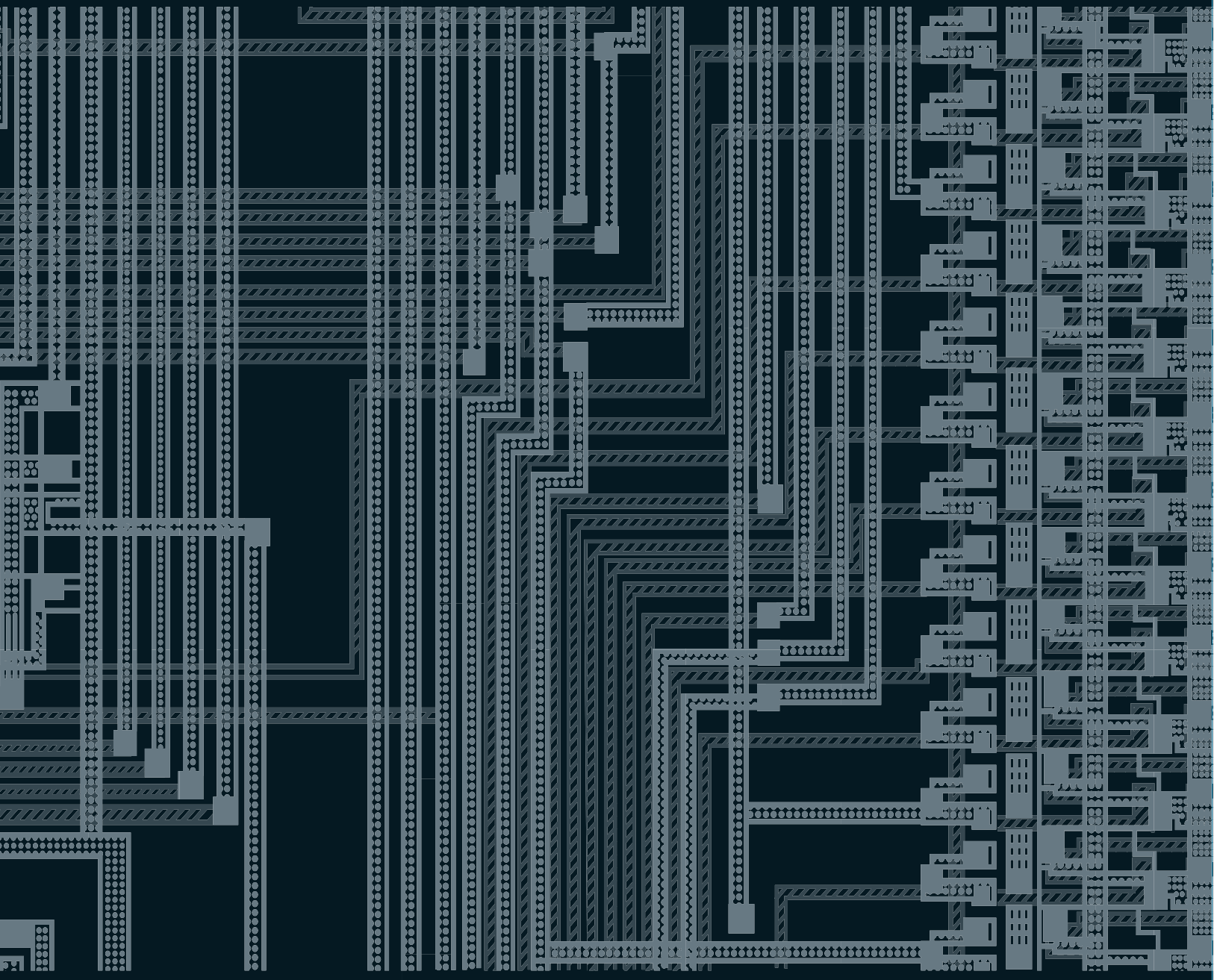
TWSE: 2330
NYSE: TSM

TSMC ANNUAL REPORT 2009 (I)



- Taiwan Stock Exchange Market Observation Post System: http://newmops.tse.com.tw
- TSMC annual report is available at http://www.tsmc.com/english/e_investor/e02_annual/e02_annual.htm

Printed on March 12, 2010

TSMC VISION & CORE VALUES

TSMC's Vision

Our vision is to be the most advanced and largest technology and foundry services provider to fabless companies and IDMs, and in partnership with them, to forge a powerful competitive force in the semiconductor industry.

To realize our vision, we must have a trinity of strengths:
(1) be a technology leader, competitive with the leading IDMs
(2) be the manufacturing leader
(3) be the most reputable, service-oriented and maximum-total-benefits silicon foundry.

TSMC Core Values

Integrity – Integrity is our most basic and most important core value. We tell the truth. We believe the record of our accomplishments is the best proof of our merit. Hence, we do not brag. We do not make commitments lightly. Once we make a commitment, we devote ourselves completely to meeting that commitment. We compete to our fullest within the law, but we do not slander our competitors and we respect the intellectual property rights of others. With vendors, we maintain an objective, consistent, and impartial attitude. We do not tolerate any form of corrupt behavior or politicking. When selecting new employees, we place emphasis on the candidates' qualifications and character, not connections or access.

Commitment – TSMC is committed to the welfare of customers, suppliers, employees, shareholders, and society. These stakeholders all contribute to TSMC's success, and TSMC is dedicated to serving their best interests. In return, TSMC hopes all these stakeholders will make a mutual commitment to the Company.

Innovation – Innovation is the wellspring of TSMC's growth, and is a part of all aspects of our business, from strategic planning, marketing and management, to technology and manufacturing. At TSMC, innovation means more than new ideas, it means putting ideas into practice.

Customer Partnership – At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term.

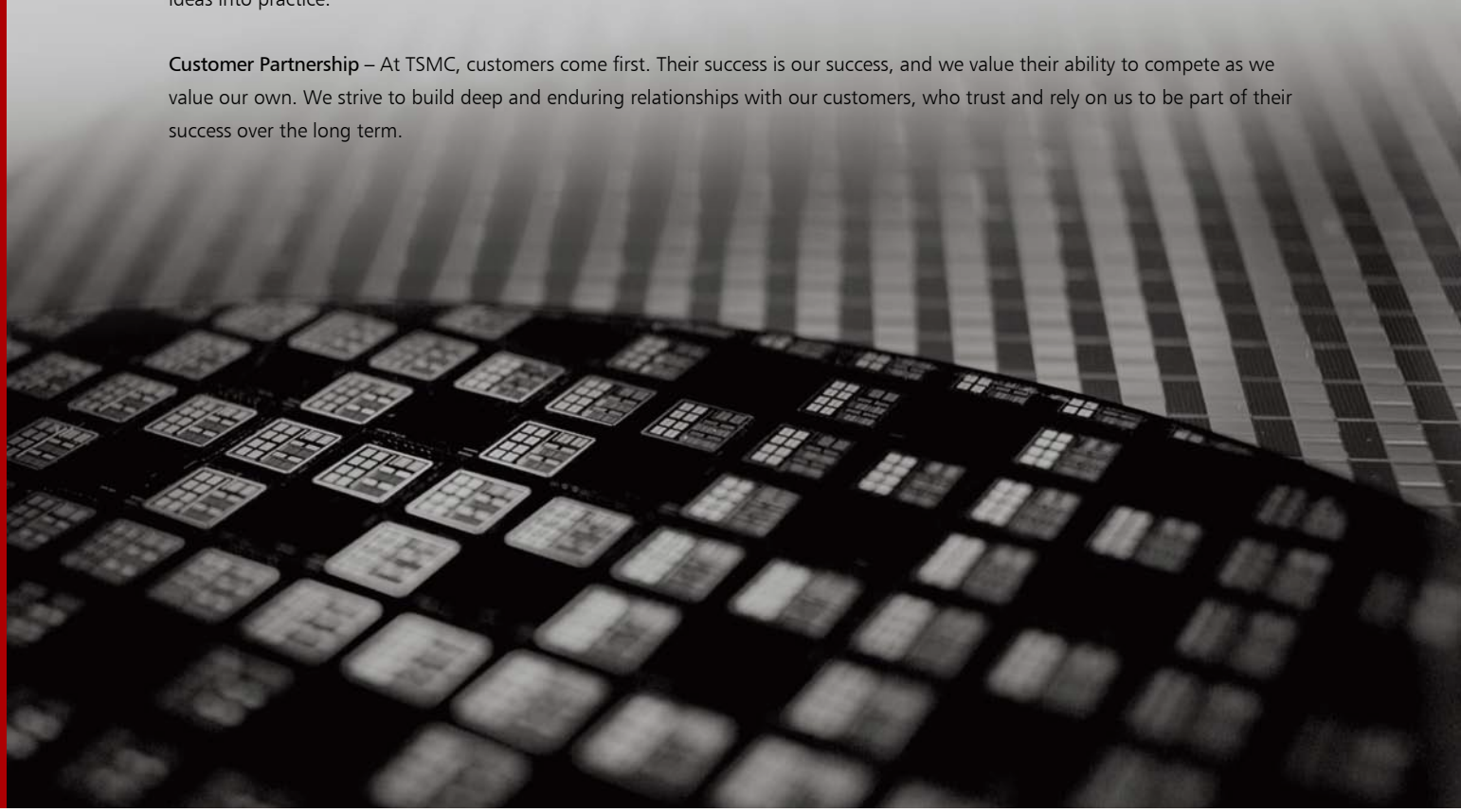
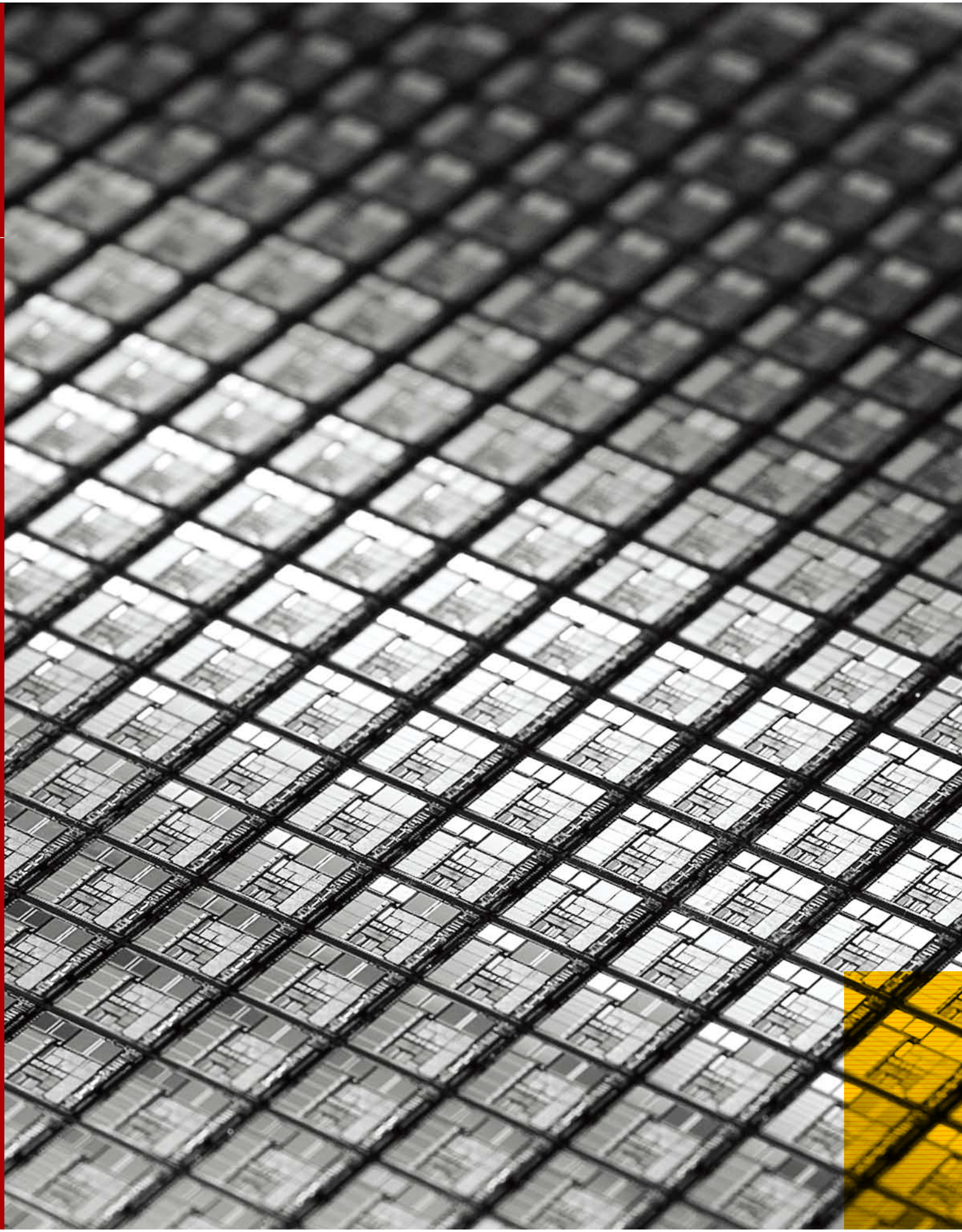


TABLE OF CONTENTS



1. LETTER TO SHAREHOLDERS

Dear Shareholders,

At the start of 2009, we managed the sharp business downturn that gripped the global economy, and then enhanced our core strengths by committing more resources into technology innovations, recruiting talents, and expanding our production capacity to meet customers' needs. Now the global economy is on its gradual recovery course and the outlook for semiconductor industry in 2010 appears robust, TSMC is in a stronger position to compete.

The steep downturn in the global semiconductor industry in 4Q'08 and 1Q'09 was followed by a recovery the rate of which was unprecedented in the history of the foundry segment. At the start of the slump, management moved with speed to minimize the negative financial impact. Later on, when demand fast recovered, we demonstrated remarkable agility in quickly ramping up production capacity and capturing the pursuant recovery. In the process, the Company lowered its breakeven utilization rate and maintained profitability throughout the downturn.

TSMC is now headed forward on a course to capture greater share within the dedicated foundry segment through continued development of the leading-edge process technology nodes, while aggressively broadening the Company's business portfolio into derivative technologies across all legacy technology nodes.

Financial Results

Total consolidated revenue for 2009 was NT$295.74 billion, an 11.2 percent decrease compared with NT$333.16 billion in 2008. Net income decreased 10.7 percent to NT$89.22 billion from NT$99.93 billion, while diluted earnings per share decreased 9.6 percent to NT$3.44 compared with NT$3.81 a year earlier.

In US dollars, TSMC's 2009 revenue was US$9 billion and net income was US$2.71 billion, compared with revenue of US$10.61 billion and net income of US$3.18 billion in 2008.

Among other highlights in 2009, TSMC achieved:

- Gross profit margin of 43.7 percent; and
- Operating profit margin of 31.1 percent.

During the year, TSMC shipped 7.74 million eight-inch equivalent wafers, representing about 7.6 percent of global IC wafer shipments, compared with 7.4 percent a year ago.

Morris Chang, Chairman and CEO

Technology, Capacity and Customers

While the semiconductor industry will grow strongly in 2010, it is likely to grow at an average mid-single-digit rate in the 2011- 2016 period. On the one hand, it is vital for TSMC to maintain and augment its leadership position in the foundry segment by intensifying the pace of semiconductor manufacturing innovation and by expanding its own capabilities to enlarge market opportunities. On the other hand, TSMC also embarked on a vigorous program to expand the base of our business to encompass adjacent opportunities that fit our strengths in engineering capabilities and the ability to manage massive scale operations. In addition, to start the development of new businesses, Dr. Rick Tsai has been assigned to devote his full time to this task as President of New Businesses, starting June 12, 2009. Meanwhile, I resumed CEO responsibility.

Today, TSMC serves more than four hundred customers and manufactures more than seven thousand products for them in a year. We are proud to count every major player in each of the semiconductor logic applications as our customers. We build customer partnership with our technology leadership and manufacturing excellence, both of which are executed under an overall corporate culture centered on servicing customers' needs. In order to better focus on strengthening our customer partnership, the Company has further re-organized to form an Operations Organization to facilitate manufacturing operations excellence, and a Business Development Organization to coordinate customer partnership.

We continue to focus resources on strengthening our leading position in our core business of outsourced manufacturing for advanced IC producers. The Company has invested US$2.7 billion in 2009 to further expand its advanced technology capacity for 12-inch wafer fabs, with 85% of the spending on capacities for 40/45nm and 65nm technologies, which are expected to contribute over 40% of our wafer revenue in 2010.

Technology Innovation

TSMC continues to be a technology leader in the semiconductor industry with the development of the most advanced logic technologies both with conventional (poly SiON) as well as high-K/metal gate (HKMG) stacks at the 28-nanometer (28nm) node. Early in 2009, we became the first foundry to achieve 28nm functional 64Mb SRAM yield on our high performance (28HP) as well as low leakage (28HPL) HKMG technologies. With our 28nm shuttle program, functional silicon was delivered in both conventional and HKMG platforms. We are well on track for qualification and risk production in 2010 for our 28nm technology offerings.

Corporate Developments

In November, TSMC agreed to a settlement with SMIC. The litigation and settlement have resulted in the full protection of TSMC's trade secrets in the possession of SMIC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments totaling US$200 million and other valuable considerations to TSMC. Both parties also agreed to terminate the patent cross-licensing agreement signed in 2005.

TSMC also invested US$193 million for a 20% equity stake in Motech, the largest solar cell manufacturer in Taiwan. The Motech investment allows TSMC to accelerate our time to market, to better evaluate opportunities along the solar value chain, and to further formulate our overall solar strategy.

