

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 06, 2009

1934 Act Registration No. 1-14700

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

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

**For the month of October 2009**

**Taiwan Semiconductor Manufacturing Company Ltd.**

(Translation of Registrant's Name Into English)

**No. 8, Li-Hsin Rd. 6,**

**Hsinchu Science Park,**

**Taiwan**

(Address of Principal Executive Offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

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

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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

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

October 9, 2009

*Notice to Readers*

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

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

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

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

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

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

Financial liabilities at fair value through profit or loss

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

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LONG-TERM LIABILITIES

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

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

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

Total other liabilities	4,963,129	1	5,896,658	1
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Total liabilities	59,175,065	11	70,186,621	13
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CAPITAL STOCK NT\$10 PAR VALUE (Notes 19 and 21)

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

CAPITAL SURPLUS (Notes 2 and 19)	55,439,919	10	50,463,438	9
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RETAINED EARNINGS (Note 19)

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

OTHERS (Notes 2, 21 and 23)

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

Total shareholders' equity	462,885,298	89	462,075,753	87
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TOTAL	\$ 522,060,363	100	\$ 532,262,374	100
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The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche review report dated October 9, 2009)

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

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

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

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

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

	<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	\$ 2.32	\$ 2.19	\$ 3.74	\$ 3.35
Diluted earnings per share	\$ 2.30	\$ 2.18	\$ 3.72	\$ 3.33

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

<b>NET INCOME</b>	<b>2008</b> <b>\$ 87,589,671</b>
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**EARNINGS PER SHARE (NT\$)**

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

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

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

(Concluded)

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

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

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

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

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

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

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

(Continued)



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

	<b>2009</b>	<b>2008</b>
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>		
Bonus to employees transferred to capital stock	\$ 7,494,988	\$
Current portion of bonds payable	\$	\$ 8,000,000
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 775,567	\$ 1,901,323

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

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

(Concluded)

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

**1. GENERAL**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Use of Estimates**

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

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

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

**Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

### **Stock-based Compensation**

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



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

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### **Bonuses to Employees and Directors**

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

### **Treasury Stock**

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

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

### **Foreign-currency Transactions**

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

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

## **3. ACCOUNTING CHANGES**

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

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

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



**4. CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

Outstanding cross currency swap contracts consisted of the following:

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

September 30, 2008

October 2008 to November 2008

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

0.00%-2.40%

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

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

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

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

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

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

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

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

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

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

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

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

Movements of the allowance for doubtful receivables were as follows:

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

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

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

**9. INVENTORIES**

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

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



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

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

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

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

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

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

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

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

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

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

## 11. FINANCIAL ASSETS CARRIED AT COST

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

### 13. DEFERRED CHARGES, NET

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

<b>Nine Months Ended September 30, 2008</b>				
<b>Balance,</b>				<b>Balance,</b>

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

**14. BONDS PAYABLE**

	<b>September 30</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**

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

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

**16. PENSION PLANS**

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

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

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

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

Balance, end of period	\$ 3,786,616	\$ 3,695,766
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**17. INCOME TAX**

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

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

b. Income tax expense consisted of the following:

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

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

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



\$ 6,973,800      \$ 7,504,585

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

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## d. Integrated income tax information:

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

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

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

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

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

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

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

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

	<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 2006. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

**18. LABOR COST, DEPRECIATION AND AMORTIZATION**

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

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

**19. SHAREHOLDERS EQUITY**

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

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Capital surplus consisted of the following:

	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
Additional paid-in capital	\$ 23,408,710	\$ 18,154,782
From merger	22,805,390	23,053,576
From convertible bonds	8,893,190	8,989,973
From long-term investments	332,574	265,052
Donations	55	55
	<b>\$ 55,439,919</b>	<b>\$ 50,463,438</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 bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

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

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

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

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

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

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

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

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

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

**20. STOCK-BASED COMPENSATION PLANS**

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

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

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

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

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



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

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

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

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

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

## 21. TREASURY STOCK

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

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

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

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

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

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

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

## 22. EARNINGS PER SHARE

EPS is computed as follows:

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

Basic EPS

Earnings available to common shareholders	\$ 97,882,841	\$ 87,487,392	26,139,848	\$ 3.74	\$ 3.35
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Effect of dilutive potential common shares

Bonus to employees			133,161		
Stock options			17,001		

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 97,882,841	\$ 87,487,392	26,290,010	\$ 3.72	\$ 3.33
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As discussed in Note 3, effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record bonuses paid to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing share, or in combination of both cash and shares, potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

