-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believed that the Company's exposure to credit risk as of September 30, 2009 was not significant.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America
TSMC China
TSMC Europe
TSMC Japan
TSMC Korea

b. Investees

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

c. Indirect subsidiaries

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

d. Indirect investee

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

e. Others

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

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

| | 2009 | | 2008 | |
|---|----------------|----|----------------|----|
| | Amount | % | Amount | % |
| Nine months ended September 30 | | | | |
| Sales | | | | |
| TSMC North America | \$ 111,683,024 | 54 | \$ 156,727,226 | 59 |
| Others | 1,662,378 | 1 | 1,333,072 | |
| | \$ 113,345,402 | 55 | \$ 158,060,298 | 59 |
| Purchases | | | | |
| WaferTech | \$ 3,872,117 | 18 | \$ 6,776,756 | 21 |
| TSMC China | 2,611,248 | 12 | 3,882,384 | 12 |
| SSMC | 2,530,044 | 11 | 3,624,887 | 11 |
| VIS | 2,433,937 | 11 | 2,584,615 | 8 |
| | \$ 11,447,346 | 52 | \$ 16,868,642 | 52 |
| Manufacturing expenses – outsourcing | | | | |
| VisEra | \$ 22,550 | | \$ 66,328 | |
| Marketing expenses – commission | | | | |
| TSMC Europe | \$ 234,892 | 16 | \$ 299,045 | 16 |
| TSMC Japan | 166,109 | 12 | 195,344 | 11 |
| TSMC Korea | 10,667 | 1 | 13,522 | 1 |
| | \$ 411,668 | 29 | \$ 507,911 | 28 |
| Research and development expenses | | | | |
| TSMC Technology (primarily consulting fee) | \$ 299,636 | 2 | \$ 263,287 | 2 |
| TSMC Canada (primarily consulting fee) | 115,534 | 1 | 138,515 | 1 |
| Others | 41,778 | | 13,319 | |
| | \$ 456,948 | 3 | \$ 415,121 | 3 |
| Sales of property, plant and equipment and other assets | | | | |
| Xintec | \$ 58,450 | 97 | \$ | |

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| | | | | |
|---|------------|----|--------------|----|
| TSMC China | | | 1,849,317 | 91 |
| Others | 263 | | 10,665 | |
| | \$ 58,713 | 97 | \$ 1,859,982 | 91 |
| Non-operating income and gains | | | | |
| VIS (primarily technical service income, see Note 27e) | | | | |
| | \$ 179,168 | 7 | \$ 262,132 | 5 |
| TSMC China | 146,585 | 5 | 233,761 | 4 |
| SSMC (primarily technical service income, see Note 27d) | | | | |
| | 98,806 | 4 | 193,039 | 3 |
| Others | 263 | | 85,277 | 2 |
| | \$ 424,822 | 16 | \$ 774,209 | 14 |

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

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements. The Company deferred the net gains (classified under the deferred credits) derived from sales of property, plant, and equipment to TSMC China and VisEra, and then recognized such gains (classified under the non-operating income and gains) over the depreciable lives of the disposed assets.

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

25. PLEDGED OR MORTGAGED ASSETS

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

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26. SIGNIFICANT LONG-TERM LEASES

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

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

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

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of September 30, 2009, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of September 30, 2009 the Company had a total of US\$32,654 thousand of guarantee deposits.
- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.

- e. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as SMIC). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of September 30, 2009, SMIC had paid US\$135 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement with SMIC. The Court also found TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case. Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. Regarding the claims raised by SMIC in the Beijing lawsuit, the Beijing People's High Court has on June 10, 2009 rejected those claims and dismissed the lawsuit. SMIC has appealed. The matters are pending in both courts. The result of the above-mentioned litigation cannot be determined at this time.

28. ADDITIONAL DISCLOSURES

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

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

- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 5 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:
TSMC China entered into forward exchange contracts during the nine months ended September 30, 2009 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of September 30, 2009:

| | Maturity Date | Contract Amount (in Thousands) |
|---|----------------------|---|
| Sell US\$/Buy RMB | October 2009 | US\$3,950/RMB26,974 |
| For the nine months ended September 30, 2009, net losses arising from forward exchange contracts of TSMC China were NT\$844 thousand. | | |

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

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

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

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

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2009

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

| | | September 30, 2009 | | | |
|-------------------|--|--|--------------------------|---------------------------------|---------------------|
| | | Carrying Value | | Market Value or Net Asset Value | |
| | | Shares/Units | Value | Percentage of Ownership | Value |
| Held Company Name | Marketable Securities Type and Name | Relationship | Statement (in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| The Company | Corporate bond | Financial | Statement (in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| | Taiwan Mobile Co., Ltd. | Available-for-sale financial assets | | \$ 1,033,473 | N/A \$ 1,033,473 |
| | Taiwan Power Company | Held-to-maturity financial assets | | 3,384,845 | N/A 3,393,121 |
| | Formosa Petrochemical Corporation | ² | | 3,179,081 | N/A 3,206,644 |
| | Nan Ya Plastics Corporation | ² | | 1,999,746 | N/A 2,031,690 |
| | Formosa Plastics Corporation | ² | | 1,671,881 | N/A 1,688,217 |
| | China Steel Corporation | ² | | 1,513,313 | N/A 1,532,465 |
| | CPC Corporation, Taiwan | ² | | 1,000,036 | N/A 999,854 |
| | Government bond | | | | |
| | European Investment Bank Bonds | Held-to-maturity financial assets | | 2,015,610 | N/A 2,025,500 |
| | 2003 Asian Development Bank Govt. Bond | ² | | 888,560 | N/A 875,103 |
| | Stocks | | | | |
| | TSMC Global | Subsidiary accounted for using equity method | 1 | 45,492,790 | 100 45,492,790 |
| | TSMC Partners | Subsidiary | 1 | 32,627,788 | 100 32,627,788 |

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| | | | | | |
|-------------------------------------|---|---------|-----------|-----|-----------|
| VIS | Investee accounted for using equity method | 628,223 | 9,410,696 | 37 | 8,795,129 |
| SSMC | Investee accounted for using equity method | 314 | 5,899,305 | 39 | 5,274,907 |
| TSMC North America | Subsidiary | 1,000 | 2,686,753 | 100 | 2,686,753 |
| Xintec | Investee with a controlling financial interest | 93,081 | 1,372,699 | 41 | 1,328,827 |
| GUC | Investee with a controlling financial interest | 46,688 | 960,442 | 36 | 7,096,555 |
| TSMC Europe | Subsidiary | | 152,965 | 100 | 152,965 |
| TSMC Japan | Subsidiary | 6 | 136,710 | 100 | 136,710 |
| TSMC Korea | Subsidiary | 80 | 18,115 | 100 | 18,115 |
| United Industrial Gases Co., Ltd. | Financial assets carried at cost | 16,783 | 193,584 | 10 | 288,159 |
| Shin-Etsu Handotai Taiwan Co., Ltd. | ² | 10,500 | 105,000 | 7 | 328,546 |
| W.K. Technology Fund IV | ² | 4,000 | 40,000 | 2 | 43,413 |
| Fund Horizon Ventures Fund | Financial assets carried at cost | | 103,992 | 12 | 103,992 |
| Crimson Asia Capital | ² | | 58,987 | 1 | 58,987 |
| Capital TSMC China | Subsidiary | | 3,606,012 | 100 | 3,607,259 |

| | | Investments accounted for using equity method | | | |
|-------------------|------------|--|----|-----------|-------------|
| VTAF III | Subsidiary | 1,341,398 | 98 | 1,324,195 | |
| VTAF II | Subsidiary | 1,059,820 | 98 | 1,055,364 | |
| Emerging Alliance | Subsidiary | 319,571 | 99 | 319,571 | (Continued) |

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| | | | | September 30, 2009 | | | |
|--------------|---|---|--|---------------------------|---------------|---------------------------|---------------------------|
| | | | | Carrying Value | | Percentage of Asset | |
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement (in thousands) | Value (US\$ in thousands) | Ownership (%) | Value (US\$ in thousands) | Value (US\$ in thousands) |
| Partners | Corporate bond General Elec Cap Corp. Mtn | | Held-to-maturity financial assets | US\$ 20,606 | N/A | US\$ 20,606 | US\$ 20,606 |
| | General Elec Cap Corp. Mtn | | ² | US\$ 20,239 | N/A | US\$ 20,239 | US\$ 20,239 |
| | Common Stocks TSMC Development, Inc. (TSMC Development) | Subsidiary | Investments accounted for using equity method | 1 US\$ 690,624 | 100 | US\$ 690,624 | US\$ 690,624 |
| | VisEra Holding Company | Investee accounted for using equity method | ² | 43,000 US\$ 68,198 | 49 | US\$ 68,198 | US\$ 68,198 |
| | InveStar Semiconductor Development Fund, Inc. (II)LDC. (ISDF II) | Subsidiary | ² | 32,289 US\$ 28,133 | 97 | US\$ 28,133 | US\$ 28,133 |
| | TSMC Technology | Subsidiary | ² | 1 US\$ 8,932 | 100 | US\$ 8,932 | US\$ 8,932 |
| | InveStar Semiconductor Development Fund, Inc. (ISDF) | Subsidiary | ² | 7,680 US\$ 7,746 | 97 | US\$ 7,746 | US\$ 7,746 |
| | TSMC Canada | Subsidiary | ² | 2,300 US\$ 3,057 | 100 | US\$ 3,057 | US\$ 3,057 |
| | Mcube Inc. | Investee accounted for using equity method | ² | 5,333 US\$ 800 | 74 | US\$ 800 | US\$ 800 |
| | Preferred stock Mcube Inc. | Investee accounted for using equity method | Investments accounted for using equity method | 1,000 US\$ 1,000 | 10 | US\$ 1,000 | US\$ 1,000 |
| Development | Corporate bond GE Capital Corp. | | Held-to-maturity financial | US\$ 20,363 | N/A | US\$ 20,363 | US\$ 20,363 |

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| | | | | | | |
|----------|---|------------|--|-------------|--------------|------------------|
| | JP Morgan Chase & Co. | | assets 2 | US\$ 15,000 | N/A | US\$ |
| | Stocks WaferTech | Subsidiary | Investments accounted for using equity method | 203,637 | US\$ 196,675 | 100 US\$ 196,675 |
| Alliance | Common stock | | Financial assets carried at | | | |
| | RichWave Technology Corp. | | cost | 4,247 | US\$ 1,648 | 10 US\$ 1,648 |
| | Global Investment Holding Inc. | | 2 | 10,000 | US\$ 3,065 | 6 US\$ 3,065 |
| | Preferred stock Audience, Inc. | | Financial assets carried at | | | |
| | Axiom Microdevices, Inc. | | cost | 1,654 | US\$ 250 | 1 US\$ 250 |
| | | | 2 | 1,000 | US\$ 24 | 1 US\$ 24 |
| | Mosaic Systems, Inc. | | 2 | 2,481 | US\$ 12 | 6 US\$ 12 |
| | Next IO, Inc. | | 2 | 800 | US\$ 500 | 1 US\$ 500 |
| | Optichron, Inc. | | 2 | 1,281 | US\$ 1,072 | 2 US\$ 1,072 |
| | Optimal Corporation | | 2 | | US\$ 229 | US\$ 229 |
| | Pixim, Inc. | | 2 | 4,642 | US\$ 1,137 | 2 US\$ 1,137 |
| | QST Holdings, LLC | | 2 | | US\$ 131 | 4 US\$ 131 |
| | Teknovus, Inc. | | 2 | 6,977 | US\$ 1,327 | 2 US\$ 1,327 |
| | Capital VentureTech Alliance Holdings, LLC (VTA Holdings) | Subsidiary | Investments accounted for using equity method | | | 7 |

| Company Name | Marketable Securities Type and Name | Relationship with the Company | September 30, 2009 | | | |
|--------------|-------------------------------------|-------------------------------|-------------------------------------|------------------------------------|-----------------------------|---|
| | | | Financial Statement (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership (%) | Market Value of Net Asset Value (US\$ in thousands) |
| F II | Common stock | | | | | |
| | Leadtrend | | Available-for-sale financial assets | 1,515 US\$9,204 | 5 | US\$9,204 |
| | RichWave Technology Corp. | | Financial assets carried at cost | 1,043 US\$ 730 | 1 | US\$ 730 |
| | Sentelic | | ² 1,200 | US\$2,040 | 15 | US\$2,040 |
| | Preferred stock | | | | | |
| | 5V Technologies, Inc. | | Financial assets carried at cost | 2,890 US\$2,168 | 15 | US\$2,168 |
| | Aquantia | | ² 2,108 | US\$2,573 | 5 | US\$2,573 |
| | Audience, Inc. | | ² 7,956 | US\$1,838 | 2 | US\$1,838 |
| | Axiom Microdevices, Inc. | | ² 7,017 | US\$ 741 | 13 | US\$ 741 |

