

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

March 01, 2010

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 February 2010**

**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: \_\_\_\_\_.)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**Financial Statements for the**  
**Years Ended December 31, 2009 and 2008 and**  
**Independent Auditors Report**

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**INDEPENDENT AUDITORS REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2009 and 2008, and expressed an unqualified opinion 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, on such consolidated financial statements.

January 22, 2010

*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 jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' 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 auditors' report and financial statements shall prevail.*

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**Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2009		2008	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 117,043,543	20	\$ 138,208,360	26
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	181,743		42,460	
Held-to-maturity financial assets (Notes 2, 7 and 23)	9,944,843	2	5,881,999	1
Receivables from related parties (Note 24)	22,541,773	4	11,728,204	2
Notes and accounts receivable	19,884,520	3	11,441,176	2
Allowance for doubtful receivables (Notes 2 and 8)	(431,000)		(436,746)	
Allowance for sales returns and others (Notes 2 and 8)	(8,583,632)	(1)	(5,868,582)	(1)
Other receivables from related parties (Note 24)	246,003		489,742	
Other financial assets (Note 25)	1,104,072		711,755	
Inventories (Notes 2, 3 and 9)	18,830,216	3	12,807,936	2
Deferred income tax assets (Notes 2 and 17)	4,063,410	1	3,650,700	1
Prepaid expenses and other current assets	1,006,046		1,192,475	
<b>Total current assets</b>	<b>185,831,537</b>	<b>32</b>	<b>179,849,479</b>	<b>33</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>				
Investments accounted for using equity method	104,660,098	18	109,871,178	20
Available-for-sale financial assets	1,046,672	1	2,032,658	1
Held-to-maturity financial assets	12,219,055	2	11,761,325	2
Financial assets carried at cost	501,988		519,502	
<b>Total long-term investments</b>	<b>118,427,813</b>	<b>21</b>	<b>124,184,663</b>	<b>23</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
<b>Cost</b>				
Buildings	124,522,047	22	114,014,588	21
Machinery and equipment	713,426,126	123	635,008,261	118
Office equipment	10,781,099	2	9,748,869	2
	848,729,272	147	758,771,718	141
Accumulated depreciation	(627,764,323)	(109)	(557,247,254)	(103)

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Advance payments and construction in progress	33,786,577	6	17,758,038	3
Net property, plant and equipment	254,751,526	44	219,282,502	41
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	5,891,685	1	6,401,461	1
Total intangible assets	7,459,441	1	7,969,217	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 17)	7,763,643	1	6,497,972	1
Refundable deposits	2,698,116	1	2,719,737	1
Others (Note 2)	494,546		55,677	
Total other assets	10,956,305	2	9,273,386	2
<b>TOTAL</b>	<b>\$ 577,426,622</b>	<b>100</b>	<b>\$ 540,559,247</b>	<b>100</b>

<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	\$		\$ 83,618	
Accounts payable	9,678,849	2	4,314,265	1
Payables to related parties (Note 24)	2,039,342		1,202,350	
Income tax payable (Notes 2 and 17)	8,761,120	2	9,222,811	2
Salary and bonus payable	8,677,299	1	1,601,897	
Accrued profit sharing to employees and bonus to directors (Notes 2, 3 and 19)	6,771,338	1	15,148,057	3
Payables to contractors and equipment suppliers	28,756,884	5	7,574,891	1
Accrued expenses and other current liabilities (Notes 15 and 23)	7,886,263	1	5,951,578	1
Current portion of bonds payable (Notes 14 and 23)			8,000,000	2
Total current liabilities	72,571,095	12	53,099,467	10
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Notes 14 and 23)	4,500,000	1	4,500,000	1
Other long-term payables (Notes 15 and 23)	416,390		931,252	

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Total long-term liabilities	4,916,390	1	5,431,252	1
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 16)	3,807,176	1	3,710,009	1
Guarantee deposits (Note 27)	1,001,376		1,479,152	
Deferred credits (Notes 2 and 24)	47,873		462,256	
Total other liabilities	4,856,425	1	5,651,417	1
Total liabilities	82,343,910	14	64,182,136	12
<b>CAPITAL STOCK NT\$10 PAR VALUE (Notes 19 and 21)</b>				
Authorized: 28,050,000 thousand shares				
Issued: 25,902,706 thousand shares in 2009				
25,625,437 thousand shares in 2008	259,027,066	45	256,254,373	47
<b>CAPITAL SURPLUS (Notes 2 and 19)</b>	55,486,010	10	49,875,255	9
<b>RETAINED EARNINGS (Note 19)</b>				
Appropriated as legal capital reserve	77,317,710	13	67,324,393	13
Appropriated as special capital reserve			391,857	
Unappropriated earnings	104,564,972	18	102,337,417	19
	181,882,682	31	170,053,667	32
<b>OTHERS (Notes 2, 21 and 23)</b>				
Cumulative translation adjustments	(1,766,667)		481,158	
Unrealized gain/loss on financial instruments	453,621		(287,342)	
	(1,313,046)		193,816	
Total shareholders' equity	495,082,712	86	476,377,111	88
<b>TOTAL</b>	<b>\$ 577,426,622</b>	<b>100</b>	<b>\$ 540,559,247</b>	<b>100</b>

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated January 22, 2010)





**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 24)	\$ 299,471,214		\$ 330,228,027	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	13,728,346		8,460,944	
NET SALES	285,742,868	100	321,767,083	100
COST OF SALES (Notes 3, 9, 18 and 24)	159,106,619	56	183,589,540	57
GROSS PROFIT	126,636,249	44	138,177,543	43
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)	(160,279)		72	
REALIZED GROSS PROFIT	126,475,970	44	138,177,615	43
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	19,688,032	7	19,737,038	6
General and administrative	10,238,131	3	9,895,617	3
Marketing	2,027,454	1	2,254,728	1
Total operating expenses	31,953,617	11	31,887,383	10
INCOME FROM OPERATIONS	94,522,353	33	106,290,232	33
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 27)	1,464,915	1	951,180	
Interest income (Note 2)	1,117,374		2,728,892	1
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	587,151			
Technical service income (Notes 24 and 27)	375,118		619,237	
Gain on settlement and disposal of financial assets, net (Notes 2 and 23)	53,364		452,159	
Foreign exchange gain, net (Note 2)			1,113,406	1

Equity in earnings of equity method investees, net (Notes 2 and 10)			72,568	
Others (Notes 2 and 24)	523,587		788,183	
Total non-operating income and gains	4,121,509	1	6,725,625	2

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Equity in losses of equity method investees, net (Notes 2 and 10)	\$ 2,695,720	1	\$	
Foreign exchange loss, net (Note 2)	630,455			
Interest expense	142,026		355,056	
Valuation loss on financial instruments, net (Notes 2, 5 and 23)			1,230,966	1
Impairment of financial assets (Notes 2 and 11)			247,488	
Loss on idle assets (Note 2)			210,477	
Others (Note 2)	194,639		213,052	
Total non-operating expenses and losses	3,662,840	1	2,257,039	1
INCOME BEFORE INCOME TAX	94,981,022	33	110,758,818	34
INCOME TAX EXPENSE (Notes 2 and 17)	5,763,186	2	10,825,650	3
NET INCOME	\$ 89,217,836	31	\$ 99,933,168	31

	<b>2009</b>		<b>2008</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE (NT\$, Note 22)</b>				
Basic earnings per share	\$ 3.68	\$ 3.45	\$ 4.25	\$ 3.84
Diluted earnings per share	\$ 3.67	\$ 3.44	\$ 4.22	\$ 3.81

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 year ended December 31, 2008 (Notes 2 and 21):

NET INCOME	<b>2008</b> \$ 100,035,447
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EARNINGS PER SHARE (NT\$)

Basic earnings per share	\$	3.84
Diluted earnings per share	\$	3.81

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

(With Deloitte & Touche audit report dated January 22,  
2010)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

Preferred Stock Shares (In Thousands)	Common Stock Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Cumulative Translation Adjustments	Others Unrealized Gain (Loss) on Financial Instruments	Treasury Stock
				Special Capital Reserve	Unappropriated Earnings				
427,104	\$ 264,271,037	\$ 53,732,682	\$ 56,406,684	\$ 629,550	\$ 161,828,337	\$ 218,864,571	\$ (1,072,853)	\$ 680,997	\$ (49,380)
			10,917,709		(10,917,709)				
				(237,693)	237,693				
					(3,939,883)	(3,939,883)			
393,988	3,939,883				(3,939,883)	(3,939,883)			
					(76,881,311)	(76,881,311)			
51,254	512,542				(512,542)	(512,542)			
					(176,890)	(176,890)			
76,881	768,813	(768,813)							
		(137,063)			99,933,168	99,933,168			

							1,554,011		
6,027	60,266	166,884							
		102,279							
									(233,915)
									(734,424)
									(30,424)
329,817)	(13,298,168)	(3,220,714)			(63,293,563)	(63,293,563)			79,811
625,437	256,254,373	49,875,255	67,324,393	391,857	102,337,417	170,053,667	481,158	(287,342)	
			9,993,317		(9,993,317)				
				(391,857)	391,857				
					(76,876,312)	(76,876,312)			
51,251	512,509				(512,509)	(512,509)			
141,870	1,418,699	6,076,289							
76,876	768,763	(768,763)							

89,217,836 89,217,836

115,418

(2,247,825)

7,272 72,722 187,811

14,014

726,949

902,706 \$ 259,027,066 \$ 55,486,010 \$ 77,317,710 \$ \$ 104,564,972 \$ 181,882,682 \$ (1,766,667) \$ 453,621 \$

Note: Profit sharing to employees and bonus to directors in the amount of NT\$6,771,338 thousand and NT\$15,148,057 thousand, respectively, had been charged against earnings of 2009 and 2008. The accompanying notes are an integral part of the financial statements. (With Deloitte & Touche audit report dated January 22, 2010)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 89,217,836	\$ 99,933,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,327,868	74,569,562
Unrealized (realized) gross profit from affiliates	160,279	(72)
Amortization of premium/discount of financial assets	6,322	(97,381)
Impairment of financial assets		247,488
Gain on disposal of available-for-sale financial assets, net	(37,370)	(443,404)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	
Loss (gain) on disposal of financial assets carried at cost, net	97	(8,755)
Equity in losses (earnings) of equity method investees, net	2,695,720	(72,568)
Dividends received from equity method investees	1,402,592	1,804,351
Gain on disposal of property, plant and equipment and other assets, net	(138,613)	(298,769)
Loss on idle assets		210,477
Deferred income tax	(1,678,381)	2,361,261
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(222,901)	(164,405)
Receivables from related parties	(10,813,569)	14,973,444
Notes and accounts receivable	(8,443,344)	6,470,152
Allowance for doubtful receivables	(5,746)	(252,226)
Allowance for sales returns and others	2,715,050	2,011,897
Other receivables from related parties	235,470	43,835
Other financial assets	(392,317)	(380,057)
Inventories	(6,022,280)	8,179,206
Prepaid expenses and other current assets	290,470	(330,664)
Increase (decrease) in:		
Accounts payable	4,925,758	(5,171,553)
Payables to related parties	836,992	(1,797,280)
Income tax payable	(461,691)	(1,766,153)
Salary and bonus payable	7,075,402	(30,280)
Accrued profit sharing to employees and bonus to directors	(881,731)	15,148,057
Accrued expenses and other current liabilities	1,259,544	(3,112,220)
Accrued pension cost	97,167	52,330
Deferred credits	(230,487)	(129,494)
 Net cash provided by operating activities	 155,902,046	 211,949,947



CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of:

Property, plant and equipment	(86,970,843)	(56,766,192)
Available-for-sale financial assets		(23,697,000)
Held-to-maturity financial assets	(10,803,805)	(12,371,965)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	<b>2009</b>	<b>2008</b>
Investments accounted for using equity method	\$ (320,443)	\$ (494,765)
Financial assets carried at cost	(1,411)	(20,681)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	1,037,370	45,584,934
Held-to-maturity financial assets	6,293,000	15,004,000
Financial assets carried at cost	18,828	10,606
Property, plant and equipment and other assets	71,850	2,042,899
Proceeds from return of capital by investees	27,753	2,465,293
Cash from merger of subsidiaries		270,650
Increase in deferred charges	(1,347,228)	(3,199,813)
Decrease in refundable deposits	21,621	21,801
 Net cash used in investing activities	 (91,973,308)	 (31,150,233)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bonds payable	(8,000,000)	
Decrease in guarantee deposits	(477,776)	(761,525)
Proceeds from exercise of employee stock options	260,533	227,150
Cash dividends	(76,876,312)	(76,881,311)
Profit sharing to employees in cash		(3,939,883)
Bonus to directors		(176,890)
Repurchase of treasury stock		(33,480,997)
 Net cash used in financing activities	 (85,093,555)	 (115,013,456)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 (21,164,817)	 65,786,258
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 138,208,360	 72,422,102
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 \$ 117,043,543	 \$ 138,208,360
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 351,803	\$ 355,056
Income tax paid	\$ 7,791,196	\$ 10,282,464

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

Acquisition of property, plant, and equipment	\$ 108,592,471	\$ 58,951,343
Increase in payables to contractors and equipment suppliers	(21,620,819)	(2,185,151)
Nonmonetary exchange trade-out price	(809)	
Cash paid	\$ 86,970,843	\$ 56,766,192

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	<b>2009</b>	<b>2008</b>
Disposal of property, plant and equipment and other assets	\$ 64,390	\$ 2,051,168
Decrease (increase) in other receivables from related parties	8,269	(8,269)
Nonmonetary exchange trade-out price	(809)	
Cash received	\$ 71,850	\$ 2,042,899
Repurchase of treasury stock	\$	\$ 30,427,413
Decrease in accrued expenses and other current liabilities		3,053,584
Cash paid	\$	\$ 33,480,997
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$	\$ 8,000,000
Current portion of other long-term payable (under accrued expenses and other current liabilities)	\$ 769,144	\$ 1,026,421

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated January 22, 2010)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

**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 engages mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices and the manufacturing of masks. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

As of December 31, 2009 and 2008, the Company had 22,292 and 20,425 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 debt securities is determined using the average of bid and asked prices at the end of the year.

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

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

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

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

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

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company determines the amount of the allowance for doubtful receivables with a charge of 1% of the amount of outstanding receivables considering the account aging analysis and current trends in the credit quality of its

customers.

### **Revenue Recognition and Allowance for Sales Returns and Others**

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and others are recorded in the year 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

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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 year of sale or disposal.

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

### **Intangible Assets**

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



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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

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

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### **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 Statement of Financial Accounting Standards (SFAS) No. 10, Accounting for Inventories. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the year 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 year. Such changes in accounting principle did not have significant effect on the Company's financial statements for the year ended December 31, 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 profit sharing to employees and bonus to 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\$12,627,332 thousand and NT\$0.48, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted 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 year ended December 31, 2008.

**4. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Cash and deposits in banks	\$ 114,023,307	\$ 129,538,047
Repurchase agreements collateralized by government bonds	3,020,236	8,670,313
	<b>\$ 117,043,543</b>	<b>\$ 138,208,360</b>

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

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Trading financial assets</b>		
Forward exchange contracts	\$	\$ 28,411
Cross currency swap contracts	181,743	14,049
	<b>\$ 181,743</b>	<b>\$ 42,460</b>
<b>Trading financial liabilities</b>		
Forward exchange contracts	\$	\$ 34,243
Cross currency swap contracts		49,375
	<b>\$</b>	<b>\$ 83,618</b>

The Company entered into derivative contracts during the years ended December 31, 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 exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
December 31, 2008		
Sell US\$/Buy NT\$	January 2009 to February 2009	US\$135,000/NT\$4,430,925
Sell EUR/Buy NT\$	January 2009	EUR1,500/NT\$63,150

Outstanding cross currency swap contracts consisted of the following:

**Range of**

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Interest Rates Received</b>
December 31, 2009			
January 2010 to February 2010	US\$ 750,000/NT\$24,201,706	0.24%-0.70%	0.00%-0.38%

(Continued)



<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
December 31, 2008			
January 2009	US\$ 307,000/NT\$10,061,232	0.54%-5.00%	0.00%-3.83% (Concluded)

For the years ended December 31, 2009 and 2008, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$587,151 thousand and a net loss of NT\$1,230,966 thousand, respectively.

#### 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 1,046,672	\$ 2,032,658

#### 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 12,266,311	\$ 16,136,752
Structured time deposits	7,000,000	
Government bonds	2,897,587	1,506,572
	22,163,898	17,643,324
Current portion	(9,944,843)	(5,881,999)
	\$ 12,219,055	\$ 11,761,325

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
December 31, 2009				
Callable domestic deposits	\$ 7,000,000	\$ 4,308	0.36%-0.95%	July 2010 to August 2011

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 436,746	\$ 688,972
Provision	238,061	
Write-off	(243,807)	(252,226)
Balance, end of year	\$ 431,000	\$ 436,746

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

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 5,868,582	\$ 3,856,685
Provision	13,728,346	8,460,944
Write-off	(11,013,296)	(6,449,047)
Balance, end of year	\$ 8,583,632	\$ 5,868,582

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Finished goods	\$ 2,355,232	\$ 4,444,657
Work in process	14,230,318	7,117,049
Raw materials	1,420,466	716,870
Supplies and spare parts	824,200	529,360
	\$ 18,830,216	\$ 12,807,936

Write-down of inventories to net realizable value in the amount of NT\$199,732 thousand and NT\$879,434 thousand, respectively, were included in the cost of sales for the years ended December 31, 2009 and 2008.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
TSMC Global Ltd. (TSMC Global)	\$ 45,397,256	100	\$ 45,756,519	100
TSMC Partners, Ltd. (TSMC Partners)	32,545,619	100	3,730,913	100
Vanguard International Semiconductor Corporation (VIS)	9,365,232	37	9,787,275	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,157,141	39	6,808,192	39
TSMC China Company Limited (TSMC China)	2,961,043	100	6,267,128	100
TSMC North America	2,723,727	100	2,435,666	100
Xintec Inc. (Xintec)	1,475,014	41	1,506,384	42
VentureTech Alliance Fund III, L.P. (VTAF III)	1,309,615	98	1,305,605	98
VentureTech Alliance Fund II, L.P. (VTAF II)	1,122,810	98	975,367	98
Global UniChip Corporation (GUC)	983,126	35	950,263	36
Emerging Alliance Fund, L.P. (Emerging Alliance)	305,866	99	433,481	99

Taiwan Semiconductor Manufacturing Company  
Europe B.V. (TSMC Europe)

159,467

100

124,594

100

(Continued)

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	2009		December 31		2008	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
TSMC Japan Limited (TSMC Japan)	\$ 135,663	100	\$ 137,617	100		
TSMC Korea Limited (TSMC Korea)	18,519	100	15,117	100		
TSMC International Investment Ltd. (TSMC International)			29,637,057	100		
	\$ 104,660,098		\$ 109,871,178			

(Concluded)

The Company will subscribe through a private placement for new shares of Motech Industries Inc. ( Motech ) under a Share Subscription Agreement entered into on December 9, 2009. The total consideration is approximately NT\$6.2 billion (US\$193 million). After the subscription of shares, the Company will own 20% of the Motech shares. The transaction is still subject to Motech s shareholders approval and regulatory approval.

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 into the Company in the third quarter of 2008.

For the years ended December 31, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$2,695,720 thousand and a net gain of NT\$72,568 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except those of TSMC Japan, TSMC Europe and TSMC Korea for the year ended December 31, 2009. The Company believes that, had TSMC Japan, TSMC Europe and TSMC Korea s financial statements been audited, any adjustments arising would have had no material effect on the Company s financial statements.