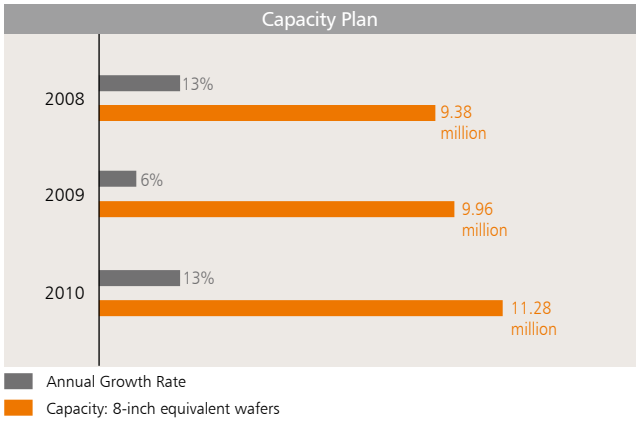
Honors and Awards

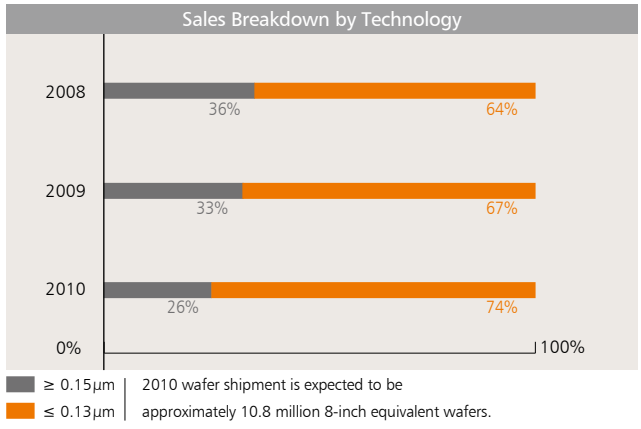
TSMC continued to garner recognition and awards from around the world as a corporate role model. TSMC's disclosure and transparency and its focus on shareholder value have won top honors from *AsiaMoney, The Asset Magazine, Corporate Governance Asia, FinanceAsia, GlobalView Magazine*, and the *IR Magazine* in the areas of Corporate Governance, Management, Investor Relations, and Corporate Social Responsibilities. Both the *Wall Street Journal* and *CommonWealth Magazine* voted TSMC as Taiwan's Overall Most Admired Company. As a leader in good corporate citizenship, TSMC is included in the Dow Jones Sustainability Index.

Outlook

Improvement in the global macroeconomic environment is likely to continue into 2011. With the fast growing emerging economies consuming an increasing amount of semiconductors, we expect the industry to grow at a rate in the teens and the foundry segment to outpace the overall semiconductor industry at a growth rate exceeding 20 percent in 2010. TSMC has aggressive plans to gain market share in this upturn by further strengthening our technology leadership and by providing sufficient capacity to meet the strong demand from our customers. Management believes TSMC can surpass both the Company's 2008 revenue record and its 2006 net income record, after adjusting for employee profit sharing, in 2010.

Morris Chang
Chairman and Chief Executive Officer





2. COMPANY PROFILE

2.1 An Introduction to TSMC

TSMC is the world's largest pure-play semiconductor foundry. Founded on February 21, 1987 and headquartered in Hsinchu, Taiwan, TSMC pioneered the business model of focusing solely on manufacturing customers' semiconductor designs. As a pure-play semiconductor foundry, the Company does not design, manufacture, or market semiconductor products under its own brand name, ensuring that TSMC does not compete directly with its customers.

With a diverse global customer base, TSMC-manufactured microchips are used in a broad variety of applications that cover various segments of the computer, communications and consumer electronics markets.

Total capacity of the manufacturing facilities managed by TSMC, including subsidiaries and joint ventures, totaled 9.96 million 8-inch equivalent wafers in 2009. In Taiwan, TSMC operates two advanced 12-inch wafer fabs, four 8-inch wafer fabs, and one 6-inch wafer fab. TSMC also manages two 8-inch fabs at wholly owned subsidiaries: WaferTech in the United States and TSMC China Company Limited. In addition, TSMC obtains 8-inch wafer capacity from other companies in which the Company has an equity interest.

TSMC provides customer service through its account management and engineering services offices in North America, Europe, Japan, China, South Korea, and India. The Company employed more than 24,000 people worldwide as of the end of 2009.

TSMC continued to lead the foundry segment of the semiconductor industry in advanced process technologies. Already the first foundry to provide 65nm and 40nm production capacity, TSMC also announced it will deliver 28nm as a full node technology, and, in 2009, reported the addition of 28HPL (High-k metal gate with low power) to enrich its 28nm offering. In addition to general-purpose logic process technology, TSMC supports the wide-ranging needs of its customers with embedded non-volatile memory, embedded DRAM, mixed signal/RF, high voltage, CMOS image sensor, color filter, MEMS, and silicon germanium technologies. In December 2009, TSMC also announced the automotive industry's first process qualification specification and service package for automotive-grade semiconductor manufacturing in the China market. TSMC Fab 10 in Shanghai, along with multiple fabs in Taiwan, is capable of supporting the automotive service package.

In addition, in order to better manage TSMC's long-term strategic growth opportunities, TSMC has decided to invest in LED lighting and solar energy related-industries. With differentiated technology offerings and with unique value proposition to customers, TSMC will pursue new opportunities in these fields.

The Company is listed on the Taiwan Stock Exchange (TWSE) under ticker number 2330, and its American Depositary Shares trade on the New York Stock Exchange (NYSE) under the symbol "TSM".

2.2 Market/Business Summary

2.2.1 TSMC Achievements

In 2009, TSMC maintained its leading position in the pure-play foundry segment of the global semiconductor industry, with an estimated market segment share of 48%. TSMC achieved this result amid fierce competition from both established players and relatively new entrants to the business.

Leadership in advanced process technologies is a key factor in TSMC's strong market position. In 2009, 67% of TSMC's wafer revenue came from manufacturing processes with geometries of 0.13μm and below. A critical milestone was reached in September 2009, when TSMC shipped its one-millionth 65nm 12-inch wafer. Moreover, TSMC also achieved volume production of the 45/40nm process as well as development of the leading-edge 28nm process, both foundry firsts. As of the fourth quarter of 2009, 39% of TSMC's wafer revenue came from 65nm processes and below.

In addition to advanced technologies, TSMC also offers innovative services in line with its unwavering focus on customer partnership. Among the many innovative services unveiled in 2009 was automotive process qualification specification and automotive service package, tapping the growth momentum of automotive electronics. TSMC also launched foundry's first integrated sign-off flow, mixed signal/radio frequency (RF) reference design kit and interoperable process design kit, which enriched the Open Innovation Platform™ to facilitate timely innovation among the semiconductor design community.

TSMC continued to advance the semiconductor roadmap in 2009. Examples of technologies the Company developed or rolled out include:

- 28nm low power technology with functional static random access memory (SRAM)
- 40nm technology for low power and radio frequency (RF)
- 55nm low power technology
- 65nm multi-time programmable non-volatile memory technology
- 0.11μm hybrid general performance technology
- 0.11μm high voltage process for small panel single chip drivers
- 0.13μm slim platform for analog and power management System-on-Chip (SoC) applications
- 0.15μm high voltage process for large panel source drivers

In addition, TSMC further strengthened its comprehensive development of specialty technologies in 2009, including 90/65nm embedded flash, 90/65nm CMOS image sensor and 0.13μm analog technologies. In 2009, TSMC also revealed foundry-first 3D Micro-Electro-Mechanical Systems (MEMS) platform for the integration of CMOS and motion sensors. These specialty technologies are key differentiators from our competitors and provide customers more value.

2.2.2 Market Overview

It is estimated that the semiconductor market in 2009 reached US$226 billion in revenue, a 9% decrease compared to 2008. According to IC Insights, total foundry, a manufacturing sub-segment of the semiconductor industry, generated total revenues of US$22 billion in 2009, -11% year-on-year. Revenues from pure-play foundries such as TSMC reached US$19 billion, or 8% of total semiconductor industry revenue, and TSMC's total revenue was US$9 billion. In 2009, the largest geographic market (based on the location of customers' corporation headquarters) for pure-play foundry services, North America was accounting for 61% of overall pure-play foundry revenue. The second largest geographic market was Asia Pacific (excluding Japan), which accounted for 27% of pure-play foundry revenue in 2009. European-based customers accounted for 9%, and orders from companies based in Japan contributed 3%.

2.2.3 Industry Outlook, Opportunities and Threats

Industry Demand and Supply Outlook

2009 was a challenging year for the semiconductor industry, which experienced a decline of 9% year-over-year (YoY). After the sharp market decline in the final quarter of 2008, foundry sales bottomed out in the first quarter of 2009. Driven by better-than-expected demand and supply chain inventory replenishment, foundry sales recovered significantly throughout the rest of 2009. According to IC Insights, pure-play foundry sales declined by 10% in 2009 compared to 2008.

IC Insights forecasts pure-play foundry sales to grow at 24% YoY in 2010. As for the longer term, with improving global economic outlook, increasing semiconductor content in electronics devices and the increasing IDM outsourcing, pure-play foundry sales are expected to display an 14% compound annual growth rate (CAGR) from 2009 through 2014, higher than the 11% CAGR for total IC industry.

As the upstream supplier in the semiconductor supply chain, the foundry segment is tightly correlated with the market health of the 3Cs: computer, communications and consumer.

- Computer

The computer sector posted an impressive year despite the economic downturn, with a positive unit shipment growth of 3%. The consumer PC segment showed stronger momentum, offsetting the weak corporate PC segment. Lower cost PCs (e.g., netbooks) and new usage models, such as telecom carrier bundled promotion with netbook, also helped to lift the PC market. Market momentum was especially strong in China and the US.

Moving into 2010, it is expected the corporate PC refresh, together with the launch of new Microsoft Windows 7 Operating System, will help drive the market while consumer PC continues to maintain its growth momentum. New applications and form factors such as touch screen, thin-and-light PC, "smartbook", and "virtualization" will also help spur PC sales.

In terms of IC product design, the requirements of lower power and higher performance for key components in computers, such as CPU, GPU, Chipset, etc., will drive near-term demand for advanced process technologies such as 40nm and 28nm.

- Communications

The communications sector, particularly the handsets segment, declined by 4% in unit shipment for 2009 from 2008. However, the growing number of new subscribers in emerging countries such as China and India has helped to offset the sales drop in developed countries. In the

meantime, high-end smartphone, which has much higher semiconductor content, has been a bright spot in the overall handset market.

The growing popularity of 3G cellular phones will add positive momentum to the market. Smartphones with increasing performance, lower power and more intelligent applications will continue to propel the buying momentum of new handsets in the coming 2010.

Low power IC design is a must-have feature in the handset segment. The System on Chip (SoC) design and the hunger for higher performance to run complicated software will also speed up the migration to advanced process technologies in which TSMC is already the leader.

- Consumer

Aggregated digital consumer electronics device unit shipments resulted in 1% YoY growth in 2009, despite the economic downturn. Government (e.g., China and Japan) incentive programs, analog-to-digital TV transition in the US and EU, and "stay-at-home" economics drove demand during the economic downturn. Sharp average selling price (ASP) declines for consumer products, such as LCD TV and Blu-ray DVD, have also spurred the buying sentiment.

Moving into 2010, new products with attractive features may stimulate sales of consumer products. Continuing the trend toward the transition of analog-to-digital broadcast in certain countries and the unceasing drop of ASP will still be the catalysts to drive sales of products like DTV, STB and Blu-ray DVD.

Increasing innovations in the digital consumer sector have encouraged new usage models, such as motion recognition for game consoles and internet-enabled home appliances. Besides the need for advanced technologies, "More Than Moore" technologies such as CIS, High-voltage drivers and MEMS are becoming prominent requirements. With its comprehensive technology portfolio, TSMC will be able to capitalize on these trends.

Supply Chain

The electronics industry comprises a long and complex supply chain, the elements of which are highly dependent and correlated with each other. At the upstream IC manufacturing stage, it is important for IC vendors to have sufficient and flexible supply to support the dynamic market situation. IC foundry vendors are playing an important role to ensure the health of the supply chain. As a leader in the IC foundry services segment, TSMC provides leading technologies and large scale capacity to complement the innovations created along the downstream chain.

2.2.4 TSMC Position, Differentiation and Strategy

Position

As the leader in the pure-play foundry segment of the semiconductor manufacturing industry, TSMC commanded a 48% share of this segment in 2009, with total consolidated revenue of US$9 billion. In terms of geographic distribution of wafer revenue, 69% came from companies headquartered in North America, 15% from the Asia Pacific region, excluding China and Japan, 10% from Europe, 3% from China and 3% from Japan. In terms of end product application, 28% of total wafer revenue came from the computer sector, 41% from communications, 16% from consumer products, and 15% from other categories, such as industrial products.

Differentiation

TSMC's leadership position is based on a trinity of key differentiating strengths: technology leadership, manufacturing excellence, and customer partnership. As a technology leader, TSMC has consistently been the first pure-play foundry to develop the next generation of leading-edge technologies. As a manufacturing leader, TSMC is renowned for its yield management, and offers best-in-class support services to expedite time-to-market and time-to-volume. And, in customer partnership, TSMC works closely with its customers on end-to-end collaboration to optimize design and manufacturing efficiencies. Going forward, TSMC will continue building on this trinity of strengths to provide the best overall value to its customers.

Strategy

TSMC is confident its differentiating strengths will enable it to leverage the attractive growth opportunities in the foundry sector going forward. TSMC works constantly to ensure that these strengths are maintained and improved. For example, TSMC is intensively working on the leading-edge 28nm and 20nm processes to maintain its technology leadership position. Numerous efforts are also underway to ensure manufacturing excellence, such as continuing enhancement of Design-For-Manufacturing (DFM) support services to increase yield and efficiency. TSMC also expanded its Open Innovation Platform™ initiative, a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that efficiently empowers innovation throughout the supply chain to enhance timely innovation. Finally, TSMC conducted throughout the year customer reviews and surveys to better understand customer needs and wants, and accordingly may adjust its offerings in response, thereby strengthening its partnership with customers.

To address the challenges of falling wafer prices and fiercer competition from other semiconductor manufacturing companies, TSMC persists in strengthening its core competitiveness, and properly deploys its short-term and long-term technology and business development plans in order to hold ROI and growth.

- Short-term business development plan

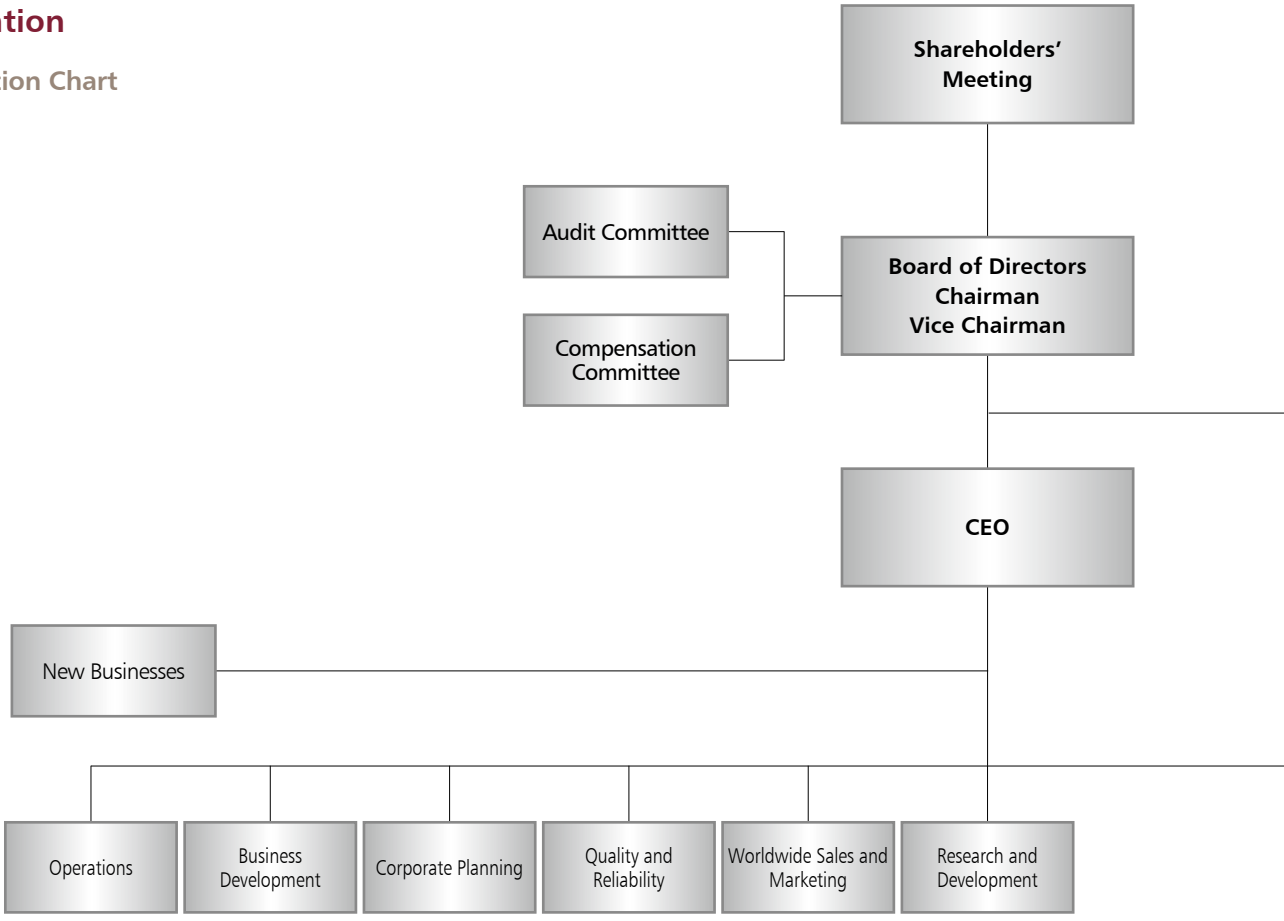
1) To substantially ramp up the business and sustain market segment share of advanced technologies with further investment in capacity.
2) To maintain market segment share of mainstream technology by expanding business into new customers and market segments with off-the-shelf technologies.
3) To grow business with IDMs by deepening the partnership on technology development and business model arrangement.

- Long-term business development plan

1) To continue developing the leading edge technologies consistent with Moore's law.
2) To broaden "More-than-Moore" business contribution by further developing derivative technologies.
3) To further expand TSMC's business and service infrastructure into emerging and developing markets.
4) To explore and establish new businesses to a significant level within the next 5 years, such as solar energy and LED lighting.