(Continued)

| | | | September | | |
|-----------------------------------|---------------|--|---|--------------|------------|
| | | | Carrying | | |
| | | | Shares/Units | Value | |
| | | | (in | (US\$ in | |
| | | | Thousands) | Thousands) | |
| Marketable Securities | Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units | Value |
| Preferred stock | | | | | |
| Beceem Communications | | | Financial assets carried at cost | 834 | US\$ 1,701 |
| Impinj, Inc. | | | 2 | 475 | US\$ 1,000 |
| Next IO, Inc. | | | 2 | 3,795 | US\$ 953 |
| Optichron, Inc. | | | 2 | 2,784 | US\$ 2,664 |
| Pixim, Inc. | | | 2 | 33,347 | US\$ 1,878 |
| Power Analog Microelectronics | | | 2 | 6,249 | US\$ 3,185 |
| QST Holdings, LLC | | | 2 | | US\$ 593 |
| Teknovus, Inc. | | | 2 | 1,599 | US\$ 454 |
| Xceive | | | 2 | 3,800 | US\$ 1,496 |
| Capital | | | | | |
| VTA Holdings | | Subsidiary | Investments accounted for using equity method | | |
| Common stock | | | | | |
| Mutual-Pak Technology Co., Ltd. | | Subsidiary | Investments accounted for using equity method | 4,590 | US\$ 1,055 |
| Acionn Technology Corporation | | Investee accounted for using equity method | 2 | 4,500 | US\$ 730 |
| Preferred stock | | | | | |
| Auramicro, Inc. | | | Financial assets carried at cost | 3,816 | US\$ 1,145 |
| BridgeLux, Inc. | | | 2 | 4,955 | US\$ 6,391 |
| Exclara, Inc. | | | 2 | 21,708 | US\$ 4,568 |
| GTBF, Inc. | | | 2 | 1,154 | US\$ 1,500 |
| InvenSense, Inc. | | | 2 | 816 | US\$ 1,000 |
| LiquidLeds Lighting Corp. | | | 2 | 1,600 | US\$ 800 |
| M2000, Inc. | | | 2 | 3,000 | US\$ 3,000 |
| Neoconix, Inc. | | | 2 | 3,283 | US\$ 4,608 |
| Powervation, Ltd. | | | 2 | 310 | US\$ 4,678 |
| Quellan, Inc. | | | 2 | 3,106 | US\$ 495 |
| Silicon Technical Services, LLC | | | 2 | 1,055 | US\$ 1,208 |
| Tilera, Inc. | | | 2 | 3,222 | US\$ 2,781 |
| Validity Sensors, Inc. | | | 2 | 8,070 | US\$ 3,089 |
| Capital | | | | | |
| Growth Fund Limited (Growth Fund) | | Subsidiary | Investments accounted for using equity method | | US\$ 856 |

| | | | | |
|-------------------------------|------------|----------------------------------|-------|----------|
| VTA Holdings | Subsidiary | 2 | | |
| Common stock | | | | |
| Staccato | | Financial assets carried at cost | 10 | US\$ 25 |
| SiliconBlue Technologies Inc. | | 2 | 5,107 | US\$ 762 |

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| | | | September | |
|------|-------------------------------------|-------------------------------|-------------------------------------|------------------|
| | | | Carrying | |
| | | | Shares/Units | Value |
| | | | (in | (US\$ in |
| | | | thousands) | thousands) |
| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Amount |
| | Common stock | | | |
| | Memic, Inc. | | Available-for-sale financial assets | 1,364 US\$ 5,113 |
| | Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 557 US\$ 154 |
| | Preferred stock | | | |
| | Integrated Memory Logic, Inc. | | Financial assets carried at cost | 2,872 US\$ 1,221 |
| | IP Unity, Inc. | | 2 | 1,008 US\$ 290 |
| | NanoAmp Solutions, Inc. | | 2 | 541 US\$ 327 |
| | Sonics, Inc. | | 2 | 230 US\$ 730 |

(Continued)

| | | | September | |
|-------------------------------------|-------------------------------|---|----------------|--------------------|
| | | | Shares/Units | Carrying Value |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | (in Thousands) | (US\$ in Thousand) |
| Common stock | | | | |
| msic, Inc. | | Available-for-sale financial assets | 1,145 US\$ | 4,2 |
| adchip Technologies Corp. | | 2 | 503 US\$ | 1,3 |
| ics, Inc. | | Financial assets carried at cost | 278 US\$ | |
| c Communication, Inc. | | 2 | 50 US\$ | |
| N Technology, Corp. | | 2 | 2,494 US\$ | 6 |
| ratek Technology, Corp. | | 2 | 932 US\$ | 5 |
| ella Microsystems (Taiwan), Inc. | | 2 | 561 US\$ | 2 |
| len Technology MFG. Co., Ltd. | | 2 | 1,049 US\$ | 2 |
| Preferred stock | | | | |
| hip Technologies Limited | | Financial assets carried at cost | 6,979 US\$ | 3,6 |
| gTek, Inc. | | 2 | 7,064 US\$ | 3,4 |
| opass Technology, Inc. | | 2 | 3,887 US\$ | 5 |
| oAmp Solutions, Inc. | | 2 | 375 US\$ | 2 |
| ics, Inc. | | 2 | 264 US\$ | 9 |
| Open-end mutual funds | | | | |
| Sun Bond Fund | | Available-for-sale financial assets | 5,671 \$ | 80,0 |
| TC Taiwan Bond Fund | | 2 | 294 | 50,0 |
| ay Bond Fund | | 2 | 1,674 | 20,0 |
| Common stock | | | | |
| C-NA | Subsidiary | Investments accounted for using equity method | 800 | 36,8 |
| C-Japan | Subsidiary | 2 | 1 | 13,0 |
| C-Europe | Subsidiary | 2 | | 5,2 |
| C-BVI | Subsidiary | 2 | 50 | 1,4 |
| Capital | | | | |
| Composite Ltd. | | Financial assets carried at cost | 587 | |
| Money market funds | | | | |
| a Cash Mgmt Global Offshore | | Available-for-sale financial assets | 225,978 US\$ | 225,9 |

| | | | | |
|-------------------------------|-------------------------------------|---|--------------|---------|
| Government bond | | | | |
| Treasury N/B | Available-for-sale financial assets | | 25,000 US\$ | 25,000 |
| United States Treas Nts | | 2 | 10,496 US\$ | 10,496 |
| Treasury | | 2 | 107,500 US\$ | 107,500 |
| Societe De Financement De Lec | Held-to-maturity financial assets | | 15,000 US\$ | 15,000 |
| Corporate bond | | | | |
| Svensk Exportkredit Swedish | Available-for-sale financial assets | | 5,000 US\$ | 5,000 |
| American Exp Bk Fdic Gtd Tlgp | | 2 | 1,750 US\$ | 1,750 |
| for Stearns Cos Inc. | | 2 | 5,000 US\$ | 5,000 |
| Bank NA | | 2 | 5,000 US\$ | 5,000 |
| General Elec Cap Corp. | | 2 | 5,000 US\$ | 5,000 |
| General Elec Cap Corp. | | 2 | 7,000 US\$ | 7,000 |
| Corp Fdic Gtd Tlgp | | 2 | 5,000 US\$ | 5,000 |
| Life Glob Funding I | | 2 | 500 US\$ | 500 |

September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | (in Thousands) Shares/Units | Carrying Value (US\$ in Thousands) |
|-------------------------------------|-------------------------------|-----------------------------------|-----------------------------|------------------------------------|
| Metropolitan Life Global Fdg I | | 2 | 1,750 | US\$ 1,6 |
| Loyal Bk of Scotland Plc | | 2 | 5,000 | US\$ 5,0 |
| Loyal Bk Scotland Grp Plc 144A | | 2 | 6,500 | US\$ 6,5 |
| uncorp Metway Ltd. | | 2 | 5,000 | US\$ 5,1 |
| Wachovia Corp. New | | 2 | 4,000 | US\$ 4,2 |
| Nationwide Building Society | | Held-to-maturity financial assets | 8,000 | US\$ 8,0 |

(Continued)

September 30, 2009

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value | | Percentage Owned |
|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------|------------------|
| | | | Shares/Units (in thousands) | (US\$ in thousands) | |
| Corporate issued note | | | | | |
| Royal bk of scotland | | Available-for-sale financial assets | 5,000 | US\$ 4,982 | |
| Barclays U.S. Fdg LLC | | ² | 4,500 | US\$ 4,489 | |
| Agency bonds | | | | | |
| Finma Pool 852347 | | Available-for-sale financial assets | 3,805 | US\$ 4,033 | |

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Financial Statement Account | Counter-party Relationship | Nature of Shares/Units (in Thousands) | Beginning Balance | | Acquisition | | Disposal (No | |
|---|--|---------------------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|----|
| | | | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | |
| Available-for-sale financial assets | Grand Cathay Securities Corp. and several financial institutions | | \$ 2,032,658 | | \$ | | \$ 1,037,370 | \$ |
| Held-to-maturity financial assets | 2 | | 4,209,629 | | 203,892 | | | |
| 2 | 2 | | 3,554,908 | | 457,351 | | | |
| 2 | 2 | | 2,385,285 | | 203,994 | | | |
| 2 | 2 | | 1,000,000 | | 514,672 | | | |
| Held-to-maturity financial assets | Grand Cathay Securities Corp. and several financial institutions | | 383,387 | | 2,025,500 | | 400,000 | |
| Investments accounted for using equity method | Subsidiary | | 1,305,605 | | 262,922 | | | |
| Held-to-maturity financial assets | JP Morgan Securitied Inc. | | | | US\$ 15,000 | | | |

| | | | | | |
|-------------------------------------|---|--------|---------|--------|---------|
| Available-for-sale financial assets | Jih Sun Investment Trust Co., Ltd. | 13,475 | 190,000 | 7,804 | 110,075 |
| ² | First Securities Investment Trust Co., Ltd. | 794 | 135,000 | 500 | 85,193 |
| ² | Prudential Financial Securities Investment Trust Enterprise | 11,261 | 170,000 | 11,261 | 170,319 |
| ² | PCA Securities Investment Trust Co., Ltd. | 13,121 | 170,000 | 13,261 | 170,241 |
| ² | Hua Nan Investment Trust Co., Ltd. | 6,434 | 100,000 | 6,434 | 100,131 |

Available-for-sale financial assets 30,435 US\$ 30,435 471,418 US\$ 471,418 275,875 US\$ 275,875 US\$

Available-for-sale financial assets 25,000 US\$ 25,014
² 107,500 US\$ 107,100
Held-to-maturity financial assets 15,000 US\$ 15,000

(Continued)

| Investment Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal (Not) | | Carrying Value (US\$ Thousands) |
|---------------------|-------------------------------------|---------------|------------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|---------------------------------|
| | | | | Amount | | Amount | | Amount | | |
| | | | | (in thousands) | (US\$ in thousands) | (in thousands) | (US\$ in thousands) | (in thousands) | (US\$ in thousands) | |
| Bank Credit Swedish | Available-for-sale financial assets | | | \$ | | 5,000 | US\$ 5,185 | \$ | | \$ |
| Bank Corp. New | 2 | | | | | 5,000 | US\$ 4,965 | | | |
| Bank Corp. London | 2 | | | 3,250 | US\$ 3,353 | | US\$ | 3,250 | US\$ 3,380 | US\$ 3,353 |
| Bank Corp. | 2 | | | | | 5,000 | US\$ 4,995 | | | |
| Bank Corp. | 2 | | | 2,995 | US\$ 3,013 | | | 2,995 | US\$ 3,021 | US\$ 3,013 |
| Bank Tlgp | 2 | | | | | 5,000 | US\$ 4,834 | | | |
| Bank and Plc | 2 | | | | | 7,000 | US\$ 7,002 | | | |
| Bank Grp Plc 144A | 2 | | | | | 5,000 | US\$ 5,061 | | | |
| Bank Ltd. | 2 | | | 4,855 | US\$ 4,552 | | | 4,855 | US\$ 4,751 | US\$ 4,552 |
| Bank ew | 2 | | | | | 5,000 | US\$ 5,106 | | | |
| Bank ew | 2 | | | | | 6,500 | US\$ 6,597 | | | |
| Bank New Med Trm | 2 | | | | | 5,000 | US\$ 5,192 | | | |
| Bank ng Society | 2 | | | 3,130 | US\$ 3,135 | | | 3,130 | US\$ 3,195 | US\$ 3,135 |
| Bank | 2 | | | 4,500 | US\$ 4,493 | | | 4,500 | US\$ 4,524 | US\$ 4,493 |
| Bank | Held-to-maturity financial assets | | | | | 8,000 | US\$ 8,000 | | | |
| Bank | Available-for-sale financial assets | | | | | 5,000 | US\$ 4,982 | | | |
| Bank LLC | 2 | | | | | 4,500 | US\$ 4,489 | | | |
| Bank l 1g1282 | Available-for-sale financial assets | | | 3,215 | US\$ 3,285 | | | 3,179 | US\$ 3,281 | US\$ 3,285 |
| Bank l B19205 | 2 | | | 5,449 | US\$ 5,501 | | | 5,335 | US\$ 5,511 | US\$ 5,501 |
| Bank Mtg Corp. | 2 | | | 3,060 | US\$ 3,108 | | | 3,005 | US\$ 3,078 | US\$ 3,108 |
| Bank | 2 | | | 3,456 | US\$ 3,513 | | | 3,415 | US\$ 3,513 | US\$ 3,513 |
| Bank | 2 | | | 2,963 | US\$ 3,039 | | | 2,932 | US\$ 3,028 | US\$ 3,039 |
| Bank | 2 | | | | | 3,805 | US\$ 4,038 | | | |
| Bank | 2 | | | 3,669 | US\$ 3,776 | | | 3,659 | US\$ 3,828 | US\$ 3,776 |
| Bank | 2 | | | 4,105 | US\$ 4,242 | | | 4,071 | US\$ 4,265 | US\$ 4,242 |
| Bank k | 2 | | | 5,000 | US\$ 5,305 | | | 5,000 | US\$ 5,282 | US\$ 5,305 |
| Bank ks | 2 | | | 3,400 | US\$ 3,610 | | | 3,400 | US\$ 3,590 | US\$ 3,610 |
| Bank it Bank | 2 | | | 3,375 | US\$ 3,433 | | | 3,375 | US\$ 3,430 | US\$ 3,433 |

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| | | | | | | |
|-----------|---|-------|------------|-------|------------|--------|
| Bks | 2 | 3,725 | US\$ 3,854 | 3,725 | US\$ 3,852 | US\$ 3 |
| Bks | 2 | 5,000 | US\$ 5,320 | 5,000 | US\$ 5,312 | US\$ 5 |
| Bks | 2 | 4,000 | US\$ 4,148 | 4,000 | US\$ 4,151 | US\$ 4 |
| Mtg | 2 | 5,000 | US\$ 5,340 | 5,000 | US\$ 5,334 | US\$ 5 |
| Mtg Corp. | 2 | 3,340 | US\$ 3,428 | 3,340 | US\$ 3,432 | US\$ 3 |
| Mtg Corp. | 2 | 3,500 | US\$ 3,560 | 3,500 | US\$ 3,561 | US\$ 3 |
| Mtg Corp. | 2 | 3,500 | US\$ 3,743 | 3,500 | US\$ 3,749 | US\$ 3 |