As of December 31, 2009 and 2008, fair values of publicly traded stocks in investments accounted for using equity method (VIS and GUC) were NT\$18,027,990 thousand and NT\$9,889,107 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:

	Years Ended December 31	
	2009	2008
Balance, beginning of year	2,053,253	\$ 2,677,388
Amortization	(624,135)	(624,135)
Balance, end of year	\$ 1,429,118	\$ 2,053,253



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

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 1,061,885	\$ 987,349
From merger of subsidiaries		74,536
Balance, end of year	\$ 1,061,885	\$ 1,061,885

## 11. FINANCIAL ASSETS CARRIED AT COST

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Non-publicly traded stocks	\$ 338,584	\$ 357,509
Mutual funds	163,404	161,993
	\$ 501,988	\$ 519,502

For the year ended December 31 2008, the Company recognized impairment of financial assets carried at cost of NT\$247,488 thousand.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Year Ended December 31, 2009</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost					
Buildings	\$ 114,014,588	\$ 10,520,371	\$ (12,978)	\$ 66	\$ 124,522,047
Machinery and equipment	635,008,261	80,824,102	(2,408,802)	2,565	713,426,126
Office equipment	9,748,869	1,219,459	(187,163)	(66)	10,781,099
	758,771,718	\$ 92,563,932	\$ (2,608,943)	\$ 2,565	848,729,272
Accumulated depreciation					
Buildings	65,351,514	\$ 8,186,551	\$ (12,971)	\$ 66	73,525,160
Machinery and equipment	484,046,160	63,395,862	(1,750,677)	2,565	545,693,910
Office equipment	7,849,580	882,718	(186,979)	(66)	8,545,253
	557,247,254	\$ 72,465,131	\$ (1,950,627)	\$ 2,565	627,764,323
Advance payments and construction in progress	17,758,038	\$ 16,028,539	\$	\$	33,786,577

\$ 219,282,502

\$ 254,751,526

## Year Ended December 31, 2008

	<b>Balance, Beginning of Year</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost					
Buildings	\$ 101,907,892	\$ 12,115,531	\$ (8,524)	\$ (311)	\$ 114,014,588
Machinery and equipment	589,131,625	49,396,313	(3,385,502)	(134,175)	635,008,261
Office equipment	9,167,107	764,414	(182,709)	57	9,748,869
	700,206,624	\$ 62,276,258	\$ (3,576,735)	\$ (134,429)	758,771,718
Accumulated depreciation					
Buildings	57,349,828	\$ 8,010,214	\$ (8,524)	\$ (4)	65,351,514
Machinery and equipment	422,278,071	63,145,978	(1,258,542)	(119,347)	484,046,160
Office equipment	7,097,120	935,140	(182,706)	26	7,849,580
	486,725,019	\$ 72,091,332	\$ (1,449,772)	\$ (119,325)	557,247,254
Advance payments and construction in progress	21,082,953	\$ (3,324,915)	\$	\$	17,758,038
	\$ 234,564,558				\$ 219,282,502

No interest was capitalized during the years ended December 31, 2009 and 2008.



**13. DEFERRED CHARGES, NET**

	<b>Year Ended December 31, 2009</b>					<b>Balance, End of Year</b>
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassification</b>	
Technology license fees	\$ 3,786,251	\$	\$ (806,450)	\$	\$	\$ 2,979,801
Software and system design costs	1,559,857	861,783	(774,667)			1,646,973
Patent and others	1,055,353	485,445	(275,887)			1,264,911
	\$ 6,401,461	\$ 1,347,228	\$ (1,857,004)	\$	\$	\$ 5,891,685

	<b>Year Ended December 31, 2008</b>					<b>Balance, End of Year</b>
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassification</b>	
Technology license fees	\$ 5,349,937	\$	\$ (1,563,686)	\$	\$	\$ 3,786,251
Software and system design costs	1,309,272	945,279	(680,474)	(14,279)	59	1,559,857
Patent and others	513,204	733,342	(191,193)			1,055,353
	\$ 7,172,413	\$ 1,678,621	\$ (2,435,353)	\$ (14,279)	\$ 59	\$ 6,401,461

**14. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
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**

The Company's long-term payables mainly resulted from license agreements for certain semiconductor-related patents. As of December 31, 2009, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2010	\$ 769,144
2011	416,390
	1,185,534
Current portion (classified under accrued expenses and other current liabilities)	(769,144)
	\$ 416,390

**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\$608,731 thousand and NT\$657,870 thousand for the years ended December 31, 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.

Pension information on the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

	<b>2009</b>	<b>2008</b>
Service cost	\$ 166,460	\$ 151,603
Interest cost	149,297	170,025
Projected return on plan assets	(56,170)	(67,315)
Amortization	29,134	3,776
Net periodic pension cost	\$ 288,721	\$ 258,089

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
Benefit obligation		
Vested benefit obligation	\$ 123,524	\$ 114,930
Nonvested benefit obligation	3,754,388	4,146,366
Accumulated benefit obligation	3,877,912	4,261,296
Additional benefits based on future salaries	2,614,358	3,245,483
Projected benefit obligation	6,492,270	7,506,779
Fair value of plan assets	(2,612,295)	(2,441,687)
Funded status	3,879,975	5,065,092
Unrecognized net transition obligation	(91,291)	(99,591)
Prior service cost	161,977	169,216
Unrecognized net loss	(143,485)	(1,424,708)
Accrued pension cost	\$ 3,807,176	\$ 3,710,009

Vested benefit	\$ 135,501	\$ 126,259
c. Actuarial assumptions at December 31, 2009 and 2008		
Discount rate used in determining present values	2.25%	2.00%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	1.50%	2.25%
d. Contributions to the Funds for the year	\$ 191,554	\$ 202,263
e. Payments from the Funds for the year	\$ 37,801	\$ 28,990

**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:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 23,745,246	\$ 27,689,695
Tax effect of the following:		
Tax-exempt income	(8,621,941)	(9,610,935)
Temporary and permanent differences	3,124,974	1,815,594
Others	247,050	41,235
Income tax credits used	(9,914,570)	(10,967,795)
Income tax currently payable	\$ 8,580,759	\$ 8,967,794

- b. Income tax expense consisted of the following:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax currently payable	\$ 8,580,759	\$ 8,967,794
Income tax adjustments on prior years	(1,155,113)	(707,255)
Other income tax adjustments	15,921	203,850
Net change in deferred income tax assets		
Investment tax credits	(1,119,523)	1,224,537
Temporary differences	41,456	(1,792,789)
Valuation allowance	(600,314)	2,929,513
Income tax expense	\$ 5,763,186	\$ 10,825,650

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

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Current deferred income tax assets		
Investment tax credits	\$ 3,210,254	\$ 2,791,000
Temporary differences		
Allowance for sales returns and others	794,507	710,098
Others	58,649	149,602
	\$ 4,063,410	\$ 3,650,700
Noncurrent deferred income tax assets		
Investment tax credits	\$ 11,521,487	\$ 10,821,218

Temporary differences		
Depreciation	1,909,152	1,625,499
Others	132,336	450,901
Valuation allowance	(5,799,332)	(6,399,646)
	\$ 7,763,643	\$ 6,497,972

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 in accordance with the amended Article and adjusted the resulting difference as an income tax expense.

d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2009 and 2008 were NT \$369,265 thousand and NT\$521,634 thousand, respectively.

The estimated and actual creditable ratios for distribution of earnings of 2009 and 2008 was 0.35% and 9.10%, 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 December 31, 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	\$ 579,804	\$	2009
		1,216,551		2010
		4,644,652		2011
		3,457,388	3,457,388	2012
		3,310,922	3,310,922	2013
		\$ 13,209,317	\$ 6,768,310	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,663,784	\$	2010
		2,671,264	1,971,732	2011
		2,691,517	2,691,517	2012
		3,250,265	3,250,265	2013
		\$ 11,276,830	\$ 7,913,514	
Statute for Upgrading Industries	Personnel training expenditures	\$ 23,146	\$	2010
		19,293	19,293	2011
		30,624	30,624	2012

		\$ 73,063	\$ 49,917	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 7,297 79,804	\$	2009 2010
		\$ 87,101	\$	



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

	<b>Tax-exemption Period</b>
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 2007. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

## 18. LABOR COST, DEPRECIATION AND AMORTIZATION

	<b>Year Ended December 31, 2009</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 15,874,268	\$ 12,218,675	\$ 28,092,943
Labor and health insurance	630,735	385,013	1,015,748
Pension	557,206	340,181	897,387
Meal	414,749	180,542	595,291
Welfare	155,795	97,282	253,077
Others	97,229	19,108	116,337
	<b>\$ 17,729,982</b>	<b>\$ 13,240,801</b>	<b>\$ 30,970,783</b>
Depreciation	\$ 68,606,242	\$ 3,842,623	\$ 72,448,865
Amortization	\$ 1,199,386	\$ 657,618	\$ 1,857,004

	<b>Year Ended December 31, 2008</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary and bonus	\$ 17,088,512	\$ 11,989,661	\$ 29,078,173
Labor and health insurance	677,817	379,196	1,057,013
Pension	587,281	328,669	915,950
Meal	437,910	174,906	612,816
Welfare	174,641	100,989	275,630
Others	190,323	15,979	206,302



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

Capital surplus consisted of the following:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Additional paid-in capital	\$ 23,457,805	\$ 17,962,468
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	329,570	214,152
Donations	55	55
	<b>\$ 55,486,010</b>	<b>\$ 49,875,255</b>

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 profit sharing 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 profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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 shareholder's approval in the following year.

The Company has recorded profit sharing to employees as a charge to earnings of approximately 7.5% and 15% of net income for the years ended December 2009 and 2008, respectively; bonuses to directors were accrued with an estimate based on historical experience. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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)		
Profit sharing to employees in cash		3,939,883		
Profit sharing 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		

Profit sharing to employees that have been paid in cash and in stock as well as bonus to directors in the amounts of NT\$7,494,988 thousand, NT\$7,494,988 thousand and NT\$158,080 thousand for 2008, respectively, had been approved in the shareholders' meeting held on June 10, 2009. The profit sharing to employee in stock of 141,870 thousand shares was determined by the closing price of 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 profit sharing to employees and bonus to directors were consistent with the resolutions of meeting of the Board of Directors held on February 10, 2009 and same amount had been charged against earnings of 2008.

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

As of January 22, 2010, the Board of Directors has not resolved the appropriation for earnings of 2009.

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

Under the Integrated Income Tax System that became effective on January 1, 1998, 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 plans that had never been granted or had been granted but subsequently canceled had expired as of December 31, 2009.

Information about outstanding options for the years ended December 31, 2009 and 2008 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Year ended December 31, 2009		
Balance, beginning of year	36,234	\$ 34.0
Options granted	175	34.0
Options exercised	(7,272)	35.8
Options canceled	(327)	46.5
Balance, end of year	28,810	33.5
Year ended December 31, 2008		
Balance, beginning of year	41,875	35.6
Options granted	767	35.2
Options exercised	(6,027)	37.7
Options canceled	(381)	46.5
Balance, end of year	36,234	35.3

The numbers 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 December 31, 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	21,179	3.18	\$ 29.1
38.0- 50.1	7,631	4.88	45.5
	28,810	3.63	33.5

As of December 31, 2009, all of the above outstanding options were exercisable.

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 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 years ended December 31, 2009 and 2008 would have been as follows:

Assumptions:	Years Ended December 31	
	2009	2008
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	\$ 89,217,836	\$ 99,933,168
Pro forma net income	88,838,182	100,037,622
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 3.45	\$ 3.84
Pro forma basic EPS	3.44	3.84
Diluted EPS as reported	3.44	3.81
Pro forma diluted EPS	3.43	3.81

## 21. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Retirement	Ending Shares
Year ended December 31, 2008					
Parent company stock held by subsidiaries	34,096		171	34,267	
Repurchase under share buyback plan	800,000	495,549		1,295,549	

834,096	495,549	171	1,329,816
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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.

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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
Year ended December 31, 2009					
Basic EPS					
Earnings available to common shareholders	\$ 94,981,022	\$ 89,217,836	25,835,802	\$ 3.68	\$ 3.45
Effect of dilutive potential common shares			77,801		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 94,981,022	\$ 89,217,836	25,913,603	\$ 3.67	\$ 3.44
Year ended December 31, 2008					
Basic EPS					
Earnings available to common shareholders	\$ 110,758,818	\$ 99,933,168	26,039,186	\$ 4.25	\$ 3.84
Effect of dilutive potential common shares			196,493		

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 110,758,818	\$ 99,933,168	26,235,679	\$ 4.22	\$ 3.81
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As discussed in Note 3, effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after 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 profit sharing to employees are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends. This adjustment caused both of the basic and diluted after income tax EPS for the year ended December 31, 2008 to decrease from NT\$3.86 to NT\$3.84 and NT\$3.83 to NT\$3.81, respectively.

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2009			2008
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Financial assets at fair value through profit or loss	\$ 181,743	\$ 181,743	\$ 42,460	\$ 42,460
Available-for-sale financial assets	1,046,672	1,046,672	2,032,658	2,032,658
Held-to-maturity financial assets	22,163,898	22,251,517	17,643,324	17,674,733
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss			83,618	83,618
Bonds payable (including current portion)	4,500,000	4,574,979	12,500,000	12,612,423
Other long-term payables (including current portion)	1,185,534	1,185,534	1,957,673	1,957,673

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
- 3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.

- 4) Fair value of the 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 were outstanding as of December 31, 2009 and 2008 estimated using valuation techniques were recognized as net gains of NT\$181,743 thousand and net losses of NT\$41,158 thousand, respectively.
- d. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$23,392,313 thousand and NT\$19,718,442 thousand, respectively and financial liabilities exposed to fair value interest rate risk were NT\$4,500,000 thousand and NT\$12,583,618 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2009 and 2008 were as follows:

	<b>Year Ended December 31, 2009</b>		
	<b>From Available- for-sale  Financial Assets</b>	<b>From Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 32,658	\$ (320,000)	\$ (287,342)
Recognized directly in shareholders equity	51,384	726,949	778,333
Removed from shareholders equity and recognized in earnings	(37,370)		(37,370)
Balance, end of year	\$ 46,672	\$ 406,949	\$ 453,621

	<b>Year Ended December 31, 2008</b>		
	<b>From Available- for-sale  Financial Assets</b>	<b>From Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 266,573	\$ 414,424	\$ 680,997
Recognized directly in shareholders equity	209,489	(734,424)	(524,935)
Removed from shareholders equity and recognized in earnings	(443,404)		(443,404)
Balance, end of year	\$ 32,658	\$ (320,000)	\$ (287,342)

- 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 and held-to-maturity 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 turmoil in the global financial market, the Company had evaluated its financial instruments and the Company believed the

exposure to market risk as of December 31, 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 turmoil 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 December 31, 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.

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

	2009		2008	
	Amount	%	Amount	%
For the year				
Sales				
TSMC North America	\$ 161,251,368	54	\$ 192,986,719	58
Others	2,231,343	1	1,814,440	1
	\$ 163,482,711	55	\$ 194,801,159	59
Purchases				
WaferTech	\$ 5,560,707	18	\$ 8,207,876	22
TSMC China	3,787,113	12	4,717,676	12
SSMC	3,537,659	11	4,441,795	12
VIS	3,312,656	10	3,209,028	8
	\$ 16,198,135	51	\$ 20,576,375	54
Manufacturing expenses				
Xintec (rent and outsourcing)	\$ 36,101		\$ 72,174	
VisEra (outsourcing)	35,737			
	\$ 71,838		\$ 72,174	
Marketing expenses - commission				
TSMC Europe	\$ 325,463	16	\$ 367,846	16
TSMC Japan	233,855	12	251,367	11
Others	24,726	1	16,408	1
	\$ 584,044	29	\$ 635,621	28
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 409,686	2	\$ 352,900	2
TSMC Canada (primarily consulting fee)	157,527	1	172,291	1
Others	49,251		19,934	
	\$ 616,464	3	\$ 545,125	3



Sales of property, plant and equipment					
Xintec	\$	58,450	91	\$	
TSMC China		595	1	1,849,317	91
Other		263		10,843	
	\$	59,308	92	\$ 1,860,160	91

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	2009		2008	
	Amount	%	Amount	%
Non-operating income and gains				
VIS (primarily technical service income, see Note 27e)	\$ 224,740	5	\$ 296,250	4
TSMC China	184,626	4	297,418	5
SSMC (primarily technical service income, see Note 27d)	141,488	3	244,865	4
VisEra			100,821	1
Others	263		178	
	\$ 551,117	12	\$ 939,532	14
As of December 31				
Receivables				
TSMC North America	\$ 22,203,242	98	\$ 11,512,777	98
Others	338,531	2	215,427	2
	\$ 22,541,773	100	\$ 11,728,204	100
Other receivables				
TSMC China	\$ 111,103	45	\$ 112,933	23
VIS	81,663	33	42,969	9
SSMC	39,629	16	56,949	12
TSMC North America	8,676	4	256,624	52
Others	4,932	2	20,267	4
	\$ 246,003	100	\$ 489,742	100
Payables				
WaferTech	\$ 561,165	27	\$ 171,089	14
VIS	529,060	26	317,491	26
TSMC China	481,500	24	117,417	10
SSMC	238,741	12	162,807	14
TSMC Technology	109,220	5	41,904	3
TSMC North America	4,222		327,250	28
Others	115,434	6	64,392	5
	\$ 2,039,342	100	\$ 1,202,350	100

Deferred credits

TSMC China	\$	7,970	17	\$	183,896	40
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The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices and terms were determined in accordance with mutual agreements.

The Company leased certain buildings, facilities, and machinery and equipment from Xintec. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was classified under manufacturing expenses.

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 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 was 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.

Compensation of directors and management personnel:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Salaries, incentives and special compensation	\$ 588,508	\$ 272,325
Bonus	411,358	705,376
	<b>\$ 999,866</b>	<b>\$ 977,701</b>

The information about the compensation of directors and management personnel is available in the annual report for the shareholders meeting. Total compensation expense for the year ended December 31, 2009 includes estimated profit sharing to employees and bonus to directors of the Company that relate to 2009 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders meeting in 2010. The total compensation for the year ended December 31, 2008 included the bonuses appropriated from earnings of 2008 which was approved by the shareholders meeting held in 2009.

## **25. PLEDGED OR MORTGAGED ASSETS**

As of December 31, 2009, the Company had pledged time deposits of NT\$824,797 thousand (classified as other financial assets) as collateral for land lease agreements and customs duty guarantee.

## **26. SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from March 2010 to December 2029 and can be renewed upon expiration.

As of December 31, 2009, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2010	\$ 355,842
2011	353,566
2012	353,566
2013	331,921
2014	318,935
2015 and thereafter	2,754,388
	<b>\$ 4,468,218</b>



## 27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 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 December 31, 2009 the Company had a total of US\$29,582 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 December 31, 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. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. TSMC, TSMC North America and WaferTech have subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC, TSMC North America and WaferTech in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC, TSMC North America and WaferTech. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and to provide TSMC with other valuable consideration.

## 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: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;





- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 6 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC China entered into forward exchange contracts during the year ended December 31, 2009 to manage exposures due to foreign exchange rate fluctuations.

As of December 31, 2009, no forward exchange contracts of TSMC China was outstanding. For the year ended December 31, 2009, net losses arising from forward exchange contracts of TSMC China were NT\$866 thousand.

Xintec entered into forward exchange contracts during the year ended December 31, 2009 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2009:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell US\$/Buy NT\$	February 2010	US\$21,300/NT\$686,788

For the year ended December 31, 2009, net gains arising from forward exchange contracts of Xintec were NT\$4,448 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 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 24.

**29. SEGMENT FINANCIAL INFORMATION**

- a. Industry financial information

The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.