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

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

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



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

	<b>Nine Months Ended September 30, 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 period	\$ 32,658	\$ (320,000)	\$ (287,342)
Recognized directly in shareholders' equity	38,185	780,948	819,133
Removed from shareholders' equity and recognized in earnings	(37,370)		(37,370)
Balance, end of period	\$ 33,473	\$ 460,948	\$ 494,421

	<b>Nine Months Ended September 30, 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 period	\$ 266,573	\$ 414,424	\$ 680,997
Recognized directly in shareholders' equity	179,779	(587,280)	(407,501)
Removed from shareholders' equity and recognized in earnings	(397,535)		(397,535)
Balance, end of period	\$ 48,817	\$ (172,856)	\$ (124,039)

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

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

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

#### **24. RELATED PARTY TRANSACTIONS**

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

a. Subsidiaries

TSMC North America  
TSMC China  
TSMC Europe  
TSMC Japan  
TSMC Korea

b. Investees

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

c. Indirect subsidiaries

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

d. Indirect investee

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

e. Others

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

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

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

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

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

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

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

**25. PLEDGED OR MORTGAGED ASSETS**

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

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**26. SIGNIFICANT LONG-TERM LEASES**

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

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

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

**27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

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

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

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

## 28. ADDITIONAL DISCLOSURES

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

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





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

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

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

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

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

k. Information on investment in Mainland China

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

**TABLE 1**

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

**SEPTEMBER 30, 2009**

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

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

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

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

(Continued)

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

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

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

(Continued)

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



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

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

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

Government bond				
Treasury N/B	Available-for-sale financial		25,000 US\$	25,000
	assets			
United States Treas Nts		2	10,496 US\$	10,496
Treasury		2	107,500 US\$	107,500
Societe De Financement De Lec	Held-to-maturity financial		15,000 US\$	15,000
	assets			
Corporate bond				
Svensk Exportkredit Swedish	Available-for-sale financial		5,000 US\$	5,000
	assets			
American Exp Bk Fdic Gtd Tlgp		2	1,750 US\$	1,750
for Stearns Cos Inc.		2	5,000 US\$	4,900
Bank NA		2	5,000 US\$	4,900
General Elec Cap Corp.		2	5,000 US\$	4,800
General Elec Cap Corp.		2	7,000 US\$	7,000
Corp Fdic Gtd Tlgp		2	5,000 US\$	5,000
Life Glob Funding I		2	500 US\$	500

September

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

(Continued)

September 30, 2009

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

(Concluded)

**TABLE 2**

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

Financial Statement Account	Counter-party Relationship	Nature of Shares/Units (in Thousands)	Beginning Balance		Acquisition		Disposal (Not)	
			Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Amount (US\$ in Thousands)
Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions		\$ 2,032,658		\$		\$ 1,037,370	\$
Held-to-maturity financial assets	<sup>2</sup>		4,209,629		203,892			
	<sup>2</sup>		3,554,908		457,351			
	<sup>2</sup>		2,385,285		203,994			
	<sup>2</sup>		1,000,000		514,672			
Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions		383,387		2,025,500		400,000	
Investments accounted for using equity method	Subsidiary		1,305,605		262,922			
Held-to-maturity financial assets	JP Morgan Securitied Inc.				US\$ 15,000			

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

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

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

(Continued)



Investment Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Not Carried)	
				Amount		Amount		Amount	
				Shares/Units (in thousands)	(US\$ in thousands)	Shares/Units (in thousands)	(US\$ in thousands)	Shares/Units (in thousands)	(US\$ in thousands)
Bank Credit Swedish	Available-for-sale financial assets			\$		5,000	US\$ 5,185	\$	\$
Bank Corp. New	2					5,000	US\$ 4,965		
Bank Corp. London	2			3,250	US\$ 3,353		US\$	3,250	US\$ 3,380
Bank Corp.	2					5,000	US\$ 4,995		
Bank Corp. Tlgp	2			2,995	US\$ 3,013			2,995	US\$ 3,021
Bank and Plc	2					5,000	US\$ 4,834		
Bank Grp Plc 144A	2					7,000	US\$ 7,002		
Bank Ltd.	2					5,000	US\$ 5,061		
Bank New	2			4,855	US\$ 4,552			4,855	US\$ 4,751
Bank New Med Trm	2					5,000	US\$ 5,106		
Bank ng Society	Held-to-maturity financial assets					6,500	US\$ 6,597		
Bank	2					5,000	US\$ 5,192		
Bank LLC	2					4,000	US\$ 4,239		
Bank	2			3,130	US\$ 3,135			3,130	US\$ 3,195
Bank	2			4,500	US\$ 4,493			4,500	US\$ 4,524
Bank	2					8,000	US\$ 8,000		
Bank	2					5,000	US\$ 4,982		
Bank	2					4,500	US\$ 4,489		
Bank	2			3,215	US\$ 3,285			3,179	US\$ 3,281
Bank	2			5,449	US\$ 5,501			5,335	US\$ 5,511
Bank Mtg Corp.	2			3,060	US\$ 3,108			3,005	US\$ 3,078
Bank	2			3,456	US\$ 3,513			3,415	US\$ 3,513
Bank	2			2,963	US\$ 3,039			2,932	US\$ 3,028
Bank	2					3,805	US\$ 4,038		
Bank	2			3,669	US\$ 3,776			3,659	US\$ 3,828
Bank	2			4,105	US\$ 4,242			4,071	US\$ 4,265
Bank	2			5,000	US\$ 5,305			5,000	US\$ 5,282
Bank	2			3,400	US\$ 3,610			3,400	US\$ 3,590
Bank	2			3,375	US\$ 3,433			3,375	US\$ 3,430