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| Marketable Securities Name | Financial Statement | Type and Counter-party Relationship | Nature of Shares/Units | Beginning | Acquisition | Disposal (Note 2) | Carrying |
|----------------------------|---------------------|-------------------------------------|------------------------|-------------------------|-----------------------------|-------------------------|------------------------|
| | | | | Balance | Amount | Amount | Value |
| | | | | Amount (US\$ thousands) | Shares/Units (in thousands) | Amount (US\$ thousands) | Value (US\$ thousands) |
| Federal Home Loan Bank | 2 | | | 4,500 US\$ 4,710 | | 4,500 US\$ 4,709 | US\$ 4,510 |
| Federal Natl Mtg Assn | 2 | | | 3,700 US\$ 3,713 | | 3,700 US\$ 3,712 | US\$ 3,700 |
| Federal Natl Mtg Assn | 2 | | | 4,000 US\$ 4,169 | | 4,000 US\$ 4,179 | US\$ 4,110 |
| Federal Natl Mtg Assn | 2 | | | 3,500 US\$ 3,809 | | 3,500 US\$ 3,801 | US\$ 3,640 |
| Federal Natl Mtg Assn | 2 | | | 3,750 US\$ 4,134 | | 3,750 US\$ 4,127 | US\$ 4,150 |

(Continued)

| Marketable Securities Type and Name | Financial Statement Account | Counter-party Relationship | Nature of Shares/Units (in thousands) | Beginning Balance | Acquisition | Disposal (Note 2) | Carrying Value |
|-------------------------------------|-------------------------------------|----------------------------|---------------------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| | | | | Amount (US\$ in thousands) | Shares/Units (in thousands) | Amount (US\$ in thousands) | Amount (US\$ in thousands) |
| Rate issued asset-backed securities | | | | | | | |
| Amer Coml Mtg Inc. | Available-for-sale financial assets | | | 4,597 US\$ 4,584 | \$ 4,472 | US\$ 4,480 | US\$ 4,584 |
| Equip Coll Tr | 2 | | | 4,000 US\$ 3,884 | 4,000 | US\$ 3,925 | US\$ 3,925 |
| Suisse First Boston Mtg | 2 | | | 4,353 US\$ 4,349 | 4,090 | US\$ 4,085 | US\$ 4,115 |
| n Natl Bk Coml Mtg Tr | 2 | | | 4,788 US\$ 4,715 | 4,774 | US\$ 4,780 | US\$ 4,915 |
| s Coml Mtg Tr | 2 | | | 3,737 US\$ 3,495 | 3,725 | US\$ 3,537 | US\$ 3,665 |
| Seasoned Coml Mtg Tr | 2 | | | 3,397 US\$ 3,163 | 3,375 | US\$ 3,283 | US\$ 3,335 |
| Mtg | 2 | | | 3,214 US\$ 2,925 | 3,172 | US\$ 3,106 | US\$ 3,115 |

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

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

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets, translation

adjustments or
equity in earnings/
losses of equity
method investees.

(Concluded)

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Investees
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in Thousands of New Taiwan Dollars)

| Related Party | Nature of Relationships | Purchases/ Sales | Transaction Details | | | Abnormal Transaction | |
|---------------|--|---------------------|---------------------|---------------|---|----------------------|-------------------------|
| | | | Amount | Total % to | Payment Terms | Unit Price (Note) | Payment Terms (Note) |
| North America | Subsidiary | Sales | \$ 111,683,024 | 54 | Net 30 days after invoice date | | |
| | Investee with a controlling financial interest | Sales | 1,497,213 | 1 | Net 30 days after monthly closing | | |
| | Investee accounted for using equity method | Sales | 107,316 | - | Net 30 days after monthly closing | | |
| | Indirect subsidiary | Purchases | 3,872,117 | 18 | Net 30 days after monthly closing | | |
| China | Subsidiary | Purchases | 2,611,248 | 12 | Net 30 days after monthly closing | | |
| | Investee accounted for using equity method | Purchases | 2,530,044 | 11 | Net 30 days after monthly closing | | |
| | Investee accounted for using equity method | Purchases | 2,433,937 | 11 | Net 30 days after monthly closing | | |
| North America | Same parent company | Purchases | 701,967 | 29 | Net 30 days after invoice date/net 45 days after monthly closing | | |

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.

TABLE 4

**Taiwan Semiconductor Manufacturing Company Limited and Investees
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2009
(Amounts in Thousands of New Taiwan Dollars)**

| Related Party | Nature of Relationships | Ending Balance | Turnover Days (Note 1) | Amounts | Overdue Action Taken | Amounts Received in Subsequent Period |
|----------------------|--|-----------------------|-------------------------------|----------------|--|--|
| IC North America | Subsidiary | \$22,023,139 | 41 | \$7,315,356 | | \$8,350,804 |
| | Investee with a controlling financial interest | 455,417 | 61 | 276 | | 169,404 |
| | Investee accounted for using equity method | 141,358 | 2) | 22,012 | Accelerate demand on accounts receivable | 210,000 |
| IC China | Subsidiary | 119,544 | 2) | | | |

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

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

TABLE 5

**Taiwan Semiconductor Manufacturing Company Limited and Investees
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE
 COMPANY EXERCISES SIGNIFICANT INFLUENCE
 SEPTEMBER 30, 2009
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2009 | | Carrying Value (Foreign Currencies in Thousands) |
|---------------------------------|--|--|---|----------------------------------|-------------------------|--|
| | | September 30, 2009 (Foreign Currencies in Thousands) | December 31, 2008 (Foreign Currencies in Thousands) | Share (in Thousands) | Percentage of Ownership | |
| Portola, British Virgin Islands | Investment activities | \$42,327,245 | \$42,327,245 | 1 | 100 | \$45,492,790 |
| Portola, British Virgin Islands | Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. | 31,456,130 | 31,456,130 | 988,268 | 100 | 32,627,788 |
| Yunlin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,232,288 | 13,232,288 | 628,223 | 37 | 9,410,696 |
| Singapore | Fabrication and supply of integrated circuits | 5,120,028 | 5,120,028 | 314 | 39 | 5,899,305 |
| Shanghai, China | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367 | 12,180,367 | - | 100 | 3,606,012 |
| San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,686,753 |
| Yao Yuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 93,081 | 41 | 1,372,699 |
| Palmyra Islands | Investing in new start-up technology companies | 1,703,163 | 1,440,241 | - | 98 | 1,341,398 |

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| | | | | | | |
|----------------------------|--|--------------|--------------|---------|-----|--------------|
| Cayman Islands | Investing in new start-up technology companies | 1,036,422 | 1,036,422 | - | 98 | 1,059,820 |
| Tainan-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 46,688 | 36 | 960,442 |
| Cayman Islands | Investing in new start-up technology companies | 966,596 | 986,797 | - | 99 | 319,571 |
| Amsterdam, the Netherlands | Marketing and engineering supporting activities | 15,749 | 15,749 | - | 100 | 152,965 |
| Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 100 | 136,710 |
| Seoul, Korea | Customer service and technical support activities | 13,656 | 13,656 | 80 | 100 | 18,115 |
| Delaware, U.S.A. | Investment activities | US\$ 0.001 | US\$ 0.001 | 1 | 100 | US\$ 690,624 |
| Cayman Islands | Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry | US\$ 43,000 | US\$ 43,000 | 43,000 | 49 | US\$ 68,198 |
| Cayman Islands | Investing in new start-up technology companies | US\$ 32,289 | US\$ 32,289 | 32,289 | 97 | US\$ 28,133 |
| Delaware, U.S.A. | Engineering support activities | US\$ 0.001 | US\$ 0.001 | 1 | 100 | US\$ 8,932 |
| Cayman Islands | Investing in new start-up technology companies | US\$ 7,680 | US\$ 7,680 | 7,680 | 97 | US\$ 7,746 |
| Ontario, Canada | Engineering support activities | US\$ 2,300 | US\$ 2,300 | 2,300 | 100 | US\$ 3,057 |
| Delaware, U.S.A. | Research, development, and sale of micro-semiconductor device | US\$ 800 | - | 5,333 | 74 | US\$ 800 |
| Delaware, U.S.A. | Research, development, and sale of micro-semiconductor device | US\$ 1,000 | - | 1,000 | 10 | US\$ 1,000 |
| Washington, U.S.A. | Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices | US\$ 380,000 | US\$ 380,000 | 293,637 | 100 | US\$ 196,675 |
| Tainan-Chu, Taiwan | Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions | US\$ 91,041 | US\$ 91,041 | 253,120 | 89 | US\$ 120,401 |

| Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2009 | | | Net Income (Losses) of the Investee | Equity in the Earnings (Losses) |
|-------------|---|---|--|--|--------------------------------|---|-------------------------------------|-----------------------------------|
| | | September 30, 2009 (Foreign Currencies in Thousands) | December 31, 2008 (Foreign Currencies in Thousands) | Shareholders' Equity (in Thousands) | Percentage of Ownership (%) | Carrying Value (Foreign Currencies in Thousands) | (Foreign Currencies in Thousands) | (Foreign Currencies in Thousands) |
| Taiwan | Manufacturing and selling of electronic parts and researching, developing, and testing of RFID | US\$1,705 | US\$1,705 | 4,590 | 51 | US\$ 1,055 | US\$ (689) | Note 2 |
| Taiwan | Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments | US\$1,777 | US\$1,777 | 4,500 | 41 | US\$ 730 | US\$ (836) | Note 2 |
| an Islands | Investing in new start-up technology companies | US\$1,550 | US\$700 | | 100 | US\$ 856 | US\$ (94) | Note 2 |
| are, U.S.A. | Investing in new start-up technology companies | | | | 62 | | | Note 2 |
| are, U.S.A. | Investing in new start-up technology companies | | | | 31 | | | Note 2 |
| | Consulting services in main products | US\$800 | US\$800 | 800 | 100 | 36,870 | 3,632 | Note 2 |
| | Consulting services in main products | JPY 30,000 | JPY 30,000 | 1 | 100 | 13,062 | 1,353 | Note 2 |
| etherlands | Consulting services in main products | EUR 100 | EUR 50 | | 100 | 5,281 | 318 | Note 2 |
| a Virgin s | Investment activities | US\$50 | | 50 | 100 | 1,485 | (127) | Note 2 |
| are, U.S.A. | Investing in new start-up technology companies | | | | 7 | | | Note 2 |

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)

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan | Investment Flows | | Accumulated Outflow of Investment from Taiwan | Equity in the Earnings (Losses) (Note 2) | Carrying Value as of September 30, 2009 |
|--|------------------------------------|-------------------------|--|---------------------|--------|--|--|---|
| | | | as of January 1, 2009 | Outflow | Inflow | as of September 30, 2009 (US\$ in Thousand) | | |
| Main Businesses and Products | (RMB in Thousand) | | (US\$ in Thousand) | | | | | |
| Manufacturing and marketing of integrated circuits at the order of customers pursuant to product design specifications provided by customers | \$12,180,367 (RMB3,070,623) | (Note 1) | \$12,180,367 (US\$371,000) | \$ | \$ | \$12,180,367 (US\$371,000) | 100% \$(2,614,520) | \$3,600,000 |

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

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

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

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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

October 9, 2009

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

| | 2009 | | 2008 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 156,935,077 | 28 | \$ 112,445,510 | 20 |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 24) | 370,669 | | 30,385 | |
| Available-for-sale financial assets (Notes 2, 6 and 24) | 14,638,990 | 3 | 40,630,326 | 7 |
| Held-to-maturity financial assets (Notes 2,7 and 24) | 8,374,389 | 2 | 5,063,096 | 1 |
| Receivables from related parties | 987 | | 1,498 | |
| Notes and accounts receivable | 45,421,657 | 8 | 51,704,847 | 10 |
| Allowance for doubtful receivables (Notes 2 and 8) | (535,383) | | (695,474) | |
| Allowance for sales returns and others (Notes 2 and 8) | (9,006,496) | (2) | (5,677,508) | (1) |
| Other receivables from related parties | 183,946 | | 150,408 | |
| Other financial assets (Note 26) | 3,165,465 | 1 | 1,738,559 | |
| Inventories (Notes 2, 3 and 9) | 19,176,052 | 4 | 21,817,238 | 4 |
| Deferred income tax assets (Notes 2 and 18) | 4,531,774 | 1 | 3,198,007 | 1 |
| Prepaid expenses and other current assets | 983,812 | | 1,942,267 | |
| Total current assets | 244,240,939 | 45 | 232,349,159 | 42 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24) | | | | |
| Investments accounted for using equity method | 17,587,438 | 3 | 19,200,105 | 3 |
| Available-for-sale financial assets | 1,329,853 | | 4,645,724 | 1 |
| Held-to-maturity financial assets | 16,473,164 | 3 | 14,039,087 | 3 |
| Financial assets carried at cost | 3,162,849 | 1 | 3,988,976 | 1 |
| Total long-term investments | 38,553,304 | 7 | 41,873,892 | 8 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26) | | | | |
| Cost | | | | |
| Land and land improvements | 938,509 | | 934,922 | |
| Buildings | 141,644,558 | 26 | 130,965,521 | 24 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Machinery and equipment | 736,712,546 | 136 | 693,125,037 | 126 |
| Office equipment | 13,165,301 | 2 | 12,208,581 | 2 |
| Leased assets | 714,012 | | 706,900 | |
| | 893,174,926 | 164 | 837,940,961 | 152 |
| Accumulated depreciation | (675,028,153) | (124) | (597,523,587) | (108) |
| Advance payments and construction in progress | 18,669,251 | 4 | 11,877,532 | 2 |
| Net property, plant and equipment | 236,816,024 | 44 | 252,294,906 | 46 |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 5,954,477 | 1 | 5,944,941 | 1 |
| Deferred charges, net (Notes 2 and 13) | 6,060,452 | 1 | 7,169,827 | 1 |
| Total intangible assets | 12,014,929 | 2 | 13,114,768 | 2 |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 18) | 7,196,676 | 1 | 7,562,573 | 1 |
| Refundable deposits | 2,789,170 | 1 | 2,712,441 | 1 |
| Others (Notes 2 and 26) | 286,076 | | 91,402 | |
| Total other assets | 10,271,922 | 2 | 10,366,416 | 2 |
| TOTAL | \$ 541,897,118 | 100 | \$ 549,999,141 | 100 |

| | 2009 | | 2008 | |
|--|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24) | \$ 97 | | \$ 319,604 | |
| Accounts payable | 9,593,847 | 2 | 8,407,378 | 2 |
| Payables to related parties (Note 25) | 1,039,482 | | 1,263,512 | |
| Income tax payable (Notes 2 and 18) | 5,749,028 | 1 | 9,137,982 | 2 |
| Bonuses payable to employees, directors and supervisors (Notes 2, 3 and 20) | 8,680,353 | 2 | 13,457,491 | 2 |
| Payables to contractors and equipment suppliers | 15,666,356 | 3 | 8,081,877 | 1 |
| Accrued expenses and other current liabilities (Notes 16 and 28) | 13,971,034 | 2 | 13,208,823 | 2 |
| Current portion of bonds payable and long-term bank loans (Notes 14, 15 and 26) | 308,525 | | 8,257,933 | 2 |