- b. Geographic information

The Company has no significant foreign operations. Therefore, the disclosure of geographic information is not applicable to the Company.

c. Export sales

Area	Years Ended December 31	
	2009	2008
Americas	\$ 166,813,136	\$ 199,512,258
Asia	59,496,755	49,386,819
Europe and others	31,350,249	37,622,148
	\$ 257,660,140	\$ 286,521,225

The export sales information is based on the amounts billed to customers within the areas.

d. Major customers representing at least 10% of gross sales

	Years Ended December 31			
	2009		2008	
	Amount	%	Amount	%
Customer A	\$ 161,251,368	54	\$ 192,986,719	58

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2009**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009			
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)
	Corporate bond						
	Taiwan Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,046,672	N/A	\$ 1,046,672
	Formosa Petrochemical Corporation		Held-to-maturity financial assets		3,178,551	N/A	3,200,302
	Taiwan Power Company				3,004,941	N/A	3,011,743
	Nan Ya Plastics Corporation				2,000,145	N/A	2,029,935
	Formosa Plastics Corporation				1,671,815	N/A	1,685,345
	China Steel Corporation				1,512,130	N/A	1,528,117
	CPC Corporation, Taiwan				500,031	N/A	499,913
	Taipei Fubon Commercial Bank Co., Ltd.				298,884	N/A	298,751
	First Commercial Bank Co., Ltd.				99,814	N/A	99,815
	Government bond						
	European Investment Bank Bonds		Held-to-maturity financial assets		2,003,877	N/A	2,025,500
	2003 Asian Development Bank Govt. Bond				893,710	N/A	875,103
	Stock						
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	45,397,256	100	45,397,256
	TSMC Partners	Subsidiary		988,268	32,545,619	100	32,545,619
	VIS	Investee accounted for using equity method		628,223	9,365,232	37	10,114,398
	SSMC	Investee accounted for using equity method		314	6,157,141	39	5,581,994
	TSMC North America	Subsidiary		11,000	2,723,727	100	2,723,727
	Xintec	Investee with a controlling financial interest		93,081	1,475,014	41	1,437,395
	GUC			46,688	983,126	35	7,913,592

	Investee with a controlling financial interest				
TSMC Europe	Subsidiary		159,467	100	159,467
TSMC Japan	Subsidiary	6	135,663	100	135,663
TSMC Korea	Subsidiary	80	18,519	100	18,519
United Industrial Gases Co., Ltd.					
			Financial assets carried at cost		
		16,783	193,584	10	297,655
Shin-Etsu Handotai Taiwan Co., Ltd.		10,500	105,000	7	332,943
W.K. Technology Fund IV		4,000	40,000	2	43,975
Fund					
Horizon Ventures Fund			Financial assets carried at cost		
			103,992	12	103,992
Crimson Asia Capital Capital			59,412	1	59,412
TSMC China	Subsidiary				
			Investments accounted for using equity method		
			2,961,043	100	2,958,707
VTAF III	Subsidiary		1,309,615	98	1,292,412
VTAF II	Subsidiary		1,122,810	98	1,117,773
Emerging Alliance	Subsidiary		305,866	99	305,866

(Continued)

December 31, 2009

Market  
Value or Net

Carrying Percentage

Value

Asset Value

(US\$ in

Thousands)

Note

Held	Financial	Market Value or Net	Carrying Percentage	Value	Asset Value	Note
Company	Statement	Relationship with	Shares/Units	Value	of Ownership	Value
Name	Account	the Company	(In	(US\$ in	(%)	(US\$ in
			Thousands)	Thousands)		Thousands)
TSMC Partners		Corporate bond				
	Held-to-maturity financial assets			US\$ 20,543	N/A	US\$ 21,312
		General Elec Cap Corp. Mtn				
		General Elec Cap Corp. Mtn		US\$ 20,219	N/A	US\$ 21,182
	Investments accounted for using equity method	Subsidiary				
		Common stock TSMC Development, Inc. (TSMC Development)	1	US\$ 340,387	100	US\$ 340,387
	Investee accounted for using equity method	Investee accounted for using equity method				
		VisEra Holding Company	43,000	US\$ 70,967	49	US\$ 70,967
	Investments accounted for using equity method	Subsidiary				
		InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	21,415	US\$ 13,741	97	US\$ 13,741
		TSMC Technology	1	US\$ 9,071	100	US\$ 9,071
	Investments accounted for using equity method	Subsidiary				
		InveStar Semiconductor Development Fund, Inc. (ISDF)	7,680	US\$ 7,336	97	US\$ 7,336
	Investments accounted for using equity method	Subsidiary				
		TSMC Canada	2,300	US\$ 3,193	100	US\$ 3,193
	Investee accounted for using equity method	Investee accounted for using equity method				
		Mcube Inc.	5,333	US\$ 800	70	US\$ 800
	Investments accounted for using equity method	Investee accounted for using equity method				
		Preferred stock Mcube Inc.	1,000	US\$ 1,000	10	US\$ 1,000

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TSMC Development	Corporate bond								
	GE Capital Corp.		Held-to-maturity financial assets		US\$ 20,334	N/A	US\$ 21,182		
	JP Morgan Chase & Co.				US\$ 15,000	N/A	US\$ 15,000		
	Stock WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 154,432	100	US\$ 154,432		
Emerging Alliance	Common stock								
	RichWave Technology Corp.		Financial assets carried at cost	4,247	US\$ 1,648	10	US\$ 1,648		
	Global Investment Holding Inc.			10,000	US\$ 3,065	6	US\$ 3,065		
	Preferred stock Audience, Inc.		Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250		
	Axiom Microdevices, Inc.			1,000	US\$ 24	1	US\$ 24		
	Mosaic Systems, Inc.			2,481	US\$ 12	6	US\$ 12		
	Next IO, Inc.			800	US\$ 500	1	US\$ 500		
	Optichron, Inc.			1,281	US\$ 1,072	2	US\$ 1,072		
	Pixim, Inc.			4,641	US\$ 1,137	2	US\$ 1,137		
	QST Holdings, LLC				US\$ 131	4	US\$ 131		
	Teknovus, Inc.			6,977	US\$ 1,327	2	US\$ 1,327		
	Capital VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method			7			
VTAF II	Common stock								
	Leadtrend		Available-for-sale financial assets	1,515	US\$ 9,721	4	US\$ 9,721		
	RichWave Technology Corp.		Financial assets carried at cost	1,043	US\$ 730	1	US\$ 730		
	Sentelic			1,200	US\$ 2,040	15	US\$ 2,040		

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Preferred stock						
5V Technologies, Inc.	Financial assets					
	carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	
Aquantia		3,974	US\$ 3,816	5	US\$ 3,816	
Audience, Inc.		7,956	US\$ 1,838	2	US\$ 1,838	
Axiom Microdevices, Inc.		759	US\$ 650	13	US\$ 650	
						(Continued)

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				December 31, 2009			
							Market
							Value or
							Net
Held			Financial		Carrying		Percentage
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	of	Asset
Name	Type and Name	the Company	Account	(In	(US\$ in	Ownership	(US\$ in
				Thousands)	Thousands)	(%)	Thousands) Note
	Beceem Communications Impinj, Inc.		Financial assets carried at cost	834	US\$ 1,701	1	US\$ 1,701
	Next IO, Inc.			475	US\$ 1,000		US\$ 1,000
	Optichron, Inc.			3,795	US\$ 953	2	US\$ 953
	Pixim, Inc.			2,784	US\$ 2,664	4	US\$ 2,664
	Power Analog Microelectronics			33,347	US\$ 1,878	2	US\$ 1,878
	QST Holdings, LLC			7,027	US\$ 3,383	19	US\$ 3,383
	Teknovus, Inc.				US\$ 593	13	US\$ 593
	Xceive			1,599	US\$ 454		US\$ 454
				3,936	US\$ 1,516	2	US\$ 1,516
	Capital VTA Holdings	Subsidiary	Investments accounted for using equity method				31
VTAF III	Common stock Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 2,112	59	US\$ 2,112
	Acionn Technology Corporation	Investee accounted for using equity method		4,500	US\$ 566	42	US\$ 566
	Preferred stock Auramicro, Inc.		Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408
	BridgeLux, Inc.			4,955	US\$ 6,391	4	US\$ 6,391
	Exclara, Inc.			21,708	US\$ 4,568	18	US\$ 4,568
	GTBF, Inc.			1,154	US\$ 1,500	N/A	US\$ 1,500
	InvenSense, Inc.			816	US\$ 1,000	1	US\$ 1,000
	LiquidLeds Lighting Corp.			1,600	US\$ 800	11	US\$ 800
	M2000, Inc.			3,000	US\$ 3,000	5	US\$ 3,000
	Neoconix, Inc.			3,283	US\$ 4,608	6	US\$ 4,608
	Powervation, Ltd.			310	US\$ 4,678	16	US\$ 4,678

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	Quellan, Inc.		3,106	US\$	457	6	US\$	457
	Silicon Technical Services, LLC		1,055	US\$	1,208	1	US\$	1,208
	Tilera, Inc.		3,222	US\$	2,781	3	US\$	2,781
	Validity Sensors, Inc.		8,070	US\$	3,089	3	US\$	3,089
	Capital Growth Fund Limited (Growth Fund)	Subsidiary						
	VTA Holdings	Subsidiary						62
Growth Fund	Common stock							
	Staccato							
	SiliconBlue Technologies, Inc.		5,107	US\$	762	2	US\$	762
ISDF	Common stock							
	Memsic, Inc.							
	Capella Microsystems (Taiwan), Inc.		1,364	US\$	4,472	6	US\$	4,472
	Preferred stock							
	Integrated Memory Logic, Inc.		2,872	US\$	1,221	9	US\$	1,221
	IP Unity, Inc.		1,008	US\$	290	1	US\$	290
	Sonics, Inc.		230	US\$	497	2	US\$	497

(Continued)

			December 31, 2009			
Held			Financial			Market Value or Net
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Carrying Value	Percentage of Asset Value
Name	Type and Name	the Company	Account	(In Thousands)	(US\$ in Thousands)	(US\$ in Thousands) Note
ISDF II	Common stock Memsic, Inc.		Available-for-sale financial assets	1,145	US\$ 3,754	5 US\$ 3,754
	Sonics, Inc.		Financial assets carried at cost	278	US\$ 10	3 US\$ 10
	Epic Communication, Inc.			50	US\$ 23	US\$ 23
	EON Technology, Corp.			2,368	US\$ 656	3 US\$ 656
	Goyatek Technology, Corp.			932	US\$ 545	6 US\$ 545
	Capella Microsystems (Taiwan), Inc.			561	US\$ 210	2 US\$ 210
	Auden Technology MFG. Co., Ltd.			1,049	US\$ 223	3 US\$ 223
	Preferred stock Alchip Technologies Limited		Financial assets carried at cost	6,979	US\$ 3,664	18 US\$ 3,664
	FangTek, Inc.			1,032	US\$ 686	6 US\$ 686
	Kilopass Technology, Inc.			3,887	US\$ 500	5 US\$ 500
	Sonics, Inc.			264	US\$ 456	3 US\$ 456
GUC	Open-end mutual fund Jih Sun Bond Fund		Available-for-sale financial assets	5,668	US\$80,008	US\$80,008
	FSITC Taiwan Bond Fund			352	60,005	60,005
	Cathay Bond Fund			2,509	30,001	30,001
	Common stock GUC-NA	Subsidiary	Investments accounted for using equity method	800	38,617	100 38,617
	GUC-Japan	Subsidiary		1	12,899	100 12,899
	GUC-Europe	Subsidiary			5,213	100 5,213
	GUC-BVI	Subsidiary		550	17,466	100 17,466

Xintec	Capital Compositech Ltd.	Financial assets carried at cost	587			3	
TSMC Global	Corporate bond	Available-for-sale financial assets	5,000	US\$ 5,144	N/A	US\$ 5,144	
	Ab Svensk Exportkredit Swedish African Development Bank		2,600	US\$ 2,622	N/A	US\$ 2,622	
	Allstate Life Global Fdg		220	US\$ 221	N/A	US\$ 221	
	Asian Development Bank		2,500	US\$ 2,497	N/A	US\$ 2,497	
	Astrazeneca Plc Australia + New Zealand Bkg		2,150	US\$ 2,349	N/A	US\$ 2,349	
	Banco Bilbao Vizcaya P R		2,000	US\$ 2,054	N/A	US\$ 2,054	
	Bank New York Inc. Medium		3,250	US\$ 3,248	N/A	US\$ 3,248	
	Bank of New York Mellon		2,100	US\$ 2,262	N/A	US\$ 2,262	
	Bear Stearns Cos Inc.		2,200	US\$ 2,208	N/A	US\$ 2,208	
	Bear Stearns Cos Inc.		5,000	US\$ 4,974	N/A	US\$ 4,974	
	Bhp Billiton Fin USA Ltd.		3,500	US\$ 3,391	N/A	US\$ 3,391	
	Bnp Paribas SA		2,000	US\$ 2,129	N/A	US\$ 2,129	
	Boeing Co.		2,310	US\$ 2,339	N/A	US\$ 2,339	
	Bsch Issuances Ltd.		450	US\$ 445	N/A	US\$ 445	
	Cello Part/Veri Wirelss		2,250	US\$ 2,359	N/A	US\$ 2,359	
			2,000	US\$ 2,068	N/A	US\$ 2,068	

December 31, 2009								
			Financial		Carrying Percentage		Market	
Held	Marketable Securities	Relationship with	Statements	Shares/Units	Value	of	Value or	
Company	Type and Name	the Company	Account	(In	(US\$ in	Ownership	Asset	
Name			Thousands)	Thousands)	Thousands)	(%)	Value	
							(US\$ in	
							Thousands)	
							Note	
	Citibank NA			5,000	US\$ 4,996	N/A	US\$ 4,996	
	Citigroup funding Inc.			2,000	US\$ 2,016	N/A	US\$ 2,016	
	Credit Suisse New York			2,000	US\$ 2,057	N/A	US\$ 2,057	
	European Investment Bank			2,250	US\$ 2,243	N/A	US\$ 2,243	
	Federal Farm Cr Bks Finance for Danish Ind			2,250	US\$ 2,254	N/A	US\$ 2,254	
	General Elec Cap Corp.			1,900	US\$ 1,900	N/A	US\$ 1,900	
	General Elec Cap Corp.			1,000	US\$ 978	N/A	US\$ 978	
	General Elec Cap Corp.			7,000	US\$ 7,001	N/A	US\$ 7,001	
	General Elec Cap Corp. Fdic Gtd			2,500	US\$ 2,547	N/A	US\$ 2,547	

(Continued)

							December 31, 2009	
Held				Financial			Market	
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Carrying	Percentage of	Value or	
Name	Type and Name	the Company	Account	(In Thousands)	Value (US\$ in Thousands)	Ownership (%)	Net Asset Value (US\$ in Thousands)	
							Note	
	Goldman Sachs Group Inc.		Available-for-sale financial assets	2,000	US\$1,939	N/A	US\$1,939	
	Goldman Sachs Group Incser 2			3,000	US\$3,012	N/A	US\$3,012	
	Hewlett Packard Co.			3,000	US\$3,000	N/A	US\$3,000	
	HSBC Fin Corp.			2,315	US\$2,233	N/A	US\$2,233	
	HSBC USA Inc. Fdic Gtd Tlgp			2,200	US\$2,277	N/A	US\$2,277	
	IBM Corp.			1,800	US\$1,796	N/A	US\$1,796	
	International Business Machs			3,000	US\$3,027	N/A	US\$3,027	
	Intl Bk Recon + Develop			2,000	US\$2,069	N/A	US\$2,069	
	JP Morgan Chase + Co.			2,500	US\$2,523	N/A	US\$2,523	
	JP Morgan Chase + Co. Fdic Gtd Tlgp			3,000	US\$3,030	N/A	US\$3,030	
	Kfw			2,230	US\$2,236	N/A	US\$2,236	
	Kfw Medium Term Nts Book Entry			1,950	US\$1,953	N/A	US\$1,953	
	Kreditanstalt Fur Wiederaufbau			650	US\$ 673	N/A	US\$ 673	
	Lloyds Tsb Bank Plc Ser 144A			5,950	US\$6,049	N/A	US\$6,049	
	Mellon Fdg Corp.			3,500	US\$3,419	N/A	US\$3,419	
	Met Life Glob Funding I			2,100	US\$2,142	N/A	US\$2,142	
	Met Life Glob Funding I			500	US\$ 502	N/A	US\$ 502	
	Metlife Inc.			2,000	US\$2,017	N/A	US\$2,017	
	Metropolitan Life Global Fdg			750	US\$ 739	N/A	US\$ 739	
	Metropolitan Life Global Fdg I			3,340	US\$3,278	N/A	US\$3,278	
	Morgan Stanley			2,200	US\$2,212	N/A	US\$2,212	
	Morgan Stanley			2,000	US\$2,032	N/A	US\$2,032	
	Morgan Stanley Fdic Gtd Tlgp			2,210	US\$2,244	N/A	US\$2,244	
	Morgan Stanley for Equity			2,000	US\$1,943	N/A	US\$1,943	

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Nordea Bank Fld Plc	2,250	US\$2,240	N/A	US\$2,240
Oesterreichische Kontrollbank	2,000	US\$2,059	N/A	US\$2,059
Ontario (Province of) Paccar Finl Corp. Mtn Bk Ent	2,000	US\$1,980	N/A	US\$1,980
Pricoa Global Fdg I Med Term	1,000	US\$1,007	N/A	US\$1,007
Pricoa Global Funding 1	1,750	US\$1,638	N/A	US\$1,638
Pricoa Global Fdg I Medium	1,200	US\$1,167	N/A	US\$1,167
Royal Bk of Scotland Plc	2,200	US\$2,130	N/A	US\$2,130
Royal Bk Scotlnd Grp Plc 144A	5,000	US\$5,078	N/A	US\$5,078
Southern Co. Sovereign Bancorp	9,450	US\$9,578	N/A	US\$9,578
Fdic Gtd Tlg	600	US\$ 602	N/A	US\$ 602
State Str Corp.	2,200	US\$2,246	N/A	US\$2,246
Suncorp Metway Ltd.	1,940	US\$1,920	N/A	US\$1,920
Suncorp Metway Ltd.	2,000	US\$2,004	N/A	US\$2,004
Svenska Handelsbanken Ab	5,000	US\$5,170	N/A	US\$5,170
Swedbank Ab	2,200	US\$2,214	N/A	US\$2,214
Swedbank	2,000	US\$1,994	N/A	US\$1,994
Foreningssparbanken A	1,500	US\$1,537	N/A	US\$1,537

			December 31, 2009				
Held			Financial	Carrying		Market	
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	Value or	
Name	Type and Name	the Company	Account	(In	(US\$ in	Net	
				Thousands)	Thousands)	Asset	
					Ownership	Value	
					(%)	(US\$ in	
						Thousands)	
						Note	
	Ubs Ag Stamford			1,300	US\$ 1,300	N/A	US\$ 1,300
	US Central Federal						
	Cred			4,800	US\$ 4,799	N/A	US\$ 4,799
	Verizon						
	Communications Inc.			2,200	US\$ 2,294	N/A	US\$ 2,294
	Verizon Global Fdg						
	Corp.			500	US\$ 528	N/A	US\$ 528
	Wachovia Corp. New			4,000	US\$ 4,246	N/A	US\$ 4,246
	Wells Fargo +						
	Company			2,000	US\$ 2,013	N/A	US\$ 2,013
	Westfield Cap Corp.						
	Ltd.			500	US\$ 514	N/A	US\$ 514
	Westpac Banking Corp.			2,100	US\$ 2,112	N/A	US\$ 2,112
	Westpac Banking Corp.			2,170	US\$ 2,168	N/A	US\$ 2,168
	Nationwide Building		Held-to-maturity				
	Society		financial assets	8,000	US\$ 8,000	N/A	US\$ 8,008
	Westpac Banking Corp.						
	12/12 Frn			5,000	US\$ 5,000	N/A	US\$ 4,999

(Continued)



			December 31, 2009			
Held			Financial	Carrying		Market
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	Percentage of
Name	Type and Name	the Company	Account	(In	(US\$ in	Asset Value
				Thousands)	Thousands)	Ownership (%)
						Thousands)
						Note
	Agency bond					
	Fannif Mae		Available-for-sale	2,820	US\$ 2,814	N/A US\$ 2,814
			financial assets			
	Fed Hm Ln Pc Pool			2,554	US\$ 2,635	N/A US\$ 2,635
	1b2830					
	Fed Hm Ln Pc Pool			2,271	US\$ 2,315	N/A US\$ 2,315
	1g0115					
	Fed Hm Ln Pc Pool			2,053	US\$ 2,121	N/A US\$ 2,121
	1k1210					
	Fed Hm Ln Pc Pool			2,121	US\$ 2,181	N/A US\$ 2,181
	780741					
	Federal Farm Cr Bks			2,000	US\$ 2,117	N/A US\$ 2,117
	Federal Farm Credit					
	Bank			3,000	US\$ 2,990	N/A US\$ 2,990
	Federal Farm Credit					
	Bank			2,200	US\$ 2,258	N/A US\$ 2,258
	Federal Home Ln Bank			11,000	US\$ 11,028	N/A US\$ 11,028
	Federal Home Ln Mtg					
	Corp.			1,350	US\$ 1,352	N/A US\$ 1,352
	Federal Home Ln Mtg					
	Corp.			3,421	US\$ 3,533	N/A US\$ 3,533
	Federal Home Ln Mtg					
	Corp.			2,662	US\$ 2,763	N/A US\$ 2,763
	Federal Home Ln Mtg					
	Corp.			2,469	US\$ 2,521	N/A US\$ 2,521
	Federal Home Ln Mtg					
	Corp.			2,309	US\$ 2,350	N/A US\$ 2,350
	Federal Home Ln Mtg					
	Corp.			2,358	US\$ 2,448	N/A US\$ 2,448
	Federal Home Loan					
	Bank			10,000	US\$ 9,987	N/A US\$ 9,987
	Federal Home Loan					
	Bank			8,000	US\$ 7,992	N/A US\$ 7,992
	Federal Home Loan					
	Bank			10,000	US\$ 10,012	N/A US\$ 10,012
	Federal Home Loan					
	Bank			4,700	US\$ 4,715	N/A US\$ 4,715
	Federal Home Loan					
	Bank			11,200	US\$ 11,186	N/A US\$ 11,186

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Federal Home Loan Bank	3,310	US\$ 3,319	N/A	US\$ 3,319
Federal Home Loan Bank	3,000	US\$ 2,989	N/A	US\$ 2,989
Federal Home Loan Bank	3,000	US\$ 2,983	N/A	US\$ 2,983
Federal Home Loan Bank	3,000	US\$ 2,984	N/A	US\$ 2,984
Federal Home Loan Mtg Corp.	1,411	US\$ 1,441	N/A	US\$ 1,441
Federal Home Loan Mtg Corp.	1,940	US\$ 2,012	N/A	US\$ 2,012
Federal National Mort Assoc	2,117	US\$ 2,176	N/A	US\$ 2,176
Federal National Mort Assoc	1,752	US\$ 1,782	N/A	US\$ 1,782
Federal Natl Mtg Assn Gtd Remi	2,854	US\$ 2,926	N/A	US\$ 2,926
Federal Natl Mtg Assn Mtn	2,669	US\$ 2,765	N/A	US\$ 2,765
Federal Natl Mtg Assn Remic	2,871	US\$ 2,953	N/A	US\$ 2,953
Federal Natl Mtg Assn	4,000	US\$ 4,228	N/A	US\$ 4,228
Federal Natl Mtge Assn Fhr 3087 Jb	2,039	US\$ 2,126	N/A	US\$ 2,126
Fnma Pool 745688	2,540	US\$ 2,656	N/A	US\$ 2,656
Fnma Pool 790772	2,272	US\$ 2,336	N/A	US\$ 2,336
Fnma Pool 790772	1,527	US\$ 1,568	N/A	US\$ 1,568
Fnma Pool 819649	2,318	US\$ 2,383	N/A	US\$ 2,383
Fnma Pool 829989	2,146	US\$ 2,221	N/A	US\$ 2,221
Fnma Pool 846233	2,288	US\$ 2,332	N/A	US\$ 2,332
Fnma Pool 870884	2,357	US\$ 2,442	N/A	US\$ 2,442
Fnma Pool 879908	2,056	US\$ 2,128	N/A	US\$ 2,128