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

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Marketable Securities Name	Financial Statement	Type and Counter-party Relationship	Nature of Shares/Units	Beginning	Acquisition	Disposal (Note 2)	Carrying
				Balance	Amount	Amount	Value
				Amount	Amount	Amount	Value
				(US\$ thousands)	(US\$ thousands)	(US\$ thousands)	(US\$ thousands)
				(in thousands)	(in thousands)	(in thousands)	(in thousands)
				(Note 1)	(Note 1)	(Note 1)	(Note 1)
				(in thousands)	(in thousands)	(in thousands)	(in thousands)
Federal Home Loan Bank	2			4,500	US\$ 4,710	4,500	US\$ 4,709
Federal Natl Mtg Assn	2			3,700	US\$ 3,713	3,700	US\$ 3,712
Federal Natl Mtg Assn	2			4,000	US\$ 4,169	4,000	US\$ 4,179
Federal Natl Mtg Assn	2			3,500	US\$ 3,809	3,500	US\$ 3,801
Federal Natl Mtg Assn	2			3,750	US\$ 4,134	3,750	US\$ 4,127

(Continued)

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

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

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

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

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

(Concluded)

**TABLE 3**

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

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

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

**TABLE 4**

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

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

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

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

**TABLE 5**

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

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



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



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

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

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

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

(Concluded)

**TABLE 6**

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

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

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

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

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

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

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## **INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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

October 9, 2009

### Notice to Readers

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

(Concluded)



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

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

(Continued)

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

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



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

(Continued)

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

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

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

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

(Concluded)



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

**1. GENERAL**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Principles of Consolidation**

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

The consolidated entities were as follows:

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

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

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

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

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

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

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

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

### **Use of Estimates**

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

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

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

### **Cash Equivalents**

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

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

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

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

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

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

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

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

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

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



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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

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

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

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

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### **Stock-based Compensation**

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

### **Bonuses to Employees, Directors and Supervisors**

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

### **Treasury Stock**

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

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

### **Foreign-currency Transactions**

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

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

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

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

### 3. ACCOUNTING CHANGES

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

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

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

### 4. CASH AND CASH EQUIVALENTS

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

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

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



\$ 97 \$ 319,604

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

Outstanding forward contracts consisted of the following:

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

Outstanding cross currency swap contracts consisted of the following:

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

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

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

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

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

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

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

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

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

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

	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 15,460,383	\$ 12,758,843
Structured time deposits	6,000,000	4,142,600

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

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

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

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

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

Movements of the allowance for doubtful receivables were as follows:

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

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

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

**9. INVENTORIES**

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

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

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

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

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

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

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

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

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

Balance, end of period	\$ 1,541,280	\$ 2,140,401
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As of September 30, 2009 and 2008, the ending balances of the aforementioned difference allocated to goodwill were both NT\$1,061,885 thousand.

### 11. FINANCIAL ASSETS CARRIED AT COST

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

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

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

### 12. PROPERTY, PLANT AND EQUIPMENT

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

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

**Nine Months Ended September 30, 2008**

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

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

### 13. DEFERRED CHARGES, NET

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

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

### 14. BONDS PAYABLE

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

\$ 4,500,000      \$ 4,500,000

## 15. LONG-TERM BANK LOANS

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

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

(Concluded)

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

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

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

## 16. OTHER LONG-TERM PAYABLES

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

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

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

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

## 17. PENSION PLANS

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

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

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

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

Balance, end of period	\$ 3,776,757	\$ 3,702,144
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**18. INCOME TAX**

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

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

- b. Income tax expense consisted of the following:

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

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

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

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

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

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

d. Integrated income tax information:

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

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

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

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

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

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

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

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

	<b>Tax-Exemption Periods</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
2003 plant expansion of Xintec	2007 to 2011