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| | | | | |
|--|-------------|----|--------------|-----|
| Total current liabilities | 55,008,722 | 10 | 62,134,600 | 11 |
| LONG-TERM LIABILITIES | | | | |
| Bonds payable (Note 14) | 4,500,000 | 1 | 4,500,000 | 1 |
| Long-term bank loans (Notes 15 and 26) | 1,418,469 | | 1,547,240 | |
| Other long-term payables (Notes 16 and 28) | 8,342,346 | 2 | 9,467,559 | 2 |
| Obligations under capital leases (Note 2) | 707,050 | | 706,900 | |
| Total long-term liabilities | 14,967,865 | 3 | 16,221,699 | 3 |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 17) | 3,776,757 | 1 | 3,702,144 | 1 |
| Guarantee deposits (Note 28) | 1,157,131 | | 1,624,231 | |
| Deferred credits (Note 2) | 225,577 | | 432,134 | |
| Others | 134,395 | | 61,065 | |
| Total other liabilities | 5,293,860 | 1 | 5,819,574 | 1 |
| Total liabilities | 75,270,447 | 14 | 84,175,873 | 15 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | |
| Capital stock \$10 par value (Notes 20 and 22) | | | | |
| Authorized: 28,050,000 thousand shares | | | | |
| Issued: 25,900,662 thousand shares in 2009 | | | | |
| 25,904,166 thousand shares in 2008 | 259,006,623 | 48 | 259,041,660 | 47 |
| Capital surplus (Notes 2 and 20) | 55,439,919 | 10 | 50,463,438 | 9 |
| Retained earning (Note 20) | | | | |
| Appropriated as legal capital reserve | 77,317,710 | 14 | 67,324,393 | 12 |
| Appropriated as special capital reserve | | | 391,857 | |
| Unappropriated earnings | 71,898,923 | 13 | 103,062,463 | 19 |
| | 149,216,633 | 27 | 170,778,713 | 31 |
| Others (Notes 2, 22 and 24) | | | | |
| Cumulative translation adjustments | (1,272,298) | | (1,584,029) | |
| Unrealized gain/loss on financial instruments | 494,421 | | (124,039) | |
| Treasury stock: 278,875 thousand shares | | | (16,499,990) | (3) |
| | (777,877) | | (18,208,058) | (3) |
| Equity attributable to shareholders of the parent | 462,885,298 | 85 | 462,075,753 | 84 |

| | | | | |
|----------------------------|----------------|-----|----------------|-----|
| MINORITY INTEREST (Note 2) | 3,741,373 | 1 | 3,747,515 | 1 |
| Total shareholders equity | 466,626,671 | 86 | 465,823,268 | 85 |
| TOTAL | \$ 541,897,118 | 100 | \$ 549,999,141 | 100 |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated October 9, 2009)

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

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

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| | | |
|---|---------|-------------|
| Foreign exchange loss, net (Note 2) | 605,140 | |
| Interest expense | 297,927 | 460,024 |
| Equity in losses of equity method investees, net (Notes 2 and 10) | 253,185 | |
| Loss on settlement and disposal of financial assets, net (Notes 2 and 24) | 26,035 | |
| Loss on idle assets (Note 2) | | 210,477 |
| | | (Continued) |

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

| | 2009 | | 2008 | |
|--|----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| Valuation loss on financial instruments, net (Notes 2, 5 and 24) | \$ | | \$ 139,202 | |
| Provision for litigation loss | | | 99,126 | |
| Others (Note 2) | 122,165 | | 191,665 | |
| Total non-operating expenses and losses | 2,108,861 | 1 | 2,148,557 | 1 |
| INCOME BEFORE INCOME TAX | 60,094,674 | 30 | 98,378,609 | 37 |
| INCOME TAX EXPENSE (Notes 2 and 18) | 3,488,863 | 2 | 10,496,985 | 4 |
| NET INCOME | \$ 56,605,811 | 28 | \$ 87,881,624 | 33 |
| ATTRIBUTABLE TO: | | | | |
| Shareholders of the parent | \$ 56,551,787 | 28 | \$ 87,487,392 | 33 |
| Minority interest | 54,024 | | 394,232 | |
| | \$ 56,605,811 | 28 | \$ 87,881,624 | 33 |

| | 2009 | | 2008 | |
|---|--|-------------------------|--|-------------------------|
| | Income Attributable to Shareholders of the Parent | | Income Attributable to Shareholders of the Parent | |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 23) | | | | |
| Basic earnings per share | \$ 2.33 | \$ 2.19 | \$ 3.75 | \$ 3.35 |
| Diluted earnings per share | \$ 2.31 | \$ 2.18 | \$ 3.73 | \$ 3.33 |

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

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

(Concluded)

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

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

(Continued)

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

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

| | | |
|--|----------------|----------------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 194,613,752 | 94,986,488 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 156,935,077 | \$ 112,445,510 |

(Continued)

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

| | 2009 | 2008 |
|--|---------------|---------------|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 525,575 | \$ 604,599 |
| Income tax paid | \$ 7,996,390 | \$ 10,400,208 |
| INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 52,408,986 | \$ 49,803,703 |
| Increase in payables to contractors and equipment suppliers | (7,338,616) | (1,825,145) |
| Increase in obligations under capital leases | | (13,549) |
| Cash paid | \$ 45,070,370 | \$ 47,965,009 |
| Acquisition of available-for-sale financial assets | \$ 23,399,615 | \$ 60,210,961 |
| Increase in accrued expenses and other current liabilities | (3,023,886) | |
| Cash paid | \$ 20,375,729 | \$ 60,210,961 |
| Repurchase of treasury stock | \$ | \$ 30,427,413 |
| Decrease in accrued expenses and other current liabilities | | 3,053,584 |
| Cash paid | \$ | \$ 33,480,997 |
| NON-CASH FINANCING ACTIVITIES | | |
| Bonus to employees transferred to capital stock | \$ 7,494,988 | \$ |
| Current portion of bonds payable | \$ | \$ 8,000,000 |
| Current portion of long-term bank loans | \$ 308,525 | \$ 257,933 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 1,476,550 | \$ 1,901,323 |

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

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

(Concluded)

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

1. GENERAL

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

As of September 30, 2009 and 2008, TSMC and its subsidiaries had 24,479 and 25,318 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

| Name of Investor | Name of Investee | Percentage of Ownership | | Remark |
|------------------|--|-------------------------|-------|--|
| | | 2009 | 2008 | |
| TSMC | TSMC North America | 100% | 100% | |
| | TSMC Japan Limited (TSMC Japan) | 100% | 100% | |
| | TSMC Partners, Ltd. (TSMC Partners) | 100% | 100% | |
| | TSMC Korea Limited (TSMC Korea) | 100% | 100% | |
| | Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 100% | 100% | |
| | TSMC International Investment Ltd. (TSMC International) | | 100% | In June 2009, TSMC International was merged into TSMC Partners. |
| | TSMC Global Ltd. (TSMC Global) | 100% | 100% | |
| | TSMC China Company Limited (TSMC China) | 100% | 100% | |
| | VentureTech Alliance Fund III, L.P. (VTAF III) | 98% | 98% | |
| | VentureTech Alliance Fund II, L.P. (VTAF II) | 98% | 98% | |
| | Emerging Alliance Fund, L.P. (Emerging Alliance) | 99.5% | 99.5% | |
| | Global Unichip Corporation (GUC) | 36% | 36% | TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC. |
| | Xintec Inc. (Xintec) | 41% | 42% | TSMC obtained three out of five director positions and has a controlling interest in Xintec. |
| TSMC Partners | TSMC Design Technology Canada Inc. (TSMC Canada) | 100% | 100% | |
| | TSMC Technology, Inc. (TSMC Technology) | 100% | | Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009. |
| | TSMC Development, Inc. (TSMC Development) | 100% | | Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009. |
| | InveStar Semiconductor Development Fund, Inc. (ISDF) | 97% | | Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009. |
| | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | 97% | | Its previous shareholders, TSMC International, was merged into TSMC Partners in June 2009. |
| TSMC Development | WaferTech, LLC (WaferTech) | 99.9% | 99.9% | |
| VTAF III | | 51% | 51% | |

| | | | | |
|---|--|------|------|-------------------------------------|
| | Mutual-Pak Technology Co., Ltd. (Mutual-Pak) Growth Fund Limited (Growth Fund) | 100% | 100% | |
| VTAF III, VTAF II and Emerging Alliance | VentureTech Alliance Holdings, LLC (VTA Holdings) | 100% | 100% | |
| GUC | Global Unichip Corporation-NA (GUC-NA) | 100% | 100% | |
| | Global Unichip Japan Co., Ltd. (GUC-Japan) | 100% | 100% | |
| | Global Unichip Europe B.V. (GUC-Europe) | 100% | 100% | |
| | Global Unichip (BVI) Corp. (GUC- BVI) | 100% | | Newly established in February 2009. |

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

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

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

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

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

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

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

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

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

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

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

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

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

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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.

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Stock-based Compensation

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

Bonuses to Employees, Directors and Supervisors

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

Treasury Stock

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

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

Foreign-currency Transactions

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

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

Translation of Foreign-currency Financial Statements

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

3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised SFAS No. 10, Accounting for Inventories. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. Such a change in accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the nine months ended September 30, 2009.

Effective January 1, 2008, the Company adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors, issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax and retroactively adjusted for the issuance of stock dividend) of NT\$11,199,865 thousand and NT\$0.43, respectively, for the nine months ended September 30, 2008.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 39, Accounting for Share-based Payment, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's consolidated financial statements as of and for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

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

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

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

\$ 97 \$ 319,604

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The Company entered into derivative contracts during the nine months ended September 30, 2009 and 2008 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward contracts consisted of the following:

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

Outstanding cross currency swap contracts consisted of the following:

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

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

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

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | September 30 | |
|--------------------------|---------------------|---------------|
| | 2009 | 2008 |
| Corporate bonds | \$ 15,460,383 | \$ 12,758,843 |
| Structured time deposits | 6,000,000 | 4,142,600 |

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| | | |
|------------------|---------------|---------------|
| Government bonds | 3,387,170 | 2,200,740 |
| | 24,847,553 | 19,102,183 |
| Current portion | (8,374,389) | (5,063,096) |
| | \$ 16,473,164 | \$ 14,039,087 |

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

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

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

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

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

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

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

9. INVENTORIES

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

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

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

| | Nine Months Ended September 30 | |
|------------------------------|-----------------------------------|--------------|
| | 2009 | 2008 |
| Balance, beginning of period | \$ 1,990,621 | \$ 2,589,742 |
| Amortization | (449,341) | (449,341) |

| | | |
|------------------------|--------------|--------------|
| Balance, end of period | \$ 1,541,280 | \$ 2,140,401 |
|------------------------|--------------|--------------|

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As of September 30, 2009 and 2008, the ending balances of the aforementioned difference allocated to goodwill were both NT\$1,061,885 thousand.

11. FINANCIAL ASSETS CARRIED AT COST

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

| | | | | | | | | |
|---|----------------|----|--------|----|----------|----|-------|----------------|
| Advance payments and construction in progress | 18,605,882 | \$ | 81,955 | \$ | (22,342) | \$ | 3,756 | 18,669,251 |
| | \$ 243,645,350 | | | | | | | \$ 236,816,024 |

Nine Months Ended September 30, 2008

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

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

13. DEFERRED CHARGES, NET

| | Nine Months Ended September 30, 2009 | | | | | | |
|----------------------------------|---------------------------------------|--------------|----------------|--------------|-----------------------|--|------------------------------|
| | Balance, Beginning of Period | Additions | Amortization | Disposals | Reclassifi- cation | Effect of Exchange Rate Changes | Balance, End of Period |
| | Technology license fee | \$ 4,125,212 | \$ | \$ (687,538) | \$ | \$ | \$ 4,244 |
| Software and system design costs | 1,801,831 | 523,365 | (684,458) | | (4,340) | (10) | 1,636,388 |
| Patent and others | 1,198,785 | 11,351 | (219,728) | | (6,035) | (2,227) | 982,146 |
| | \$ 7,125,828 | \$ 534,716 | \$ (1,591,724) | \$ | \$ (10,375) | \$ 2,007 | \$ 6,060,452 |

| | Nine Months Ended September 30, 2008 | | | | | | |
|----------------------------------|---------------------------------------|--------------|----------------|----------------|-----------------------|--|------------------------------|
| | Balance, Beginning of Period | Additions | Amortization | Disposals | Reclassifi- cation | Effect of Exchange Rate Changes | Balance, End of Period |
| | Technology license fee | \$ 5,819,148 | \$ 8,756 | \$ (1,266,268) | \$ | \$ | \$ (5,393) |
| Software and system design costs | 1,449,603 | 805,168 | (598,082) | (14,279) | 59 | 756 | 1,643,225 |
| Patent and others | 654,850 | 462,828 | (153,491) | | | 6,172 | 970,359 |
| | \$ 7,923,601 | \$ 1,276,752 | \$ (2,017,841) | \$ (14,279) | \$ 59 | \$ 1,535 | \$ 7,169,827 |

14. BONDS PAYABLE

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

\$ 4,500,000 \$ 4,500,000

15. LONG-TERM BANK LOANS

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

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

(Concluded)

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

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

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

16. OTHER LONG-TERM PAYABLES

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

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

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

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

17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$549,457 thousand and NT\$589,229 thousand for the nine months ended September 30, 2009 and 2008, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan. The Company recognized pension costs of NT\$217,193 thousand and NT\$202,308 thousand for the nine months ended September 30, 2009 and 2008, respectively.