December 31, 2009

			December 31, 2009				Market Value or Net
Held			Financial	Carrying			
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	Percentage of	Asset Value
Name	Type and Name	the Company	Account	(In Thousands)	(US\$ in Thousands)	Ownership (%)	(US\$ in Thousands)
	Fnr 2005 47 Ha			2,652	US\$ 2,753	N/A	US\$ 2,753
	Fnr 2006 60 Co			3,062	US\$ 3,153	N/A	US\$ 3,153
	Fnr 2009 70 Nt			2,537	US\$ 2,609	N/A	US\$ 2,609
	Freddie Mac			4,500	US\$ 4,491	N/A	US\$ 4,491
	Gnma II Pool 082431			2,000	US\$ 2,030	N/A	US\$ 2,030
	Government bond						
	US Treasury N/B		Available-for-sale financial assets	21,400	US\$21,394	N/A	US\$21,394
	US Treasury N/B			2,170	US\$ 2,158	N/A	US\$ 2,158
	US Treasury Nts			37,700	US\$39,012	N/A	US\$39,012
	United States Treas Nts			10,536	US\$10,548	N/A	US\$10,548
	Societe De Financement De Lec		Held-to-maturity financial assets	15,000	US\$15,000	N/A	US\$15,091

(Continued)

December 31, 2009

Market  
Value or  
Net  
Asset  
Value  
(US\$ in  
Thousands)

Held	Financial	Carrying	Percentage of	Market
Company	Statement	Value	Ownership (%)	Value or
Name	Account	(In Thousands)		Net Asset Value (US\$ in Thousands)
Type and Name	Relationship with the Company	Shares/Units (In Thousands)		Note
Corporate issued note				
Barclays U.S. Fdg LLC	Available-for-sale financial assets	4,500	US\$4,489	N/A US\$4,489
Royal Bk of Scotland		5,000	US\$4,982	N/A US\$4,982
Money market fund				
Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	8,858	US\$8,858	N/A US\$8,858 (Concluded)

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**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 YEAR ENDED DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Counter-party Relationship	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)	
			Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Amount (US\$ in Thousands)	Carry Value (US\$ Thousa
available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions			\$2,032,658	\$		\$1,037,370	\$1,000,000
held-to-maturity financial assets				3,554,908		457,351		
				4,209,629		203,892		
				2,385,285		203,994		
				1,000,000		514,672		
						298,677		
held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions			383,387		2,025,500	400,000	383,387
investments accounted for using equity method		Subsidiary		1,305,605		262,922		

held-to-maturity financial assets	JP Morgan Securitized Inc.		US\$	15,000					
available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	19,143		270,000	13,475		190,120		19
	First Securities Investment Trust Co., Ltd.	1,146		195,000	794		135,206		13
	Prudential Financial Securities Investment Trust Enterprise PCA Securities Investment Trust Co., Ltd.	11,261		170,000	11,261		170,319		17
	Hua Nan Investment Trust Co., Ltd.	13,121		170,000	13,121		170,241		17
		10,287		160,000	10,287		160,143		16
available-for-sale financial assets		5,000	US\$	5,185					
		3,250	US\$	3,250					
		5,000	US\$	4,965					
		3,500	US\$	3,360					
		3,250	US\$	3,353			3,250	US\$	3,380
				3,000	US\$	3,002	3,000	US\$	3,002
				5,000	US\$	4,995			

(Continued)

Securities	Financial Statement	Counter-party Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value
			Amount	Shares/Units	Amount	Shares/Units	Amount	Value	
Name	Account		(In Thousands)	(In Thousands)	(US\$ in Thousands)	(US\$ in Thousands)	(In Thousands)	(US\$ in Thousands)	(US\$ in Thousands)
Ag	Available-for-sale financial assets		2,995	US\$3,013	US\$	2,995	US\$3,021	US\$3,041	
ap Corp.					5,000	US\$ 4,834	4,000	US\$3,880	US\$3,868
ap Corp.					7,000	US\$ 7,002			
s Group					3,000	US\$ 3,016			
usiness					3,000	US\$ 3,030			
se + Co.					3,000	US\$ 3,030			
Gtd Tlgp					5,000	US\$ 5,061	5,000	US\$5,061	US\$5,061
nk Plc					5,950	US\$ 6,077			
rp.					3,500	US\$ 3,404			
ife					3,340	US\$ 3,245			
y			4,855	US\$4,552			4,855	US\$4,751	US\$4,768
otland					5,000	US\$ 5,106			
nd Grp					9,450	US\$ 9,596			
ay Ltd.					5,000	US\$ 5,192			
eral					4,800	US\$ 4,799			
. New					4,000	US\$ 4,239			
. New			3,130	US\$3,135			3,130	US\$3,195	US\$3,100
Co. New			4,500	US\$4,493			4,500	US\$4,524	US\$4,282
ilding	Held-to-maturity financial assets				8,000	US\$ 8,000			
ng Corp.					5,000	US\$ 5,000			
Pool	Available-for-sale financial assets		3,215	US\$3,285			3,179	US\$3,281	US\$3,171
			5,449	US\$5,501			5,335	US\$5,511	US\$5,225

Pool

Bank	5,000	US\$5,305			5,000	US\$5,282	US\$5,035
Cr Bks	3,400	US\$3,610			3,400	US\$3,590	US\$3,411
Credit							
	3,375	US\$3,433			3,375	US\$3,429	US\$3,370
Ln Bank			11,000	US\$11,038			
Ln Bks	3,725	US\$3,854			3,725	US\$3,851	US\$3,721
Ln Bks	5,000	US\$5,320			5,000	US\$5,312	US\$5,098
Ln Bks	4,000	US\$4,148			4,000	US\$4,151	US\$4,136
Ln Mtg	5,000	US\$5,340			5,000	US\$5,334	US\$5,186
Ln Mtg							
	3,340	US\$3,428			3,340	US\$3,431	US\$3,335
Ln Mtg							
	3,500	US\$3,560			3,500	US\$3,561	US\$3,494
Ln Mtg							
	3,500	US\$3,743			3,500	US\$3,749	US\$3,786
Ln Mtg							
			3,679	US\$ 3,824			
Ln Mtg							
	3,060	US\$3,108			3,005	US\$3,078	US\$3,003
Loan							
			10,000	US\$ 9,996			
Loan							
			10,000	US\$10,002	2,000	US\$2,000	US\$2,000
Loan							
			10,000	US\$10,035			



Financial Statement	Account	Counter-party	Relationship	Nature of	Beginning	Acquisition	Disposal (Note 2)	Carrying	Value
					Balance	Amount	Amount	Value	
					Amount	Amount	Amount	Value	
					(In	(In	(In	(US\$ in	(US\$ in
					Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
					(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
					(US\$ in	(US\$ in	(US\$ in	(US\$ in	(US\$ in
					Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
					(In	(In	(In	(In	(In
					Thousands)	Thousands)	Thousands)	Thousands)	Thousands)
me Loan						4,700	US\$ 4,723		
me Loan						11,200	US\$ 11,200		
me Loan						3,310	US\$ 3,310		
me Loan						3,000	US\$ 3,000		
me Loan					4,500	US\$4,710		4,500	US\$4,709
l Mtg Assn						9,246	US\$ 9,474	9,246	US\$9,461
									US\$4,518
									US\$9,474

(Continued)

Entities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)			Carrying Value (US\$ in Thousands)
				Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Amount (US\$ in Thousands)	
Assn	Available-for-sale financial assets			3,700	US\$ 3,713		US\$	3,700	US\$ 3,712	US\$ 3,712	US\$ 3,712
Assn				4,000	US\$ 4,169			4,000	US\$ 4,180	US\$ 4,180	US\$ 4,180
Assn				3,500	US\$ 3,809			3,500	US\$ 3,801	US\$ 3,801	US\$ 3,801
Assn						4,000	US\$ 4,261				
Assn				3,750	US\$ 4,134			3,750	US\$ 4,127	US\$ 4,127	US\$ 4,127
Assn						3,062	US\$ 3,153				
Assn						3,036	US\$ 3,127				
				3,456	US\$ 3,513			3,415	US\$ 3,513	US\$ 3,513	US\$ 3,513
				2,963	US\$ 3,039			2,932	US\$ 3,028	US\$ 3,028	US\$ 3,028
						9,276	US\$ 9,843	9,206	US\$ 9,773	US\$ 9,773	US\$ 9,773
						3,761	US\$ 3,991	3,721	US\$ 3,950	US\$ 3,950	US\$ 3,950
				3,669	US\$ 3,776			3,659	US\$ 3,828	US\$ 3,828	US\$ 3,828
				4,105	US\$ 4,242			4,071	US\$ 4,265	US\$ 4,265	US\$ 4,265
						7,680	US\$ 8,138	7,395	US\$ 7,829	US\$ 7,829	US\$ 7,829
						3,239	US\$ 3,352				
						4,500	US\$ 4,490				
s Nts	Available-for-sale financial assets			10,266	US\$ 10,374			10,357	US\$ 11,258	US\$ 11,258	US\$ 11,258
						41,900	US\$ 41,931	20,500	US\$ 20,564	US\$ 20,564	US\$ 20,564
						3,520	US\$ 3,498	1,350	US\$ 1,358	US\$ 1,358	US\$ 1,358
						50,000	US\$ 52,184	12,300	US\$ 12,826	US\$ 12,826	US\$ 12,826
ec	Held-to-maturity financial assets					15,000	US\$ 15,000				
ote											
LLC	Available-for-sale financial assets					4,500	US\$ 4,489				
nd						5,000	US\$ 4,982				
d											
	Available-for-sale financial assets			30,435	US\$ 30,435	495,908	US\$ 495,908	517,485	US\$ 517,485	US\$ 517,485	US\$ 517,485

Mtg	Available-for-sale								
	financial assets	4,597	US\$ 4,584	4,472	US\$ 4,480	US\$ 4,5			
		4,000	US\$ 3,884	4,000	US\$ 3,925	US\$ 3,9			
		4,353	US\$ 4,349	4,090	US\$ 4,085	US\$ 4,1			
oml		4,788	US\$ 4,715	4,774	US\$ 4,780	US\$ 4,9			
Tr		3,737	US\$ 3,495	3,725	US\$ 3,537	US\$ 3,6			
nl		3,397	US\$ 3,163	3,375	US\$ 3,283	US\$ 3,3			
		3,214	US\$ 2,925	3,172	US\$ 3,106	US\$ 3,1			
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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**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100**  
**MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction Owner	Related Counter-party Relationships	Transfer Date	Price Amount	Reference
October 25, 2009	\$514,777	By the construction progress	Fu Tsu Construction Co., Ltd. and China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding

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**TABLE 4**

**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 YEAR ENDED DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Abnormal Transaction		Notes/ Pay: Rec:  Endi Balan
			Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	
TSMC North America	Subsidiary	Sales	\$161,251,368	54	Net 30 days after invoice date			\$22,203
GUC	Investee with a controlling financial interest	Sales	2,023,612	1	Net 30 days after monthly closing			338
VIS	Investee accounted for using equity method	Sales	139,044		Net 30 days after invoice date			
WaferTech	Indirect subsidiary	Purchases	5,560,707	18	Net 30 days after monthly closing			(561)
TSMC China	Subsidiary	Purchases	3,787,113	12	Net 30 days after monthly closing			(481)
SSMC	Investee accounted for using equity method	Purchases	3,537,659	11	Net 30 days after monthly closing			(238)
VIS	Investee accounted for using equity method	Purchases	3,312,656	10	Net 30 days after monthly closing			(529)
TSMC North America	Same parent company	Purchases	937,160	28	Net 30 days after invoice date/net 45 days after monthly closing			(173)
OmniVision	Parent company of director (represented for Xintec)	Sales	1,801,655	77	Net 30 days after monthly closing			397

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.

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**TABLE 5**

**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**  
**DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue Amounts	Action Taken	Amounts Received in Subsequent Period	Allowance for Debts
IC	TSMC North America	Subsidiary	\$22,211,918	38	\$6,438,761		\$8,899,170	\$
	GUC	Investee with a controlling financial interest	338,502	50				
	TSMC China	Subsidiary	111,103	(Note 2)				
ec	OmniVision	Parent company of director (represented for Xintec)	397,695	81	160		127,130	

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

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



**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Investees  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2009**

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

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009		Net Income (Losses) Invested (Foreign Currencies) Thousands	
			December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Share Percentage (in % of Ownership)	Carrying Value (Foreign Currencies in Thousands)		
1	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$45,397,256	\$ 5
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	32,545,619	(
	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	9,365,232	
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,157,141	1,6
	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	2,961,043	(3,2
	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,723,727	3
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,475,014	

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	Cayman Islands	Investing in new start-up technology companies		1,703,163		1,440,241		98		1,309,615		(2)
	Cayman Islands	Investing in new start-up technology companies		1,093,943		1,036,422		98		1,122,810		(1)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits		386,568		386,568	46,688	35		983,126		4
iance	Cayman Islands	Investing in new start-up technology companies		959,044		986,797		99		305,866		(
e	Amsterdam, the Netherlands	Marketing and engineering supporting activities		15,749		15,749		100		159,467		
	Yokohama, Japan	Marketing activities		83,760		83,760	6	100		135,663		
	Seoul, Korea	Customer service and technical support activities		13,656		13,656	80	100		18,519		
	Delaware, U.S.A.	Investment activities	US\$	0.001	US\$	0.001	1	100	US\$	340,387	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\$	70,967	US\$	
	Cayman Islands	Investing in new start-up technology companies	US\$	21,415	US\$	32,289	21,415	97	US\$	13,741	US\$	
ology	Delaware, U.S.A.	Engineering support activities	US\$	0.001	US\$	0.001	1	100	US\$	9,071	US\$	
	Cayman Islands	Investing in new start-up technology companies	US\$	7,680	US\$	7,680	7,680	97	US\$	7,336	US\$	
a	Ontario, Canada	Engineering support activities	US\$	2,300	US\$	2,300	2,300	100	US\$	3,193	US\$	
ck)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$	800			5,333	70	US\$	800	US\$	
ck)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US\$	1,000			1,000	10	US\$	1,000	US\$	
	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$	330,000	US\$	380,000	293,637	100	US\$	154,432	US\$	
	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end	US\$	91,041	US\$	91,041	253,120	89	US\$	125,983	US\$	

color filter fabrication, package,  
test, and optical solutions

(Continued)

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009		Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	
			December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shareholders (in Thousands)	Percentage of Ownership		Carrying Value (Foreign Currencies in Thousands)
Qual-Pak Technology Co.,	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 3,088	US\$ 1,705	9,180	59	US\$ 2,112	US\$(1,105)
onn Technology Co.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US\$ 1,777	US\$ 1,777	4,500	42	US\$ 566	US\$(1,239)
with Fund	Cayman Islands	Investing in new start-up technology companies	US\$ 1,550	US\$ 700		100	US\$ 823	US\$ (127)
A Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				62		
A Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				31		
C-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	\$38,617	\$ 5,617
C-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,899	1,608
C-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50		100	5,213	353
C-BVI	British Virgin Islands	Investment activities	US\$ 550		550	100	17,466	(133)
A 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  
unaudited  
financial  
statements.

(Concluded)

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 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)	Carr Va as Decer
			as of January 1, 2009	Outflow	Inflow	as of December 31, 2009 (US\$ in Thousand)		
<b>Main Businesses and Products</b>	<b>(RMB in Thousand)</b>		<b>(US\$ in Thousand)</b>					
Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$	\$12,180,367 (US\$371,000)	100% \$(3,242,122)	\$2,96 3 20

**Accumulated Investment in Mainland  
China as of December 31, 2009**  
**(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

**Investment Amounts Authorized by  
Investment Commission, MOEA**  
**(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

**Upper Limit on Investment**  
**(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

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

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

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Years Ended December 31, 2009 and 2008 and  
Independent Auditors Report**

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**REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2009, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, Consolidated Financial Statements . In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING  
COMPANY LIMITED

By

MORRIS CHANG

Chairman

January 22, 2010

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2009 and 2008, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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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.

January 22, 2010

Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2009		2008	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 171,276,341	29	\$ 194,613,752	35
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	186,081		55,730	
Available-for-sale financial assets (Notes 2, 6 and 24)	14,389,946	2	10,898,715	2
Held-to-maturity financial assets (Notes 2, 7 and 24)	9,944,843	2	5,881,999	1
Receivables from related parties	12,524		407	
Notes and accounts receivable	44,637,642	7	25,023,321	4
Allowance for doubtful receivables (Notes 2 and 8)	(543,325)		(455,751)	
Allowance for sales returns and others (Notes 2 and 8)	(8,724,481)	(1)	(6,071,026)	(1)
Other receivables from related parties	121,292		99,918	
Other financial assets (Note 26)	1,849,987		1,911,699	
Inventories (Notes 2, 3 and 9)	20,913,751	4	14,876,645	3
Deferred income tax assets (Notes 2 and 18)	4,370,309	1	3,969,330	1
Prepaid expenses and other current assets	1,368,838		1,813,692	
<b>Total current assets</b>	<b>259,803,748</b>	<b>44</b>	<b>252,618,431</b>	<b>45</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>				
Investments accounted for using equity method	17,871,208	3	18,907,158	3
Available-for-sale financial assets	1,358,049		2,032,658	
Held-to-maturity financial assets	15,553,242	3	15,426,252	3
Financial assets carried at cost	3,063,004	1	3,615,447	1
<b>Total long-term investments</b>	<b>37,845,503</b>	<b>7</b>	<b>39,981,515</b>	<b>7</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>				
<b>Cost</b>				
Land and land improvements	934,090		953,857	
Buildings	142,294,558	24	132,249,996	24
Machinery and equipment	775,653,489	130	697,498,743	125

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Office equipment	13,667,747	2	12,430,800	2
Leased assets	714,424		722,339	
	933,264,308	156	843,855,735	151
Accumulated depreciation	(693,743,886)	(117)	(618,816,267)	(110)
Advance payments and construction in progress	34,154,365	6	18,605,882	3
Net property, plant and equipment	273,674,787	45	243,645,350	44
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	5,931,318	1	6,044,392	1
Deferred charges, net (Notes 2 and 13)	6,458,554	1	7,125,828	1
Total intangible assets	12,389,872	2	13,170,220	2
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 18)	7,988,303	1	6,636,873	1
Refundable deposits	2,733,143	1	2,767,199	1
Others (Notes 2 and 26)	260,864		97,001	
Total other assets	10,982,310	2	9,501,073	2
<b>TOTAL</b>	<b>\$ 594,696,220</b>	<b>100</b>	<b>\$ 558,916,589</b>	<b>100</b>

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 25		\$ 85,187	
Accounts payable	10,905,884	2	5,553,151	1
Payables to related parties (Note 25)	783,007		489,857	
Income tax payable (Notes 2 and 18)	8,800,249	1	9,331,825	2
Salary and bonus payable	9,317,035	2	2,215,780	
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2, 3 and 20)	6,818,343	1	15,369,730	3
Payables to contractors and equipment suppliers	28,924,265	5	7,998,773	1
Accrued expenses and other current liabilities (Notes 16, 24 and 28)	12,635,182	2	7,540,055	1
Current portion of bonds payable and bank loans (Notes 14, 15, 24 and 26)	949,298		8,222,398	2

Total current liabilities	79,133,288	13	56,806,756	10
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Notes 14 and 24)	4,500,000	1	4,500,000	1
Long-term bank loans (Notes 15, 24 and 26)	578,560		1,420,476	
Other long-term payables (Notes 16, 24 and 28)	5,602,420	1	9,548,226	2
Obligations under capital leases (Notes 2 and 24)	707,499		722,339	
Total long-term liabilities	11,388,479	2	16,191,041	3
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,797,032	1	3,701,584	1
Guarantee deposits (Note 28)	1,006,023		1,484,495	
Deferred credits (Note 2)	185,689		316,537	
Others	137,161		43,709	
Total other liabilities	5,125,905	1	5,546,325	1
Total liabilities	95,647,672	16	78,544,122	14
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock NT\$10 par value (Notes 20 and 22)				
Authorized: 28,050,000 thousand shares				
Issued: 25,902,706 thousand shares in 2009				
25,625,437 thousand shares in 2008	259,027,066	43	256,254,373	46
Capital surplus (Notes 2 and 20)	55,486,010	9	49,875,255	9
Retained earnings (Note 20)				
Appropriated as legal capital reserve	77,317,710	13	67,324,393	12
Appropriated as special capital reserve			391,857	
Unappropriated earnings	104,564,972	18	102,337,417	18
	181,882,682	31	170,053,667	30
Others (Notes 2, 22 and 24)				
Cumulative translation adjustments	(1,766,667)		481,158	
Unrealized gain/loss on financial instruments	453,621		(287,342)	
	(1,313,046)		193,816	