2.3 Organization

2.3.1 Organization Chart



2.3.2 Major Corporate Functions

New Businesses
- Develop and build new businesses for the Company's long-term revenue and profitability growth

Operations
- Manufacturing operations, new fab planning, manufacturing technology integration, advanced product engineering, backend technology and service, mask manufacturing

Business Development
- Solidify customer partnership, identify new applications and markets, build new partnership in computer business, consumer, communication business, and industrial business

Corporate Planning
- Operation resources planning, production and demand planning, and business process integration

Quality and Reliability
- Quality and reliability management

Worldwide Sales and Marketing
- Brand management, market research, customer service, and regional operations

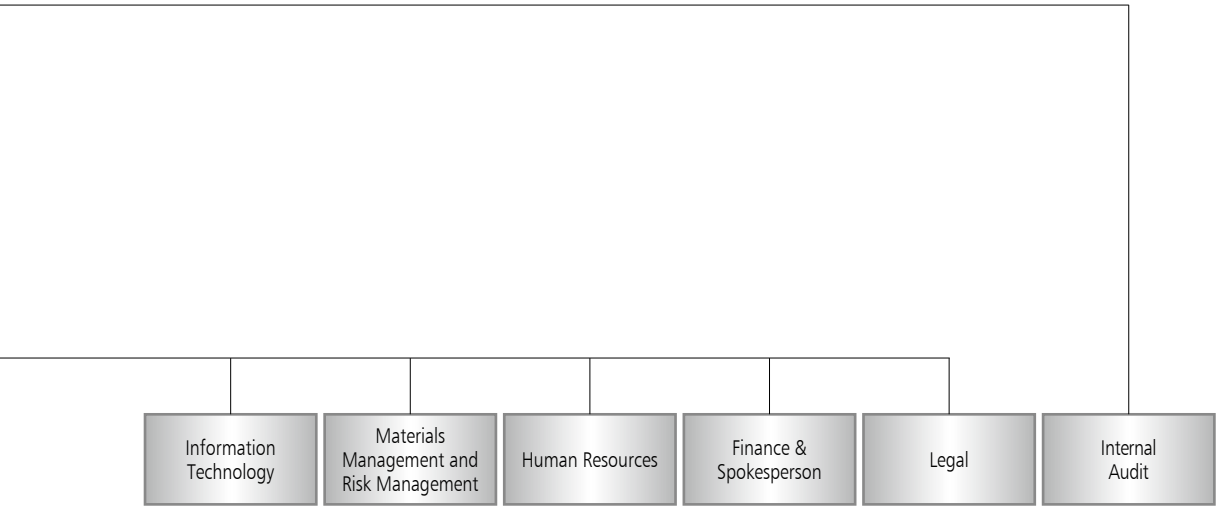
Research and Development
- Advanced technology research and development, exploratory research and development and design services and technology platform development

Information Technology
- Technology and business system integration, Information technology infrastructure, and IT development and operation

Materials Management and Risk Management
- Purchasing, warehousing, import and export, logistics support, industrial safety, and environmental protection

Human Resources
- Human resources management and organizational development

Note: To meet our long-term growth projection, a New Businesses organization was established on May 6, 2009.



Finance & Spokesperson

- Corporate finance, accounting, investor relations, public relations, tax, financial planning, investment management, and strategic program
- Corporate spokesperson

Legal

- Corporate legal affairs, litigation, commercial transactions, patents and other intellectual property management

Internal Audit

- Internal audit and process compliance

2.4 Board Members

2.4.1 Information Regarding Board Members

Title/Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding	
				Shares	%	Shares	%
Chairman Morris Chang	06/10/2009	06/09/2012	12/10/1986	118,047,697	0.46%	118,587,914	0.46%
Vice Chairman F.C. Tseng	06/10/2009	06/09/2012	05/13/1997	36,144,509	0.14%	35,002,675	0.14%
National Development Fund, Executive Yuan Representatives: (Notes 1, 4, 5) Director Tain-Jy Chen	06/10/2009	06/09/2012	12/10/1986	1,645,482,861 -	6.42% -	1,653,709,980 -	6.38% -
Director Rick Tsai	06/10/2009	06/09/2012	06/03/2003	33,768,636	0.13%	33,654,505	0.13%
Independent Director Sir Peter Leahy Bonfield	06/10/2009	06/09/2012	05/07/2002	-	-	-	-
Independent Director Lester Carl Thurow (Note 2)	05/16/2006	06/09/2009	05/07/2002	-	-	-	-
Independent Director Stan Shih	06/10/2009	06/09/2012	04/14/2000	1,472,922	0.01%	1,480,286	0.01%
Independent Director Carleton (Carly) S. Fiorina (Note 3)	06/10/2009	(Note 3)	05/16/2006	-	-	-	-

As of 02/28/2010

Spouse & Minor Shareholding		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at TSMC and Other Companies
Shares	%		
85,217	0.00%	B.S. and M.S. degrees in Mechanical Engineering, MIT Ph.D. in Electrical Engineering, Stanford University Former Group Senior Vice-President, Texas Instrument Former President & COO, General Instrument Corporation Former Chairman, Industrial Technology Research Institute Life Member Emeritus of MIT Corporation Member of National Academy of Engineering, USA	CEO, TSMC
132,855	0.00%	Ph.D. in Electrical Engineering, National Chengkung University, Taiwan Former President, Vanguard International Semiconductor Corp. Former President, TSMC Former Deputy CEO, TSMC	Chairman of: - TSMC China Company Limited - Global Unichip Corp. Director of: - digimax, Inc. - Allegro Manufacturing Pte, Ltd.
-	-		
14,276	0.00%	Bachelor Degree in Electrical Engineering, National Taiwan University Ph.D. in Economics, Pennsylvania State University, University Park, USA Former President, Chung-Hua Institution for Economic Research Former Minister of the Council for Economic Planning and Development, Executive Yuan Professor, Dept. of Economics, National Taiwan University	
-	-	Ph.D. in Material Science, Cornell University, USA Former President, Vanguard International Semiconductor Corp. Former Executive Vice President, Worldwide Marketing and Sales, TSMC Former COO, TSMC Former President & CEO, TSMC	President, New Businesses, TSMC Director, TSMC subsidiaries
-	-	Honours Degree in Engineering, Loughborough University Fellow of the Royal Academy of Engineering Former Chairman and CEO, ICL Plc Former CEO and Chairman of the Executive Committee, British Telecommunications Plc Vice President, the British Quality Foundation	Chairman of the Supervisory Board, NXP Director of: - Sony Corporation, Japan - L.M. Ericsson, Sweden - Mentor Graphics Corporation Inc., Oregon, USA - Actis Capital LLP, London Member of: - The Longreach Group Advisory Board - The Sony Corporation Advisory Board - New Venture Partners LLP Advisory Board Advisor to Apax Partners LLP Board Mentor, CMi Senior Advisor to Rothschild, London
-	-	Ph.D., Economics, Harvard University Former Dean, Sloan School of Management, MIT Jerome and Dorothy Lemelson Professor of Management and Economics, Sloan School of Management, MIT Former Director, Analog Devices Inc.	
16,116	0.00%	BSEE and MSEE in National Chiao Tung University, Taiwan Honorary EE Ph.D. in National Chiao Tung University, Taiwan Honorary Doctor of Technology, The Hong Kong Polytechnic University Honorary Fellowship, University of Wales, Cardiff, UK Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, USA Former Chairman, CEO and Co-Founder, Acer Group	Group Chairman, iD SoftCapital Director of: - Acer Incorporated - Qisda Corporation - Wistron Corporation - Nan Shan Life Insurance Company, Ltd.
-	-	Bachelor Degree in Medieval History and Philosophy, Stanford University Master Degree in Business Administration, Robert H. Smith School of Business, University of Maryland at College Park, Md. Master Degree in Science, MIT's Sloan School Former Senior Management, AT&T and Lucent Technologies Former President and CEO, Hewlett-Packard Former Chairman of the Board, Hewlett-Packard Member, MIT Corporation Chairman, Technology Policy Institute, Washington, D.C. Vice-Chairman, Initiative for Global Development	Chairman and CEO, Carly Fiorina Enterprises

(Continued)

Title/Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding	
				Shares	%	Shares	%
Independent Director Thomas J. Engibous	06/10/2009	06/09/2012	06/10/2009	-	-	-	-

Remarks:
1. No member of the Board of Directors held TSMC shares by nominee arrangement.
2. No member of the Board of Directors had a spouse or relative within two degrees of consanguinity serving as a manager or director at TSMC.

Note 1: Effective on April 22, 2009, Mr. Tian-Jy Chen was appointed as the representative of National Development Fund, Executive Yuan.
Note 2: All directors had been re-elected at the 2009 Annual Shareholders' Meeting. Professor Lester C. Thurow was not re-elected as an independent director of TSMC. Therefore, the tenure of Professor Lester C. Thurow expired on June 9, 2009.
Note 3: Ms. Carleton Fiorina resigned as an independent director of TSMC on November 30, 2009.
Note 4: Major Shareholder of TSMC's Director that is an Institutional Shareholder.

Director that is an Institutional Shareholder of TSMC	Top 10 Shareholders
National Development Fund, Executive Yuan	Not Applicable

Note 5: Major institutional shareholders of National Development Fund: Not applicable.

2.4.2 Directors' Professional Qualifications and Independence Analysis

According to the relevant requirements set by Taiwan's Securities and Futures Bureau, the professional qualifications and independence status of the Company's Board members are listed in the table below.

Name/Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
Chairman Morris Chang			v
Vice Chairman F.C. Tseng			v
Director Tian-Jy Chen	v		
Director Rick Tsai			v
Independent Director Sir Peter Leahy Bonfield			v
Independent Director Lester Carl Thurow (Note 2)	v		
Independent Director Stan Shih			v
Independent Director Carleton (Carly) S. Fiorina (Note 3)			v
Independent Director Thomas J. Engibous (Note 4)			v

Note 1: Directors, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:
1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company;
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
9. Not been a person of any conditions defined in Article 30 of the Company Law; and
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: Professor Lester Thurow's tenure expired on June 9, 2009 because he was not re-elected at the 2009 Annual Shareholders' Meeting.
Note 3: Ms. Carleton Fiorina resigned as an independent director of TSMC on November 30, 2009.
Note 4: Mr. Thomas Engibous was elected as TSMC's independent director at the 2009 Annual Shareholders' Meeting on June 10, 2009.

Spouse & Minor Shareholding		Selected Education, Past Positions & Current Positions at Non-profit Organizations	Selected Current Positions at TSMC and Other Companies
Shares	%		
-	-	Bachelor Degree in Electrical Engineering, Purdue University Master Degree in Electrical Engineering, Purdue University Honorary Doctorate in Engineering, Purdue University Member, National Academy of Engineering Former Executive Vice President and President of the Semiconductor Group, Texas Instruments Inc. Former President and CEO, Texas Instrument Inc. Former Chairman of the Board, Texas Instrument Inc. Former Chairman of the Board of Catalyst Honorary Director of Catalyst Trustee, Southwestern Medical Foundation Member, The Business Council	Lead Director, J. C. Penney Company Inc.

Criteria (Note 1)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
1	2	3	4	5	6	7	8	9	10	
	v		v	v	v	v	v	v	v	0
v			v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v		0
			v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0
v	v	v	v	v	v	v	v	v	v	0

2.4.3 Remuneration Paid to Directors (Note 1)

Unit: NT$ thousands

Title/Name	Remuneration								Total Remuneration (A+B+C+D) as a % of 2009 Net Income	
	Base Compensation (A)		Severance Pay and Pensions (B) (Note 5)		Bonus to Directors (C) (Note 6)		Allowances (D) (Note 7)			
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities
Chairman & CEO Morris Chang	25,792	25,792	1,858	1,858	59,692	59,692	275	275	0.11%	0.11%
Vice Chairman F.C. Tseng										
Director & President of New Businesses Rick Tsai										
Independent Director Sir Peter Leahy Bonfield										
Independent Director Lester Carl Thurow (Note 2)										
Independent Director Stan Shih										
Independent Director Carleton (Carly) S. Fiorina (Note 3)										
Independent Director Thomas J. Engibous (Note 4)										
National Development Fund, Executive Yuan Representatives: Director Tain-Jy Chen	0	0	0	0	8,000	8,000	0	0		

Note 1: Remuneration Policies: The base compensation for the Chairman, Vice-Chairman and directors are determined in accordance with the procedures set forth in TSMC's Articles of Incorporation. The Articles of Incorporation also provides that TSMC shall allocate no more than 0.3% of earnings available for distribution as bonus to directors. The distribution of compensation to directors shall be made in accordance with TSMC's "Rules for Distribution of Compensation to Directors".

Note 2: Professor Lester Thurow's tenure expired on June 9, 2009 because he was not re-elected at the 2009 Annual Shareholders' Meeting.

Note 3: Ms. Carleton Fiorina resigned as an independent director of TSMC on November 30, 2009.

Note 4: Mr. Thomas Engibous was elected as TSMC's independent director at the 2009 Annual Shareholders' Meeting on June 10, 2009.

Note 5: Pensions funded according to applicable law.

Note 6: The Board adopted a proposal for 2009 bonus to TSMC's directors in the amount of NT$67,692 thousand at its meeting on February 9, 2010. The proposed bonus will be effected upon the approval of shareholders at the Annual Shareholders' Meeting on June 15, 2010.

Note 7: Includes the expense for company cars and gasoline reimbursement. The cars were fully depreciated. Excludes compensation paid to company drivers totaled NT$4,110 thousand.

Note 8: Includes the employees' cash bonus distributed on February 12, 2010.

Note 9: The Board adopted a proposal for 2009 employee profit sharing distribution in 2010 with respect to 2009 earnings at its meeting on February 9, 2010. The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 15, 2010.

Note 10: Represents the number of cumulative employee stock options exercisable as of the date of this Annual Report. (Unit: thousand shares)

Note 11: Total remuneration and compensation earned as employees paid to TSMC's directors in 2008 was NT$303,403 thousand, accounting for 0.3% of 2008 net income.

Remuneration Paid to Directors

	2009			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities
Under NT$2,000,000	Rick Tsai (Note)			
NT$2,000,000 ~ NT$5,000,000				
NT$5,000,000 ~ NT$10,000,000	National Development Fund, Executive Yuan Lester Carl Thurow, Stan Shih, Thomas J. Engibous		National Development Fund, Executive Yuan Lester Carl Thurow, Stan Shih, Thomas J. Engibous	
NT$10,000,000 ~ NT$15,000,000	Sir Peter Leahy Bonfield, Carleton (Carly) S. Fiorina		Sir Peter Leahy Bonfield, Carleton (Carly) S. Fiorina	
NT$15,000,000 ~ NT$30,000,000	Morris Chang (Note), F.C. Tseng		F.C. Tseng	
NT$30,000,000 ~ NT$50,000,000				
NT$50,000,000 ~ NT$100,000,000				
Over NT$100,000,000			Morris Chang (Note), Rick Tsai (Note)	
Total	9		9	

Note: According to the Company's Articles of Incorporation, directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. As a result, no director bonus was paid to Dr. Rick Tsai. Effective on June 12, 2009, Dr. Morris Chang was appointed as Chief Executive Officer of TSMC, no director bonus was paid to him afterwards.

Compensation Earned as Employees of TSMC or of TSMC's Consolidated Entities										Total Compensation (A+B+C+D+E+F+G) as a % of 2009 Net Income (Note 11)		Compensation Paid to Directors from Non-consolidated Affiliates
Base Compensation, Bonuses, and Allowances (E) (Note 8)		Severance Pay and Pensions (F) (Note 5)		Employee Profit Sharing (G) (Note 9)				Exercisable Employee Stock Options (H) (Note 10)				
				From TSMC		From All Consolidated Entities						
From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From TSMC	From All Consolidated Entities	From TSMC	From All Consolidated Entities	
149,806	149,806	671	671	140,814	0	140,814	0	827	827	0.43%	0.43%	None
0	0	0	0	0	0	0	0	0	0			

2.5 Management Team

2.5.1 Information Regarding Management Team

Title/Name	On-board Date (Note 1)	Shareholding		Spouse & Minor		TSMC Shareholding by Nominee Arrangement (Shares)
		Shareholding	%	Shareholding	%	
Chairman & CEO Morris Chang (Note 2)	01/01/1987	118,587,914	0.46%	85,217	0.00%	-
President New Businesses Rick Tsai	12/18/1989	33,654,505	0.13%	-	-	-
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management Stephen T. Tso	12/16/1996	15,055,693	0.06%	-	-	-
Senior Vice President Operations Mark Liu	11/15/1993	13,000,573	0.05%	-	-	-
Senior Vice President Business Development C.C. Wei	02/01/1998	8,444,325	0.03%	261	0.00%	-
Senior Vice President Research & Development Shang-yi Chiang	11/10/2009	2,412,481	0.01%	-	-	-
Vice President Mainstream Fab Operations/Affiliates M.C. Tzeng	01/01/1987	7,699,595	0.03%	102,722	0.00%	-
Vice President & General Counsel Legal Richard Thurston	01/02/2002	1,939,892	0.01%	-	-	-
Vice President, Chief Financial Officer & Spokesperson Finance Lora Ho	06/01/1999	6,221,080	0.02%	110,268	0.00%	-
Vice President Materials Management and Risk Management P.H. Chang (Note 3)	07/01/2000	5,098,778	0.02%	-	-	-
Vice President Operations Wei-Jen Lo	07/01/2004	2,881,127	0.01%	-	-	-
Vice President Worldwide Sales and Marketing Jason C.S. Chen	03/31/2005	2,488,320	0.01%	122	0.00%	-
Vice President & Chief Technology Officer Research and Development Jack Sun	06/02/1997	4,817,095	0.02%	-	-	-
Vice President Deputy Head of Research and Development Design and Technology Platform Fu-Chieh Hsu	03/31/2006	2,015,726	0.01%	-	-	-
Vice President Operations Y.P. Chin	01/01/1987	6,184,823	0.02%	140,808	0.00%	-
Vice President Quality and Reliability N.S. Tsai	03/01/2000	2,051,180	0.01%	1,103,253	0.00%	-
Vice President President of TSMC North America Rick Cassidy	11/14/1997	0	0.00%	-	-	-
Vice President Human Resources L.C. Tu	01/01/1987	9,310,067	0.04%	1,252,481	0.00%	-

Note 1: On-board date means the offical date joining TSMC.
Note 2: Effective June 12, 2009, the Chairman of the Board, Dr. Morris Chang, was appointed as Chief Executive Officer of TSMC.
Note 3: Mr. P.H. Chang's special retirement has been approved and will be effective starting from March 31, 2010.