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

**19. LABOR COST, DEPRECIATION AND AMORTIZATION**

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

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

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

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**20. SHAREHOLDERS EQUITY**

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

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

Capital surplus consisted of the following:

	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
Additional paid-in capital	\$ 23,408,710	\$ 18,154,782
From merger	22,805,390	23,053,576
From convertible bonds	8,893,190	8,989,973
From long-term investments	332,574	265,052
Donations	55	55
	<b>\$ 55,439,919</b>	<b>\$ 50,463,438</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 bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
  - d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.
- TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

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

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

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

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

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

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

	<b>Appropriations of Earnings</b>		<b>Dividends Per Share</b>	
			<b>(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)		
Bonus to employees in cash		3,939,883		
Bonus to employees in stock		3,939,883		
Cash dividends to shareholders	76,876,312	76,881,311	\$ 3.00	\$ 3.00
Stock dividends to shareholders	512,509	512,542	0.02	0.02
Bonus to directors		176,890		
	\$ 86,990,281	\$ 96,130,525		

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

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

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

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

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**21. STOCK-BASED COMPENSATION PLANS**

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

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

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

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

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

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

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

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

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

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

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

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

Nine months ended September 30, 2008

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

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

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

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

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

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

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

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

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

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

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

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

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





**22. TREASURY STOCK**

(Shares in Thousands)

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

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

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

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

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

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

**23. EARNINGS PER SHARE**

EPS is computed as follows:

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

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

(Continued)

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

(Concluded)

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

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

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

#### Liabilities

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

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

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

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

	<b>Nine Months Ended September 30, 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 period	\$ (198,413)	\$ (88,929)	\$ (287,342)
Recognized directly in shareholders equity	418,581	95,757	514,338
Removed from shareholders equity and recognized in earnings	267,425		267,425
Balance, end of period	\$ 487,593	\$ 6,828	\$ 494,421

	<b>Nine Months Ended September 30, 2008</b>		
	<b>From Available- for-sale Financial Assets</b>	<b>From Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>

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

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f. Information about financial risks

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

**25. RELATED PARTY TRANSACTIONS**

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

a. Investees of TSMC

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

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



## c. Others:

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

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

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

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

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

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**26. PLEDGED OR MORTGAGED ASSETS**

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

	<b>September 30</b>	
	<b>2009</b>	<b>2008</b>
Other financial assets	\$ 634,287	\$ 27,956
Property, plant and equipment, net	2,455,643	4,477,678
Other assets	20,000	
	<b>\$ 3,109,930</b>	<b>\$ 4,505,634</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 December 2009 to December 2028 and can be renewed upon expiration.

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

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

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

**28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

## **29. ADDITIONAL DISCLOSURES**

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

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

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

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

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



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

(Continued)

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

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

September

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

(Continued)

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

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

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Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in US\$)	Value (in US\$)	September 30, 2008 Carrying Amount
Sonics, Inc.			2	230	US\$730	

(Continued)

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



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

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September

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

(Continued)

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

**TABLE 2**

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

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

Jih Sun

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

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

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

(Continued)

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

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

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

(Continued)



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

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

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

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

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

(Concluded)

**TABLE 3**

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

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

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

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

**TABLE 4**

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

(Amounts in Thousands of New Taiwan Dollars)

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

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

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

**TABLE 5**

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

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

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

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

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



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

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

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

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

(Concluded)

**TABLE 6**

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

	Total Amount of	Method of Investment	Accumulated	Accumulated	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of September 30, 2009
			Outflow of Investment from Taiwan as of	Outflow of Investment from Taiwan as of		
	Paid-in Capital		January 1, 2009	September 30, 2009		
	(RMB in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)		
<b>Investee Company</b>	<b>Main Businesses and Products</b>	<b>Method of Investment</b>	<b>Investment Flows Outflow</b>	<b>Investment Flows Inflow</b>	<b>Percentage of Ownership</b>	<b>September 30, 2009</b>
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	(Note 1)	\$ 12,180,367 (US\$371,000)	\$ 12,180,367 (US\$371,000)	100%	\$ (2,614,520) \$3,606,012
	<b>Accumulated Investment in Mainland China as of September 30, 2009 (US\$ in Thousand)</b>		<b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)</b>		<b>Upper Limit on Investment (US\$ in Thousand)</b>	
	\$12,180,367 (US\$371,000)		\$12,180,367 (US\$371,000)		\$12,180,367 (US\$371,000)	

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

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

**TABLE 7**

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

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

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

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

No. 3 represents the transactions between subsidiaries.

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

(Continued)

**B. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008**

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

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

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

No. 3 represents the transactions between subsidiaries.

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

(Concluded)

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: October 30, 2009

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