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Equity attributable to shareholders of the parent	495,082,712	83	476,377,111	85
MINORITY INTERESTS (Note 2)	3,965,836	1	3,995,356	1
Total shareholders equity	499,048,548	84	480,372,467	86
TOTAL	\$ 594,696,220	100	\$ 558,916,589	100

The accompanying notes are an integral part of the consolidated financial statements.  
 (With Deloitte & Touche audit report dated January 22, 2010)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 309,655,614		\$ 341,983,355	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	13,913,375		8,825,695	
NET SALES	295,742,239	100	333,157,660	100
COST OF SALES (Notes 3, 9, 19 and 25)	166,413,628	56	191,408,099	58
GROSS PROFIT	129,328,611	44	141,749,561	42
OPERATING EXPENSES (Note 19)				
Research and development	21,593,398	7	21,480,937	7
General and administrative	11,285,478	4	11,096,599	3
Marketing	4,487,849	2	4,736,657	1
Total operating expenses	37,366,725	13	37,314,193	11
INCOME FROM OPERATIONS	91,961,886	31	104,435,368	31
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	2,600,925	1	5,373,823	2
Settlement income (Note 28)	1,464,915	1	951,180	
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	594,660			
Technical service income (Notes 25 and 28)	367,013		1,181,966	
Equity in earnings of equity method investees, net (Notes 2 and 10)	45,994		701,533	
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	15,999		721,050	
Foreign exchange gain, net (Note 2)			1,227,653	1
Others (Note 2)	564,042		664,244	
Total non-operating income and gains	5,653,548	2	10,821,449	3





**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Impairment of financial assets (Notes 2, 6, 11 and 24)	\$ 913,230	1	\$ 1,560,055	1
Foreign exchange loss, net (Note 2)	626,971			
Interest expense	391,479		614,988	
Valuation loss on financial instruments, net (Notes 2, 5 and 24)			1,081,019	
Loss on idle assets (Note 2)			210,477	
Others (Note 2)	221,107		318,032	
<b>Total non-operating expenses and losses</b>	<b>2,152,787</b>	<b>1</b>	<b>3,784,571</b>	<b>1</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>95,462,647</b>	<b>32</b>	<b>111,472,246</b>	<b>33</b>
<b>INCOME TAX EXPENSE (Notes 2 and 18)</b>	<b>5,996,424</b>	<b>2</b>	<b>10,949,009</b>	<b>3</b>
<b>NET INCOME</b>	<b>\$ 89,466,223</b>	<b>30</b>	<b>\$ 100,523,237</b>	<b>30</b>
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 89,217,836	30	\$ 99,933,168	30
Minority interests	248,387		590,069	
	\$ 89,466,223	30	\$ 100,523,237	30
<b>2009</b>				
<b>Income Attributable to Shareholders of the Parent</b>				
<b>Before After</b>				
<b>Income Income</b>				
<b>Tax Tax</b>				
<b>2008</b>				
<b>Income Attributable to Shareholders of the Parent</b>				
<b>Before After</b>				
<b>Income Income</b>				
<b>Tax Tax</b>				
<b>EARNINGS PER SHARE (NT\$, Note 23)</b>				
Basic earnings per share	\$ 3.68	\$ 3.45	\$ 4.26	\$ 3.84
Diluted earnings per share	\$ 3.67	\$ 3.44	\$ 4.23	\$ 3.81

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

(With Deloitte & Touche audit report dated January 22,  
2010)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent					Others			
	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Others Total
2007	\$ 53,732,682	\$ 56,406,684	\$ 629,550	\$ 161,828,337	\$ 218,864,571	\$ (1,072,853)	\$ 680,997	\$ (49,385,032)	\$ (49,776,888)
		10,917,709		(10,917,709)					
			(237,693)	237,693					
				(3,939,883)	(3,939,883)				
				(3,939,883)	(3,939,883)				
				(76,881,311)	(76,881,311)				
				(512,542)	(512,542)				
				(176,890)	(176,890)				
	(768,813)								
				99,933,168	99,933,168				
	(137,063)								

						1,554,011		1,554,011
6	166,884							
	102,279							
						(826,251)		(826,251)
						(142,088)		(142,088)
							(30,427,413)	(30,427,413)
8)	(3,220,714)			(63,293,563)	(63,293,563)		79,812,445	79,812,445
3	49,875,255	67,324,393	391,857	102,337,417	170,053,667	481,158	(287,342)	193,816
		9,993,317		(9,993,317)				
			(391,857)	391,857				
				(76,876,312)	(76,876,312)			
9				(512,509)	(512,509)			
9	6,076,289							

3	(768,763)							
			89,217,836	89,217,836				
	115,418				(2,247,825)			(2,247,825)
2	187,811							
					622,541			622,541
						118,422		118,422
6	\$ 55,486,010	\$ 77,317,710	\$	\$ 104,564,972	\$ 181,882,682	\$ (1,766,667)	\$ 453,621	\$ (1,313,046)

Note: TSMC's profit sharing to employees and bonus to directors in the amount of NT\$6,771,338 thousand and NT\$15,148,057 thousand, respectively, had been charged against earnings of 2009 and 2008.

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

(With Deloitte & Touche audit report dated January 22, 2010)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 89,217,836	\$ 99,933,168
Net income attributable to minority interests	248,387	590,069
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,814,748	81,512,191
Amortization of premium/discount of financial assets	21,483	(93,393)
Impairment of financial assets	913,230	1,560,055
Loss (gain) on disposal of available-for-sale financial assets, net	20,337	(637,219)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	
Gain on disposal of financial assets carried at cost, net	(20,245)	(83,831)
Equity in earnings of equity method investees, net	(45,994)	(701,533)
Dividends received from equity method investees	1,239,490	1,661,134
Gain on disposal of property, plant and equipment and other assets, net	(45,475)	(100,285)
Loss on idle assets		210,477
Deferred income tax	(1,752,409)	2,279,414
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(215,513)	1,412,531
Receivables from related parties	(12,117)	10,478
Notes and accounts receivable	(19,614,321)	22,180,805
Allowance for doubtful receivables	87,574	(246,056)
Allowance for sales returns and others	2,653,455	1,981,991
Other receivables from related parties	(21,374)	143,702
Other financial assets	7,834	(425,937)
Inventories	(6,037,106)	8,985,615
Prepaid expenses and other current assets	585,430	(443,462)
Increase (decrease) in:		
Accounts payable	4,916,885	(6,021,731)
Payables to related parties	293,150	(1,013,519)
Income tax payable	(531,576)	(1,794,303)
Salary and bonus payable	7,101,255	(17,670)
Accrued profit sharing to employees and bonus to directors and supervisors	(1,056,399)	15,369,730
Accrued expenses and other current liabilities	1,356,269	(3,936,757)
Accrued pension cost	95,448	36,062
Deferred credits	(237,726)	(858,161)
Net cash provided by operating activities	159,966,465	221,493,565

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	\$ (87,784,906)	\$ (59,222,654)
Available-for-sale financial assets	(38,800,577)	(85,273,867)
Held-to-maturity financial assets	(12,224,353)	(16,523,275)
Investments accounted for using equity method	(42,947)	(55,871)
Financial assets carried at cost	(321,195)	(463,211)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	36,039,978	138,515,023
Held-to-maturity financial assets	7,944,800	15,634,620
Financial assets carried at cost	131,075	199,424
Property, plant and equipment and other assets	24,241	194,940
Proceeds from return of capital by investees		2,345,867
Increase in deferred charges	(1,469,831)	(3,395,287)
Decrease in refundable deposits	34,056	10,570
Decrease (increase) in other assets	1,176	(8,163)
Net cash used in investing activities	(96,468,483)	(8,041,884)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term bank loans	286,574	98,400
Repayments of:		
Long-term bank loans	(378,673)	(468,313)
Bonds payable	(8,000,000)	
Decrease in guarantee deposits	(478,472)	(758,514)
Proceeds from exercise of employee stock options	260,533	227,150
Cash dividends	(76,876,312)	(76,779,032)
Profit sharing to employees in cash		(3,939,883)
Bonus to directors		(176,890)
Repurchase of treasury stock		(33,480,997)
Decrease in minority interests	(284,774)	(114,742)
Net cash used in financing activities	(85,471,124)	(115,392,821)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,973,142)	98,058,860
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,364,269)	1,568,404

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	194,613,752	94,986,488
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 171,276,341	\$ 194,613,752

(Continued)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	<b>2009</b>	<b>2008</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 580,376	\$ 676,318
Income tax paid	\$ 8,088,124	\$ 10,477,018
 <b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 109,151,226	\$ 60,978,527
Increase in payables to contractors and equipment suppliers	(21,361,340)	(1,742,041)
Nonmonetary exchange trade-out price	(809)	
Increase in obligations under capital leases	(4,171)	(13,832)
Cash paid	\$ 87,784,906	\$ 59,222,654
Disposal of property, plant and equipment and other assets	\$ 25,050	\$ 194,940
Nonmonetary exchange trade-out price	(809)	
Cash received	\$ 24,241	\$ 194,940
Repurchase of treasury stock	\$	\$ 30,427,413
Decrease in accrued expenses and other current liabilities		3,053,584
Cash paid	\$	\$ 33,480,997
 <b>NONCASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$	\$ 8,000,000
Current portion of long-term bank loans	\$ 949,298	\$ 222,398
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 4,005,307	\$ 1,126,546

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

(With Deloitte & Touche audit report dated January 22, 2010)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. GENERAL**

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

As of December 31, 2009 and 2008, TSMC and its subsidiaries had 26,390 and 24,834 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 December 31		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)	35%	36%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	42%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	
	TSMC Technology, Inc. (TSMC Technology)	100%		Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
		100%		

	TSMC Development, Inc. (TSMC Development)			Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%		Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%		Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
TSMC Development	WaferTech, LLC (WaferTech)	99.9%	99.9%	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	59%	51%	
	Growth Fund Limited (Growth Fund)	100%	100%	
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31		Remark
		2009	2008	
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 December 31, 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, agency bonds, corporate issued notes and corporate 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 year; derivatives using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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

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

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

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.

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

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

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

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

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The amount of the allowance for doubtful receivables is determined based on the account aging analysis and current trends in the credit quality of the customers. TSMC's provision is set at 1% of the amount of outstanding receivables.

### **Revenue Recognition and Allowance for Sales Returns and Others**

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and others are recorded in the year 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.

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

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

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

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

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

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

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

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

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

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

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

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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 year 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 year'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.

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

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

### **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 and 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 and 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 and 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 year-end; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

**3. ACCOUNTING CHANGES**

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10, Accounting for Inventories. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the year 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 year. Such a change in accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 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 profit sharing to employees and bonus to 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\$12,827,595 thousand and NT\$0.49, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted 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 year ended December 31, 2008.

**4. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Cash and deposits in banks	\$ 167,448,973	\$ 185,943,439
Repurchase agreements collateralized by government bonds	3,359,754	8,670,313
Agency bonds	253,013	
Corporate issued notes	160,150	
Corporate bonds	54,451	
	<b>\$ 171,276,341</b>	<b>\$ 194,613,752</b>

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

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Trading financial assets		
Forward exchange contracts	\$ 4,338	\$ 28,423
Cross currency swap contracts	181,743	14,049
Publicly traded stocks		13,258
	<b>\$ 186,081</b>	<b>\$ 55,730</b>

Trading financial liabilities

Forward exchange contracts	\$	25	\$ 35,812
Cross currency swap contracts			49,375
	\$	25	\$ 85,187



The Company entered into derivative contracts during the years ended December 31, 2009 and 2008 to manage exposures due to the fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
December 31, 2009		
Sell US\$/buy NT\$	February 2010	US\$21,300/NT\$686,788
December 31, 2008		
Sell US\$/buy NT\$	January 2009 to February 2009	US\$138,900/NT\$4,558,672
Sell EUR/buy NT\$	January 2009	EUR1,500/NT\$63,150
Sell RMB/buy US\$	January 2009 to April 2009	RMB55,010/US\$8,000
Sell US\$/buy JPY	January 2009 to February 2009	US\$131/JPY11,800

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
December 31, 2009			
January 2010 to February 2010	US\$750,000/NT\$24,201,706	0.24%-0.70%	0.00%-0.38%
December 31, 2008			
January 2009	US\$307,000/NT\$10,061,232	0.54%-5.00%	0.00%-3.83%

For the years ended December 31, 2009 and 2008, changes in fair value related to derivative financial instruments recognized in earnings was a net gain of NT\$594,660 thousand and a net loss of NT\$1,081,019 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$7,042,219	\$3,279,073
Agency bonds	5,032,037	5,696,511
Government bonds	2,341,780	340,893
Publicly traded stocks	574,865	279,937
Corporate issued notes	303,367	
Money market funds	283,713	1,000,086

(Continued)

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Open-end mutual funds	\$ 170,014	\$
Corporate issued asset-backed securities		2,334,873
	15,747,995	12,931,373
Current portion	(14,389,946)	(10,898,715)
	\$ 1,358,049	\$ 2,032,658

(Concluded)

For the years ended December 31, 2009 and 2008, the Company recognized impairment on available-for-sale financial assets of NT\$201,346 thousand and NT\$934,584 thousand, respectively.

#### 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 15,120,048	\$ 18,158,679
Structured time deposits	7,000,000	1,643,000
Government bonds	3,378,037	1,506,572
	25,498,085	21,308,251
Current portion	(9,944,843)	(5,881,999)
	\$ 15,553,242	\$ 15,426,252

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
December 31, 2009				
Callable domestic deposits	\$ 7,000,000	\$ 4,308	0.36%-0.95%	July 2010 to August 2011
December 31, 2008				
Callable foreign deposits	\$ 1,643,000	\$ 660	4.82%	December 2011

As of December 31, 2008, the principal of the structured time deposits that resided in banks located in Hong Kong amounted to US\$50,000 thousand, which was called back in March 2009.

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 455,751	\$ 701,807
Provision	331,485	14,880
Write-off	(243,911)	(260,936)
Balance, end of year	\$ 543,325	\$ 455,751

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

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$ 6,071,026	\$ 4,089,035
Provision	13,913,375	8,825,695
Write-off	(11,259,920)	(6,843,704)
Balance, end of year	\$ 8,724,481	\$ 6,071,026

**9. INVENTORIES**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Finished goods	\$ 2,743,450	\$ 5,782,704
Work in process	15,302,010	7,606,608
Raw materials	1,541,599	334,363
Supplies and spare parts	1,326,692	1,152,970
	\$ 20,913,751	\$ 14,876,645

Reversal of inventories within the original write-down amount to net realizable value in the amount of NT\$428,162 thousand, and write-down of inventories to net realizable value in the amount of NT\$1,660,854 thousand were included in the cost of sales for the years ended December 31, 2009 and 2008, respectively.

**10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	December 31			
	2009	% of Owner- ship	2008	% of Owner- ship
	Carrying Amount		Carrying Amount	
Common stock				
Vanguard International Semiconductor Corporation (VIS)	\$ 9,365,232	37	\$ 9,787,275	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,157,141	39	6,808,192	39
VisEra Holding Company (VisEra Holding)	2,273,065	49	2,277,126	49
Mcube Inc. (Mcube)	25,624	70		
Aiconn Technology Corporation (Aiconn)	18,116	42	34,565	44
Preferred stock				
Mcube	32,030	10		
	\$ 17,871,208		\$ 18,907,158	

The Company will subscribe through a private placement for new shares of Motech Industries Inc. ( Motech ) under a Share Subscription Agreement entered into on December 9, 2009. The total consideration is approximately NT\$6.2 billion (US\$193 million). After the subscription of shares, the Company will own 20% of the Motech shares. The transaction is still subject to Motech's shareholders' approval and regulatory approval.

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

For the years ended December 31, 2009 and 2008, equity in earnings/losses of equity method investees was net gain of NT\$45,994 thousand and NT\$701,533 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the audited financial statements, except for Mcube for the year ended December 31, 2009. The Company believes that, had Mcube's financial statements been audited, any adjustments arising would have had no material effect on the Company's consolidated financial statements.

As of December 31, 2009 and 2008, fair values of publicly traded stocks in investments accounted for using equity method (VIS) were NT\$10,114,398 thousand and NT\$4,680,264 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:

	Years Ended December 31	
	2009	2008
Balance, beginning of year	\$ 1,990,621	\$ 2,589,742
Amortization	(599,121)	(599,121)
Balance, end of year	\$ 1,391,500	\$ 1,990,621

As of December 31, 2009 and 2008, the ending balances of the aforementioned difference allocated to goodwill were both NT\$1,061,885 thousand.

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**11. FINANCIAL ASSETS CARRIED AT COST**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Non-publicly traded stocks	\$ 2,899,600	\$ 3,453,454
Mutual funds	163,404	161,993
	<b>\$ 3,063,004</b>	<b>\$ 3,615,447</b>

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

For the years ended December 31, 2009 and 2008, the Company recognized impairment on financial assets carried at cost of NT\$711,884 thousand and NT\$625,471 thousand, respectively.

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Year Ended December 31, 2009</b>					<b>Balance, End of Year</b>
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Cost						
Land and land improvements	\$ 953,857	\$	\$	\$ 1,817	\$ (21,584)	\$ 934,090
Buildings	132,249,996	10,530,802	(12,978)	(19,910)	(453,352)	142,294,558
Machinery and equipment	697,498,743	81,548,279	(1,872,721)	9,964	(1,530,776)	775,653,489
Office equipment	12,430,800	1,491,370	(226,779)	22,821	(50,465)	13,667,747
Leased asset	722,339	4,171		7,143	(19,229)	714,424
	<b>843,855,735</b>	<b>\$ 93,574,622</b>	<b>\$ (2,112,478)</b>	<b>\$ 21,835</b>	<b>\$ (2,075,406)</b>	<b>933,264,308</b>
Accumulated depreciation						
Land and land improvements	295,898	\$ 30,072	\$	\$	\$ (8,390)	317,580
Buildings	72,681,699	9,379,371	(12,971)	(5,779)	(220,602)	81,821,718
Machinery and equipment	535,962,291	68,064,750	(1,791,122)	(6,271)	(1,434,174)	600,795,474
Office equipment	9,693,809	1,168,317	(224,769)	(158)	(47,850)	10,589,349
Leased asset	182,570	36,126		7,143	(6,074)	219,765
	<b>618,816,267</b>	<b>\$ 78,678,636</b>	<b>\$ (2,028,862)</b>	<b>\$ (5,065)</b>	<b>\$ (1,717,090)</b>	<b>693,743,886</b>
Advance payments and construction in progress	18,605,882	\$ 15,576,604	\$	\$ (26,426)	\$ (1,695)	34,154,365

\$ 243,645,350 \$ 273,674,787

	Year Ended December 31, 2008					
	Balance, Beginning of Year	Addition (Deductions)	Disposals	Reclassification	Effect of Exchange Rate Changes	
Cost						
Land and land improvements	\$ 942,197	\$	\$	\$ 821	\$ 10,839	\$ 953,857
Buildings	118,640,027	12,750,078	(8,524)	(706)	869,121	132,249,996
Machinery and equipment	646,419,427	50,423,075	(1,320,975)	131,067	1,846,149	697,498,743
Office equipment	11,829,640	997,253	(294,526)	(167,598)	66,031	12,430,800
Leased asset	652,296	13,832			56,211	722,339
	778,483,587	\$ 64,184,238	\$ (1,624,025)	\$ (36,416)	\$ 2,848,351	843,855,735
Accumulated depreciation						
Land and land improvements	262,703	\$ 28,613	\$	\$	\$ 4,582	295,898
Buildings	63,239,922	9,117,602	(8,524)	393	332,306	72,681,699
Machinery and equipment	467,665,072	68,349,425	(1,179,517)	(35,055)	1,162,366	535,962,291
Office equipment	8,796,752	1,223,475	(293,433)	(84,663)	51,678	9,693,809
Leased asset	135,118	33,901			13,551	182,570
	540,099,567	\$ 78,753,016	\$ (1,481,474)	\$ (119,325)	\$ 1,564,483	618,816,267
Advance payments and construction in progress	21,868,167	\$ (3,205,711)	\$	\$ (98,013)	\$ 41,439	18,605,882
	\$ 260,252,187					\$ 243,645,350

The Company entered into agreements to lease buildings that qualify as capital leases. The terms of the leases ranged from December 2003 to December 2013. The future minimum lease payments as of December 31, 2009 is NT\$787,093 thousand.