As of 02/28/2010

Education & Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
Ph.D., Electrical Engineering, Stanford University, USA Chairman, Industrial Technology Research Institute President & Chief Operation Officer, General Instrument Corporation Group Senior Vice-President, Texas Instrument	None			
Ph.D., Material Science, Cornell University, USA Chief Executive Officer, TSMC Chief Operating Officer, TSMC Executive Vice President, Worldwide Marketing and Sales, TSMC President, Vanguard International Semiconductor Corp.	Director, TSMC subsidiaries	-	-	-
Ph.D., Materials Science & Engineering, University of California, Berkeley, USA President, WaferTech, L.L.C. Senior Vice President, Operations, TSMC	Director, TSMC subsidiaries	-	-	-
Ph.D., Electrical Engineering & Computer Science, University of California, Berkeley, USA Senior Vice President, Advanced Technology Business, TSMC Vice President, South Site Operation, TSMC President, Worldwide Semiconductor Manufacturing Corp.	None	-	-	-
Ph.D., Electrical Engineering, Yale University, USA Senior Vice President, Mainstream Technology Business, TSMC Vice President, South Site Operation, TSMC Senior Vice President, Chartered Semiconductor Manufacturing Ltd.	Director, TSMC subsidiaries Director, TSMC affiliates	-	-	-
Ph.D., Electrical Engineering, Stanford University, USA Senior Vice President, Research and Development, TSMC	Director, TSMC subsidiaries Director, TSMC affiliates	-	-	-
Master, Applied Chemistry, Chungyuan University, Taiwan Vice President, Mainstream Technology Business, TSMC Senior Director, Fab 2 Operation, TSMC	None	Department Manager	M.J. Tzeng	Siblings
J.D., Rutgers School of Law, State University of New Jersey, USA Ph.D., History, University of Virginia, USA Partner, Haynes Boone, LLP. Vice President Corporate Staff, Assistant General Counsel, Texas Instruments Incorporated	Director, TSMC subsidiaries Director, TSMC affiliates	-	-	-
Master, Business Administration, National Taiwan University, Taiwan Director, Accounting, TSMC Vice President & CFO, TI-Acer Semiconductor Manufacturing Corp.	Director and/or Supervisor, TSMC subsidiaries Director, TSMC affiliates	-	-	-
Ph.D., Materials Science & Engineering, Purdue University, USA Vice President, Human Resources, TSMC Senior Director, Materials Management, TSMC Vice President, Worldwide Semiconductor Manufacturing Corp.	None	-	-	-
Ph.D., Solid State Physics & Surface Chemistry, University of California, Berkeley, USA Vice President, Advanced Technology Business, TSMC Vice President, Research & Development, TSMC Vice President, Operation II, TSMC Director, Advanced Technology Development & CTM Plant Manager, Intel	None	-	-	-
Master, Business Administration, University of Missouri-Columbia, USA Vice President & Co-Director of Worldwide Sales & Marketing Group, Intel	Director, TSMC subsidiaries	-	-	-
Ph.D., Electrical Engineering, University of Illinois at Urbana-Champaign, USA Senior Director, Logic Technology Division, TSMC R&D, International Business Machines	None	-	-	-
Ph.D., Electrical Engineering and Computer Sciences, University of California, Berkeley, USA Chairman, Monolithic System Technology Inc. Chairman, Myson Technology Inc. Vice President, Integrated Device Technology Inc.	Director, TSMC subsidiaries	-	-	-
Master, Electrical Engineering, National Cheng Kung University, Taiwan Vice President, Advanced Technology Business, TSMC Senior Director, Product Engineering & Services, TSMC	None	-	-	-
Ph.D., Material Science, Massachusetts Institute of Technology, USA Senior Director, Assembly Test Technology & Service, TSMC Vice President, Operations, Vanguard International Semiconductor Corp.	None	-	-	-
Bachelor, Engineering Technology, United States Military Academy at West Point, USA Vice President of TSMC North America Account Management	Director, TSMC North America	-	-	-
Master, Business Administration, Tulane University, USA Senior Director, Corporate Planning Organization, TSMC Senior Director, Fab 5 Operation, TSMC	None	-	-	-

2.5.2 Compensation Paid to CEO, President and Vice Presidents (Note 1)

Unit: NT$ thousands

Title	Name	Salary		Severance Pay and Pensions (Note 5)		Bonuses and Allowances (Note 6)	
		From TSMC	From All Consoildated Entities	From TSMC	From All Consoildated Entities	From TSMC	From All Consoildated Entities
Chairman & Chief Executive Officer	Morris Chang (Note 2)	54,570	65,621	5,575	13,008	420,989	487,275
President New Businesses	Rick Tsai						
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management	Stephen T. Tso						
Senior Vice President Operations	Mark Liu						
Senior Vice President Business Development	C.C. Wei						
Senior Vice President Research and Development	Shang-yi Chiang (Note 3)						
Vice President Mainstream Fab Operations/Affiliates	M.C. Tzeng						
Vice President & General Counsel Legal	Richard Thurston						
Vice President, Chief Financial Officer & Spokesperson Finance	Lora Ho						
Vice President Materials Management and Risk Management	P.H. Chang						
Vice President Operations	Wei-Jen Lo						
Vice President Worldwide Sales and Marketing	Jason C.S. Chen						
Vice President & Chief Technology Officer Research and Development	Jack Sun						
Vice President Deputy Head of Research and Development Design and Technology Platform	Fu-Chieh Hsu						
Vice President Operations	Y.P. Chin						
Vice President Quality and Reliability	N.S. Tsai						
Vice President President of TSMC North America	Rick Cassidy						
Vice President Human Resources	L.C. Tu (Note 4)						

Note 1: Compensation Policy: The cash compensation and profit sharing paid to CEO, the President and each vice president are also reviewed by the Compensation Committee individually based on their job responsibility, contribution, performance and projected future risks facing the Company before the compensation and profit sharing proposals are submitted to the Board of Directors for approval.
Note 2: Effective June 12, 2009, the Chairman of the Board, Dr. Morris Chang, was appointed as Chief Executive Officer of TSMC.
Note 3: Mr. Shang-yi Chiang was appointed as Senior Vice President on November 10, 2009.
Note 4: Mr. L.C. Tu was promoted on August 11, 2009.
Note 5: Pensions funded according to applicable law.
Note 6: Includes the expense for company cars, gasoline reimbursement and employees' cash bonus distributed on February 12, 2010. Excludes compensation paid to company drivers totaled NT$3,285 thousand.
Note 7: The Board adopted a proposal for 2009 employee profit sharing distribution in 2010 with respect to 2009 earnings at its meeting on February 9, 2010. The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 15, 2010.
Note 8: Total compensation paid to TSMC's President and vice presidents in 2008 was NT$784,464 thousand, accounting for 0.78% of 2008 net income.
Note 9: Represents cumulative employee stock options exercisable as of the date of this Annual Report.

Compensation Paid to CEO, President and Vice Presidents

	2009	
	From TSMC	From All Consolidated Entities
Under NT$2,000,000	-	-
From NT$2,000,000 ~ NT$5,000,000	-	-
From NT$5,000,000 ~ NT$10,000,000	-	-
From NT$10,000,000 ~ NT$15,000,000	-	-
From NT$15,000,000 ~ NT$30,000,000	Shang-yi Chiang, Y.P. Chin, N.S. Tsai, L.C. Tu	
From NT$30,000,000 ~ NT$50,000,000	M.C. Tzeng, Richard Thurston, Lora Ho, P.H. Chang, Wei-Jen Lo, Jason C.S. Chen, Jack Sun, Fu-Chieh Hsu	
From NT$50,000,000 ~ NT$100,000,000	Stephen T. Tso, Mark Liu, C.C. Wei, Rick Cassidy	
Over NT$100,000,000	Morris Chang, Rick Tsai	
Total	18	

Employee Profit Sharing (Note 7)				Total Compensation as a % of 2009 Net Income (Note 8)		Exercisable Employee Stock Options (Note 9)		Compensation Received from Non-consoildated Affiliates
From TSMC		From All Consoildated Entities		From TSMC	From All Consoildated Entities	From TSMC	From All Consoildated Entities	
Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)					
395,314	0	395,314	0	0.98%	1.08%	2,626	3,597	None

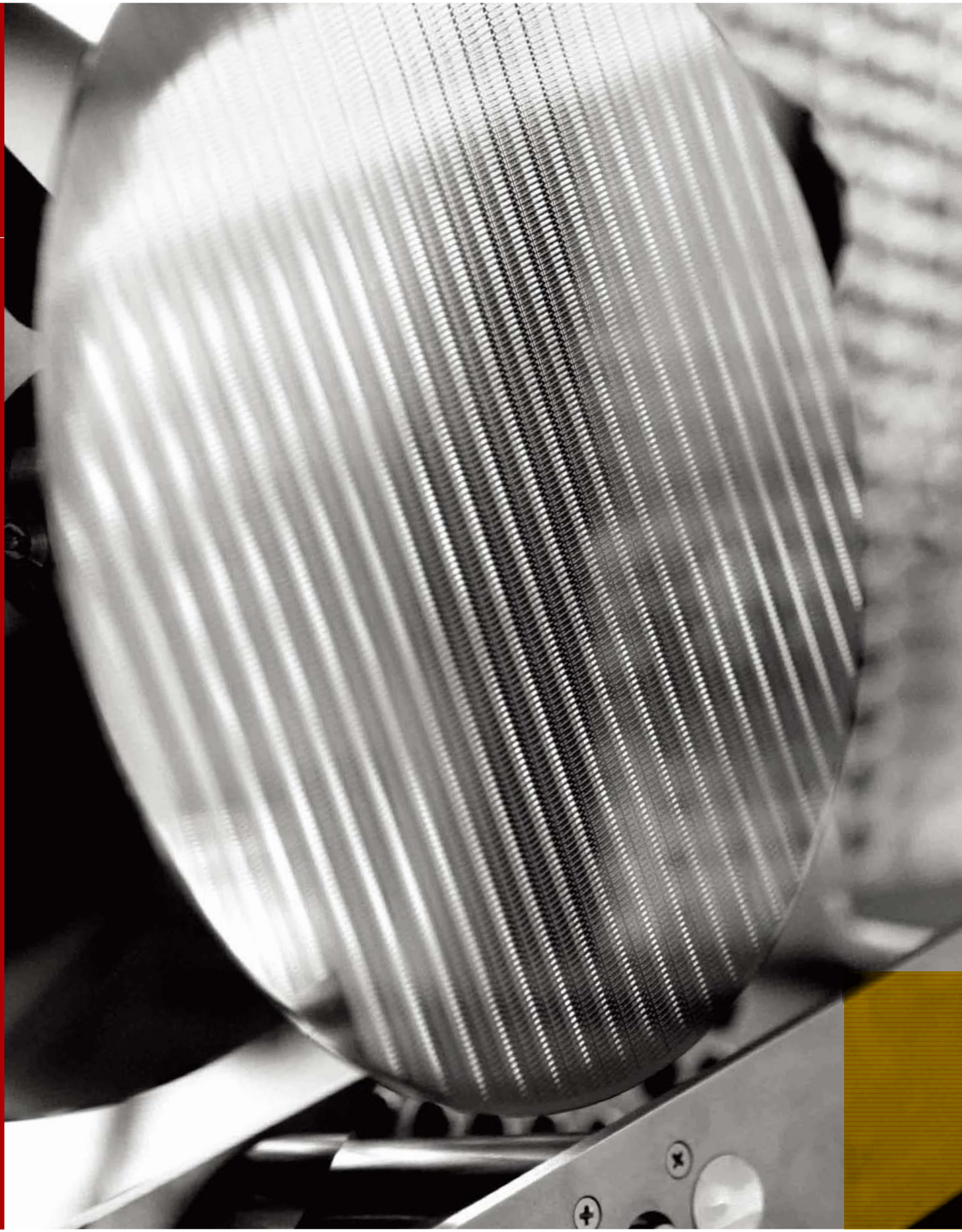
2.5.3 Employee Profit Sharing Granted to Management Team (Note 1)

Unit: NT$ thousands

Title	Name
Chairman & Chief Executive Officer	Morris Chang (Note 2)
President New Businesses	Rick Tsai
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management	Stephen T. Tso
Senior Vice President Operations	Mark Liu
Senior Vice President Business Development	C.C. Wei
Senior Vice President Research and Development	Shang-yi Chiang (Note 3)
Vice President Mainstream Fab Operations/Affiliates	M.C. Tzeng
Vice President & General Counsel Legal	Richard Thurston
Vice President, Chief Financial Officer & Spokesperson Finance	Lora Ho
Vice President Materials Management and Risk Management	P.H. Chang
Vice President Operations	Wei-Jen Lo
Vice President Worldwide Sales and Marketing	Jason C.S. Chen
Vice President & Chief Technical Officer Research and Development	Jack Sun
Vice President Deputy Head of Research and Development Design and Technology Platform	Fu-Chieh Hsu
Vice President Operations	Y.P. Chin
Vice President Quality and Reliability	N.S. Tsai
Vice President Human Resources	L.C. Tu (Note 4)
Senior Director Finance	Jan Kees van Vliet
Senior Director New Businesses	Y.C. Chao (Note 5)
Senior Director Corporate Planning	Irene Sun (Note 6)

Note 1: The Board adopted a proposal for 2009 employee profit sharing distribution in 2010 with respect to 2009 earnings at its meeting on February 9, 2010. The above-mentioned figures are preliminary and the proposed employee profit sharing distribution will be processed after the approval of the same by shareholders at the Annual Shareholders' Meeting on June 15, 2010.
Note 2: Effective June 12, 2009, the Chairman of the Board, Dr. Morris Chang, was appointed as Chief Executive Officer of TSMC.
Note 3: Mr. Shang-yi Chiang was appointed as Senior Vice President on November 10, 2009.
Note 4: Mr. L.C. Tu was promoted on August 11, 2009.
Note 5: Mr. Y.C. Chao was promoted on May 6, 2009.
Note 6: Ms. Irene Sun was promoted on August 11, 2009.

Stock (Fair Market Value)	Cash	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a % of 2009 Net Income
0	421,097	421,097	0.47%



3. CORPORATE GOVERNANCE

TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors established an Audit Committee in 2002 and a Compensation Committee in 2003.

TSMC's corporate governance won international recognition in 2009: *Corporate Governance Asia* honored TSMC with its "Corporate Governance Asia Recognition in Taiwan". *FinanceAsia Magazine* ranked TSMC's corporate governance as the best among all companies in Taiwan with its "Best at Corporate Governance" for the Taiwan region.

3.1 Board of Directors

TSMC's Board of Directors consists of seven (Note) distinguished members with a great breadth of experience as world-class business leaders or scholars. Three of the seven members are independent directors: former British Telecommunications Chief Executive Officer, Sir Peter Bonfield; former Acer Group Chairman, Mr. Stan Shih; and former Texas Instrument Inc. Chairman of the Board, Mr. Thomas J. Engibous. Under the leadership of Chairman Morris Chang, TSMC's Board of Directors takes a serious and forthright approach to its duties and is a serious, competent and independent Board.

In the spirit of Chairman Chang's approach to corporate governance, a board of directors' primary duty is to supervise. The Board should supervise the Company's: compliance with relevant laws and regulations; financial transparency; timely disclosure of material information, and maintaining of highest integrity within the Company. TSMC's Board of Directors strives to perform through the Audit Committee and the Compensation Committee, the hiring of a financial expert for the Audit Committee, coordination with the Internal Audit department, and through the ombudsman reporting system.

The second duty of the board of directors is to provide guidance to the management team of the Company. Quarterly, TSMC's management reports to the TSMC Board on a variety of subjects. The management also reviews the Company's business strategies with the Board. Furthermore, the management often reviews with and updates TSMC's Board on the progress of the strategies, obtaining Board guidance as appropriate.

The third duty of the Board of Directors is to evaluate the management's performance and to dismiss officers of the Company when necessary. TSMC's management has maintained a healthy and functional communication with TSMC Board of Directors, has been devoted in executing guidance of TSMC Board of Directors, and is dedicated in running the business operations, all to achieve the best interests for TSMC shareholders.

Note: Throughout most of 2009, TSMC's Board of Directors consisted of eight directors. Ms. Carleton Fiorina resigned as an independent director of TSMC on November 30, 2009, because she planned to devote her full time and energy to US senatorial campaign.

Board of Directors Meeting Status

Dr. Morris Chang, the Chairman of the Board of Directors, convened four regular meetings and three special meetings in 2009. The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Morris Chang	7	0	100%	Renewal of office (Re-elected on June 10)
Vice Chairman	F.C. Tseng	7	0	100%	Renewal of office (Re-elected on June 10)
Director	National Development Fund, Executive Yuan Representative: Tian-Jy Chen	2	5	29%	Renewal of office (Re-elected on June 10) The former representative of the National Development Fund, Mr. Chintay Shih, resigned on November 10, 2008. Mr. Tian-Jy Chen was appointed as the representative on April 22, 2009.
Director	Rick Tsai	7	0	100%	Renewal of office (Re-elected on June 10)
Independent Director	Sir Peter Leahy Bonfield	4	3	57%	Renewal of office (Re-elected on June 10) Sir Peter Bonfield participated in the discussion through telephone at two Special Meetings, represented by proxy.
Independent Director	Lester Carl Thurow	0	2	0%	Term Expired (Professor Thurow's tenure expired on June 9, 2009 because he was not re-elected at the 2009 Annual Shareholders' Meeting.)
Independent Director	Stan Shih	7	0	100%	Renewal of office (Re-elected on June 10)
Independent Director	Carleton (Carly) S. Fiorina	1	5	17%	Renewal of office (Re-elected on June 10) Ms. Fiorina resigned as an independent director of TSMC on November 30, 2009. Ms. Fiorina participated in the discussion through telephone at one special meeting, represented by proxy.
Independent Director	Thomas J. Engibous	3	0	75%	New office assumed (Elected on June 10) Mr. Engibous attended via telephone at one special meeting.