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

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

| | | |
|------------------------|--------------|--------------|
| Balance, end of period | \$ 3,776,757 | \$ 3,702,144 |
|------------------------|--------------|--------------|

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18. INCOME TAX

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

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

- b. Income tax expense consisted of the following:

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

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

| | September 30 | |
|---------------------------------------|---------------------|--------------|
| | 2009 | 2008 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 3,542,275 | \$ 3,081,710 |
| Temporary differences | 1,409,793 | 629,787 |
| Valuation allowance | (420,294) | (513,490) |
| | | |
| | \$ 4,531,774 | \$ 3,198,007 |
| | | |
| Noncurrent deferred income tax assets | | |
| Investment tax credits | \$ 13,987,353 | \$ 9,070,045 |
| Net operating loss carryforwards | 3,583,246 | 3,464,579 |

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| | | |
|-----------------------|--------------|--------------|
| Temporary differences | (1,450,644) | (2,214,854) |
| Valuation allowance | (8,923,279) | (2,757,197) |
| | \$ 7,196,676 | \$ 7,562,573 |

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

As of September 30, 2009, the net operating loss carryforwards were generated by WaferTech, TSMC Development, Xintec and Mutual-Pak and would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of September 30, 2009 and 2008 was NT\$214,826 thousand and NT\$1,602,560 thousand, respectively.

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

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

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

f. As of September 30, 2009, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

| Law/Statute | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---------------------------------------|-------------------------|-----------------------------|-------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 507,244 | \$ 500,000 | 2009 |
| | | 1,331,228 | 110,488 | 2010 |
| | | 4,658,983 | 2,958,746 | 2011 |
| | | 3,144,816 | 3,144,816 | 2012 |
| | | 2,050,507 | 2,050,507 | 2013 |
| | | \$ 11,692,778 | \$ 8,764,557 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 2,711,736 | \$ 9,353 | 2010 |
| | | 2,826,406 | 2,811,887 | 2011 |
| | | 2,963,558 | 2,963,558 | 2012 |
| | | 2,744,180 | 2,744,180 | 2013 |
| | | \$ 11,245,880 | \$ 8,528,978 | |

| | | | | | | |
|-------------------------------------|--|----|---------|----|---------|------|
| Statute for Upgrading Industries | Personnel training expenditures | \$ | 37 | \$ | | 2009 |
| | | | 23,905 | | 759 | 2010 |
| | | | 37,356 | | 37,356 | 2011 |
| | | | 30,811 | | 30,811 | 2012 |
| | | | 262 | | 262 | 2013 |
| | | \$ | 92,371 | \$ | 69,188 | |
| Statute for Upgrading Industries | Investments in important technology-based enterprises | \$ | 87,101 | \$ | 87,101 | 2009 |
| | | | 79,804 | | 79,804 | 2010 |
| | | \$ | 166,905 | \$ | 166,905 | |

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

| | Tax-Exemption Periods |
|--|----------------------------------|
| Construction of Fab 14 - Module A | 2006 to 2010 |
| Construction of Fab 12 - Module B and expansion of Fab 14 - Module A | 2007 to 2011 |
| Construction of Fab 14 - Module B and expansion of Fab 12 and others | 2008 to 2012 |
| 2003 plant expansion of GUC | 2007 to 2011 |
| 2003 plant expansion of Xintec | 2007 to 2011 |

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

19. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Nine Months Ended September 30, 2009 | | |
|----------------------------|--|---|---------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary and bonus | \$ 12,631,169 | \$ 10,938,484 | \$ 23,569,653 |
| Labor and health insurance | 509,889 | 422,070 | 931,959 |
| Pension | 444,923 | 321,727 | 766,650 |
| Meal | 324,895 | 143,092 | 467,987 |
| Welfare | 365,194 | 144,646 | 509,840 |
| Other | 110,587 | 183,107 | 293,694 |
| | \$ 14,386,657 | \$ 12,153,126 | \$ 26,539,783 |
| Depreciation | \$ 55,879,597 | \$ 3,049,516 | \$ 58,929,113 |
| Amortization | \$ 942,756 | \$ 648,968 | \$ 1,591,724 |

| | Nine Months Ended September 30, 2008 | | |
|----------------------------|--|---|---------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary and bonus | \$ 15,880,633 | \$ 12,677,172 | \$ 28,557,805 |
| Labor and health insurance | 579,886 | 366,343 | 946,229 |
| Pension | 481,586 | 309,951 | 791,537 |
| Meal | 359,989 | 144,638 | 504,627 |
| Welfare | 519,771 | 214,654 | 734,425 |

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| | | | |
|--------------|---------------|---------------|---------------|
| Other | 199,905 | 210,405 | 410,310 |
| | \$ 18,021,770 | \$ 13,923,163 | \$ 31,944,933 |
| Depreciation | \$ 55,411,297 | \$ 3,068,389 | \$ 58,479,686 |
| Amortization | \$ 1,378,460 | \$ 639,381 | \$ 2,017,841 |

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20. SHAREHOLDERS EQUITY

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

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

Capital surplus consisted of the following:

| | September 30 | |
|----------------------------|----------------------|----------------------|
| | 2009 | 2008 |
| Additional paid-in capital | \$ 23,408,710 | \$ 18,154,782 |
| From merger | 22,805,390 | 23,053,576 |
| From convertible bonds | 8,893,190 | 8,989,973 |
| From long-term investments | 332,574 | 265,052 |
| Donations | 55 | 55 |
| | \$ 55,439,919 | \$ 50,463,438 |

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
 - b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
 - c. Bonus to directors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
 - d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.
- TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

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

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

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

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

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

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

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

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

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

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

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

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21. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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

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

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

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

| | Number of Options | Weighted-average Exercise Prices (NT\$) |
|--------------------------------------|-------------------|---|
| Nine months ended September 30, 2009 | | |
| Balance, beginning of period | 5,557 | \$ 66.6 |
| Options granted | 87 | 13.8 |
| Options exercised | (1,004) | 10.8 |
| Options canceled | (287) | 53.8 |
| Balance, end of period | 4,353 | 75.8 |

Nine months ended September 30, 2008

| | | | |
|------------------------------|---------|----|-------|
| Balance, beginning of period | 7,598 | \$ | 60.3 |
| Options granted | 284 | | 14.8 |
| Options exercised | (1,681) | | 14.3 |
| Options canceled | (168) | | 169.1 |
| Balance, end of period | 6,033 | | 63.4 |

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

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

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|--------------------------------------|-------------------------|---|---|-------------------------|---|
| | Number of Options | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options | Weighted- average Exercise Price (NT\$) |
| \$8.4-\$10.5 | 802 | 1.25 | \$ 9.0 | 756 | \$ 9.0 |
| 15.5 | 1,874 | 1.92 | 15.5 | 197 | 15.5 |
| 175.0 | 1,677 | 4.25 | 175.0 | | |
| | 4,353 | | 75.8 | 953 | 10.3 |

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

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

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

| | | |
|------------------------|---------|------|
| Options canceled | (1,260) | 15.8 |
| Balance, end of period | 8,293 | 14.6 |

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

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

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|--------------------------------------|--|---|---|-------------------------|---|
| | Number of Options (in Thousands) | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options | Weighted- average Exercise Price (NT\$) |
| \$12.2-\$14.1 | 2,579 | 7.03 | \$ 12.5 | 1,357 | \$ 12.2 |
| 15.2- 19.1 | 2,320 | 7.96 | 17.4 | 251 | 15.2 |
| | 4,899 | | 14.8 | 1,608 | 12.7 |

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 2009 and 2008. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the nine months ended September 30, 2009 and 2008 would have been as follows:

| | | Nine Months Ended September 30 | |
|--|-------------------------|-----------------------------------|---------------|
| | | 2009 | 2008 |
| Assumptions: | | | |
| TSMC | Expected dividend yield | 1.00%-3.44% | 1.00%-3.44% |
| | Expected volatility | 43.77%-46.15% | 43.77%-46.15% |
| | Risk free interest rate | 3.07%-3.85% | 3.07%-3.85% |
| | Expected life | 5 years | 5 years |
| GUC | Expected dividend yield | 0.00%-0.60% | 0.00%-0.60% |
| | Expected volatility | 22.65%-45.47% | 22.65%-45.47% |
| | Risk free interest rate | 2.12%-2.56% | 2.12%-2.56% |
| | Expected life | 3-6 years | 3-6 years |
| Xintec | Expected dividend yield | 0.80% | 0.80% |
| | Expected volatility | 31.79%-47.42% | 31.79%-47.42% |
| | Risk free interest rate | 1.88%-2.45% | 1.88%-2.45% |
| | Expected life | 3 years | 3 years |
| Net income attributable to shareholders of the parent: | | | |
| As reported | | \$ 56,551,787 | \$ 87,487,392 |
| Pro forma | | 56,173,879 | 87,482,618 |
| Earnings per share (EPS) after income tax (NT\$): | | | |
| Basic EPS as reported | | \$ 2.19 | \$ 3.35 |
| Pro forma basic EPS | | 2.18 | 3.35 |
| Diluted EPS as reported | | 2.18 | 3.33 |
| Pro forma diluted EPS | | 2.16 | 3.33 |

22. TREASURY STOCK

(Shares in Thousands)

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

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

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

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

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

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

23. EARNINGS PER SHARE

EPS is computed as follows:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|---|------------------------------|-----------------------------|--|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| Nine months ended September 30, 2009 | | | | | |

| | | | | | |
|--|---------------|---------------|------------|---------|---------|
| Basic EPS | | | | | |
| Earnings attributable to shareholders of the parent | \$ 60,021,689 | \$ 56,551,787 | 25,813,614 | \$ 2.33 | \$ 2.19 |
| Effect of dilutive potential common shares | | | | | |
| Bonus to employees | | | 153,069 | | |
| Stock options | | | 14,459 | | |
| Diluted EPS | | | | | |
| Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares) | \$ 60,021,689 | \$ 56,551,787 | 25,981,142 | \$ 2.31 | \$ 2.18 |

(Continued)

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

(Concluded)

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

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the nine months ended September 30, 2008 to decrease from NT\$3.36 to NT\$3.35 and NT\$3.34 to NT\$3.33, respectively.

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | September 30 | | September 30 | |
|--------|--------------------|------------|--------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |

| | | | | |
|---|------------|------------|------------|------------|
| Financial assets at fair value through profit or loss | \$ 370,669 | \$ 370,669 | \$ 30,385 | \$ 30,385 |
| Available-for-sale financial assets | 15,968,843 | 15,968,843 | 45,276,050 | 45,276,050 |
| Held-to-maturity financial assets | 24,847,553 | 25,029,053 | 19,102,183 | 19,088,629 |

Liabilities

| | | | | |
|--|-----------|-----------|------------|------------|
| Financial liabilities at fair value through profit or loss | 97 | 97 | 319,604 | 319,604 |
| Bonds payable (including current portion) | 4,500,000 | 4,583,826 | 12,500,000 | 12,630,945 |
| Long-term bank loans (including current portion) | 1,726,994 | 1,726,994 | 1,805,173 | 1,805,173 |
| Other long-term payables (including current portion) | 9,818,896 | 9,818,896 | 11,368,882 | 11,368,882 |
| Obligations under capital leases | 707,050 | 707,050 | 706,900 | 706,900 |

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

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

- 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
 - 3) For those derivatives and structured time deposits with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 4) Fair value of bonds payable was based on their quoted market price.
 - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present values of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value of derivatives contracts which were outstanding as of September 30, 2009 and 2008 estimated using valuation techniques were recognized as gains of NT\$370,572 thousand and losses of NT\$306,372 thousand, respectively.
- d. As of September 30, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$40,545,779 thousand and NT\$64,018,582 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$4,500,097 thousand and NT\$12,819,604 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$1,726,995 thousand and NT\$1,805,173 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the nine months ended September 30, 2009 and 2008 were as follows:

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

| | Nine Months Ended September 30, 2008 | | |
|--|--|--|--------------|
| | From Available- for-sale Financial Assets | From Available- for-sale Financial Assets Held by Investees | Total |

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| | | | |
|--|-------------|-------------|--------------|
| Balance, beginning of period | \$ 627,838 | \$ 53,159 | \$ 680,997 |
| Recognized directly in shareholders' equity | (54,799) | (108,925) | (163,724) |
| Removed from shareholders' equity and recognized in earnings | (641,312) | | (641,312) |
| Balance, end of period | \$ (68,273) | \$ (55,766) | \$ (124,039) |

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f. Information about financial risks

- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. Subject to turmoils in the global financial market, the Company evaluated its financial assets and determined that certain impairment for its asset-backed securities is other-than-temporary. The Company had appropriately recognized related impairment losses.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to turmoils in the global financial market, the Company evaluated the financial instruments for any possible counter-party or third-party default. As a result of the evaluation, the Company determined that certain financial instruments are exposed to credit risk and had appropriately recognized related impairment losses.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

25. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

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

c. Others:

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

| | 2009 | | 2008 | |
|---|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Nine months ended September 30 | | | | |
| Sales | | | | |
| VIS | \$ 107,607 | | \$ 72,394 | |
| VisEra | 2,725 | | 30,940 | |
| SSMC | 36 | | 1,858 | |
| | \$ 110,368 | | \$ 105,192 | |
| Purchases | | | | |
| SSMC | \$ 2,530,044 | 2 | \$ 3,624,887 | 2 |
| VIS | 2,446,687 | 2 | 2,629,175 | 2 |
| VisEra | | | 594 | |
| | \$ 4,976,731 | 4 | \$ 6,254,656 | 4 |
| Non-operating incomes and gains | | | | |
| VIS (primarily technical service income; see Note 28e) | \$ 179,168 | 5 | \$ 262,132 | 3 |
| SSMC (primarily technical service income; see Note 28d) | 98,806 | 2 | 193,039 | 3 |
| VisEra | 129 | | 86,061 | 1 |
| | \$ 278,103 | 7 | \$ 541,232 | 7 |
| As of September 30 | | | | |
| Payables | | | | |
| VIS | \$ 761,346 | 73 | \$ 676,817 | 54 |
| SSMC | 273,184 | 26 | 574,010 | 45 |
| VisEra | 4,952 | 1 | 12,685 | 1 |
| | \$ 1,039,482 | 100 | \$ 1,263,512 | 100 |

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

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

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

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26. PLEDGED OR MORTGAGED ASSETS

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

| | September 30 | |
|------------------------------------|---------------------|---------------------|
| | 2009 | 2008 |
| Other financial assets | \$ 634,287 | \$ 27,956 |
| Property, plant and equipment, net | 2,455,643 | 4,477,678 |
| Other assets | 20,000 | |
| | \$ 3,109,930 | \$ 4,505,634 |

27. 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 2009 to December 2028 and can be renewed upon expiration.