**13. DEFERRED CHARGES, NET**

	<b>Year Ended December 31, 2009</b>						<b>Balance, End of Year</b>
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposal</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Technology license fee	\$ 4,125,212	\$ 2,000	\$ (902,061)	\$	\$ 378	\$ 5,095	\$ 3,230,624
Software and system design costs	1,801,831	965,676	(928,583)	(4,310)	(86)	(86)	1,834,528
Patent and others	1,198,785	502,601	(299,731)	(5,502)	(2,751)	(2,751)	1,393,402
	\$ 7,125,828	\$ 1,470,277	\$ (2,130,375)	\$	\$ (9,434)	\$ 2,258	\$ 6,458,554

	<b>Year Ended December 31, 2008</b>						<b>Balance, End of Year</b>
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposal</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Technology license fee	\$ 5,819,148	\$ 9,256	\$ (1,691,242)	\$	\$	\$ (11,950)	\$ 4,125,212
Software and system design costs	1,449,603	1,171,163	(806,096)	(14,279)	59	1,381	1,801,831
Patent and others	654,850	754,402	(218,957)	(8,490)	8,490	(8,490)	1,198,785
	\$ 7,923,601	\$ 1,934,821	\$ (2,716,295)	\$ (14,279)	\$ 59	\$ (2,079)	\$ 7,125,828

**14. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Domestic unsecured bonds:		
Issued in January 2002 and repayable in 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****December 31**

	2009	2008
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.67%-2.70% in 2009 and 2.56%-3.67% in 2008	\$ 788,263	\$ 728,400
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68%-0.97% in 2009 and 3.62% in 2008	640,895	658,719
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.10%-2.42% in 2009 and 2.42%-3.23% in 2008	98,700	168,750
Repayable from May 2007 in 16 quarterly installments, fully repaid in June 2009, annual interest at 2.42%-3.00%		37,828
Repayable from March 2007 in 12 quarterly installments, fully repaid in June 2009, annual interest at 2.53%-3.21%		32,472
		(Continued)

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	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.42%-3.00%	\$	\$ 8,995
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.56%-3.15%		7,710
	1,527,858	1,642,874
Current portion	(949,298)	(222,398)
	\$ 578,560	\$ 1,420,476

(Concluded)

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC China have to meet certain financial covenants. As of December 31, 2009, TSMC China was not in compliance with part of the aforementioned financial covenants. However, this did not have a significant effect on the Company's financial position. According to the terms of Xintec's loan agreements, semi-annual and annual financial statements of Xintec must comply with predetermined financial covenants. As of December 31, 2009, Xintec was in compliance with all such financial covenants.

As of December 31, 2009, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2010	\$ 949,298
2011	275,503
2012	242,603
2013	60,454
	\$ 1,527,858

## 16. OTHER LONG-TERM PAYABLES

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Payables for acquisition of property, plant and equipment (Note 28g)	\$ 8,355,395	\$ 8,579,726
Payables for royalties	1,252,332	2,095,046
	9,607,727	10,674,772
Current portion (classified under accrued expenses and other current liabilities)	(4,005,307)	(1,126,546)
	\$ 5,602,420	\$ 9,548,226

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

As of December 31, 2009, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2010	\$ 4,005,307
2011	3,075,094
2012	2,527,326
	\$ 9,607,727

## 17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC China, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$748,071 thousand and NT\$779,612 thousand for the years ended December 31, 2009 and 2008, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the name of the committees in the Bank of Taiwan.

Pension information on the defined benefit plans is summarized as follows:

a. Components of net periodic pension cost for the year

	<b>2009</b>	<b>2008</b>
Service cost	\$ 166,480	\$ 151,656
Interest cost	150,647	171,345
Projected return on plan assets	(57,382)	(68,373)
Amortization	29,924	4,461
Net periodic pension cost	\$ 289,669	\$ 259,089

## b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
Benefit obligation		
Vested benefit obligation	\$ 123,524	\$ 114,930
Nonvested benefit obligation	3,790,560	4,182,434
Accumulated benefit obligation	3,914,084	4,297,364
Additional benefits based on future salaries	2,643,695	3,263,413
Projected benefit obligation	6,557,779	7,560,777
Fair value of plan assets	(2,661,566)	(2,487,577)
Funded status	3,896,213	5,073,200
Unrecognized net transition obligation	(92,777)	(101,326)
Prior service cost	161,977	169,216
Unrecognized net loss	(168,381)	(1,439,506)
Accrued pension cost	\$ 3,797,032	\$ 3,701,584
Vested benefit	\$ 135,501	\$ 126,259

## c. Actuarial assumptions at December 31, 2009 and 2008

Discount rate used in determining present values	2.25%	2.00%-2.50%
Future salary increase rate	3.00%	2.00%-3.00%
Expected rate of return on plan assets	1.50%-2.00%	2.25%-2.50%

d. Contributions to the Funds for the year	\$ 194,221	\$ 206,873
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e. Payments from the Funds for the year	\$ 37,801	\$ 28,990
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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:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax expense based on income before income tax at statutory rates	\$ 24,182,953	\$ 27,970,388
The effect of the following:		
Tax-exempt income	(8,652,030)	(9,670,500)
Temporary and permanent differences	3,136,013	2,122,899
Others	247,050	44,073

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Additional tax at 10% on unappropriated earnings	30,707	13,926
Net operating loss carryforwards used	(66,135)	(205,234)
Income tax credits used	(9,984,616)	(11,109,313)
Income tax currently payable	\$ 8,893,942	\$ 9,166,239

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b. Income tax expense consisted of the following:

	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax currently payable	\$ 8,893,942	\$ 9,166,239
Income tax adjustments on prior years	(1,159,353)	(707,255)
Other income tax adjustments	23,023	204,587
Net change in deferred income tax assets		
Investment tax credits	(1,291,102)	1,060,599
Net operating loss carryforwards	59,940	411,368
Temporary differences	(1,042,295)	(2,129,121)
Valuation allowance	512,269	2,942,592
Income tax expense	\$ 5,996,424	\$ 10,949,009

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

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Current deferred income tax assets		
Investment tax credits	\$ 3,304,092	\$ 2,885,762
Temporary differences		
Allowance for sales returns and others	814,557	710,098
Others	665,586	846,376
Valuation allowance	(413,926)	(472,906)
	\$ 4,370,309	\$ 3,969,330
Noncurrent deferred income tax assets		
Investment tax credits	\$ 12,184,624	\$ 11,311,852
Net operating loss carryforwards	3,440,825	3,588,968
Temporary differences		
Depreciation	(1,573,025)	(2,134,460)
Others	1,106,746	506,181
Valuation allowance	(7,170,867)	(6,635,668)
	\$ 7,988,303	\$ 6,636,873

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 in accordance with the amended Article and adjusted the resulting difference as an income tax expense.

As of December 31, 2009, the net operating loss carryforwards generated by WaferTech, TSMC Development, Xintec and Mutual-Pak would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of December 31, 2009 and 2008 was NT\$369,265 thousand and NT\$521,634 thousand, respectively.

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



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

- e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of December 31, 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	\$ 587,048	\$	2009
		1,331,228	110,488	2010
		4,711,020	66,368	2011
		3,464,868	3,464,868	2012
		3,315,509	3,315,509	2013
		\$ 13,409,673	\$ 6,957,233	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,711,736	\$ 9,353	2010
		2,809,829	2,090,320	2011
		2,968,208	2,968,208	2012
		3,409,744	3,409,744	2013
				\$ 11,899,517
Statute for Upgrading Industries	Personnel training expenditures	\$ 37	\$	2009
		23,905	759	2010
		20,081	20,081	2011
		32,534	32,534	2012
		484	484	2013
		\$ 77,041	\$ 53,858	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 7,297	\$	2009
		79,804		2010

\$ 87,101 \$

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

	<b>Tax-Exemption Period</b>
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
2005 and 2006 plant expansion of GUC	To be determined
2003 plant expansion of Xintec	2007 to 2011

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## 20. SHAREHOLDERS EQUITY

As of December 31, 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 investment may not be used for any purpose.

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Capital surplus consisted of the following:

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Additional paid-in capital	\$ 23,457,805	\$ 17,962,468
From merger	22,805,390	22,805,390
From convertible bonds	8,893,190	8,893,190
From long-term investments	329,570	214,152
Donations	55	55
	<b>\$ 55,486,010</b>	<b>\$ 49,875,255</b>

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

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

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

TSMC has recorded profit sharing to employees as a charge to earnings of approximately 7.5% and 15% of net income for the years ended December 2009 and 2008, respectively; bonuses to directors were accrued with an estimate based on historical experience. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by the closing price (after considering the effect of dividends) of the shares on the day preceding the shareholders' meeting.

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

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

paid-in capital, up to 50% of the reserve may be transferred to capital.

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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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal</b>	<b>For Fiscal</b>	<b>For</b>	<b>For</b>
	<b>Year 2008</b>	<b>Year 2007</b>	<b>Fiscal</b>	<b>Fiscal</b>
			<b>Year</b>	<b>Year</b>
			<b>2008</b>	<b>2007</b>
Legal capital reserve	\$ 9,993,317	\$ 10,917,709		
Special capital reserve	(391,857)	(237,693)		
Profit sharing to employees in cash		3,939,883		
Profit sharing 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		

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

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 profit sharing to employees to be paid in stock in the amount of NT\$768,763 thousand, NT\$512,509 thousand and NT\$7,494,988 thousand, respectively. The aforementioned capital increase had taken effect on July 21, 2009.

As of January 22, 2010, the Board of Directors of TSMC has not resolved the appropriation for earnings of 2009.

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

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





**21. STOCK-BASED COMPENSATION PLANS**

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of December 31, 2009.

Information about TSMC's outstanding options for the years ended December 31, 2009 and 2008 was as follows:

	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Year ended December 31, 2009		
Balance, beginning of year	36,234	\$ 34.0
Options granted	175	34.0
Options exercised	(7,272)	35.8
Options canceled	(327)	46.5
Balance, end of year	28,810	33.5
Year ended December 31, 2008		
Balance, beginning of year	41,875	35.6
Options granted	767	35.2
Options exercised	(6,027)	37.7
Options canceled	(381)	46.5
Balance, end of year	36,234	35.3

The numbers of outstanding options and exercise prices have 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 December 31, 2009, information about TSMC's outstanding options was as follows:

Range of Exercise Price (NT\$)	Number of Options (In Thousands)	Options Outstanding	
		Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)
\$22.8- \$32.0	21,179	3.18	\$ 29.1
38.0- 50.1	7,631	4.88	45.5
	28,810	3.63	33.5

As of December 31, 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 are valid for six years. Options of all three Plans are exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about GUC's outstanding options for the years ended December 31, 2009 and 2008 was as follows:

	Number of Options	Weighted- average Exercise Prices (NT\$)
Year ended December 31, 2009		
Balance, beginning of year	5,557	\$ 63.9
Options granted	87	13.8
Options exercised	(1,475)	11.0
Options canceled	(359)	63.4
Balance, end of year	3,810	83.5

Year ended December 31, 2008

Balance, beginning of year	7,598	60.3
Options granted	284	14.8
Options exercised	(2,115)	14.0
Options canceled	(210)	168.4
Balance, end of year	5,557	66.6

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

As of December 31, 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	374	1.00	\$ 8.4	374	\$ 8.4
15.5	1,796	1.67	15.5	154	15.5
175.0	1,640	4.00	175.0		
	3,810	2.61	83.5	528	10.5

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

Information about Xintec's outstanding options for the years ended December 31, 2009 and 2008 was as follows:

	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Year ended December 31, 2009		
Balance, beginning of year	7,442	\$ 14.8
Options exercised	(2,552)	13.5
Options canceled	(930)	17.1
Balance, end of year	3,960	14.7
Year ended December 31, 2008		

Balance, beginning of year	9,642	15.1
Options exercised	(728)	12.4
Options canceled	(1,472)	15.5
Balance, end of year	7,442	14.8

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

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

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (In Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
\$12.2- \$14.1	2,092	6.79	\$12.5	904	\$12.5
15.2- 19.2	1,868	7.68	17.2	550	17.2
	3,960	7.21	14.7	1,454	14.4

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 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 years ended December 31, 2009 and 2008 would have been as follows:

		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		\$ 89,217,836	\$ 99,933,168
Pro forma		88,838,182	100,037,622
Earnings per share (EPS) after income tax (NT\$):			
Basic EPS as reported		\$ 3.45	\$ 3.84

Pro forma basic EPS		3.44	3.84
Diluted EPS as reported		3.44	3.81
Pro forma diluted EPS		3.43	3.81

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**22. TREASURY STOCK**

	(Shares in Thousands)				
	Beginning Shares	Addition	Stock Dividends	Retirement	Ending Shares
Year ended December 31, 2008					
Parent company stock held by subsidiaries	34,096		171	34,267	
Repurchase under share buyback plan	800,000	495,549		1,295,549	
	834,096	495,549	171	1,329,816	

TSMC held a meeting of the Board of Directors on November 13, 2007 and approved a share buyback plan to repurchase the 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 the 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 the 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 on 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
Year ended December 31, 2009					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 95,189,766	\$ 89,217,836	25,835,802	\$ 3.68	\$ 3.45



Effect of dilutive potential common shares

77,801

Diluted EPS

Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)

\$ 95,189,766

\$ 89,217,836

25,913,603

\$ 3.67

\$ 3.44

(Continued)

	Amounts (Numerator)		Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
	Before	After			
Year ended December 31, 2008					
Basic EPS					
Earnings available to common shareholders of the parent	\$ 110,847,835	\$ 99,933,168	26,039,186	\$ 4.26	\$ 3.84
Effect of dilutive potential common shares			196,493		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	\$ 110,847,835	\$ 99,933,168	26,235,679	\$ 4.23	\$ 3.81

(Concluded)

As discussed in Note 3, effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record profit sharing to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after 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 profit sharing to employees are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends. This adjustment caused each the basic and diluted after income tax EPS for the year ended December 31, 2008 to decrease from NT\$3.86 to NT\$3.84 and NT\$3.83 to NT\$3.81, respectively.

#### 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss				
Available-for-sale financial assets	\$ 186,081	\$ 186,081	\$ 55,730	\$ 55,730
Held-to-maturity financial assets	15,747,995	15,747,995	12,931,373	12,931,373
	25,498,085	25,671,664	21,308,251	21,457,008

## Liabilities

Financial liabilities at fair value through profit or loss	25	25	85,187	85,187
Bonds payable (including current portion)	4,500,000	4,574,979	12,500,000	12,612,423
Long-term bank loans (including current portion)	1,527,858	1,527,858	1,642,874	1,642,874
Other long-term payables (including current portion)	9,607,727	9,607,727	10,674,772	10,674,772
Obligations under capital leases	707,499	707,499	722,339	722,339
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- 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) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Fair value of the bonds payable was based on their quoted market price.
  - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2009 and 2008 estimated using valuation techniques were recognized as net gains of NT\$186,056 thousand and net losses of NT\$42,715 thousand, respectively.
- d. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$40,857,296 thousand and NT\$34,002,159 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$4,500,025 thousand and NT\$12,585,187 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$1,527,858 thousand and NT\$1,642,874 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2009 and 2008 were as follows:

	<b>Year Ended December 31, 2009</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>From Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ (198,413)	\$ (88,929)	\$ (287,342)
Recognized directly in shareholders equity	391,801	118,422	510,223
Removed from shareholders equity and recognized in earnings	230,740		230,740
Balance, end of year	\$ 424,128	\$ 29,493	\$ 453,621

	<b>Year Ended December 31, 2008</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>From Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	(1,130,599)	(142,088)	(1,272,687)
Removed from shareholders' equity and recognized in earnings	304,348		304,348
Balance, end of year	\$ (198,413)	\$ (88,929)	\$ (287,342)

f. Information about financial risk

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

**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.

## c. Others

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

	2009		2008	
	Amount	%	Amount	%
For the year				
Sales				
VIS	\$ 139,496		\$ 80,067	
VisEra	15,569		30,821	
SSMC	171		1,869	
Others	69			
	\$ 155,305		\$ 112,757	
Purchases				
SSMC	\$ 3,537,659	2	\$ 4,441,795	2
VIS	3,330,288	2	3,260,160	2
VisEra			594	
	\$ 6,867,947	4	\$ 7,702,549	4
Non-operating income and gains				
VIS (primarily technical service income; see Note 28e)	\$ 224,740	4	\$ 296,250	3
SSMC (primarily technical service income; see Note 28d)	141,488	2	244,865	2
VisEra	129		101,605	1
	\$ 366,357	6	\$ 642,720	6

As of December 31	2009		2008	
	Amount	%	Amount	%
Payables				
VIS	\$ 531,459	68	\$ 317,890	65
SSMC	238,741	31	162,807	33
VisEra	12,807	1	9,160	2
	\$ 783,007	100	\$ 489,857	100

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

TSMC deferred the net 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.

Compensation of directors and management personnel:

	Years Ended December 31	
	2009	2008
Salaries, incentives and special compensation	\$ 673,278	\$ 352,227
Bonus	411,358	705,376
	\$ 1,084,636	\$ 1,057,603

The information about the compensation of directors and management personnel is available in the annual report for the shareholders meeting. Total compensation expense for the year ended December 31, 2009 includes estimated profit sharing to employees and bonus to directors of the Company that relate to 2009 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders meeting in 2010. The total compensation for the year ended December 31, 2008 included the bonuses appropriated from earnings of 2008 which was approved by the shareholders meeting held in 2009.

**26. PLEDGED OR MORTGAGED ASSETS**

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

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Other financial assets	\$ 949,368	\$ 33,377
Property, plant and equipment, net	2,808,057	4,032,571
Others assets	20,000	
	<b>\$ 3,777,425</b>	<b>\$ 4,065,948</b>

**27. SIGNIFICANT LONG-TERM LEASES**

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

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

As of December 31, 2009, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2010	\$ 557,588
2011	504,263
2012	487,131
2013	462,439
2014	444,201
2015 and thereafter	3,293,532
	<b>\$ 5,749,154</b>

**28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of December 31, 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 December 31, 2009 TSMC had a total of US\$29,582 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 December 31, 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. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. TSMC, TSMC North America and WaferTech have subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC, TSMC North America and WaferTech in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC, TSMC North America and WaferTech. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US\$200 million, which are in addition to the US\$135 million previously paid to TSMC under the 2005 settlement agreement, and to provide TSMC with other valuable consideration.

- 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\$8,355,395 thousand and NT\$8,579,726 thousand as of December 31, 2009 and 2008, respectively, which is included in other long-term payables.
- h. Amounts available under unused letters of credit as of December 31, 2009 were NT\$16,155 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: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;



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

### 30. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.

- b. Geographic information:

	<b>North America and Others</b>	<b>Taiwan</b>	<b>Adjustments and Elimination</b>	<b>Consolidated</b>
2009				
Sales to other than consolidated entities	\$ 162,783,488	\$ 132,958,751	\$	\$ 295,742,239
Sales among consolidated entities	11,891,274	163,407,355	(175,298,629)	
Total sales	\$ 174,674,762	\$ 296,366,106	\$ (175,298,629)	\$ 295,742,239
Gross profit	\$ 2,004,734	\$ 128,456,453	\$ (1,132,576)	\$ 129,328,611
Operating expenses				(37,366,725)
Non-operating income and gains				5,653,548
Non-operating expenses and losses				(2,152,787)
Income before income tax				\$ 95,462,647
Identifiable assets	\$ 113,023,501	\$ 468,112,330	\$ (24,285,114)	\$ 556,850,717
Long-term investments				37,845,503

Total assets	\$ 594,696,220
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(Continued)

	<b>North America  and Others</b>	<b>Taiwan</b>	<b>Adjustments and Elimination</b>	<b>Consolidated</b>
2008				
Sales to other than consolidated entities	\$ 193,727,539	\$ 139,430,121	\$	\$ 333,157,660
Sales among consolidated entities	16,280,818	194,731,514	(211,012,332)	
Total sales	\$ 210,008,357	\$ 334,161,635	\$ (211,012,332)	\$ 333,157,660
Gross profit	\$ 2,114,127	\$ 140,540,236	\$ (904,802)	\$ 141,749,561
Operating expenses				(37,314,193)
Non-operating income and gains				10,821,449
Non-operating expenses and losses				(3,784,571)
Income before income tax				\$ 111,472,246
Identifiable assets	\$ 122,781,555	\$ 425,545,212	\$ (29,391,693)	\$ 518,935,074
Long-term investments				39,981,515
Total assets				\$ 558,916,589
				(Concluded)

## c. Export sales

<b>Area</b>	<b>Years Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Asia	\$ 65,491,264	\$ 55,383,901
Europe and others	44,602,706	41,890,123
	\$ 110,093,970	\$ 97,274,024

The export sales information is based on the amounts billed to customers within the areas.