Annotations:
1. In 2009, there were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion.
2. There were no recusals of Directors due to conflicts of interests in 2009.
3. Measures taken to strengthen the functionality of the Board: We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors has established an Audit Committee and a Compensation Committee to assist the Board in carrying out its various duties.

3.1.1 Audit Committee

The Audit Committee assists the Board in carrying out its financial oversight responsibilities and other duties as set forth in the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. Matters required to be reviewed by the Audit Committee include the Company's: financial reports; auditing and accounting policies and procedures; internal control systems; material asset or derivatives transactions; offering or issuance of any equity-type securities; hiring or dismissal of an attesting CPA, or the compensation given thereto; and appointment or discharge of financial, accounting, or internal auditing officers.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate.

As of February 2010, the Audit Committee was comprised of all three independent directors and had engaged a financial expert consultant. The Audit Committee Charter is available on TSMC's corporate website.

Audit Committee Meeting Status

Sir Peter Bonfield, Chairman of the Audit Committee, convened four regular meetings and three special meetings in 2009. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chair	Sir Peter Leahy Bonfield	7	0	100%	Renewal of office (Note)
Member	Lester Carl Thurow	1	2	33%	Term Expired (After the re-election of the Board of Directors at the 2009 Annual Shareholders' Meeting on June 10, 2009, Professor Thurow did not become a member of the Audit Committee.)
Member	Stan Shih	7	0	100%	Renewal of office (Note)
Member	Carleton (Carly) S. Fiorina	3	2	43%	Renewal of office (Note) Ms. Fiorina resigned on November 30, 2009.
Member	Thomas J. Engibous	4	0	100%	New office assumed (Note)
Financial Expert	J.C. Lobbezoo	7	0	100%	None

Annotations:
1. Resolution under Securities and Exchange Act §14-5 that was not submitted to the Audit Committee* but approved by all directors at the Board of Director's special meeting held on December 9, 2009:
   Resolution: To approve investment in an amount not exceeding NT$6,300 million in Motech Industries, Inc.
   * The urgency of the matter required an immediate resolution. Since most of the Audit Committee members were overseas, the meeting could not be effectively convened. Therefore, the matter was not submitted to the Audit Committee for approval, but it was approved by all the directors present at the Board of Director's special meeting held on December 9, 2009.
2. There were no recusals of independent directors due to conflicts of interests in 2009.
3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2009 (e.g. the channels, items and/or results of the audits on the corporate finance and/or operations, etc.):
   1) The internal auditors have sent the audit reports to the members of the Audit Committee periodically, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The head of Internal Audit will immediately report to the members of the Audit Committee any material matters. During 2009, the head of Internal Audit did not report any irregularity. The communication channel between the Audit Committee and the internal auditor functioned well.
   2) The Company's independent auditors have presented the findings of their quarterly audits on the company's financial results. Under applicable laws and regulations, the independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2009, the Company's independent auditors did not report any irregularity. The communication channel between the Audit Committee and the independent auditors functioned well.

Note: Sir Peter Leahy Bonfield, Mr. Stan Shih, Ms. Carleton Fiorina and Mr. Thomas J. Engibous were elected as TSMC's independent directors and became members of the Audit Committee on June 10, 2009.

3.1.2 Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's executives.

As of February 2010, the Compensation Committee was comprised of four members. All three independent directors served as voting members of the Committee; the Chairman of the Board, Dr. Morris Chang, was a non-voting member. The Compensation Committee Charter is available on TSMC's corporate website.

Compensation Committee Meeting Status

Mr. Stan Shih, Chairman of the Compensation Committee, convened four regular meetings in 2009. The Committee members' attendance status is as follows:

Title	Name	Attendancein Person	Attendance Rate in Person (%)	Notes
Chair	Stan Shih	4	100%	Renewal of office (Note)
Member	Morris Chang	4	100%	Renewal of office (Note)
Member	Sir Peter Leahy Bonfield	4	100%	Renewal of office (Note)
Member	Lester Carl Thurow	0	0%	Term Expired (After the re-election of the Board of Directors at the 2009 Annual Shareholders' Meeting on June 10, 2009, Professor Thurow did not become a member of the Compensation Committee.)
Member	Carleton (Carly) S. Fiorina	1	25%	Renewal of office (Note) Ms. Fiorina resigned on November 30, 2009.
Member	Thomas J. Engibous	3	100%	New office assumed (Note)

Note: Mr. Stan Shih, Sir Peter Leahy Bonfield, Ms. Carleton Fiorina and Mr. Thomas J. Engibous were elected as TSMC's independent directors and became members of the Compensation Committee on June 10, 2009. The Chairman of the Board, Dr. Morris Chang, was a non-voting member.

3.2 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Item	Implementation Status	Non-implementation and Its Reason(s)
1. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints	TSMC has designated appropriate departments, such as Investor Relations, Public Relations, the SEC Compliance Department, Legal Department, etc., to handle shareholder suggestions or complaints.	None
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	TSMC tracks the shareholdings of directors, officers, and shareholders holding more than 10% of the outstanding shares of TSMC.	
(3) Risk management mechanism and "firewall" between the Company and its affiliates	TSMC has established appropriate guidelines in its "Internal Control System" and "TSMC Invested Entity Governance and Management Policy".	
2. Composition and Responsibilities of the Board of Directors (1) Independent Directors	Sir Peter Leahy Bonfield, Prof. Lester Carl Thurow (Note 1), Mr. Stan Shih, Ms. Carleton (Carly) S. Fiorina (Note 2) and Mr. Thomas J. Engibous (Note 3) are the independent directors of TSMC.	None
(2) Regular evaluation of external auditors' independence	The TSMC Audit Committee regularly evaluates the independence of external auditors.	
3. Communication channel with stakeholders	TSMC has designated appropriate departments, such as Investor Relations, Public Relations, the SEC Compliance Department, etc., to communicate with stakeholders on a case by case basis, as needed. Furthermore, the contact information providing access to the Company's spokesperson and relevant departments is available on TSMC's website.	None
4. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status	TSMC discloses information through its website http://www.tsmc.com. Since TSMC is a foreign private issuer with American Depository Receipts listed on the New York Stock Exchange (NYSE), TSMC is subject to various NYSE regulations, one of which requires TSMC to disclose the significant ways in which its corporate governance practices differ from those followed by US domestic companies under NYSE listing standards. Such disclosure information may be found at the following web address: http://www.tsmc.com/download/english/e03_governance/NYSE_Section_303A.pdf	None
(2) Other information disclosure channels (e.g., maintaining an English-language website, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)	TSMC has designated appropriate departments (e.g. Investor Relations, Public Relations, the SEC Compliance Department, etc.) to handle the collection and disclosure of information as required by the relevant laws and regulations of Taiwan and other jurisdictions. TSMC has designated spokespersons as required by relevant regulations. TSMC webcasts live investor conferences.	
5. Operations of the Company's Nomination Committee, Compensation Committee, or other committees of the Board of Directors	TSMC's Board of Directors has established an Audit Committee and a Compensation Committee. Please refer to the "*Corporate Governance*" section on pages 25-31 of this Annual Report for details.	None

(Continued)

6. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe any discrepancy between the policies and their implementation.

   TSMC does not establish corporate governance policies. For the status of TSMC's corporate governance, please refer to the "*Corporate Governance*" section on pages 25-31 of this Annual Report.

7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors):

   (1) Status of employee rights and employee wellness: Please refer to the "*Employees*" section on pages 54-56 of this Annual Report.
   (2) Status of investor relations, supplier relations and rights of stakeholders: Please refer to the "*Corporate Social Responsibility*" on pages 69-75 of this Annual Report.
   (3) Status of Risk Management Policies and Risk Evaluation: Please refer to the "*Risk Management*" section on pages 62-67 of this Annual Report.
   (4) Status of Customer Relations Policies: Please refer to the "*Customer Partnership*" section on pages 52-53 of this Annual Report.
   (5) TSMC maintains D&O Insurance for its directors and officers.

8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None

   TSMC's corporate governance won international recognition in 2009: *Corporate Governance Asia* honored TSMC with its "*Corporate Governance Asia* Recognition in Taiwan". *FinanceAsia Magazine* ranked TSMC's corporate governance as the best among all companies in Taiwan with its "Best at Corporate Governance" for the Taiwan region.

Note 1: Professor Lester Thurow's tenure expired on June 9, 2009 because he was not re-elected at the 2009 Annual Shareholders' Meeting.
Note 2: Ms. Carleton Fiorina resigned as an independent director of TSMC on November 30, 2009.
Note 3: Mr. Thomas Engibous was elected as TSMC's independent director at the 2009 Annual Shareholders' Meeting on June 10, 2009.

Continuing Education/Training of Directors in 2009

Name	Date	Host by	Training/Speech Title	Duration
Morris Chang (Note)	11/20	Taiwan GreTai Securities Market	Corporate Social Responsibility in Taiwan	0.5 hour
F.C. Tseng	08/13	Taiwan Corporate Governance Association	Facing the global financial crisis, how do companies deal with and create sustaining capabilities	3 hours
Sir Peter Leahy Bonfield	02/19	Ericsson	Corporate Board Governance Programme	1 day
	11/23	Mentor Graphics Corporation Inc.	Corporate Governance	0.5 day
Morris Chang F.C. Tseng Sir Peter Leahy Bonfield Stan Shih Thomas J. Engibous Rick Tsai	06/11	TSMC	Speech: "Outlook of Taiwan Economy" by Minister Chen Tain-Jy, Council for Economic Planning and Development, the Executive Yuan	0.5 hour

1. From time to time, TSMC provides directors with information concerning regulatory requirements and developments as related to directors' activities. TSMC management also regularly presents updates on the Company's business and other information to directors.
2. Regular regulatory update reports are provided by TSMC's General Counsel and by the Company's independent auditors at the Audit Committee meetings.

Note: Selected speeches on corporate governance and related topics.

Continuing Education/Training of Management in 2009

Title/Name	Date	Host by	Training	Duration
Director Accounting Division Jessica Chou	09/24	Accounting Research and Development Foundation	Summary on the latest industrial developments and key points to financial analysis	3 hours
	11/11		Discussion on the advantages and action plans from directors, supervisors and executives in response to the implementation of IFRS (International Financial Reporting Standard)	3 hours
	11/11		Notice on the adoption of XBRL (Extensible Business Reporting Language) – Practice and best implementation actions	3 hours
	12/10		The legal responsibility, action plans and case study of "insider transactions" for insider in publicly-held companies	3 hours
Director Internal Audit John Liang	12/21	Institute of Internal Audit – ROC (IIA)	Control Self-assessment: Facilitation Skills for Financial Reporting	6 hours
	03/06 - 03/07		2009 IIA Conference: IA Value Creation & Corporate Governance	12 hours
	11/19		The Second Annual Chief Audit Executive Forum	8 hours
Vice Presidents: Stephen T. Tso Mark Liu C.C. Wei Richard Thurston Lora Ho P.H. Chang Wei-Jen Lo Jason Chen Jack Sun Fu-Chieh Hsu Y.P. Chin N.S. Tsai	06/11	TSMC	Speech: "Outlook of Taiwan Economy" by Minister Chen Tain-Jy, Council for Economic Planning and Development, the Executive Yuan	0.5 hour

3.3 Major Resolutions of Shareholders' Meeting and Board Meetings

3.3.1 Major Resolutions of Shareholders' Meeting and Implementation Status

TSMC's 2009 regular Shareholders' Meeting was held in Hsinchu, Taiwan on June 10, 2009. At the meeting, shareholders present in person or by proxy approved the following resolutions:

(1) The 2008 Business Report and Financial Statements

(2) The distribution of 2008 profits

(3) The capitalization of 2008 dividends, 2008 employee profit sharing, and capital surplus

(4) The amendments to internal policies and rules as follows:

- Procedures for Lending Funds to Other Parties
- Procedures for Endorsement and Guarantee

(5) Election of eight directors (including four independent directors)

Implementation Status: All the resolutions of the Shareholders' Meeting have been fully implemented in accordance with the resolutions.

The eight newly elected directors: Morris Chang, F.C. Tseng, Peter Leahy Bonfield (Independent Director), Stan Shih (Independent Director), Carleton Sneed Fiorina (Independent Director), Thomas J. Engibous (Independent Director), Tain-Jy Chen (representative of National Development Fund, Executive Yuan) and Rick Tsai

3.3.2 Major Resolutions of Board Meetings

During the 2009 calendar year, and through the period of January 1 to February 28, 2010, five regular board meetings and three special board meetings were convened. Major resolutions approved at these meetings are summarized below:

(1) Regular Board Meeting of February 10, 2009:

- approving 2008 business report and financial statements
- approving distribution of 2008 profits, and the capitalization of dividends, employee profit sharing and capital surplus
- convening the 2009 Annual Shareholders' Meeting
- appointment of Dr. L. John Liang as the head of Internal Audit of TSMC

(2) Special Board Meeting of April 17, 2009:

- listing four qualified candidates for independent directors to stand for election at TSMC's 2009 regular Shareholders' Meeting

(3) Regular Board Meeting of June 11, 2009:

- election of Dr. Morris Chang as the Chairman and Dr. F.C. Tseng as the Vice Chairman of the Board of Directors
- appointment of Dr. Morris Chang as Chief Executive Officer concurrent with his position as Chairman of the Board, effective June 12, 2009
- appointment of Dr. Rick Tsai as President of New Businesses, effective June 12, 2009
- approving capital appropriation of US$130 million

(4) Regular Board Meeting of August 11, 2009:

- approving capital appropriations of US$1,166.8 million
- approving 2009 semi-annual financial statements
- appointment of L.C. Tu as Vice President of TSMC

(5) Regular Board Meeting of November 10, 2009:

- approving capital appropriations of US$2,541.4 million
- appointment of Dr. Shang-yi Chiang as Senior Vice President of TSMC
- appointment of Dr. Jack Sun as Chief Technology Officer of TSMC
- approving acquisition of shares of Semiconductor Manufacturing International Corporation (SMIC) in accordance with relevant agreements executed between TSMC and SMIC. The actual acquisition of the SMIC shares shall be subject to the approval of the relevant regulatory authorities in charge.

(6) Special Board Meeting of December 9, 2009

- approving investment in an amount not exceeding NT$6,300 million in Motech Industries, Inc.

(7) Regular Board Meeting of February 8 & 9, 2010:

- approving 2009 business report and financial statements
- approving distribution of 2009 profits, and cash dividends and employee profit sharing
- approving 2010 R&D and sustaining capital appropriations of US$534.6 million
- approving capital appropriations of US$2,272.4 million
- approving amendments to TSMC's Articles of Incorporation expanding the Company's business scope to encompass LED lighting and solar energy
- convening the 2010 Annual Shareholders' Meeting

3.3.3 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors from January 1, 2009 to February 28, 2010: None.

3.4 Internal Control System Execution Status

Taiwan Semiconductor Manufacturing Company Limited
Statement of Internal Control System

Date: February 9, 2010

Based on the findings of a self-assessment, Taiwan Semiconductor Manufacturing Company Limited (TSMC) states the following with regard to its internal control system during the period from January 1, 2009 to December 31, 2009:

1. TSMC is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. TSMC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of TSMC contains self-monitoring mechanisms, and TSMC takes corrective actions whenever a deficiency is identified.

3. TSMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

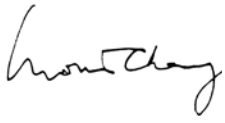
4. TSMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, TSMC believes that, during the year 2009, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be an integral part of TSMC's Annual Report for the year 2009 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on February 9, 2010, with zero of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Semiconductor Manufacturing Company Limited



Morris Chang,
Chairman & Chief Executive Officer

The disclosure of the external auditors' opinion on TSMC's internal control is not applicable.

3.5 Status of Personnel Responsible for Preparing Financial Reports

3.5.1 Resignation or Dismissal of Personnel Responsible for Financial Report

Title	Name	Date Effective	Date Resigned/Dismissed	Reasons for Resignation or Dismissal
President & CEO	Rick Tsai	07/01/2005	06/11/2009	Dr. Tsai was assigned as President of New Businesses, effective on June 12, 2009.
Senior Director Internal Audit	Jan Kees van Vliet	12/02/2003	02/10/2009	Mr. van Vliet was transferred to other department.

3.5.2 Certification Details of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Certification	Number of Employees	
	Internal Audit	Finance
Certified Public Accountants (CPA)	1	16
US Certified Public Accountants (US CPA)	1	6
Certified Internal Auditor (CIA)	4	4
Chartered Financial Analyst (CFA)	0	3
Certified Management Accountant (CMA)	0	1
Financial Risk Manager (FRM)	0	2
Cerficate in Financial Management (CFM)	0	1
Certification in Control Self-Assessment (CCSA)	2	0
Certified Information Systems Auditor (CISA)	2	0
BS7799/ISO 27001 Lead Auditor	1	0

3.6 Information Regarding TSMC's Independent Auditor

3.6.1 Audit Fees

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Whether the CPA's Audit Period Covers an Entire Fiscal Year			Note
			System Design	Company Registration	Human Resource	Others	Subtotal	Yes	No	Audit Period	
Deloitte & Touche	Hung-Peng Lin, Shu-Chieh Huang, and others	74,166	-	285	-	600	885	v			

Note: Article 10-4 of Regulation Governing Information to be published in Annual Report of Public Companies was not applicable to TSMC.

3.6.2 TSMC did not replace its independent auditor during 2008, 2009, and as of February 28, 2010.

3.6.3 TSMC's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions within TSMC's independent audit firm or its affiliates during 2009.

3.7 Material Information Management Procedure

TSMC has established relevant procedures for material information management and disclosure. All relevant departments and employees are required to comply with the procedures and other applicable regulations when they become aware of any potential material information and the disclosure thereof.