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

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

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

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of September 30, 2009, excluding those disclosed in other notes, were as follows:

- a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of September 30, 2009, TSMC had a total of US\$32,654 thousand of guarantee deposits.

- c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as SMIC). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of September 30, 2009, SMIC had paid US\$135 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement with SMIC. The Court also found TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case. Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action

held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. Regarding the claims raised by SMIC in the Beijing lawsuit, the Beijing People's High Court has on June 10, 2009 rejected those claims and dismissed the lawsuit. SMIC has appealed. The matters are pending in both courts. The result of the above-mentioned litigation cannot be determined at this time.

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- g. The Company entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$8,398,125 thousand and NT\$8,396,345 thousand as of September 30, 2009 and 2008, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of September 30, 2009 were NT\$101,108 thousand.

29. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 5 attached;
- j. Information on investment in Mainland China
 - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Table 6 attached.

- 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 7 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 7 attached.

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TABLE 1**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September | |
|--|--|---|--------------------------------|--|
| | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) |
| Corporate bond | | | | |
| Taiwan Mobile Co., Ltd. | | Available-for-sale financial assets | | \$ 1,033,473 |
| Taiwan Power Company | | Held-to-maturity financial assets | | 3,384,845 |
| Formosa Petrochemical Corporation | | 2 | | 3,179,081 |
| Nan Ya Plastics Corporation | | 2 | | 1,999,746 |
| Formosa Plastics Corporation | | 2 | | 1,671,881 |
| China Steel Corporation | | 2 | | 1,513,313 |
| CPC Corporation, Taiwan | | 2 | | 1,000,036 |
| Government bond | | | | |
| European Investment Bank Bonds | | Held-to-maturity financial assets | | 2,015,610 |
| 2003 Asian Development Bank Govt. Bond | | 2 | | 888,560 |
| Stocks | | | | |
| TSMC Global | Subsidiary | Investments accounted for using equity method | 1 | 45,492,790 |
| TSMC Partners | Subsidiary | 2 | 988,268 | 32,627,788 |
| VIS | Investee accounted for using equity method | 2 | 628,223 | 9,410,696 |
| SSMC | Investee accounted for using equity method | 2 | 314 | 5,899,305 |
| TSMC North America | Subsidiary | 2 | 11,000 | 2,686,753 |
| Xintec | Investee with a controlling financial interest | 2 | 93,081 | 1,372,699 |
| GUC | Investee with a controlling financial interest | 2 | 46,688 | 960,442 |
| TSMC Europe | Subsidiary | 2 | | 152,965 |
| TSMC Japan | Subsidiary | 2 | 6 | 136,710 |

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| | | | | |
|-------------------------------------|------------|---|--------|-----------|
| TSMC Korea | Subsidiary | 2 | 80 | 18,115 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 |
| Shin-Etsu Handotai Taiwan Co., Ltd. | | 2 | 10,500 | 105,000 |
| W.K. Technology Fund IV | | 2 | 4,000 | 40,000 |
| Fund | | | | |
| Horizon Ventures Fund | | Financial assets carried at cost | | 103,992 |
| Crimson Asia Capital | | 2 | | 58,987 |
| Capital | | | | |
| TSMC China | Subsidiary | Investments accounted for using equity method | | 3,606,012 |
| VTAF III | Subsidiary | 2 | | 1,341,398 |
| VTAF II | Subsidiary | 2 | | 1,059,820 |
| Emerging Alliance | Subsidiary | 2 | | 319,571 |

(Continued)

| | | | September | |
|---|--|---|--------------|--------------|
| | | | Shares/Units | Carrying |
| | | | (in | Value |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Thousands) | (US\$ in O |
| | | | Thousands) | Thousands) |
| Corporate bond | | | | |
| General Elec Cap Corp. Mtn | | Held-to-maturity financial assets | | US\$ 20,606 |
| General Elec Cap Corp. Mtn | | ² | | US\$ 20,239 |
| Common Stocks | | | | |
| TSMC Development, Inc. (TSMC Development) | Subsidiary | Investments accounted for using equity method | 1 | US\$ 690,624 |
| VisEra Holding Company | Investee accounted for using equity method | ² | 43,000 | US\$ 68,198 |
| InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | Subsidiary | ² | 32,289 | US\$ 28,133 |
| TSMC Technology | Subsidiary | ² | 1 | US\$ 8,932 |
| InveStar Semiconductor Development Fund, Inc. (ISDF) | Subsidiary | ² | 7,680 | US\$ 7,746 |
| TSMC Canada | Subsidiary | ² | 2,300 | US\$ 3,057 |
| Mcube Inc. | Investee accounted for using equity method | ² | 5,333 | US\$ 800 |
| Preferred stock | | | | |
| Mcube Inc. | Investee accounted for using equity method | Investments accounted for using equity method | 1,000 | US\$ 1,000 |
| Corporate bond | | | | |
| GE Capital Corp. | | Held-to-maturity financial assets | | US\$ 20,363 |
| P Morgan Chase & Co. | | ² | | US\$ 15,000 |
| Stocks | | | | |
| WaferTech | Subsidiary | Investments accounted for using equity method | 293,637 | US\$ 196,675 |
| Common stock | | | | |
| RichWave Technology Corp. | | Financial assets carried at cost | 4,247 | US\$ 1,648 |
| Global Investment Holding Inc. | | ² | 10,000 | US\$ 3,065 |
| Preferred stock | | | | |
| Audience, Inc. | | Financial assets carried at cost | 1,654 | US\$ 250 |
| Axiom Microdevices, Inc. | | ² | 1,000 | US\$ 24 |
| Mosaic Systems, Inc. | | ² | 2,481 | US\$ 12 |

| | | | | | |
|--|------------|---|--|-------|-------------|
| Next IO, Inc. | | 2 | 800 | US\$ | 500 |
| Optichron, Inc. | | 2 | 1,281 | US\$ | 1,072 |
| Optimal Corporation | | 2 | | US\$ | 229 |
| Pixim, Inc. | | 2 | 4,642 | US\$ | 1,137 |
| QST Holdings, LLC | | 2 | | US\$ | 131 |
| Teknovus, Inc. | | 2 | 6,977 | US\$ | 1,327 |
| Capital VentureTech Alliance Holdings, LLC (VTA Holdings) Common stock Leadtrend | Subsidiary | | | | |
| | | | Investments accounted for using equity method | | |
| | | | Available-for-sale financial assets | 1,515 | US \$ 9,204 |
| RichWave Technology Corp. | | | Financial assets carried at cost | 1,043 | US \$ 730 |
| Sentelic | | 2 | | 1,200 | US \$ 2,040 |
| Preferred stock SV Technologies, Inc. | | | Financial assets carried at cost | 2,890 | US \$ 2,168 |
| Aquantia | | 2 | | 2,108 | US \$ 2,573 |

September

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2018 | |
|------|-------------------------------------|-------------------------------|-----------------------------|--------------------|---------------------|
| | | | | Carrying Amount | Market Value |
| | | | | Shares/Units | Value |
| | | | | (in thousands) | (US\$ in thousands) |
| | Audience, Inc. | | 2 | 7,956 | US\$ 1,838 |
| | Axiom Microdevices, Inc. | | 2 | 7,017 | US\$ 741 |

(Continued)

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2009 | |
|-------------------------------------|--|---|-----------------------------|------------------------------------|
| | | | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) |
| Beceem Communications | | Financial assets carried at cost | 834 | US\$ 1,701 |
| Impinj, Inc. | | 2 | 475 | US\$ 1,000 |
| Next IO, Inc. | | 2 | 3,795 | US\$ 953 |
| Optichron, Inc. | | 2 | 2,784 | US\$ 2,664 |
| Pixim, Inc. | | 2 | 33,347 | US\$ 1,878 |
| Power Analog Microelectronics | | 2 | 6,249 | US\$ 3,185 |
| QST Holdings, LLC | | 2 | | US\$ 593 |
| Teknovus, Inc. | | 2 | 1,599 | US\$ 454 |
| Xceive | | 2 | 3,800 | US\$ 1,496 |
| Capital | | | | |
| VTA Holdings | Subsidiary | Investments accounted for using equity method | | |
| Common stock | | | | |
| Mutual-Pak Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 4,590 | US\$ 1,055 |
| Acionn Technology Corporation | Investee accounted for using equity method | 2 | 4,500 | US\$ 730 |
| Preferred stock | | | | |
| Auramicro, Inc. | | Financial assets carried at cost | 3,816 | US\$ 1,145 |
| BridgeLux, Inc. | | 2 | 4,955 | US\$ 6,391 |
| Exclara, Inc. | | 2 | 21,708 | US\$ 4,568 |
| GTBF, Inc. | | 2 | 1,154 | US\$ 1,500 |
| InvenSense, Inc. | | 2 | 816 | US\$ 1,000 |
| LiquidLeds Lighting Corp. | | 2 | 1,600 | US\$ 800 |
| M2000, Inc. | | 2 | 3,000 | US\$ 3,000 |
| Neoconix, Inc. | | 2 | 3,283 | US\$ 4,608 |
| Powervation, Ltd. | | 2 | 310 | US\$ 4,678 |
| Quellan, Inc. | | 2 | 3,106 | US\$ 495 |
| Silicon Technical Services, LLC | | 2 | 1,055 | US\$ 1,208 |
| Tilera, Inc. | | 2 | 3,222 | US\$ 2,781 |
| Validity Sensors, Inc. | | 2 | 8,070 | US\$ 3,089 |
| Capital | | | | |
| Growth Fund Limited (Growth Fund) | Subsidiary | Investments accounted for using equity method | | US\$ 856 |
| VTA Holdings | Subsidiary | 2 | | |

| | | | | |
|-------------------------------------|-------------------------------------|-------|------|-------|
| Common stock | | | | |
| Staccato | Financial assets carried at cost | 10 | US\$ | 25 |
| SiliconBlue Technologies Inc. | ² | 5,107 | US\$ | 762 |
| Common stock | | | | |
| Memsic, Inc. | Available-for-sale financial assets | 1,364 | US | 5,113 |
| | | | | \$ |
| Capella Microsystems (Taiwan), Inc. | Financial assets carried at cost | 557 | US | 154 |
| | | | | \$ |
| Preferred stock | | | | |
| Integrated Memory Logic, Inc. | Financial assets carried at cost | 2,872 | US | 1,221 |
| | | | | \$ |
| IP Unity, Inc. | ² | 1,008 | US | 290 |
| | | | | \$ |
| NanoAmp Solutions, Inc. | ² | 541 | US | 327 |
| | | | | \$ |

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| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | |
|--------------|-------------------------------------|-------------------------------|-----------------------------|--------------------|-----------|
| | | | | Shares/Units | Value |
| | | | | (in US\$) | (in US\$) |
| Sonics, Inc. | | | 2 | 230 | US730 |