## d. Major customers representing at least 10% of gross sales

**Years Ended December 31**



	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$33,025,488	11	\$46,523,059	14
Customer B	31,994,983	10	30,271,064	9

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**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2009**

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

			December 31, 2009				
Held			Financial				Market
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Carrying Value	Percentage of Ownership	Value or Net Asset Value
Name	Type and Name	the Company	Account	(In Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)
TSMC	Corporate bond						
	Taiwan Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,046,672	N/A	\$ 1,046,672
	Formosa Petrochemical Corporation		Held-to-maturity financial assets		3,178,551	N/A	3,200,302
	Taiwan Power Company				3,004,941	N/A	3,011,743
	Nan Ya Plastics Corporation				2,000,145	N/A	2,029,935
	Formosa Plastics Corporation				1,671,815	N/A	1,685,345
	China Steel Corporation				1,512,130	N/A	1,528,117
	CPC Corporation, Taiwan				500,031	N/A	499,913
	Taipei Fubon Commercial Bank Co., Ltd.				298,884	N/A	298,751
	First Commercial Bank Co., Ltd.				99,814	N/A	99,815
	Government bond						
	European Investment Bank Bonds		Held-to-maturity financial assets		2,003,877	N/A	2,025,500
	2003 Asian Development Bank Govt. Bond				893,710	N/A	875,103
	Stock						
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	45,397,256	100	45,397,256
	TSMC Partners	Subsidiary		988,268	32,545,619	100	32,545,619
	VIS			628,223	9,365,232	37	10,114,398

	Investee accounted for using equity method						
SSMC	Investee accounted for using equity method	314	6,157,141	39	5,581,994		
TSMC North America Xintec	Subsidiary	11,000	2,723,727	100	2,723,727		
	Investee with a controlling financial interest	93,081	1,475,014	41	1,437,395		
GUC	Investee with a controlling financial interest	46,688	983,126	35	7,913,592		
TSMC Europe	Subsidiary		159,467	100	159,467		
TSMC Japan	Subsidiary	6	135,663	100	135,663		
TSMC Korea	Subsidiary	80	18,519	100	18,519		
United Industrial Gases Co., Ltd.			Financial assets carried at cost	16,783	193,584	10	297,655
Shin-Etsu Handotai Taiwan Co., Ltd.		10,500	105,000	7	332,943		
W.K. Technology Fund IV		4,000	40,000	2	43,975		
Fund							
Horizon Ventures Fund			Financial assets carried at cost	103,992	12	103,992	
Crimson Asia Capital				59,412	1	59,412	
Capital							
TSMC China	Subsidiary		Investments accounted for using equity method	2,961,043	100	2,958,707	
VTAF III	Subsidiary			1,309,615	98	1,292,412	
VTAF II	Subsidiary			1,122,810	98	1,117,773	
Emerging Alliance	Subsidiary			305,866	99	305,866	

(Continued)

Held		Financial		December 31, 2009				Market
Company	Marketable Securities	Relationship	Statement	Shares/Units	Carrying Value	Percentage of Ownership	Asset Value	Value or Net
Name	Type and Name	with TSMC	Account	(In Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)	Note
TSMC Partners	Corporate bond							
	General Elec Cap Corp. Mtn		Held-to-maturity financial assets		US\$ 20,543	N/A	US\$ 21,312	
	General Elec Cap Corp. Mtn				US\$ 20,219	N/A	US\$ 21,182	
	Common stock TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$340,387	100	US\$340,387	
	VisEra Holding Company	Investee accounted for using equity method		43,000	US\$ 70,967	49	US\$ 70,967	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary		21,415	US\$ 13,741	97	US\$ 13,741	
	TSMC Technology InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary		1	US\$ 9,071	100	US\$ 9,071	
	TSMC Canada	Subsidiary		7,680	US\$ 7,336	97	US\$ 7,336	
	Mcube Inc.	Investee accounted for using equity method		2,300	US\$ 3,193	100	US\$ 3,193	
	Preferred stock Mcube Inc.	Investee accounted for using equity method	Investments accounted for using equity method	5,333	US\$ 800	70	US\$ 800	
				1,000	US\$ 1,000	10	US\$ 1,000	

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TSMC Development	Corporate bond							
	GE Capital Corp.		Held-to-maturity financial assets		US\$ 20,334	N/A	US\$ 21,182	
	JP Morgan Chase & Co.				US\$ 15,000	N/A	US\$ 15,000	
	Stock							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 154,432	100	US\$ 154,432	
Emerging Alliance	Common stock							
	RichWave Technology Corp.		Financial assets carried at cost	4,247	US\$ 1,648	10	US\$ 1,648	
	Global Investment Holding Inc.			10,000	US\$ 3,065	6	US\$ 3,065	
	Preferred stock							
	Audience, Inc.		Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250	
	Axiom Microdevices, Inc.			1,000	US\$ 24	1	US\$ 24	
	Mosaic Systems, Inc.			2,481	US\$ 12	6	US\$ 12	
	Next IO, Inc.			800	US\$ 500	1	US\$ 500	
	Optichron, Inc.			1,281	US\$ 1,072	2	US\$ 1,072	
	Pixim, Inc.			4,641	US\$ 1,137	2	US\$ 1,137	
	QST Holdings, LLC				US\$ 131	4	US\$ 131	
	Teknovus, Inc.			6,977	US\$ 1,327	2	US\$ 1,327	
		Capital						
	VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method			7		
VTAF II	Common stock							
	Leadtrend		Available-for-sale financial assets	1,515	US\$ 9,721	4	US\$ 9,721	
	RichWave Technology Corp.		Financial assets carried at cost	1,043	US\$ 730	1	US\$ 730	
	Sentelic			1,200	US\$ 2,040	15	US\$ 2,040	
	Preferred stock							
	5V Technologies, Inc.		Financial assets carried at cost	2,890	US\$ 2,168	4	US\$ 2,168	
Aquantia			3,974	US\$ 3,816	5	US\$ 3,816		
Audience, Inc.			7,956	US\$ 1,838	2	US\$ 1,838		
				759	US\$ 650	13	US\$ 650	

Axiom Microdevices,  
Inc.

(Continued)

				December 31, 2009					
Held		Financial		Carrying		Percentage		Market	
Company	Marketable Securities	Relationship	Statement	Shares/Units	Value	of	Asset	Value	or
Name	Type and Name	with TSMC	Account	(In	(US\$ in	Ownership	(US\$ in	Thousands)	Note
				Thousands)	Thousands)	(%)	Thousands)		
	Beceem Communications		Financial assets carried at cost	834	US\$ 1,701	1	US\$ 1,701		
	Impinj, Inc.			475	US\$ 1,000		US\$ 1,000		
	Next IO, Inc.			3,795	US\$ 953	2	US\$ 953		
	Optichron, Inc.			2,784	US\$ 2,664	4	US\$ 2,664		
	Pixim, Inc.			33,347	US\$ 1,878	2	US\$ 1,878		
	Power Analog Microelectronics			7,027	US\$ 3,383	19	US\$ 3,383		
	QST Holdings, LLC				US\$ 593	13	US\$ 593		
	Teknovus, Inc.			1,599	US\$ 454		US\$ 454		
	Xceive			3,936	US\$ 1,516	2	US\$ 1,516		
	Capital VTA Holdings	Subsidiary	Investments accounted for using equity method					31	
VTAF III	Common stock Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US\$ 2,112	59	US\$ 2,112		
	Acionn Technology Corporation	Investee accounted for using equity method		4,500	US\$ 566	42	US\$ 566		
	Preferred stock Auramicro, Inc.		Financial assets carried at cost	4,694	US\$ 1,408	20	US\$ 1,408		
	BridgeLux, Inc.			4,955	US\$ 6,391	4	US\$ 6,391		
	Exclara, Inc.			21,708	US\$ 4,568	18	US\$ 4,568		
	GTBF, Inc.			1,154	US\$ 1,500	N/A	US\$ 1,500		
	InvenSense, Inc.			816	US\$ 1,000	1	US\$ 1,000		
	LiquidLeds Lighting Corp.			1,600	US\$ 800	11	US\$ 800		
	M2000, Inc.			3,000	US\$ 3,000	5	US\$ 3,000		

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	Neoconix, Inc.		3,283	US\$4,608	6	US\$4,608
	Powervation, Ltd.		310	US\$4,678	16	US\$4,678
	Quellan, Inc.		3,106	US\$ 457	6	US\$ 457
	Silicon Technical Services, LLC		1,055	US\$1,208	1	US\$1,208
	Tilera, Inc.		3,222	US\$2,781	3	US\$2,781
	Validity Sensors, Inc.		8,070	US\$3,089	3	US\$3,089
	Capital Growth Fund Limited (Growth Fund)	Subsidiary				
				Investments accounted for using equity method		
					US\$ 823	100 US\$ 823
	VTA Holdings	Subsidiary			62	
Growth Fund	Common stock					
	Staccato			Financial assets carried at cost	10	US\$ 25 US\$ 25
	SiliconBlue Technologies, Inc.		5,107	US\$ 762	2	US\$ 762
ISDF	Common stock					
	Memsic, Inc.			Available-for-sale financial assets	1,364	US\$4,472 6 US\$4,472
	Capella Microsystems (Taiwan), Inc.			Financial assets carried at cost	557	US\$ 154 2 US\$ 154
	Preferred stock					
	Integrated Memory Logic, Inc.			Financial assets carried at cost	2,872	US\$1,221 9 US\$1,221
	IP Unity, Inc.		1,008	US\$ 290	1	US\$ 290
	Sonics, Inc.		230	US\$ 497	2	US\$ 497

(Continued)



		December 31, 2009						
Held			Financial	Carrying		Percentage	Market	
Company	Marketable Securities	Relationship	Statement	Shares/Units	Value	of	Asset Value	
Name	Type and Name	with TSMC	Account	(In	(US\$ in	Ownership	(US\$ in	Note
				Thousands)	Thousands)	(%)	Thousands)	
ISDF II	Common stock							
	Memsic, Inc.		Available-for-sale	1,145	US\$ 3,754	5	US\$ 3,754	
	Sonics, Inc.		Financial assets	278	US\$ 10	3	US\$ 10	
	Epic Communication, Inc.		carried at cost	50	US\$ 23		US\$ 23	
	EON Technology, Corp.			2,368	US\$ 656	3	US\$ 656	
	Goyatek Technology, Corp.			932	US\$ 545	6	US\$ 545	
	Capella Microsystems (Taiwan), Inc.			561	US\$ 210	2	US\$ 210	
	Auden Technology MFG. Co., Ltd.			1,049	US\$ 223	3	US\$ 223	
	Preferred stock							
	Alchip Technologies Limited		Financial assets	6,979	US\$ 3,664	18	US\$ 3,664	
	FangTek, Inc.		carried at cost	1,032	US\$ 686	6	US\$ 686	
	Kilopass Technology, Inc.			3,887	US\$ 500	5	US\$ 500	
	Sonics, Inc.			264	US\$ 456	3	US\$ 456	
GUC	Open-end mutual fund							
	Jih Sun Bond Fund		Available-for-sale	5,668	\$ 80,008		\$ 80,008	
	FSITC Taiwan Bond Fund		financial assets	352	60,005		60,005	
	Cathay Bond Fund			2,509	30,001		30,001	
	Common stock							
	GUC-NA	Subsidiary	Investments	800	38,617	100	38,617	
	GUC-Japan	Subsidiary	accounted for	1	12,899	100	12,899	
	GUC-Europe	Subsidiary	using		5,213	100	5,213	
	GUC-BVI	Subsidiary	equity method	550	17,466	100	17,466	

Xintec	Capital Compositech Ltd.	Financial assets carried at cost	587			3	
TSMC Global	Corporate bond	Available-for-sale financial assets					
	Ab Svensk Exportkredit Swedish African Development Bank		5,000	US\$ 5,144	N/A	US\$ 5,144	
	Allstate Life Global Fdg		2,600	US\$ 2,622	N/A	US\$ 2,622	
	Asian Development Bank		220	US\$ 221	N/A	US\$ 221	
	Astrazeneca Plc		2,500	US\$ 2,497	N/A	US\$ 2,497	
	Australia + New Zealand Bkg		2,150	US\$ 2,349	N/A	US\$ 2,349	
	Banco Bilbao Vizcaya P R		2,000	US\$ 2,054	N/A	US\$ 2,054	
	Bank New York Inc. Medium		3,250	US\$ 3,248	N/A	US\$ 3,248	
	Bank of New York Mellon		2,100	US\$ 2,262	N/A	US\$ 2,262	
	Bear Stearns Cos Inc.		2,200	US\$ 2,208	N/A	US\$ 2,208	
	Bear Stearns Cos Inc.		5,000	US\$ 4,974	N/A	US\$ 4,974	
	Bhp Billiton Fin USA Ltd.		3,500	US\$ 3,391	N/A	US\$ 3,391	
	Bnp Paribas SA		2,000	US\$ 2,129	N/A	US\$ 2,129	
	Boeing Co.		2,310	US\$ 2,339	N/A	US\$ 2,339	
	Bsch Issuances Ltd.		450	US\$ 445	N/A	US\$ 445	
	Cello Part/Veri Wirelss		2,250	US\$ 2,359	N/A	US\$ 2,359	
			2,000	US\$ 2,068	N/A	US\$ 2,068	

<b>December 31, 2009</b>							
<b>Held</b>		<b>Financial</b>			<b>Carrying Percentage</b>		<b>Market</b>
<b>Company</b>	<b>Marketable Securities</b>	<b>Relationship</b>	<b>Statements</b>	<b>Shares/Units</b>	<b>Value</b>	<b>of</b>	<b>Value or</b>
<b>Name</b>	<b>Type and Name</b>	<b>with TSMC</b>	<b>Account</b>	<b>(In</b>	<b>(US\$ in</b>	<b>Ownership</b>	<b>Asset Value</b>
				<b>Thousands)</b>	<b>Thousands)</b>	<b>(%)</b>	<b>(US\$ in</b>
							<b>Thousands)</b>
	Citibank NA			5,000	US\$ 4,996	N/A	US\$ 4,996
	Citigroup funding Inc.			2,000	US\$ 2,016	N/A	US\$ 2,016
	Credit Suisse New York			2,000	US\$ 2,057	N/A	US\$ 2,057
	European Investment Bank			2,250	US\$ 2,243	N/A	US\$ 2,243
	Federal Farm Cr Bks Finance for Danish Ind			2,250	US\$ 2,254	N/A	US\$ 2,254
	General Elec Cap Corp.			1,900	US\$ 1,900	N/A	US\$ 1,900
	General Elec Cap Corp.			1,000	US\$ 978	N/A	US\$ 978
	General Elec Cap Corp.			7,000	US\$ 7,001	N/A	US\$ 7,001
	General Elec Cap Corp. Fdic Gtd			2,500	US\$ 2,547	N/A	US\$ 2,547

(Continued)

December 31, 2009

Held	Financial	Market Value or Net Asset Value (US\$ in Thousands)
Company Name	Statement	Market Value or Net Asset Value (US\$ in Thousands)
Marketable Securities	Carrying Value	Percentage of Ownership (%)
Relationship with TSMC	Shares/Units (In Thousands)	Ownership (%)
Name	Type and Name	Account
	Goldman Sachs Group Inc.	Available-for-sale financial assets
	Goldman Sachs Group Incser 2	
	Hewlett Packard Co.	
	HSBC Fin Corp.	
	HSBC USA Inc. Fdic	
	Gtd Tlgp	
	IBM Corp.	
	International Business Machs	
	Intl Bk Recon + Develop	
	JP Morgan Chase + Co.	
	JP Morgan Chase + Co. Fdic Gtd Tlg	
	Kfw	
	Kfw Medium Term Nts Book Entry	
	Kreditanstalt Fur Wiederaufbau	
	Lloyds Tsb Bank Plc Ser 144A	
	Mellon Fdg Corp.	
	Met Life Glob Funding I	
	Met Life Glob Funding I	
	Metlife Inc.	
	Metropolitan Life Global Fdg	
	Metropolitan Life Global Fdg I	
	Morgan Stanley	
	Morgan Stanley	
	Morgan Stanley Fdic Gtd Tlgp	
	Morgan Stanley for Equity	
	Nordea Bank Fld Plc	

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Oesterreichische Kontrollbank	2,000	US\$2,059	N/A	US\$2,059
Ontario (Province of)	2,000	US\$1,980	N/A	US\$1,980
Paccar Finl Corp. Mtn Bk Ent	1,000	US\$1,007	N/A	US\$1,007
Pricoa Global Fdg I Med Term	1,750	US\$1,638	N/A	US\$1,638
Pricoa Global Funding 1	1,200	US\$1,167	N/A	US\$1,167
Pricoa Global Fdg I Medium	2,200	US\$2,130	N/A	US\$2,130
Royal Bk of Scotland Plc	5,000	US\$5,078	N/A	US\$5,078
Royal Bk Scotlnd Grp Plc 144A	9,450	US\$9,578	N/A	US\$9,578
Southern Co. Sovereign Bancorp	600	US\$ 602	N/A	US\$ 602
Fdic Gtd Tlg	2,200	US\$2,246	N/A	US\$2,246
State Str Corp.	1,940	US\$1,920	N/A	US\$1,920
Suncorp Metway Ltd.	2,000	US\$2,004	N/A	US\$2,004
Suncorp Metway Ltd.	5,000	US\$5,170	N/A	US\$5,170
Svenska Handelsbanken Ab	2,200	US\$2,214	N/A	US\$2,214
Swedbank Ab	2,000	US\$1,994	N/A	US\$1,994
Swedbank Foreningssparbanken A	1,500	US\$1,537	N/A	US\$1,537

December 31, 2009							
Held			Financial			Market Value or Net Asset Value	
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Carrying Value	Percentage of	Value
Name	Type and Name	TSMC	Account	(In Thousands)	(US\$ in thousands)	Ownership (%)	(US\$ in Thousands)
	Ubs Ag Stamford			1,300	US\$1,300	N/A	US\$1,300
	US Central Federal Cred			4,800	US\$4,799	N/A	US\$4,799
	Verizon Communications Inc.			2,200	US\$2,294	N/A	US\$2,294
	Verizon Global Fdg Corp.			500	US\$ 528	N/A	US\$ 528
	Wachovia Corp. New Wells Fargo + Company			4,000	US\$4,246	N/A	US\$4,246
	Westfield Cap Corp. Ltd.			2,000	US\$2,013	N/A	US\$2,013
	Westpac Banking Corp.			500	US\$ 514	N/A	US\$ 514
	Westpac Banking Corp.			2,100	US\$2,112	N/A	US\$2,112
	Westpac Banking Corp.			2,170	US\$2,168	N/A	US\$2,168
	Nationwide Building Society		Held-to-maturity financial assets	8,000	US\$8,000	N/A	US\$8,008
	Westpac Banking Corp. 12/12 Frn			5,000	US\$5,000	N/A	US\$4,999

(Continued)

			December 31, 2009				
Held			Financial	Carrying		Percentage of	Market
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	Ownership (%)	Value or
Name	Type and Name	TSMC	Account	(In	(US\$ in		Net
				Thousands)	Thousands)		Asset Value
							(US\$ in
							Thousands) Note
	Agency bond						
	Fannif Mae		Available-for-sale	2,820	US\$ 2,814	N/A	US\$ 2,814
			financial assets				
	Fed Hm Ln Pc Pool			2,554	US\$ 2,635	N/A	US\$ 2,635
	1b2830						
	Fed Hm Ln Pc Pool			2,271	US\$ 2,315	N/A	US\$ 2,315
	1g0115						
	Fed Hm Ln Pc Pool			2,053	US\$ 2,121	N/A	US\$ 2,121
	1k1210						
	Fed Hm Ln Pc Pool			2,121	US\$ 2,181	N/A	US\$ 2,181
	780741						
	Federal Farm Cr Bks			2,000	US\$ 2,117	N/A	US\$ 2,117
	Federal Farm Credit						
	Bank			3,000	US\$ 2,990	N/A	US\$ 2,990
	Federal Farm Credit						
	Bank			2,200	US\$ 2,258	N/A	US\$ 2,258
	Federal Home Ln Bank			11,000	US\$ 11,028	N/A	US\$ 11,028
	Federal Home Ln Mtg						
	Corp.			1,350	US\$ 1,352	N/A	US\$ 1,352
	Federal Home Ln Mtg						
	Corp.			3,421	US\$ 3,533	N/A	US\$ 3,533
	Federal Home Ln Mtg						
	Corp.			2,662	US\$ 2,763	N/A	US\$ 2,763
	Federal Home Ln Mtg						
	Corp.			2,469	US\$ 2,521	N/A	US\$ 2,521
	Federal Home Ln Mtg						
	Corp.			2,309	US\$ 2,350	N/A	US\$ 2,350
	Federal Home Ln Mtg						
	Corp.			2,358	US\$ 2,448	N/A	US\$ 2,448
	Federal Home Loan						
	Bank			10,000	US\$ 9,987	N/A	US\$ 9,987
	Federal Home Loan						
	Bank			8,000	US\$ 7,992	N/A	US\$ 7,992
	Federal Home Loan						
	Bank			10,000	US\$ 10,012	N/A	US\$ 10,012
	Federal Home Loan						
	Bank			4,700	US\$ 4,715	N/A	US\$ 4,715
	Federal Home Loan						
	Bank			11,200	US\$ 11,186	N/A	US\$ 11,186