4. CAPITAL AND SHARES

4.1 Capital and Shares

4.1.1 Capitalization

Unit: Share/NT$ As of 02/28/2010

Month/ Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
03/2009	10	28,050,000,000	280,500,000,000	25,625,437,256	256,254,372,560	Exercise of Employee Stock Options: NT$1,462,990	None	03/09/2009 Yuan Shang Tzu No. 0980005952
08/2009	10	28,050,000,000	280,500,000,000	25,626,012,160	256,260,121,600	Exercise of Employee Stock Options: NT$5,749,040	None	08/17/2009 Yuan Shang Tzu No. 0980023001
08/2009	10	28,050,000,000	280,500,000,000	25,896,009,261	258,960,092,610	Capitalization of Profits: NT$1,931,207,890 Capitalization of Surplus: NT$768,763,120	None	08/18/2009 Yuan Shang Tzu No. 0980023041
09/2009	10	28,050,000,000	280,500,000,000	25,896,353,344	258,963,533,440	Exercise of Employee Stock Options: NT$3,440,830	None	09/16/2009 Yuan Shang Tzu No. 0980026364
12/2009	10	28,050,000,000	280,500,000,000	25,900,662,339	259,006,623,390	Exercise of Employee Stock Options: NT$43,089,950	None	12/02/2009 Yuan Shang Tzu No. 0980034205

4.1.2 Capital and Shares

Unit: Share

As of 02/28/2010

Type of Stock	Authorized Share Capital				Total
	Issued Shares			Unissued Shares	
	Listed	Non-listed	Total		
Common Stock	25,903,538,310	0	25,903,538,310	2,146,461,690	28,050,000,000

Shelf Registration: None.

4.1.3 Composition of Shareholders

Common Share

As of 07/21/2009 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	13	198	963	2,880	479,073	483,127
Shareholding	1,745,950,910	731,601,487	902,372,727	18,686,656,654	3,829,771,566	25,896,353,344
Holding Percentage (%)	6.74%	2.83%	3.48%	72.16%	14.79%	100.00%

Distribution Profile of Share Ownership

Common Share

As of 07/21/2009 (last record date)

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	161,754	41,589,053	0.16%
1,000 ~ 5,000	203,203	440,595,717	1.70%
5,001 ~ 10,000	54,267	361,987,632	1.40%
10,001 ~ 15,000	24,470	284,492,762	1.10%
15,001 ~ 20,000	8,878	150,909,308	0.58%
20,001 ~ 30,000	10,742	252,998,244	0.98%
30,001 ~ 40,000	4,792	162,454,549	0.63%
40,001 ~ 50,000	2,966	131,266,958	0.51%
50,001 ~ 100,000	5,553	377,524,893	1.46%
100,001 ~ 200,000	2,622	356,520,042	1.38%
200,001 ~ 400,000	1,463	407,436,198	1.57%
400,001 ~ 600,000	537	260,109,519	1.00%
600,001 ~ 800,000	268	185,295,595	0.72%
800,001 ~ 1,000,000	214	192,123,200	0.74%
Over 1,000,001	1,398	22,291,049,674	86.07%
Total	483,127	25,896,353,344	100.00%

Preferred Share: None.

4.1.4 Major Shareholders

Common Share

As of 07/21/2009 (last record date)

Shareholders	Total Shares Owned	Ownership (%)
ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	5,487,565,383	21.19%
National Development Fund, Executive Yuan	1,653,709,980	6.39%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	607,363,770	2.35%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder Inc.	384,615,272	1.49%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	382,385,094	1.48%
JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	358,983,677	1.39%
Ivy Funds Inc. Asset Strategy Fund	341,009,504	1.32%
Government of Singapore	293,755,207	1.13%
JPMorgan Chase Bank N.A. Taipei Branch in custody for The Investment Company of America	287,648,007	1.11%
Cathay Life Insurance Co.,Ltd.	274,917,909	1.06%

4.1.5 Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Share

Title Name	2009		01/01/2010 ~ 02/28/2010	
	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)
Chairman & Chief Executive Officer Morris Chang	540,217	-	-	-
Vice Chairman F.C. Tseng	(1,131,834)	-	(100,000)	-
Director National Development Fund, Executive Yuan Representative: Tain-Jy Chen	8,227,119	1,653,044,208	-	-
Director & President of New Businesses Rick Tsai	(304,131)	1,700,000	(60,000)	-
Independent Director Sir Peter Leahy Bonfield	-	-	-	-
Independent Director Lester Carl Thurow (Note 2)	-	-	-	-
Independent Director Stan Shih	7,364	-	-	-
Independent Director Carleton (Carly) S. Fiorina (Note 3)	-	-	-	-
Independent Director Thomas J. Engibous (Note 4)	-	-	-	-
Senior Vice President & Chief Information Officer Information Technology & Materials Management and Risk Management Stephen T. Tso	(359,202)	-	(30,000)	-
Senior Vice President Operations Mark Liu	(441,778)	-	(20,000)	-
Senior Vice President Business Development C.C. Wei	(637,108)	-	-	-
Senior Vice President Research and Development Shang-yi Chiang (Note 5)	-	-	-	-
Vice President Mainstream Fab Operations/Affiliates M.C. Tzeng	118,557	(800,000)	-	-
Vice President & General Counsel Richard Thurston	(458,323)	(700,000)	(300,000)	-
Vice President, Chief Financial Officer & Spokesperson Lora Ho	(163,080)	-	-	-
Vice President Materials Management & Risk Management P.H. Chang	364,387	-	-	-
Vice President Operations Wei-Jen Lo	(95,210)	-	(24,000)	-
Vice President Worldwide Sales and Marketing Jason C.S. Chen	178,350	-	-	-
Vice President & Chief Technology Officer Research and Development Jack Sun	(826,121)	-	-	-
Vice President Deputy Head of Research and Development Design and Technology Platform Fu-Chieh Hsu	(64,001)	-	-	-
Vice President Operations Y.P. Chin	(785,253)	-	(5,000)	-
Vice President Quality and Reliability N.S. Tsai	(577,908)	-	-	-
Vice President President of TSMC North America Rick Cassidy	-	-	-	-

(Continued)

Title Name	2009		01/01/2010 ~ 02/28/2010	
	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)
Vice President Human Resources L.C. Tu	113,987	-	-	-
Senior Director Finance Jan Kees van Vliet	(68,745)	-	-	-
Senior Director New Businesses Y.C. Chao (Note 6)	149,729	-	-	-
Senior Director Corporate Planning Irene Sun (Note 7)	-	-	-	-

Note 1: This refers to the creation of security interest over TSMC shares in favor of creditors, usually in connection with a shareholder's own financing activities.
Note 2: Professor Lester Thurow's tenure expired on June 9, 2009 because he was not re-elected at the 2009 Annual Shareholders' Meeting.
Note 3: Ms. Carleton Fiorina resigned as an independent director of TSMC on November 30, 2009.
Note 4: Mr. Thomas Engibous was elected as TSMC's independent director at the 2009 Annual Shareholders' Meeting on June 10, 2009.
Note 5: Mr. Shang-yi Chiang was appointed on November 10, 2009. Net change in his shareholding or shares pledged was from November 10, 2009 to February 28, 2010.
Note 6: Mr. Y.C. Chao was promoted on May 6, 2009. Net change in his shareholding or shares pledged was from May 6, 2009 to February 28, 2010.
Note 7: Ms. Irene Sun was promoted on August 11, 2009. Net change in her shareholding or shares pledged was from August 11, 2009 to February 28, 2010.

4.1.6 Stock Trade with Related Party: None.

4.1.7 Stock Pledge with Related Party: None.

4.1.8 Information on Our 10 Largest Shareholders Who are Related Parties to Each Other: None of TSMC's 10 largest shareholders are related parties to each other.

4.1.9 Long-term Investment Ownership

As of 12/31/2009

Long-term Investment	Ownership by TSMC (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Equity Method:						
TSMC Partners, Ltd.	988,268,244	100.0%	0	0%	988,268,244	100.0%
TSMC Global, Ltd.	1,284	100.0%	0	0%	1,284	100.0%
TSMC North America	11,000,000	100.0%	0	0%	11,000,000	100.0%
TSMC Europe B.V.	200	100.0%	0	0%	200	100.0%
TSMC Japan Limited	6,000	100.0%	0	0%	6,000	100.0%
TSMC Korea Limited	80,000	100.0%	0	0%	80,000	100.0%
TSMC China Company Limited	Not Applicable (Note 1)	100.0%	0	0%	Not Applicable (Note 1)	100.0%
Systems on Silicon Manufacturing Co. Pte Ltd.	313,603	38.8%	0	0%	313,603	38.8%
Vanguard International Semiconductor Corp.	628,223,493	37.4%	274,029,592	16.3% (Note 2)	902,253,085	53.7%
Xintec Inc.	93,081,225	41.1%	0	0%	93,081,225	41.1%
Global Unichip Corporation	46,687,859	35.4%	0	0%	46,687,859	35.4%
Emerging Alliance Fund, L.P.	Not Applicable (Note 1)	99.5%	0	0%	Not Applicable (Note 1)	99.5%
VentureTech Alliance Fund II, L.P.	Not Applicable (Note 1)	98.0%	0	0%	Not Applicable (Note 1)	98.0%
VentureTech Alliance Fund III, L.P.	Not Applicable (Note 1)	98.0%	0	0%	Not Applicable (Note 1)	98.0%
Cost Method:						
Non-publicly Traded						
United Industrial Gases Co. Ltd.	16,782,937	9.8%	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)
Shin-Etsu Handotai Taiwan Co. Ltd.	10,500,000	7.0%	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)
W.K. Technology Fund IV	4,000,000	1.9%	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)	Not Available (Note 3)
Funds						
Horizon Ventures Fund I, L.P.	Not Applicable (Note 1)	12.1%	Not Applicable (Note 1)	Not Available (Note 3)	Not Applicable (Note 1)	Not Available (Note 3)
Crimson Asia Capital Ltd., L.P.	Not Applicable (Note 1)	1.0%	Not Applicable (Note 1)	Not Available (Note 3)	Not Applicable (Note 1)	Not Available (Note 3)

Note 1: Not applicable. These firms do not issue shares. TSMC's investment is measured as a percentage of ownership.
Note 2: 16.3% represents the shareholding owned by National Development Fund, Executive Yuan
Note 3: Not available. Not all information is available to TSMC as of the report date.

4.1.10 Share Information

TSMC's earnings per share decreased 9.6% in 2009 to NT$3.44 per share. The following table details TSMC's net worth, earnings, dividends and market price per common share in 2009, as well as other data regarding return on investment.

Net Worth, Earnings, Dividends, and Market Price Per Common Share

Unit: NT$, except for weighted average shares and return on investment ratios

Item	2008	2009	01/01/2010 ~ 02/28/2010
Market Price Per Share			
Highest Market Price	61.60 (Note 2)	65.00 (Note 2)	64.90
Lowest Market Price	34.65 (Note 2)	37.28 (Note 2)	57.20
Average Market Price	51.36 (Note 2)	53.94 (Note 2)	61.04
Net Worth Per Share			
Before Distribution	18.59	19.11	-
After Distribution	15.59	(Note 6)	-
Earnings Per Share			
Weighted Average Shares (thousand shares)	26,106,676	25,913,603	-
Diluted Earnings Per Share (Note 1)	3.83	3.44 (Note 6)	-
Adjusted Diluted Earnings Per Share (Note 2)	3.81	(Note 6)	-
Dividends Per Share			
Cash Dividends	3.00	3.00 (Note 6)	-
Stock Dividends			
Dividends from Retained Earnings	0.02	- (Note 6)	-
Dividends from Capital Surplus	0.03	- (Note 6)	-
Accumulated Undistributed Dividend	-	-	-
Return on Investment			
Price/Earnings Ratio (Note 3)	13.48	(Note 6)	-
Price/Dividend Ratio (Note 4)	17.12	(Note 6)	-
Cash Dividend Yield (Note 5)	6%	(Note 6)	-

Note 1: Since 2008, the calculation of diluted earning per share is after consideration of expensing estimated profit sharing to employees and bonus to directors based on the regulation.
Note 2: Retroactively adjusted for stock dividends and profit sharing to employees in stock
Note 3: Price/Earnings Ratio = Average Market Price/Adjusted Diluted Earnings Per Share
Note 4: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share
Note 5: Cash Dividend Yield = Cash Dividends Per Share/Average Market Price
Note 6: Pending for shareholders' approval

4.1.11 Dividend Policy

TSMC's profits may be distributed by way of cash dividend and/or stock dividend. The preferred method of distributing profits is by way of an annual cash dividend. Under TSMC's Articles of Incorporation, stock dividend shall not exceed 50% of the total dividend distribution in any given fiscal year. Except under certain conditions specified in the Company's Articles of Incorporation, TSMC does not pay dividends when there is no profit or retained earnings.

4.1.12 Distribution of Profit

The Board adopted a proposal for 2009 profit distribution at its Meeting on February 9, 2010. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 15, 2010.

In addition, according to the Company's Articles of Incorporation, TSMC shall allocate no more than 0.3% of earnings available for distribution (net income after a regulatory required deduction for prior years' losses and contributions to legal and special reserves) as a bonus to directors, and not less than 1% as a bonus to employees. Profit sharing to employees to be distributed after 2010 Annual Shareholders' Meeting was recorded as a charge to earnings of approximately 7.5% of net income in year 2009; bonuses to directors were accrued with an estimate based on historical experience. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 15, 2010. If the actual amounts subsequently resolved by the shareholders differ from the above estimated amounts, the differences will be recorded in the year of shareholders' resolution as a change in accounting estimate.

Proposal to Distribute 2009 Profits

Unit: NT$

Cash Dividends to Common Shareholders (NT$3.0 per share)	77,708,119,866

Note: Employees' cash bonus and profit sharing and bonus to directors for the year 2009 which have been expensed under the Company's income statements are listed below:
- NT$6,691,337,704 distributed employees' cash bonus
- NT$6,691,337,704 employees' cash profit sharing to be distributed after 2010 Annual Shareholders' Meeting
- NT$67,692,222 directors' bonus to be paid after 2010 Annual Shareholders' Meeting

2008 Directors' Bonus and Employee Profit Sharing

	Board Resolution (02/10/2009)	Actual Result (Note 1)		
	Amount (NT$)	Amount (NT$)	Underlying Number of Shares	Dilution (%)
Directors' Bonus (Cash)	158,080,488	158,080,488	-	-
Employee Profit Sharing in Cash	7,494,987,577	7,494,987,577	-	-
Employee Profit Sharing in Stock	7,494,987,578	7,494,987,578	141,869,914 (Note 2)	0.55%
Total	15,148,055,643	15,148,055,643	-	-

Note 1: Each of the above three items, being approved by the Board, has been expensed at the same amount under the company's 2008 income statements.
Note 2: The number of shares was calculated based on the closing price one day prior to the 2009 Annual Shareholders' Meeting on an ex-dividend basis, i.e., NT$52.83 per share. The fractional share, being less than one full share, was distributed in cash.

4.1.13 Impact to 2010 Business Performance and EPS Resulting from Stock Dividend Distribution: Not applicable.

4.1.14 Buyback of Common Stock: Not applicable.

4.2 Issuance of Corporate Bonds

4.2.1 Corporate Bonds

As of 02/28/2010

Issuance		Domestic Unsecured Bond (V)
Issuing Date		01/10/2002 - 01/24/2002
Denomination		NT$1,000,000 NT$5,000,000
Offering Price		Par
Total Amount		NT$15,000,000,000
Coupon Rate		Tranche A: 2.60% p.a. Tranche B: 2.75% p.a. Tranche C: 3.00% p.a.
Tenure		Tranche A: 5 years Maturity: 01/10/2007 - 01/22/2007 Tranche B: 7 years Maturity: 01/10/2009 - 01/24/2009 Tranche C: 10 years Maturity: 01/10/2012 - 01/24/2012
Guarantor		None
Trustee		TC Bank
Underwriter		Not Applicable
Legal Counsel		Yan-an International Law Office
Auditor		TN Soong & Co (now Deloitte & Touche)
Repayment		Bullet
Outstanding		NT$4,500,000,000
Redemption or Early Repayment Clause		None
Covenants		Customary Covenants
Credit Rating		twAAA (Taiwan Ratings Corporation, 09/21/2009)
Other Rights of Bondholders	Conversion Right	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	Not Applicable
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

4.2.2 Convertible Bond: None.

4.2.3 Exchangeable Bond: None.

4.2.4 Shelf Registration: None.

4.2.5 Bond with Warrants: None.

4.3 Preferred Shares

4.3.1 Preferred Share: None.

4.3.2 Preferred Share with Warrants: None.

4.4 Issuance of American Depositary Shares

Issuing Date	10/08/1997	11/20/1998	01/12/1999 - 01/14/1999	07/15/1999	08/23/1999 - 09/09/1999	02/22/2000 - 03/08/2000	04/17/2000	06/07/2000 - 06/15/2000
Issuance & Listing	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
Total Amount (US$)	594,720,000	184,554,440	35,500,000	296,499,641	158,897,089	379,134,599	224,640,000	1,167,873,850
Offering Price Per ADS (US$)	24.78	15.26	17.75	24.516	28.964	57.79	56.16	35.75
Units Issued	24,000,000	12,094,000	2,000,000	12,094,000	5,486,000	6,560,000	4,000,000	32,667,800
Underlying Securities	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	Cash Offering and TSMC Common Shares from Selling Shareholders
Common Shares Represented	120,000,000	60,470,000	10,000,000	60,470,000	27,430,000	32,800,000	20,000,000	163,339,000
Rights & Obligations of ADS Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
Trustee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Depositary Bank	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York
Custodian Bank (Note 1)	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch
ADSs Outstanding (Note 2)	24,000,000	46,222,650	48,222,650	71,407,859	76,893,859	83,453,859	87,453,859	144,608,739
Apportionment of Expenses for Issuance & Maintenance	(Note 3)							(Note 4)
Terms and Conditions in the Deposit Agreement & Custody Agreement	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details
Closing Price Per ADS (US$)	2009	High	11.44					
		Low	6.70					
		Average	9.55					
	01/01/2010 - 02/28/2010	High	11.58					
		Low	9.56					
		Average	10.28					

Note 1: Citibank, N.A., Taipei Branch has changed its name to "Citibank Taiwan Limited" on August 1, 2009.