(Continued)

| | | | September | |
|-------------------------------------|-------------------------------|---|----------------|---------------------------|
| | | | Shares/Units | Carrying |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | (in Thousands) | Value (US\$ in Thousands) |
| Common stock | | | | |
| Memsic, Inc. | | Available-for-sale financial assets | 1,145 | US\$ 4,292 |
| Treadchip Technologies Corp. | | 2 | 503 | US\$ 1,306 |
| Sonics, Inc. | | Financial assets carried at cost | 278 | US\$ 32 |
| Epic Communication, Inc. | | 2 | 50 | US\$ 23 |
| TEON Technology, Corp. | | 2 | 2,494 | US\$ 691 |
| Goyatek Technology, Corp. | | 2 | 932 | US\$ 545 |
| Capella Microsystems (Taiwan), Inc. | | 2 | 561 | US\$ 210 |
| Auden Technology MFG. Co., Ltd. | | 2 | 1,049 | US\$ 223 |
| Preferred stock | | | | |
| Alchip Technologies Limited | | Financial assets carried at cost | 6,979 | US\$ 3,664 |
| FangTek, Inc. | | 2 | 7,064 | US\$ 3,428 |
| Kilopass Technology, Inc. | | 2 | 3,887 | US\$ 500 |
| NanoAmp Solutions, Inc. | | 2 | 375 | US\$ 227 |
| Sonics, Inc. | | 2 | 264 | US\$ 926 |
| Open-end mutual funds | | | | |
| Wih Sun Bond Fund | | Available-for-sale financial assets | 5,671 | \$ 80,010 |
| FSITC Taiwan Bond Fund | | 2 | 294 | 50,004 |
| Cathay Bond Fund | | 2 | 1,674 | 20,005 |
| Common stock | | | | |
| GUC-NA | Subsidiary | Investments accounted for using equity method | 800 | 36,870 |
| GUC-Japan | Subsidiary | 2 | 1 | 13,062 |
| GUC-Europe | Subsidiary | 2 | | 5,281 |
| GUC-BVI | Subsidiary | 2 | 50 | 1,485 |
| Capital | | | | |
| Compositech Ltd. | | Financial assets carried at cost | 587 | |
| Money market funds | | | | |
| Ssga Cash Mgmt Global Offshore | | Available-for-sale financial assets | 225,978 | US\$ 225,978 |
| Government bond | | | | |
| US Treasury N/B | | Available-for-sale financial assets | 25,000 | US\$ 25,019 |

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| | | | | |
|--------------------------------|---|-------------------------------------|--------|-------------|
| United States Treas Nts | 2 | 10,496 | US\$ | 10,595 |
| WI Treasury | 2 | 107,500 | US\$ | 107,100 |
| Societe De Financement De Lec | | Held-to-maturity financial assets | 15,000 | US\$ 15,000 |
| Corporate bond | | | | |
| Ab Svensk Exportkredit Swedish | | Available-for-sale financial assets | 5,000 | US\$ 5,189 |
| American Exp Bk Fdic Gtd Tlgp | 2 | 1,750 | US\$ | 1,786 |
| Bear Stearns Cos Inc. | 2 | 5,000 | US\$ | 4,965 |
| Citibank NA | 2 | 5,000 | US\$ | 4,997 |
| General Elec Cap Corp. | 2 | 5,000 | US\$ | 4,817 |
| General Elec Cap Corp. | 2 | 7,000 | US\$ | 7,002 |
| Keycorp Fdic Gtd Tlgp | 2 | 5,000 | US\$ | 5,061 |
| Met Life Glob Funding I | 2 | 500 | US\$ | 505 |
| Metropolitan Life Global Fdg I | 2 | 1,750 | US\$ | 1,646 |
| Royal Bk of Scotland Plc | 2 | 5,000 | US\$ | 5,071 |

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September

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | |
|------|-------------------------------------|-----------------------------------|-----------------------------|--------------------------------|------------------------------|
| | | | | Shares/Units (in thousands) | Value (US\$ in thousands) |
| | Royal Bk Scotland Grp Plc 144A | | 2 | 6,500 | US\$6,597 |
| | Suncorp Metway Ltd. | | 2 | 5,000 | US\$5,187 |
| | Wachovia Corp. New | | 2 | 4,000 | US\$4,238 |
| | Nationwide Building Society | Held-to-maturity financial assets | | 8,000 | US\$8,000 |

(Continued)

| | | | September | |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|------------------------------|
| | | | Carrying | Per |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in thousands) | Value (US\$ in thousands) |
| Corporate issued note | | | | |
| Royal bk of scotland | | Available-for-sale financial assets | 5,000 | US\$4,982 |
| Barclays U.S. Fdg LLC | | 2 | 4,500 | US\$4,489 |
| Agency bonds Finma Pool 852347 | | Available-for-sale financial assets | 3,805 | US\$4,033 |
| | | | | (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 NINE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Financial Statement Account | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal (N | |
|---|--|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) |
| Available-for-sale financial assets | Grand Cathay Securities Corp. and several financial institutions | | \$ 2,032,658 | | \$ | | \$ 1,037,370 |
| Held-to-maturity financial assets | | | 4,209,629 | | 203,892 | | |
| | | | 3,554,908 | | 457,351 | | |
| | | | 2,385,285 | | 203,994 | | |
| | | | 1,000,000 | | 514,672 | | |
| Held-to-maturity financial assets | Grand Cathay Securities Corp. and several financial institutions | | 383,387 | | 2,025,500 | | 400,000 |
| Investments accounted for using equity method | Subsidiary | | 1,305,605 | | 262,922 | | |
| Held-to-maturity financial assets | JP Morgan Securitied Inc. | | | | US\$ 15,000 | | |

Jih Sun

| | | | | | |
|--|--|--------|---------|--------|---------|
| Available-for-sale financial assets | Investment Trust Co., Ltd. | 13,475 | 190,000 | 7,804 | 110,075 |
| | First Securities Investment Trust Co., Ltd. | 794 | 135,000 | 500 | 85,193 |
| | Prudential Financial Securities Investment Trust Enterprise PCA Securities | 11,261 | 170,000 | 11,261 | 170,319 |
| | Investment Trust Co., Ltd. Hua Nan Investment Trust Co., Ltd. | 13,121 | 170,000 | 13,261 | 170,241 |
| | | 6,434 | 100,000 | 6,434 | 100,131 |
| | | | | | |

Available-for-sale financial assets 30,435 US\$ 30,435 471,418 US\$ 471,418 275,875 US\$ 275,875 U

Available-for-sale financial assets 25,000 US\$ 25,014
107,500 US\$ 107,100
Held-to-maturity financial assets 15,000 US\$ 15,000

(Continued)

| Investable Securities Type and Name | Financial Statement | Relationship | Beginning Balance | | Acquisition | | Disposal (Note 2) | | Gain (Loss) Disposed (US\$ Thousands) |
|-------------------------------------|-------------------------------------|--------------|---------------------|----------------|---------------------|----------------|---------------------|---------------------|---------------------------------------|
| | | | Amount | Shares/Units | Amount | Shares/Units | Amount | Value | |
| | | | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | |
| Corporate bond | | | | | | | | | |
| Swedish Exportkredit | Available-for-sale financial assets | | \$ | 5,000 | US\$ 5,185 | \$ | \$ | \$ | |
| Stearns Cos Inc. | 2 | | | 5,000 | US\$ 4,965 | | | | |
| Manhattan Corp. New York NA | 2 | 3,250 | US\$ 3,353 | | US\$ | 3,250 | US\$ 3,380 | US\$ 3,480 | US\$ (|
| The Bank Ag London | 2 | 2,995 | US\$ 3,013 | | | 2,995 | US\$ 3,021 | US\$ 3,041 | US\$ |
| Al Elec Cap Corp. | 2 | | | 5,000 | US\$ 4,834 | | | | |
| Al Elec Cap Corp. | 2 | | | 7,000 | US\$ 7,002 | | | | |
| Corp Fdic Gtd Tlgp | 2 | | | 5,000 | US\$ 5,061 | | | | |
| In Stanley | 2 | 4,855 | US\$ 4,552 | | | 4,855 | US\$ 4,751 | US\$ 4,768 | US\$ |
| Bk of Scotland Plc | 2 | | | 5,000 | US\$ 5,106 | | | | |
| Bk Scotland Grp Plc 144A | 2 | | | 6,500 | US\$ 6,597 | | | | |
| Corp Metway Ltd. | 2 | | | 5,000 | US\$ 5,192 | | | | |
| ovia Corp. New | 2 | | | 4,000 | US\$ 4,239 | | | | |
| ovia Corp. New | 2 | 3,130 | US\$ 3,135 | | | 3,130 | US\$ 3,195 | US\$ 3,100 | US\$ |
| Fargo + Co. New Med Trm | 2 | 4,500 | US\$ 4,493 | | | 4,500 | US\$ 4,524 | US\$ 4,282 | US\$ |
| Wide Building Society | Held-to-maturity financial assets | | | 8,000 | US\$ 8,000 | | | | |
| Corporate issued note | | | | | | | | | |
| Bk of Scotland | Available-for-sale financial assets | | | 5,000 | US\$ 4,982 | | | | |
| ys U.S. Fdg LLC | 2 | | | 4,500 | US\$ 4,489 | | | | |
| Corporate bonds | | | | | | | | | |
| m Ln Pc Pool 1g1282 | Available-for-sale financial assets | 3,215 | US\$ 3,285 | | | 3,179 | US\$ 3,281 | US\$ 3,171 | US\$ |
| m Ln Pc Pool B19205 | 2 | 5,449 | US\$ 5,501 | | | 5,335 | US\$ 5,511 | US\$ 5,225 | US\$ |
| l Home Ln Mtg Corp. Pool 257245 | 2 | 3,060 | US\$ 3,108 | | | 3,005 | US\$ 3,078 | US\$ 3,003 | US\$ |
| Pool 691283 | 2 | 3,456 | US\$ 3,513 | | | 3,415 | US\$ 3,513 | US\$ 3,437 | US\$ |
| Pool 852347 | 2 | 2,963 | US\$ 3,039 | | | 2,932 | US\$ 3,028 | US\$ 2,920 | US\$ |
| Pool 888738 | 2 | | | 3,805 | US\$ 4,038 | | | | |
| Pool 888793 | 2 | 3,669 | US\$ 3,776 | | | 3,659 | US\$ 3,828 | US\$ 3,801 | US\$ |
| ome Ln Bank | 2 | 4,105 | US\$ 4,242 | | | 4,071 | US\$ 4,265 | US\$ 4,207 | US\$ |
| l Farm Cr Bks | 2 | 5,000 | US\$ 5,305 | | | 5,000 | US\$ 5,282 | US\$ 5,035 | US\$ |
| l Farm Credit Bank | 2 | 3,400 | US\$ 3,610 | | | 3,400 | US\$ 3,590 | US\$ 3,411 | US\$ |
| l Farm Credit Bank | 2 | 3,375 | US\$ 3,433 | | | 3,375 | US\$ 3,430 | US\$ 3,370 | US\$ |
| l Home Ln Bks | 2 | 3,725 | US\$ 3,854 | | | 3,725 | US\$ 3,852 | US\$ 3,721 | US\$ |

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| | | | | | | | |
|---------------------|---|-------|------------|-------|------------|------------|------|
| 1 Home Ln Bks | 2 | 5,000 | US\$ 5,320 | 5,000 | US\$ 5,312 | US\$ 5,098 | US\$ |
| 1 Home Ln Bks | 2 | 4,000 | US\$ 4,148 | 4,000 | US\$ 4,151 | US\$ 4,136 | US\$ |
| 1 Home Ln Mtg | 2 | 5,000 | US\$ 5,340 | 5,000 | US\$ 5,334 | US\$ 5,186 | US\$ |
| 1 Home Ln Mtg Corp. | 2 | 3,340 | US\$ 3,428 | 3,340 | US\$ 3,432 | US\$ 3,336 | US\$ |
| 1 Home Ln Mtg Corp. | 2 | 3,500 | US\$ 3,560 | 3,500 | US\$ 3,561 | US\$ 3,494 | US\$ |
| 1 Home Ln Mtg Corp. | 2 | 3,500 | US\$ 3,743 | 3,500 | US\$ 3,749 | US\$ 3,786 | US\$ |
| 1 Home Loan Bank | 2 | 4,500 | US\$ 4,710 | 4,500 | US\$ 4,709 | US\$ 4,518 | US\$ |
| 1 Natl Mtg Assn | 2 | 3,700 | US\$ 3,713 | 3,700 | US\$ 3,712 | US\$ 3,700 | US\$ |

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| Company Name | Name | Account | Relationship | Financial Statement | Nature | Beginning Balance | | Acquisition | | Disposal (Note 2) | | Gain (Loss) on Disposal |
|--------------|-----------------------|---------|--------------|---------------------|--------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|-------------------------|
| | | | | | | Amount (US\$ in thousands) | Shares/Units (in thousands) | Amount (US\$ in thousands) | Shares/Units (in thousands) | Amount (US\$ in thousands) | Carrying Value (US\$ in thousands) | |
| | | | | | | 4,000 | US\$ 4,169 | 4,000 | US\$ 4,179 | US\$ 4,116 | US\$ 63 | |
| | Federal Natl Mtg Assn | 2 | | | | 3,500 | US\$ 3,809 | 3,500 | US\$ 3,801 | US\$ 3,645 | US\$ 156 | |
| | Federal Natl Mtg Assn | 2 | | | | 3,750 | US\$ 4,134 | 3,750 | US\$ 4,127 | US\$ 4,151 | US\$ (24) | |

(Continued)

| Company Name | Marketable Securities Type and Name | Financial Statement | Beginning Balance | Acquisition | Disposal (Note 2) | Ending Balance (Note 3) | Gain (Loss) |
|--------------|--|-------------------------------------|-------------------|-------------|-------------------|-------------------------|-------------|
| | | | | | | | |
| | Corporate issued asset-backed securities | | | | | | |
| | Banc Amer Coml Mtg Inc. | Available-for-sale financial assets | 4,597 | \$4,584 | 4,472 | \$4,485 | \$104 |
| | Cit Equip Coll Tr | | 4,000 | \$3,884 | 4,000 | \$3,759 | \$1,256 |
| | Credit Suisse First Boston Mtg | | 4,333 | \$4,349 | 4,090 | \$4,385 | \$80 |
| | First Un Natl Bk Coml Mtg Tr | | 4,788 | \$4,715 | 4,774 | \$4,895 | \$174 |
| | Lb Ubs Coml Mtg Tr | | 3,737 | \$3,495 | 3,725 | \$3,376 | \$1,160 |
| | Tiaa Seasoned Coml Mtg Tr | | 3,397 | \$3,163 | 3,375 | \$3,339 | \$209 |
| | Wamu Mtg | | 3,214 | \$2,925 | 3,172 | \$3,061 | \$442 |

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

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

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets, translation

adjustments or
equity in earnings/
losses of equity
method investees.