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Federal Home Loan Bank	3,310	US\$ 3,319	N/A	US\$ 3,319
Federal Home Loan Bank	3,000	US\$ 2,989	N/A	US\$ 2,989
Federal Home Loan Bank	3,000	US\$ 2,983	N/A	US\$ 2,983
Federal Home Loan Bank	3,000	US\$ 2,984	N/A	US\$ 2,984
Federal Home Loan Mtg Corp.	1,411	US\$ 1,441	N/A	US\$ 1,441
Federal Home Loan Mtg Corp.	1,940	US\$ 2,012	N/A	US\$ 2,012
Federal National Mort Assoc	2,117	US\$ 2,176	N/A	US\$ 2,176
Federal National Mort Assoc	1,752	US\$ 1,782	N/A	US\$ 1,782
Federal Natl Mtg Assn Gtd Remi	2,854	US\$ 2,926	N/A	US\$ 2,926
Federal Natl Mtg Assn Mtn	2,669	US\$ 2,765	N/A	US\$ 2,765
Federal Natl Mtg Assn Remic	2,871	US\$ 2,953	N/A	US\$ 2,953
Federal Natl Mtg Assn	4,000	US\$ 4,228	N/A	US\$ 4,228
Federal Natl Mtge Assn Fhr 3087 Jb	2,039	US\$ 2,126	N/A	US\$ 2,126
Fnma Pool 745688	2,540	US\$ 2,656	N/A	US\$ 2,656
Fnma Pool 790772	2,272	US\$ 2,336	N/A	US\$ 2,336
Fnma Pool 790772	1,527	US\$ 1,568	N/A	US\$ 1,568
Fnma Pool 819649	2,318	US\$ 2,383	N/A	US\$ 2,383
Fnma Pool 829989	2,146	US\$ 2,221	N/A	US\$ 2,221
Fnma Pool 846233	2,288	US\$ 2,332	N/A	US\$ 2,332
Fnma Pool 870884	2,357	US\$ 2,442	N/A	US\$ 2,442
Fnma Pool 879908	2,056	US\$ 2,128	N/A	US\$ 2,128



December 31, 2009

Held		Financial			Carrying		Market
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	Percentage of	Value or
Name	Type and Name	TSMC	Account	(In	(US\$ in	Ownership (%)	Net
				Thousands)	Thousands)		Asset Value
							(US\$ in
							Thousands) Note
	Fnr 2005 47 Ha			2,652	US\$ 2,753	N/A	US\$ 2,753
	Fnr 2006 60 Co			3,062	US\$ 3,153	N/A	US\$ 3,153
	Fnr 2009 70 Nt			2,537	US\$ 2,609	N/A	US\$ 2,609
	Freddie Mac			4,500	US\$ 4,491	N/A	US\$ 4,491
	Gnma II Pool 082431			2,000	US\$ 2,030	N/A	US\$ 2,030
	Government bond						
	US Treasury N/B		Available-for-sale				
			financial assets	21,400	US\$21,394	N/A	US\$21,394
	US Treasury N/B			2,170	US\$ 2,158	N/A	US\$ 2,158
	US Treasury Nts			37,700	US\$39,012	N/A	US\$39,012
	United States Treas Nts			10,536	US\$10,548	N/A	US\$10,548
	Societe De		Held-to-maturity				
	Financement De Lec		financial assets	15,000	US\$15,000	N/A	US\$15,091

(Continued)

December 31, 2009

Held			Financial		Carrying		Market
Company	Marketable Securities	Relationship with	Statement	Shares/Units	Value	Percentage of	Value or
Name	Type and Name	TSMC	Account	(In	(US\$ in	Ownership (%)	Net
				Thousand	Thousands)		Asset
							Value
							(US\$ in
							Thousands)
							Note
	Corporate issued note						
	Barclays U.S. Fdg LLC		Available-for-sale	4,500	US\$4,489	N/A	US\$4,489
			financial assets				
	Royal Bk of Scotland			5,000	US\$4,982	N/A	US\$4,982
	Money market fund						
	Ssga Cash Mgmt		Available-for-sale	8,858	US\$8,858	N/A	US\$8,858
	Global Offshore		financial assets				

(Continued)

**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 YEAR ENDED DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement	Account	Counter-party Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value (US\$ Thousands)
			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	\$1,037,370
Available-for-sale financial assets			3,554,908			457,351			
Available-for-sale financial assets			4,209,629			203,892			
Available-for-sale financial assets			2,385,285			203,994			
Available-for-sale financial assets			1,000,000			514,672			
Available-for-sale financial assets						298,677			
Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions		383,387			2,025,500		400,000	\$3,000,000
Investments accounted for using equity method		Subsidiary	1,305,605			262,922			
Available-for-sale financial assets	JP Morgan Securitied Inc.				US\$	15,000			
Available-for-sale financial assets	Jih Sun Investment				19,143	270,000	13,475	190,120	\$1,000,000

Trust Co., Ltd. First Securities Investment									
Trust Co., Ltd. Prudential Financial Securities Investment Trust	1,146		195,000	794		135,206			
Enterprise PCA Securities Investment	11,261		170,000	11,261		170,319			
Trust Co., Ltd. Hua Nan Investment	13,121		170,000	13,121		170,241			
Trust Co., Ltd.	10,287		160,000	10,287		160,143			
Available-for-sale financial assets	5,000	US\$	5,185						
	3,250	US\$	3,250						
	5,000	US\$	4,965						
	3,500	US\$	3,360						
	3,250	US\$	3,353			3,250	US\$	3,380	US\$
	3,000	US\$	3,002			3,000	US\$	3,002	US\$
	5,000	US\$	4,995						

(Continued)

Securities	Financial Statement	Counter-party Relationship	Nature of	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value
				Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	
Ag	Available-for-sale financial assets			2,995	US\$3,013		US\$	2,995	US\$3,021	US\$3,041
ap Corp.						5,000	US\$ 4,834	4,000	US\$3,880	US\$3,868
ap Corp.						7,000	US\$ 7,002			
Group								3,000	US\$ 3,016	
Business								3,000	US\$ 3,030	
se + Co.								3,000	US\$ 3,030	
Gtd Tlgp						5,000	US\$ 5,061	5,000	US\$5,061	US\$5,061
nk Plc										
rp.										
ife										
y				4,855	US\$4,552					
otland								4,855	US\$4,751	US\$4,768
nd Grp										
ay Ltd.										
eral										
. New										
. New				3,130	US\$3,135			3,130	US\$3,195	US\$3,100
Co. New										
				4,500	US\$4,493			4,500	US\$4,524	US\$4,282
ilding	Held-to-maturity financial assets									
ng Corp.										
Pool	Available-for-sale financial assets			3,215	US\$3,285			3,179	US\$3,281	US\$3,171
Pool										
				5,449	US\$5,501			5,335	US\$5,511	US\$5,225
Bank				5,000	US\$5,305			5,000	US\$5,282	US\$5,035
r Bks				3,400	US\$3,610			3,400	US\$3,590	US\$3,411
				3,375	US\$3,433			3,375	US\$3,429	US\$3,370

credit

Ln Bank			11,000	US\$11,038			
Ln Bks	3,725	US\$3,854			3,725	US\$3,851	US\$3,721
Ln Bks	5,000	US\$5,320			5,000	US\$5,312	US\$5,098
Ln Bks	4,000	US\$4,148			4,000	US\$4,151	US\$4,136
Ln Mtg	5,000	US\$5,340			5,000	US\$5,334	US\$5,186
Ln Mtg							
Ln Mtg	3,340	US\$3,428			3,340	US\$3,431	US\$3,335
Ln Mtg							
Ln Mtg	3,500	US\$3,560			3,500	US\$3,561	US\$3,494
Ln Mtg							
Ln Mtg	3,500	US\$3,743			3,500	US\$3,749	US\$3,786
Ln Mtg							
Ln Mtg			3,679	US\$ 3,824			
Ln Mtg	3,060	US\$3,108			3,005	US\$3,078	US\$3,003
Loan							
Loan			10,000	US\$ 9,996			
Loan							
Loan			10,000	US\$10,002	2,000	US\$2,000	US\$2,000
Loan							
Loan			10,000	US\$10,035			

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Financial Statement	Account	Counter-party	Relationship	Nature of	Beginning	Acquisition	Disposal (Note 2)	Carrying	Value (L
					Balance	Amount	Amount	Value	
					Amount	Amount	Amount	Value	
					(In	(In	(In	(US\$ in	
					(In	(In	(In	(US\$ in	
					Thousands)	Thousands)	Thousands)	Thousands)	
					(US\$ in	(US\$ in	(US\$ in	(US\$ in	
					Thousands)	Thousands)	Thousands)	Thousands)	
					(Note 1)	(Note 1)	(Note 1)	(Note 1)	
me Loan					4,700	US\$ 4,723			
me Loan					11,200	US\$ 11,200			
me Loan					3,310	US\$ 3,310			
me Loan					3,000	US\$ 3,000			
me Loan					4,500	US\$ 4,710	4,500	US\$ 4,709	US\$ 4,518
l Mtg Assn						9,246	US\$ 9,474	9,246	US\$ 9,461
									US\$ 9,474

(Continued)

Financial Statement Account	Counter-party Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value
		Amount	Shares/Units	Amount	Shares/Units	Amount	Shares/Units	
		(In Thousands)	(US\$ in Thousands)	(In Thousands)	(US\$ in Thousands)	(In Thousands)	(US\$ in Thousands)	(US\$ Thousands)
Available-for-sale financial assets		3,700	US\$ 3,713		US\$	3,700	US\$ 3,712	US\$ 3,712
		4,000	US\$ 4,169			4,000	US\$ 4,180	US\$ 4,180
		3,500	US\$ 3,809			3,500	US\$ 3,801	US\$ 3,801
				4,000	US\$ 4,261			
		3,750	US\$ 4,134			3,750	US\$ 4,127	US\$ 4,127
				3,062	US\$ 3,153			
				3,036	US\$ 3,127			
		3,456	US\$ 3,513			3,415	US\$ 3,513	US\$ 3,513
		2,963	US\$ 3,039			2,932	US\$ 3,028	US\$ 3,028
				9,276	US\$ 9,843	9,206	US\$ 9,773	US\$ 9,773
				3,761	US\$ 3,991	3,721	US\$ 3,950	US\$ 3,950
		3,669	US\$ 3,776			3,659	US\$ 3,828	US\$ 3,828
		4,105	US\$ 4,242			4,071	US\$ 4,265	US\$ 4,265
				7,680	US\$ 8,138	7,395	US\$ 7,829	US\$ 7,829
				3,239	US\$ 3,352			
				4,500	US\$ 4,490			
Available-for-sale financial assets		10,266	US\$ 10,374			10,357	US\$ 11,258	US\$ 11,258
				41,900	US\$ 41,931	20,500	US\$ 20,564	US\$ 20,564
				3,520	US\$ 3,498	1,350	US\$ 1,358	US\$ 1,358
				50,000	US\$ 52,184	12,300	US\$ 12,826	US\$ 12,826
Held-to-maturity financial assets				15,000	US\$ 15,000			
Available-for-sale financial assets				4,500	US\$ 4,489			
				5,000	US\$ 4,982			
Available-for-sale financial assets		30,435	US\$ 30,435	495,908	US\$ 495,908	517,485	US\$ 517,485	US\$ 517,485
Available-for-sale financial assets		4,597	US\$ 4,584			4,472	US\$ 4,480	US\$ 4,480
		4,000	US\$ 3,884			4,000	US\$ 3,925	US\$ 3,925
		4,353	US\$ 4,349			4,090	US\$ 4,085	US\$ 4,085



4,788	US\$	4,715	4,774	US\$	4,780	US\$
3,737	US\$	3,495	3,725	US\$	3,537	US\$
3,397	US\$	3,163	3,375	US\$	3,283	US\$
3,214	US\$	2,925	3,172	US\$	3,106	US\$

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  
 ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100  
 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Amounts in Thousands of New Taiwan Dollars)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction Owner	Related Counter-party Relationships	Transfer Date	Price Amount	Reference
October 25, 2009 December 30, 2009	\$514,777	By the construction progress	Fu Tsu Construction Co., Ltd. and China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding

**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details		Abnormal Transaction		Notes/ Pay: Rece: Endi Balanc
			Amount	% to	Unit Price (Note)	Payment Terms (Note)	
TSMC North America	Subsidiary	Sales	\$161,251,368	54		Net 30 days after invoice date	\$22,203
GUC	Investee with a controlling financial interest	Sales	2,023,612	1		Net 30 days after monthly closing	338
VIS	Investee accounted for using equity method	Sales	139,044			Net 30 days after invoice date	
WaferTech	Indirect subsidiary	Purchases	5,560,707	18		Net 30 days after monthly closing	(561)
TSMC China	Subsidiary	Purchases	3,787,113	12		Net 30 days after monthly closing	(481)
SSMC	Investee accounted for using equity method	Purchases	3,537,659	11		Net 30 days after monthly closing	(238)
VIS	Investee accounted for using equity method	Purchases	3,312,656	10		Net 30 days after monthly closing	(529)
TSMC North America	Same parent company	Purchases	937,160	28		Net 30 days after invoice date/net 45 days after monthly closing	(173)
OmniVision	Parent company of director (represented for Xintec)	Sales	1,801,655	77		Net 30 days after monthly closing	397

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 5**

**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**  
**DECEMBER 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue Amounts	Action Taken	Amounts Received in Subsequent Period	Allowance for Debts
IC	TSMC North America	Subsidiary	\$22,211,918	38	\$6,438,761		\$8,899,170	\$
	GUC	Investee with a controlling financial interest	338,502	50				
	TSMC China	Subsidiary	111,103	(Note 2)				
ec	OmniVision	Parent company of director (represented for Xintec)	397,695	81	160		127,130	

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

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

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH TSMC  
 EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2009**

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

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009		Net I (Losse Inv (Fo Curre	
			December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Share (in Thousands)	Percentage of Ownership		Carrying Value (Foreign Currencies in Thousands)
	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$45,397,256	\$
	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	32,545,619	
	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	9,365,232	
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,157,141	1
	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	2,961,043	(3
	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,723,727	
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,475,014	
			1,703,163	1,440,241		98	1,309,615	(

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	Cayman Islands	Investing in new start-up technology companies												
	Cayman Islands	Investing in new start-up technology companies	1,093,943		1,036,422			98		1,122,810				
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568		386,568	46,688		35		983,126				
nce	Cayman Islands	Investing in new start-up technology companies	959,044		986,797			99		305,866				
	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749		15,749			100		159,467				
	Yokohama, Japan	Marketing activities	83,760		83,760	6	100			135,663				
	Seoul, Korea	Customer service and technical support activities	13,656		13,656	80	100			18,519				
	Delaware, U.S.A.	Investment activities	US \$ 0.001	US \$ 0.001		1	100	US \$ 340,387	US \$					
	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 \$ 70,967	US \$						
	Cayman Islands	Investing in new start-up technology companies	US \$ 21,415	US \$ 32,289	21,415	97	US \$ 13,741	US \$						
ogy	Delaware, U.S.A.	Engineering support activities	US \$ 0.001	US \$ 0.001		1	100	US \$ 9,071	US \$					
	Cayman Islands	Investing in new start-up technology companies	US \$ 7,680	US \$ 7,680	7,680	97	US \$ 7,336	US \$						
	Ontario, Canada	Engineering support activities	US \$ 2,300	US \$ 2,300	2,300	100	US \$ 3,193	US \$						
k)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US \$ 800			5,333	70	US \$ 800	US \$					
k)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US \$ 1,000			1,000	10	US \$ 1,000	US \$					
	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US \$ 330,000	US \$ 380,000	293,637	100	US \$ 154,432	US \$						
	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package,	US \$ 91,041	US \$ 91,041	253,120	89	US \$ 125,983	US \$						

test, and optical solutions

(Continued)

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
			December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shareholders (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
Al-Pak Technology Co.,	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US \$ 3,088	US \$ 1,705	9,180	59	US \$ 2,112	US \$(1,105)
an Technology	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US \$ 1,777	US \$ 1,777	4,500	42	US \$ 566	US \$(1,239)
th Fund	Cayman Islands	Investing in new start-up technology companies	US \$ 1,550	US \$ 700		100	US \$ 823	US \$ (127)
Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				62		
Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				31		
NA	U.S.A.	Consulting services in main products	US \$ 800	US \$ 800	800	100	\$38,617	\$ 5,617
Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,899	1,608
Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50		100	5,213	353
BVI	British Virgin Islands	Investment activities	US \$ 550		550	100	17,466	(133)
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 unaudited financial statements.

(Concluded)

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 INFORMATION OF INVESTMENT IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 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)	Carr Va as Decer
			as of January 1, 2009	Outflow	Inflow	as of December 31, 2009 (US\$ in Thousand)		
<b>Main Businesses and Products</b>	<b>(RMB in Thousand)</b>		<b>(US\$ in Thousand)</b>					
Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$	\$12,180,367 (US\$371,000)	100% \$(3,242,122)	\$2,96 3 20

**Accumulated Investment in Mainland  
 China as of December 31, 2009  
 (US\$ in Thousand)**  
 \$12,180,367  
 (US\$371,000)

**Investment Amounts Authorized by  
 Investment Commission, MOEA  
 (US\$ in Thousand)**  
 \$12,180,367  
 (US\$371,000)

**Upper Limit on Investment  
 (US\$ in Thousand)**  
 \$12,180,367  
 (US\$371,000)

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

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

**TABLE 8**

**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 YEAR ENDED DECEMBER 31, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
					Amount	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 161,251,368	52%
				Receivables from related parties	22,203,242	4%
				Other receivables from related parties	8,676	
		TSMC China	1	Payables to related parties	4,222	
				Sales	63,278	
				Purchases	3,787,113	1%
				Gain on disposal of property, plant and equipment	176,521	
				Technical service income	8,105	
				Marketing expenses commission	10,302	
				Other receivables from related parties	111,103	
				Payables to related parties	481,500	
				Deferred credits	7,970	
		TSMC Japan	1	Marketing expenses commission	233,855	
				Payables to related parties	23,288	
		TSMC Europe	1	Marketing expenses commission	325,463	
				Research and development expenses	21,463	
				Payables to related parties	31,342	
		TSMC Korea	1	Marketing expenses commission	14,424	
				Payables to related parties	1,418	
		GUC	1	Sales	2,023,612	1%
				Research and development expenses	26,488	
				Receivables from related parties	338,502	
		TSMC Technology	1	Research and development expenses	409,686	
				Payables to related parties	109,220	
		WaferTech	1	Sales	4,482	
				Purchases	5,560,707	2%

		Other receivables from related parties	4,932
		Payables to related parties	561,165
TSMC Canada	1	Research and development expenses	157,527
		Payables to related parties	13,653
Xintec	1	Manufacturing overhead	35,466
		Payables to related parties	37,363
		Sales of property, plant and equipment and other assets	58,450

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
					Amount	Percentage of Consolidated Total Gross Sales or Total Assets
3	GUC	TSMC North America	3	Purchases	\$937,160	
				Manufacturing overhead	303,687	
				Payables to related parties	173,789	
		GUC-NA	3	Operating expenses	157,345	
				Accrued Expense	14,618	
		GUC-Japan	3	Operating expenses	39,755	
Accrued Expense	3,462					
GUC-Europe	3	Operating expenses	7,305			

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 YEAR ENDED DECEMBER 31, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
					Amount	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 192,986,719	55%
				Receivables from related parties	11,512,777	2%
				Other receivables from related parties	256,624	
		TSMC China	1	Payables to related parties	327,250	
				Sales	101,245	
				Purchases	4,717,676	1%
				Gain on disposal of property, plant and equipment	197,681	
				Technical service income	99,737	
				Other receivables from related parties	112,933	
				Payables to related parties	117,417	
				Deferred credits	183,896	
		TSMC Japan	1	Marketing expenses commission	251,367	
				Payables to related parties	20,528	
		TSMC Europe	1	Marketing expenses commission	367,846	
				Payables to related parties	29,679	
		TSMC Korea	1	Marketing expenses commission	16,408	
				Payables to related parties	1,313	
		GUC	1	Sales	1,611,058	
				General and administrative expenses rental expense	1,050	
				Research and development expenses	18,940	
				Receivables from related parties	215,190	
				Payables to related parties	7,003	
		TSMC Technology	1	Research and development expenses	352,900	
				Payables to related parties	41,904	
		WaferTech	1	Sales	12,216	
				Purchases	8,207,876	2%
				Other receivables from related parties	13,813	
				Payables to related parties	171,089	
		TSMC Canada	1	Research and development expenses	172,291	

			Payables to related parties	3,297	
	Emerging Alliance	1	Other receivables from related parties	5,149	
2	TSMC Partners				
	TSMC	3			
	International		Other receivables	8,149,280	1%
			Deferred revenue	8,149,280	1%
					(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Financial Statements Item	Intercompany Transactions	
					Amount	Percentage of Consolidated Total Gross Sales or Total Assets
3	GUC	TSMC North America	3	Purchases	\$ 1,747,488	1%
				Manufacturing overhead	298,926	
				Operating Expense	1,458	
	GUC-NA	3	Payables to related parties	148,680		
			Operating expenses	105,044		
			Payables to related parties	11,074		
	GUC-Japan	3	Operating expenses	28,480		
			Payables to related parties	2,260		
	GUC-Europe	3	Operating expenses	5,140		

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: February 10, 2010

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