Note 2: TSMC has in aggregate issued 813,544,500 ADSs since 1997, which, if taking into consideration stock dividend distributed over the period, would amount to 1,147,835,206 ADSs. As of February 28, 2010, total number of outstanding ADSs was 1,097,513,073 after 50,322,133 ADSs were redeemed. Stock dividends distributed in 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 was 45%, 23%, 28%, 40%, 10%, 8%, 14.08668%, 4.99971%, 2.99903%, 0.49991%, 0.50417% and 0.49998% respectively.

Note 3: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

Note 4: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by TSMC and the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

05/14/2001 - 06/11/2001	06/12/2001	11/27/2001	02/07/2002 - 02/08/2002	11/21/2002 - 12/19/2002	07/14/2003 - 07/21/2003	11/14/2003	08/10/2005 - 09/08/2005	05/23/2007
NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
240,999,660	297,649,640	320,600,000	1,001,650,000	160,097,914	908,514,880	1,077,000,000	1,402,036,500	2,563,200,000
20.63	20.63	16.03	16.75	8.73	10.40	10.77	8.60	10.68
11,682,000	14,428,000	20,000,000	59,800,000	18,348,000	87,357,200	100,000,000	163,027,500	240,000,000
TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders
58,410,000	72,140,000	100,000,000	299,000,000	91,740,000	436,786,000	500,000,000	815,137,500	1,200,000,000
Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York	Citibank, N.A. – New York
Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch	Citibank, N.A. – Taipei Branch
156,290,739	170,718,739	259,006,235	318,806,235	369,019,413	485,898,166	585,898,166	864,210,597	1,128,739,639
				(Note 3)				
See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details

4.5 Status of Employee Stock Option Plan

4.5.1 Issuance of Employee Stock Options

ESOP Granted	First Grant	Second Grant	Third Grant
Approval Date by The Securities & Futures Bureau	06/25/2002	06/25/2002	06/25/2002
Issue (Grant) Date	08/22/2002	11/08/2002	03/07/2003
Number of Options Granted	18,909,700	1,085,000	6,489,514
Percentage of Shares Exercisable to Outstanding Common Shares	0.10154%	0.00583%	0.03485%
Option Duration	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
Shares Exercised	2,027,605	0	497,904
Value of Shares Exercised (NT$)	59,047,051	0	11,911,017
Shares Unexercised	4,894,232	390,445	4,869,254
Original Grant Price Per Share (NT$)	NT$53.0	NT$51.0	NT$41.6
Adjusted Exercise Price Per Share (NT$)	NT$29.0	NT$27.9	NT$22.8
Percentage of Shares Unexercised to Outstanding Common Shares	0.01889%	0.00151%	0.01880%
Impact to Shareholders' Equity	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

4.5.2 Employee Stock Options Granted to Management Team and to Top 10 Employees with an Individual Grant Value over NT$30,000,000

Title	Name	Number of Options Granted (Note 2)	% of Shares Exercisable to Outstanding Common Shares
Chairman & Chief Executive Officer	Morris Chang (Note 1)	5,261,152	0.02031%
President	Rick Tsai (Note 1)		
Senior Vice President	Stephen T. Tso (Note 1)		
Senior Vice President	Mark Liu (Note 1)		
Senior Vice President	C.C. Wei (Note 1)		
Vice President & General Counsel	Richard Thurston (Note 1)		
Vice President	Jack Sun (Note 1)		
Vice President	Rick Cassidy		
Vice President	L.C. Tu (Note 1)		

Note 1: TSMC granted options to certain of its officers (as listed above) as a result of their voluntary selection to exchange part of their profit sharing for stock options in 2003. This includes a voluntary exchange by Chairman Morris Chang in his capacity as Chief Executive Officer.
Note 2: Number of options granted includes the additional shares due to stock dividend distributed in 2004, 2005, 2006, 2007, 2008 and 2009.

4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions

TSMC did not issue new shares in connection with mergers or acquisitions in 2009, and as of the date of this Annual Report.

4.7 Financing Plans and Implementation: Not applicable.

As of 12/31/2009

Fourth Grant	Fifth Grant	Sixth Grant	Seventh Grant	Eighth Grant	Ninth Grant
06/25/2002	10/29/2003	10/29/2003	10/29/2003	10/29/2003	01/06/2005
06/06/2003	12/03/2003	02/19/2004	05/11/2004	08/11/2004	05/17/2005
23,090,550	842,900	15,720	11,167,817	135,300	10,742,350
0.12399%	0.00416%	0.00008%	0.05510%	0.00058%	0.04620%
10 years	10 years	10 years	10 years	10 years	10 years
New Common Share	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share
2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
2,041,274	111,535	0	1,024,198	6,482	1,563,267
65,671,305	5,587,907	0	44,268,630	247,614	73,799,714
11,025,557	219,002	9,941	3,343,695	31,711	4,026,307
NT$58.5	NT$66.5	NT$63.5	NT$57.5	NT$43.8	NT$54.3
NT$32.0	NT$50.1	NT$47.8	NT$43.2	NT$38.0	NT$47.2
0.04257%	0.00085%	0.00004%	0.01291%	0.00012%	0.01554%
Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

As of 12/31/2009

Exercised				Unexercised			
Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT$)	% of Shares Unexercised to Outstanding Common Shares
1,664,091	28.0	46,575,976	0.00642%	3,597,061	25.2	90,819,287	0.01389%

5. OPERATIONAL HIGHLIGHTS

5.1 Business Activities

5.1.1 Business Scope

TSMC's business scope is semiconductor foundry and associated services. The Company excels in all aspects of its business, including semiconductor process technology research and development, wafer manufacturing, logistics management, capacity utilization, customer service, and associated services such as design services, mask manufacturing, wafer probing, in-house bumping and testing. TSMC strives to provide the best overall value to customers, and the success of TSMC's business is manifested in the success of its customers.

Since TSMC plans to expand into new business activities in LED lighting and solar energy related industries, TSMC's Board of Directors has proposed additions to the business scope as specified in its Articles of Incorporation, and will submit such revisions for approval at TSMC's 2010 Annual Shareholders' Meeting.

5.1.2 Customer Applications

Over the past 22 years, more than 600 customers worldwide have relied on TSMC to manufacture chips that are used across the entire spectrum of electronic applications, including computers and peripherals, information appliances, wired and wireless communications systems, automotive and industrial equipment, consumer electronics such as DVDs, digital TVs, game consoles, digital still cameras (DSCs), and many other applications.

The rapid evolution of end products drives our customers to utilize TSMC's innovative technologies and services, while at the same time spurring TSMC's own development of technology. As always, success depends on leading rather than following industry trends.

5.1.3 Unconsolidated Shipments and Gross Sales in 2009 and 2008

Unit: Shipments (8-inch equivalent wafers) / Gross Sales (NT$ thousands)

		2009		2008	
		Shipments	Gross Sales	Shipments	Gross Sales
Wafer	Domestic	1,538,951	40,272,613	1,553,636	39,822,198
	Export	6,150,548	232,626,513	6,806,969	260,386,524
Package	Domestic	3	3,517	1	14
	Export	35,440	5,111,486	100,050	3,694,690
Other	Domestic	18,221	3,593,192	19,518	3,884,590
	Export	42,355	17,863,893	49,512	22,440,011
Total	Domestic	1,557,175	43,869,322	1,573,155	43,706,802
	Export	6,228,343	255,601,892	6,956,531	286,521,225

5.1.4 Production in 2009 and 2008

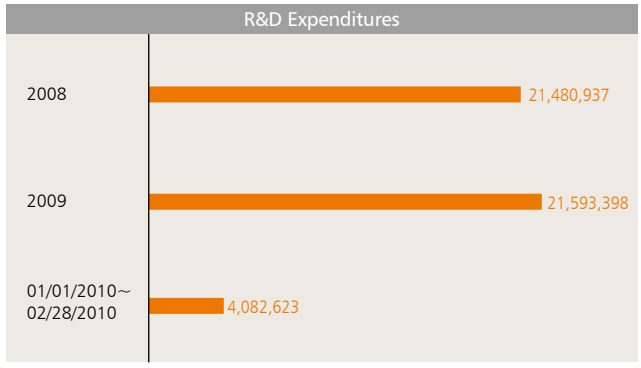
Unit: Capacity / Output (8-inch equivalent wafers) / Amount (NT$ thousands)

Wafers			
Year	Capacity	Output	Amount
2009	9,954,558	7,582,664	150,572,709
2008	9,376,612	8,350,692	154,242,282

5.2 Technology Leadership

5.2.1 R&D Organization and Investment

(Amount: NT$ thousands)



TSMC expanded its Research and Development in 2009 to further enhance one of its three strategic pillars: Technology Leadership. In 2009 the total R&D budget increased to 8% of total revenue. This level of R&D investment is on par with, if not more than, many leading edge technology companies. Along with the budget increase, the R&D organization increased staffing by over 25%.

TSMC also brought one of its venerated leaders, Dr. Shang-yi Chiang, Chairman of VisEra and Xintec, back as Senior Vice President of R&D. TSMC recognizes that the technology challenge required to extend Moore's Law, the business law behind CMOS scaling, is getting more and more difficult. The R&D organization is further strengthening its capability, and Dr. Chiang brings his rich industry experience to lead the R&D team navigating through the challenges. To assist Dr. Chiang, TSMC also appointed Dr. Jack Sun as Vice President and Chief Technology Officer to ensure the technology pipeline is both full and ahead of the competition.

In 2009, TSMC offered the foundry segment's first 40nm technology. After intense work on ramping this technology, customers started to enjoy some benefits of stable and improved yield.

TSMC accelerated the development of advanced transistors, embedded memories, and Cu/low-K interconnect technologies. During 2009, the R&D organization once again proved its capabilities by offering a first-to-market 45/40nm foundry technology portfolio as well as establishing 28nm HKMG capability.

TSMC also expanded its external R&D partnerships and alliances with world-class research institutions. For example, TSMC is a core partner of IMEC, the respected European R&D consortium. TSMC also has a partnership agreement with NXP to conduct exploratory researches in special "More Than Moore" technologies. In addition, TSMC strengthened its collaborations with key partners on design-process optimization. TSMC provides funding for nanotechnology researches at major universities worldwide to promote innovation and the advancement of technology.

These research efforts enable the Company continuously to offer its customers the foundry-leading, first-to-market technology and design solutions that contribute to their product success in the complex and challenging market environment.

5.2.2 R&D Accomplishments in 2009

R&D Highlights

● 28nm Technology

TSMC continued to lead the foundry segment with the development of the most advanced logic technologies both with conventional as well as high-K/metal gate (HKMG) stacks. The high performance (28HP) platform is aimed at high-speed GPU and CPU applications. The 28HP platform also serves as the technology backbone for high-end FPGA and SoC application domains through additional device customization for leakage management. The low-leakage (28LP and 28HPL) technologies are designed to support low-cost mobile applications as well as low-end FPGA requirements.

TSMC achieved 64Mb SRAM yield breakthroughs of the foundry segment's highest density cell (0.127μm^2) early in 2009. TSMC also achieved 64Mb SRAM yield on its 28HP and 28HPL HKMG technologies. Record high transistor performances, 5th generation Cu and low-k interconnect, and the 2nd generation immersion lithography effectively establish TSMC's continued leadership in the foundry segment's technology development.

The Company also successfully supported customer design (test-chip) evaluations through TSMC's 28nm shuttle program. Functional silicon was delivered in both conventional poly SiON and HKMG technology platforms. TSMC's 28nm technology offerings are all well on track for qualification and risk production in 2010, supporting a broad range of application domains from high-performance to low-leakage.

● 20nm Technology

In 2009, TSMC continued to focus on 20nm technology pathfinding. To offer a leading-edge technology for both analog and digital application, the Company adopted the most advanced 193nm immersion and enhanced lithography process for smaller feature size. With the 2nd generation high-K/metal gate (HKMG), more Si strain, and new device structure, the intrinsic transistor performance continues to boost up following Moore's Law. Meanwhile, external resistance can be effectively reduced and controlled by a specially designed process technique. The BEOL interconnect process features extreme low-K inter-metal dielectric materials and copper metallization with the novel low RC scheme. The logic transistor and SRAM bit-cell offering, using the 20nm process, will cover high performance and mobile product application.

Recognizing the increasing importance of the interdependence of circuit design and process technologies, TSMC has paid attention to and made efforts to design and process co-optimization. TSMC was invited to join the special session, "Confluence of Technology and Design – Design Issues on 32/22nm and Beyond", in the 2009 International Electron Device Meeting, and presented a paper entitled "Design and Process Co-optimization for 28/22nm and Beyond – A foundry's Perspective". Starting from the path-finding stage, the Company has considered the design-process correlation by including the complex layout effects in the test vehicle, generating a design-friendly design package (DRM/DRC, SPICE model, and other design enablement), and enhancing process variation monitoring. Early engagement with customers has been launched. The mindset change from developing a new technology by foundry itself to co-optimizing the design and process should help our customers in terms of minimizing the design risk and shortening the time to market.

● Lithography

The 20nm optimal design gate density was achieved and is compliant with semiconductor-industry-standard double-patterning design rules by the design-integration-litho co-optimization. This accomplishment ensures the extendibility of 193nm immersion technology to 20nm and possibly to 15nm, before the next-generation lithography (NGL) matures.

Another challenge is reducing k1, which enables the use of lasers with low NA, and results in lower equipment costs. This challenge was overcome with aggressive resolution-enhancement technologies and the multi-layered optical proximity correction (OPC).

Low-single-digit immersion defects were achieved with track/material co-optimization. It evolved from and is better than the previous generation. To deal with various product requirements, customized OPC was used. It smoothed the 40nm manufacturing ramping up. Low-cost solutions were developed for 0.11μm logics and multi-generation technologies.

For NGL technology development, a mulitple e-beam maskless pre-A tool was installed in TSMC's fab besides the satisfactory EUV mask making and wafer exposures.

● Mask Technology

Mask technology is an integral part of advanced lithography technology. TSMC has developed proprietary resolution-enhancement techniques (RET) that are co-optimized with our in-house mask-making technology. The Company integrates OPC, scanner parameter optimization, and masks together to provide a total solution in 193nm immersion lithography. TSMC's mask-making facilities feature state-of-the-art electron-beam mask writers, etchers, inspection, repair, and verification tools for production at 28nm and R&D at 20nm. In 2009, the Company collaborated with blank suppliers to develop super-binary blanks for the 20nm generation to improve the lithography process window, mask quality and cycle time. TSMC also started to develop mask technologies for double patterning with 193nm immersion lithography and extreme-UV lithography for applications to the 20nm generation and beyond. TSMC's strength in mask technology gives significant and unique benefits to its customers in terms of technical excellence, top quality, fast cycle time, and one-stop service.

Integrated Interconnect and Packaging

The Integrated Interconnect and Package Development Division (IIPD) was formed in late 2008 to develop and deliver an integrated technology solution combining the advanced interconnect with packaging technology. The introduction of extreme low-K dielectric (ELK) in 45/40nm adds more challenges among many others to the given tasks. In 2009, the major focus was to resolve interconnect/package related bottlenecks and ensure smooth ramp of 45/40nm first wave customers' products. Enhancement in Si backend/bump structure designs, and process optimization in bumping/assembly processes have paved the way for customers' products delivery with reliable quality. Customers including GPU and FPGA products are in volume production (with die size $>20\times20mm^2$).

● Advanced Interconnect
In 2009, TSMC continued to lead the foundry segment in demonstrating the lowest RC-delay interconnect technology in the segment, which is also compatible with advanced package technology.

Cu interconnect resistivity is trending up by generation node because of the size effect. To keep the RC performance for the advanced interconnect, TSMC has developed an extreme low resistance Cu – interconnect solution for 28nm and beyond technology nodes. On the 28nm test vehicle it showed an effective resistivity significantly lower than that projected by the ITRS roadmap and demonstrated promising reliability performance.

On the counterpart approach, the reduction of K value of low-K material is the conventional way to drive RC delay for advanced generations. However, the package becomes main challenge for low-K with K less than 2.5. TSMC has evaluated and created advanced CVD and SOD low-K materials with much better mechanical strength and adhesion to adjacent layers for 20nm and beyond generations. Integration work based on the two key indices of RC and package performance is going on smoothly.

● Advanced Package Development
To achieve "Green package" requirements and to follow the EU code for RoHS, the traditional tin-lead (Sn-Pb) based solder interconnect will be replaced by lead-free (Sn-Ag or Cu post) technology step-by-step. TSMC will continue to develop lead-free package technology (including die sizes, bump pitches, substrate types, etc.) in 2010 to further enhance customer's product performance.

Advanced Transistor Research
TSMC continues to make great strides in advanced transistor research. We believe that as the conventional scaling is coming to its end, Moore's Law can be extended by other means of scaling by equivalence. 3D transistor technology, such as FinFET, should help, and the Company has spent great efforts to make the technology toward perfection.

TSMC also believes that transistor architecture needs to be complemented by material system change. R&D investigated an array of new materials that might be more suitable for the transistor channel or the contacts. TSMC, which plans to roll out these new materials in the next few nodes, formed strong collaborations with the worlds' leading institutes on these advanced material researches. By combining TSMC's Si capability and academic know-how, most technical issues have been overcome.

Although the technology challenges ahead are great, TSMC believes that by overcoming these challenges it can produce true differentiating value to customers. These challenges, therefore, are great opportunities for TSMC, and its strategy is to move aggressively to solve them ahead of time.

Spectrum of Technology
Beyond the highlights above, TSMC continued to develop a broad mix of new technologies. The Company accelerated its SoC roadmap, including embedded DRAM (eDRAM) and RF with earlier availability, higher integration and more variants.

● Embedded DRAM
Embedded DRAM is important for many applications, such as game consoles, digital TVs, networking, base stations, and hard-disk drives. In 2009, TSMC successfully demonstrated 40nm low-power (N40LP) eDRAM for games and hand-held applications, with low standby power. Fully functional macro was also demonstrated with reasonable yield in 40G general-purpose eDRAM technology, for high performance networking applications with 412MHz clock rate.