(Concluded)

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Transaction Details | | Abnormal Transaction Unit Payment Terms (Note) | Notes/Accounts Payable or | Ending Balance | Receivable | Total | Note |
|--------------|--------------------|--|---------------------|----------------|---|------------------------------|-------------------|------------|-------|------|
| | | | Purchases/ Sales | Amount | | % to Total | | to | | |
| TSMC | TSMC North America | Subsidiary | Sales | \$ 111,683,024 | 54 Net 30 days after invoice date | \$22,009,288 | 51 | | | |
| | GUC | Investee with a controlling financial interest | Sales | 1,497,213 | 1 Net 30 days after monthly closing | 455,417 | 1 | | | |
| | VIS | Investee accounted for using equity method | Sales | 107,316 | Net 30 days after monthly closing | | | | | |
| | WaferTech | Indirect subsidiary | Purchases | 3,872,117 | 18 Net 30 days after monthly closing | (605,006) | 6 | | | |
| | TSMC China | Subsidiary | Purchases | 2,611,248 | 12 Net 30 days after monthly closing | (456,026) | 4 | | | |
| | SSMC | Investee accounted for using equity method | Purchases | 2,530,044 | 11 Net 30 days after | (273,184) | 3 | | | |

| | | | | | | | | |
|-----|--------------------|--|-----------|-----------|----|--|-----------|----|
| | VIS | Investee accounted for using equity method | Purchases | 2,433,937 | 11 | monthly closing Net 30 days after monthly closing | (759,737) | 7 |
| GUC | TSMC North America | Same parent company | Purchases | 701,967 | 29 | Net 30 days after invoice date/net 45 days after monthly closing | (97,319) | 10 |

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

TABLE 4

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2009

(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Ending Balance | Turnover Days (Note 1) | Overdue Amounts Taken Action | Amounts Received | Allowance for Bad Debts |
|--------------|-----------------------|--|-------------------|---------------------------------|------------------------------------|--|----------------------------------|
| | | | | | | Subsequent Period | |
| TSMC | TSMC North America | Subsidiary | \$22,023,139 | 41 | \$7,315,356 | \$8,350,804 | \$ |
| | GUC | Investee with a controlling financial interest | 455,417 | 61 | 276 | 169,404 | |
| | VIS | Investee accounted for using equity method | 141,358 | (Note 2) | 22,012 | Accelerate demand on accounts receivable | 216 |
| | TSMC China | Subsidiary | 119,544 | (Note 2) | | | |

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

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

TABLE 5

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE
 COMPANY EXERCISES SIGNIFICANT INFLUENCE
 SEPTEMBER 30, 2009**

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

| Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2009 | | Net Income (Losses) Invested (Foreign) | |
|---------|---------------------------------|--|---|--|--|--------------------------------|--|---|
| | | | September 30, 2009 (Foreign Currencies in Thousands) | December 31, 2008 (Foreign Currencies in Thousands) | Shareholders' Equity (in Thousands) | Percentage of Ownership (%) | | Carrying Value (Foreign Currencies in Thousands) |
| l | Tortola, British Virgin Islands | Investment activities | \$ 42,327,245 | \$ 42,327,245 | 1 | 100 | \$ 45,492,790 | \$ 3 |
| rs | Tortola, British Virgin Islands | Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. | 31,456,130 | 31,456,130 | 988,268 | 100 | 32,627,788 | (1 |
| | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,232,288 | 13,232,288 | 628,223 | 37 | 9,410,696 | |
| | Singapore | Fabrication and supply of integrated circuits | 5,120,028 | 5,120,028 | 314 | 39 | 5,899,305 | 7 |
| | Shanghai, China | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367 | 12,180,367 | | 100 | 3,606,012 | (2,6 |
| | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,686,753 | 3 |
| | Taoyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 93,081 | 41 | 1,372,699 | (2 |

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| | | | | | | | | | | | |
|-------|----------------------------|---|------|-----------|------|-----------|---------|-----|------|-----------|------|
| | Cayman Islands | Investing in new start-up technology companies | | 1,703,163 | | 1,440,241 | | 98 | | 1,341,398 | (2) |
| | Cayman Islands | Investing in new start-up technology companies | | 1,036,422 | | 1,036,422 | | 98 | | 1,059,820 | (1) |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | | 386,568 | | 386,568 | 46,688 | 36 | | 960,442 | 3 |
| iance | Cayman Islands | Investing in new start-up technology companies | | 966,596 | | 986,797 | | 99 | | 319,571 | (|
| e | Amsterdam, the Netherlands | Marketing and engineering supporting activities | | 15,749 | | 15,749 | | 100 | | 152,965 | |
| | Yokohama, Japan | Marketing activities | | 83,760 | | 83,760 | 6 | 100 | | 136,710 | |
| | Seoul, Korea | Customer service and technical support activities | | 13,656 | | 13,656 | 80 | 100 | | 18,115 | |
| | Delaware, U.S.A. | Investment activities | US\$ | 0.001 | US\$ | 0.001 | 1 | 100 | US\$ | 690,624 | US\$ |
| ng | Cayman Islands | Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry | US\$ | 43,000 | US\$ | 43,000 | 43,000 | 49 | US\$ | 68,198 | US\$ |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 32,289 | US\$ | 32,289 | 32,289 | 97 | US\$ | 28,133 | US\$ |
| ology | Delaware, U.S.A. | Engineering support activities | US\$ | 0.001 | US\$ | 0.001 | 1 | 100 | US\$ | 8,932 | US\$ |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 7,680 | US\$ | 7,680 | 7,680 | 97 | US\$ | 7,746 | US\$ |
| a | Ontario, Canada | Engineering support activities | US\$ | 2,300 | US\$ | 2,300 | 2,300 | 100 | US\$ | 3,057 | US\$ |
| | Delaware, U.S.A. | Research, development, and sale of micro-semiconductor device | US\$ | 800 | | | 5,333 | 74 | US\$ | 800 | |
| | Delaware, U.S.A. | Research, development, and sale of micro-semiconductor device | US\$ | 1,000 | | | 1,000 | 10 | US\$ | 1,000 | |
| | Washington, U.S.A. | Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices | US\$ | 380,000 | US\$ | 380,000 | 293,637 | 100 | US\$ | 196,675 | US\$ |

| | | | | | | | | | | |
|---------------------|--|------|--------|------|--------|---------|----|------|---------|------|
| Hsin-Chu, Taiwan | Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions | US\$ | 91,041 | US\$ | 91,041 | 253,120 | 89 | US\$ | 120,401 | US\$ |
|---------------------|--|------|--------|------|--------|---------|----|------|---------|------|

(Continued)

| Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2009 | | Share Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) | Net Income/Earnings (Losses) of the Investee (Foreign Currencies in Thousands) |
|---------------------------------|------------------------|---|--|---|--|---|-------------------------------|--|--|
| | | | September 30, 2009 (Foreign Currencies in Thousands) | December 31, 2008 (Foreign Currencies in Thousands) | September 30, 2009 (Foreign Currencies in Thousands) | December 31, 2008 (Foreign Currencies in Thousands) | | | |
| Mutual-Pak Technology Co., Ltd. | Taipei, Taiwan | Manufacturing and selling of electronic parts and researching, developing, and testing of RFID | US\$ 1,705 | US\$ 1,705 | 4,590 | 51 | US\$ 1,055 | US\$ (689) | |
| Conn Technology Corp. | Taipei, Taiwan | Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments | US\$ 1,777 | US\$ 1,777 | 4,500 | 41 | US\$ 730 | US\$ (836) | |
| Growth Fund | Cayman Islands | Investing in new start-up technology companies | US\$ 1,550 | US\$ 700 | | 100 | US\$ 856 | US\$ (94) | |
| FA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | | | | 62 | | | |
| FA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | | | | 31 | | | |
| JC-NA | U.S.A. | Consulting services in main products | US\$ 800 | US\$ 800 | 800 | 100 | 36,870 | 3,632 | |
| JC-Japan | Japan | Consulting services in main products | JPY 30,000 | JPY 30,000 | 1 | 100 | 13,062 | 1,353 | |
| JC-Europe | The Netherlands | Consulting services in main products | EUR 100 | EUR 50 | | 100 | 5,281 | 318 | |
| JC-BVI | British Virgin Islands | Investment activities | US\$ 50 | | 50 | 100 | 1,485 | (127) | |
| FA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | | | | 7 | | | |

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)

TABLE 7

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)
A. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Intercompany Transactions | | Percentage of Consolidated Total Term Gross Sales or (Note 2) Assets |
|-----|--------------|--------------------|------------------------------------|---|----------------|--|
| | | | | Financial Statements Item | Amount | |
| 0 | TSMC | TSMC North America | 1 | Sales | \$ 111,683,024 | 52% |
| | | | | Receivables from related parties | 22,009,288 | 4% |
| | | | | Other receivables from related parties | 13,851 | |
| | | | | Payables to related parties | 1,370 | |
| | | TSMC China | 1 | Sales | 53,839 | |
| | | | | Purchases | 2,611,248 | 1% |
| | | | | Gain on disposal of property, plant and equipment | 140,166 | |
| | | | | Technical service income | 6,419 | |
| | | | | Other receivables from related parties | 119,544 | |
| | | | | Payables to related parties | 456,026 | |
| | | | | Deferred credits | 43,730 | |
| | | TSMC Japan | 1 | Marketing expenses commission | 166,109 | |
| | | | | Payables to related parties | 21,021 | |
| | | TSMC Europe | 1 | Marketing expenses commission | 234,892 | |
| | | | | Research and development expenses | 13,172 | |
| | | | | Payables to related parties | 35,717 | |
| | | TSMC Korea | 1 | Marketing expenses commission | 10,667 | |
| | | | | Payables to related parties | 1,020 | |
| | | GUC | 1 | Sales | 1,497,213 | 1% |
| | | | | Research and development expenses | 26,488 | |
| | | | | Receivables from related parties | 455,417 | |
| | | TSMC Technology | 1 | | 299,636 | |

| | | | | | | |
|---|-----|--------------------|---|---|-----------|----|
| | | | | Research and development expenses | | |
| | | | | Payables to related parties | 126,074 | |
| | | WaferTech | 1 | Sales | 3,357 | |
| | | | | Purchases | 3,872,117 | 2% |
| | | | | Other receivables from related parties | 3,921 | |
| | | | | Payables to related parties | 605,006 | |
| | | Xintec | 1 | Sales of property, plant and equipment and other assets | 58,450 | |
| | | TSMC Canada | 1 | Research and development expenses | 115,534 | |
| | | | | Payables to related parties | 12,889 | |
| 1 | GUC | TSMC North America | 3 | Purchases | 701,967 | |
| | | | | Manufacturing overhead | 216,059 | |
| | | | | Payables to related parties | 97,319 | |
| | | GUC-NA | 3 | Operating expenses | 115,524 | |
| | | | | Accrued expenses | 14,015 | |
| | | GUC-Japan | 3 | Operating expenses | 29,296 | |
| | | | | Accrued expenses | 3,478 | |
| | | GUC-Europe | 3 | Operating expenses | 6,632 | |

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

No. 3 represents the transactions between subsidiaries.

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

(Continued)

B. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Intercompany Transactions | Amount | Percentage of Consolidated Total Term Gross Sales or (Note Total Assets |
|-----|--------------|--------------------|------------------------------------|---|----------------|---|
| 0 | TSMC | TSMC North America | 1 | Financial Statements Item Sales | \$ 156,727,226 | 57% |
| | | | | Receivables from related parties | 26,903,610 | 5% |
| | | | | Other receivables from related parties | 18,985 | |
| | | TSMC China | 1 | Payables to related parties | 4,731 | |
| | | | | Sales | 72,013 | |
| | | | | Purchases | 3,882,384 | 1% |
| | | | | Gain on disposal of property, plant and equipment | 150,959 | |
| | | | | Technical service income | 82,802 | |
| | | | | Other receivables from related parties | 115,766 | |
| | | | | Payables to related parties | 370,154 | |
| | | | | Deferred credits | 230,617 | |
| | | TSMC Japan | 1 | Marketing expenses commission | 195,344 | |
| | | | | Payables to related parties | 34,809 | |
| | | TSMC Europe | 1 | Marketing expenses commission | 299,045 | |
| | | | | Payables to related parties | 46,406 | |
| | | TSMC Korea | 1 | Marketing expenses commission | 13,522 | |
| | | | | Other receivables from related parties | 3,206 | |
| | | | | Payables to related parties | 2,404 | |
| | | GUC | 1 | Sales | 1,167,490 | |
| | | | | Research and development expenses | 12,325 | |
| | | | | Receivables from related parties | 352,213 | |
| | | TSMC Technology | 1 | Research and development expenses | 263,287 | |
| | | | | Payables to related parties | 64,799 | |

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| | | | | | | |
|---|---------------|--------------------|---|--|-----------|----|
| | WaferTech | | 1 | Sales | 11,674 | |
| | | | | Purchases | 6,776,756 | 2% |
| | | | | Other receivables from related parties | 25,958 | |
| | | | | Payables to related parties | 800,324 | |
| | TSMC Canada | | 1 | Research and development expenses | 138,515 | |
| 1 | TSMC Partners | TSMC International | 3 | Other receivables from related parties | 7,968,240 | 1% |
| | | | | Deferred revenue | 7,968,240 | 1% |
| 2 | GUC | TSMC North America | 3 | Purchases | 1,408,376 | 1% |
| | | | | Manufacturing overhead | 253,726 | |
| | | | | Operating expenses | 1,458 | |
| | | | | Payables to related parties | 199,333 | |
| | GUC-NA | | 3 | Operating expenses | 74,002 | |
| | | | | Accrued expenses | 11,556 | |
| | GUC-Japan | | 3 | Operating expenses | 20,008 | |
| | | | | Accrued expenses | 3,580 | |
| | GUC-Europe | | 3 | Operating expenses | 1,954 | |

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

No. 3 represents the transactions between subsidiaries.

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

(Concluded)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing
Company Ltd.

Date: October 30, 2009

By /s/ Lora Ho
Lora Ho
Vice President & Chief Financial
Officer