● Silicon Germanium BiCMOS RF Technology
Having resolved thermal stress challenges, high resistive silicon-on-insulator (HR-SOI) substrate was successfully implemented into TSMC's 0.18μm CMOS and SiGe BiCMOS process flow. On this substrate, CMOS, NPN and PNP SiGe HBTs are all demonstrated successfully. Furthermore, inductors with 60% higher Q is achieved using this technology. Lower density, no-cost-adding metal-oxide-metal (MOM) capacitors was developed in 2009 to accommodate $>$10V applications.

● Mixed Signal/Radio Frequency (MS/RF) Technology
TSMC qualified a 40nm low-power RF process design kit with silicon-validated model to facilitate design launch for an advanced Blue-Tooth chip. Challenges in multi-finger RFMOSFET-related device drive current behavior is investigated and resolved by analyzing with distributing source/drain into multi-segments. To deliver accurate model for small unit metal-oxide-metal (MOM) capacitors for high frequency (67GHz, e.g.) applications, an innovated correlation methodology along with smart MOM modeling array is successfully implemented for 40nm, 45nm, 65nm and 90nm MOM modeling. Small capacitor with $\sim$1fF unit could be predicted accurately and the total variation specification is thus tightened from 25% to 15% or even down to 12%. This enhances the precision level for analog and RF designs. For high-speed data link ($\geq$10Gbits/s) needing inductor-based LC oscillators in most advanced CMOS technologies (28nm, e.g.), simulation-based RF design packages are under development and implemented to significantly shorten design cycle.

● Power IC/BCD Technology
TSMC has driven multiple power IC platforms into production, including 0.35μm 3.3/5/12$\sim$40V BCD & 0.25μm 2.5/5/12$\sim$40+60V BCD. Fruitful features were enabled in these platform solutions, such as world-leading Rdson performance, cost-effective modular flexibility & customized characterization reports for friendly power IC design. 0.18μm BCD, for highly integrated SoC applications, has been officially released for 24/40V phase, while an extension phase offering more comprehensive components was qualified. TSMC also dominated technology for CCD V-drivers with 0.18μm 1.8/3.3/32V technology, together with a cost-competitive shrinkage path to 0.16μm 1.8/3.3/24V technology. Furthermore, TSMC's offering of 0.6μm 60V BCD also achieved best-in-class Rdson, which is expected to enable competitive LED drivers for the customers.

● Panel Driver Technology
TSMC has completed development of 0.13μm 32V technology for small panel driver IC applications. The technology has the smallest SRAM in the world.

TSMC has also provided three high-performance and cost-effective technologies for large panel driver applications. Following them, there are newly defined technologies in development to support customer

demands. These technologies will enable SoC with power benefits for next generation products.

● CMOS Image Sensor Technology
In 2009, TSMC was the first semiconductor company to have 1.4μm pixel with Back Side Illumination (BSI) technology in production that propelled our key customer to their performance leadership position.

On top of that, we also successfully demonstrated world-first 12" bulk Si BSI technology with 1.1μm pixel size using 65nm design rules, with optical performance surpassing 1.75μm pixel. This technology would allow high performance sensors at density up to 16M pixels to achieve the performance not attainable by the conventional front side illumination at the same pixel size.

● Flash/Embedded Flash Technology
In 2009, TSMC qualified the low power, ultra low leakage 0.18μm Flash for MCU applications. Followed the scaling path, the 90nm split gate technology also achieved excellent yield and passed the pre-qualification, and readied for first customer new product tape-outs.

TSMC also attracted many IDM companies to co-develop embedded Flash solutions for automotive and consumers applications, using both 90nm and 65nm as the foundation platforms.

5.2.3 Technology Platform

Modern IC designers need sophisticated design infrastructure to achieve acceptable productivity and cycle time. This includes design flow for electronic design automation (EDA), silicon proven building blocks such as libraries and IPs, simulation and verification design kits such as process design kit (PDK) and tech files. All these are built on top of the technology foundation, and each technology needs its own design infrastructure to be usable for designers. This is the concept of a technology platform.

For years, TSMC and its alliance partners spent considerable effort to build TSMC technology platforms. The Company unveiled its Open Innovation Platform™ initiative in 2008 to further enhance TSMC technology platforms. More OIP deliverables were rolled out in 2009. In April 2009, TSMC announced the foundry segment's first Mixed Signal/Radio Frequency Reference Design Kit (MS/RF RDK). The new RDK helps resolve the long-standing challenge of full chip verification of SoCs with both analog, mixed signal and digital content. It enables a top-down MS/RF design methodology and a system-level simulation flow to reduce design cycle time and encourage IP reuse.

In May 2009, TSMC unveiled iRCX, an interoperable EDA data format, for TSMC 65nm and 40nm technologies. Interconnect modeling data is getting more important as chip designs in advanced technologies require detailed views of parasitic effects for the accurate evaluation of chip performance and power consumption. EDA tools that support the iRCX format will be able to receive accurate interconnect modeling data from the iRCX files developed and supported by TSMC.

Two more unified EDA data formats – interoperable design rule check (iDRC) and interoperable layout-versus-schematic (iLVS) – for TSMC 40nm process technology were announced in July 2009. Design rules for advanced process technologies are more complex and require detailed and accurate descriptions for correct chip layout creation and post-layout analyses. TSMC iDRC and iLVS formats, based on TSMC process requirements, unify process design rules specification and technology file generation, simplify data delivery, and ensure data integrity and interpretation.

The Company also unveiled Reference Flow 10.0 and industry-first interoperable process design kit (iPDK) in July 2009. TSMC iPDK unified data model on industry-standard OpenAccess database enables design reuse that is not possible with multiple proprietary PDKs and design databases. It eliminates duplicate PDK development efforts, significantly reduces PDK development, validation and support costs across the design ecosystem, and promotes innovation in analog and full custom design.

Reference Flow 10.0 continues the tradition of driving advances in design methodology and addresses new design challenges of 28nm process technology. To drive greater performance, advanced stage-based On-Chip Variation (OCV) optimization and analysis is made available for the first time, enabling customers to get a more realistic look at timing for the purpose of removing redundant design margins. A new electrical DFM feature was introduced for customers to take into consideration the timing impact of "silicon stress effect", thus helping to increase yields.

System-in-Package (SiP) is a viable alternative for many customers to realize their end product with the best cost and cycle time. Reference Flow 10.0 also delivers innovations to enable SiP design for the first time. It includes SiP package design, electrical analysis of package extraction, timing, signal integrity, IR drop, and thermal to physical verification of DRC and LVS.

5.2.4 Intellectual Property

A strong portfolio of intellectual property rights strengthens TSMC's technology leadership and protects our advanced and leading edge technologies. In 2009, TSMC received 308 U.S. patents, 226 Taiwanese patents, 264 PRC patents, and other patents issued in various other countries. TSMC's patent portfolio now exceeds 12,000 patents worldwide. We continue to implement a unified model for TSMC's intellectual capital management. Strategic considerations and close alignment with business objectives drive the timely creation, management and use of our intellectual property.

At TSMC, we have built a process to extract value from our intellectual property by aligning our intellectual property strategy with our R&D, business objectives, marketing, and corporate development strategies. Intellectual property rights protect our freedom to operate, enhance our competitive position, and give us leverage to participate in many profit-generating activities.

We have worked continuously to improve the quality of our intellectual property portfolio and to reduce the cost of maintaining it. We plan to continue investing in our intellectual property portfolio and intellectual property management system to ensure that we protect our technology leadership and receive maximum business value from our intellectual property rights.

5.2.5 Future R&D Plans

Following the significant successes of TSMC's advanced technologies in 2009, the Company plans to continue to grow the R&D organization. TSMC will further expand its 300mm R&D pilot line to speed up 28nm qualification with its early engagement customers and the 20nm path-finding programs with world-leading research institutions. The Company plans to reinforce its exploratory development work on new transistors and technologies such as 3D structures, strained-layer CMOS, high mobility materials, and novel 3D-IC devices with TSV. These studies of the fundamental physics of nanometer CMOS transistors are core aspects of our efforts to improve the understanding and guide the design of transistors at advanced nodes. The findings of these studies are being applied to ensure our continued industry leadership at the 28nm and 20nm nodes. One of TSMC's goals is to extend Moore's Law through innovative in-house work, as well as by collaborating with industry leaders and academia to push the envelope in finding cost-effective technologies and manufacturing solutions.

TSMC will continue working closely with international consortia and photolithography equipment suppliers to ensure the timely development of 193nm high-NA scanner technology, liquid immersion lithography, EUV lithography, and massively parallel E-Beam direct-write technologies. These technologies are now fundamental to TSMC's process development efforts at the 20nm and 15nm nodes and beyond.

TSMC continues to work with mask inspection equipment suppliers to develop viable inspection techniques, a collaborative partnership to help ensure the Company maintains its leadership position in mask quality and cycle time and continue to meet aggressive R&D, prototyping and production requirements.

With a highly competent and dedicated R&D team, and unwavering commitment to innovation, TSMC is confident of its ability to deliver the best and most cost-effective SoC technologies for customers, and to support the Company's business growth and profitability.

TSMC R&D future major project summary:

Project Name	Description	Risk Production (Estimated Target Schedule)
28nm logic platform technology and applications	28nm technology for both digital and analog products	2010
20nm logic platform technology and applications	Next-generation technology for both digital and analog products	2012
15nm logic platform technology and applications	Exploratory technology for both digital and analog products	2014
3D-IC	Cost-effective solution with better form factor and performance for SIP	2011
Next-generation lithography	EUV and multiple E-Beam to extend Moore's Law	2011 - 2012
Long-term research	Special SoC technology (including new NVM, MEMS, RF, analog) and 15nm transistors	2012 - 2014

The above plans account for roughly 70% of the total corporate R&D budget in 2010, which will be around 7~8% of 2010 revenue.

5.3 Manufacturing Excellence

5.3.1 Efficiency

Fast Yield Ramp

Fast yield ramp for new products is an important factor to help TSMC's customers shorten their time-to-market. TSMC has developed a comprehensive technology transfer methodology extending from R&D to production in order to shorten the yield learning curve of leading edge technologies.

Accurate Delivery

TSMC has a proven record of providing customers with consistent on-time delivery. The Company has equipped a state-of-the-art supply chain management system in an effort try to improve both our customers' forecast processes and TSMC's delivery schedule accuracy. In 2009, the Company was able to make over 98 percent of deliveries within one day of the scheduled delivery date.

Best-in-Class Cycle Time Management

Fast manufacturing cycle time is another important factor behind TSMC's continued competitive success and that of our customers. Accordingly, TSMC has developed a sophisticated manufacturing scheduling and dispatching system, implemented industry-leading automated materials handling systems, and employed effective lean manufacturing approaches. In 2009, the Company unceasingly strived to optimize manufacturing processes and cycle time management techniques, and continued to break cycle time records.

Flexible Manufacturing Management

Flexible Manufacturing is a crucial element that addresses the fluctuations in demand forecast. In many cases, TSMC has the ability to meet unanticipated customer demand surges, thanks in large part to our cluster fab capability as well as to our extensive know-how in performance matching for both tools and fabs.

Knowledge Management

TSMC has built the industry's leading, state-of-the-art knowledge management, and Best Known Method (BKM) systems. TSMC maintains a vast database of key TSMC knowledge, which features a sophisticated expert system that embeds captured knowledge into TSMC's engineering system.

Inventory Management

As semiconductor devices become more diverse, inventory management becomes more critical. TSMC has built integrated supply and demand information into its inventory management system to improve the Company's responsiveness to the variability of wafer demand forecasts. The speed and accuracy of TSMC's response has been improved through real-time demand information sharing.

5.3.2 GIGAFAB™ Fabrications

TSMC's 12-inch fabs are a key part of its manufacturing strategy. TSMC currently operates two 12-inch GIGAFAB™ fabrication facilities – Fab 12 and Fab 14. The combined capacity of the two GIGAFAB™s reached 486,000 12-inch wafers in the fourth quarter of 2009. Production within these two facilities supports 0.13μm, 90nm, 65nm and 40nm process technologies, and their sub-nodes. Part of the capacity is reserved for research and development work and currently supports 28nm, 20nm and beyond technology development.

The GIGAFAB™s are the cornerstones of TSMC's unceasing efforts to improve manufacturing excellence and to deliver manufacturing breakthroughs. GIGAFAB™s have the inherent scale advantages over smaller fabs and also enable greater flexibility to adapt to demand fluctuations, improve product quality and yields, accelerate yield learning and time-to-volume, shorten cycle times, and minimize costly product re-qualification.

5.3.3 450mm Wafer Manufacturing Transition

TSMC and other leading semiconductor companies have reached a pro-competitive agreement on the need for industry-wide collaboration to target a transition to larger, 450mm-sized wafers. The transition to larger wafers will help lower production costs and energy consumption per chip and enable continued growth of the semiconductor industry.

TSMC will continue to work with International Sematech (ISMI), and material and equipment suppliers to collaborate on new materials, next wafer size transition, lithography strategy, efficient tool platform, and eco-friendly process.

5.3.4 Raw Materials and Supply Chain Risk Management

In 2009, TSMC continued running monthly Supply Chain Risk Management meetings to integrate Company resources from materials management, fab operations, risk management and quality management in lowering supply chain risk. TSMC worked with its suppliers to enhance the performance of quality, delivery, risk management, and to support Green procurement, environmental protection and safety.

Raw Materials Supply

Major Materials	Major Suppliers	Market Status	Procurement Strategy
Raw Wafers	F.S.T. MEMC S.E.H. Siltronic SUMCO	These five suppliers together provide over 85% of the world's wafer supply. Each supplier has multiple manufacturing sites in order to meet customer demand, including plants in North America, Asia, and Europe.	• TSMC's suppliers of silicon wafers are required to pass stringent quality certification procedures. • TSMC procures wafers from multiple sources to ensure adequate supplies for volume manufacturing and to appropriately manage supply risk. • TSMC maintains competitive price and service agreements with its wafer suppliers, and, when necessary, enters into strategic and collaborative agreements with key suppliers. • TSMC regularly reviews the quality, delivery, cost and service performance of its wafer suppliers. The results of these reviews are incorporated into TSMC's subsequent purchasing decisions. • A periodic audit of each wafer supplier's quality assurance systems ensures that TSMC can maintain the highest quality in its own products.
Chemicals	Air Products ATMI BASF Dow MGC TYS	These six companies are the major suppliers for bulk and specialty chemicals.	• Most suppliers have relocated many of their operations closer to TSMC's major manufacturing facilities, thereby significantly improving procurement logistics. • The suppliers' products are regularly reviewed to ensure that TSMC's specifications are met and product quality is satisfactory.
Photoresist	AZ Nissan Shin-Etsu Chemical Sumitomo T.O.K.	These five companies are the major suppliers for photoresist.	• TSMC works closely with its suppliers to ensure that they have adequate production lead time to supply the required products to TSMC. • TSMC conducts periodic audits of the suppliers' quality assurance systems to ensure that they meet TSMC's standards.
Gases	Air Liquide Air Products Linde Taiyo Nippon Sanso	These four companies are the major suppliers of specialty gases. The products of these four suppliers are interchangeable.	• The majority of the four suppliers are located in different geographic locations, minimizing supply risk to TSMC. • TSMC has long-term contracts with these suppliers to ensure supply stability and service quality. In addition, the availability of other domestic suppliers enables TSMC to secure better purchase terms for these gases. • TSMC conducts periodic audits of the suppliers' quality assurance systems to ensure that they meet TSMC's standards.
Slurry, Pad, Disk	3M Cabot DA Nano Kinik Planar Solutions Dow	These six companies are the major suppliers for CMP materials.	• Most suppliers have relocated many of their operations closer to TSMC's major manufacturing facilities, thereby improving procurement logistics and mitigating supply chain risk. • TSMC conducts periodic audits of the suppliers' quality assurance systems to ensure that they meet TSMC's standards.

Suppliers Accounted for at least 10% of Annual Consolidated Net Procurement

Unit: NT$ thousands

2009				2008			
Supplier	Procurement Amount	As % of 2009 Total Net Procurement	Relation to TSMC	Supplier	Procurement Amount	As % of 2008 Total Net Procurement	Relation to TSMC
Company A	3,597,802	14%	None	Company A	4,535,133	15%	None
SSMC	3,537,659	13%	Investee accounted for using equity method	SSMC	4,441,795	15%	Investee accounted for using equity method
VIS	3,330,288	13%	Investee accounted for using equity method	VIS	3,260,160	11%	Investee accounted for using equity method
Company B	2,916,069	11%	None	Company B	3,633,076	12%	None
Others	13,151,568	49%		Others	13,723,047	47%	
2009 Total Net Procurement	26,533,386	100%		2008 Total Net Procurement	29,593,211	100%	

5.3.5 Quality and Reliability

TSMC is committed to providing customers with the best quality wafers for their products. Our Quality and Reliability (Q&R) services lead the partnership between customers and the entire TSMC organization to achieve "quality on demand". The goal of quality on demand is to fulfill customers' needs regarding time-to-market, reliable quality, and market competition over a broad range of products.

In the technology development and customer product design stage, Q&R technical services assist customers to design-in their product reliability requirements. Q&R has worked with R&D to successfully establish and implement new qualification methodology for high-k/metal gate since 2008. Q&R also works with design services on embedded memory, high voltage, e-Fuse and MEMS IP developments to expand TSMC's design portfolio. In package reliability, Q&R extends characterization to the system level by establishing Power Cycling capability and methodology.

Q&R has deployed systems to ensure robust quality, in managing production dynamics and in design services as the Company meets the business requirements of our customers. To sustain production quality and minimize risks to customers when deviations occur, manufacturing quality monitoring and event management span all critical stages – from raw material supply, mask making, and real-time in-process monitoring, to bumping, wafer sort and reliability performance. Advanced failure and materials analysis techniques are also developed and effectively deployed in process development, customer new product development, and product manufacturing. In 2009, new techniques were developed to correlate physical parameters to electrical performance to support ramping of 40nm products and development of 28nm technology nodes. To meet time-to-market needs of customer products in the 45/40nm technology node, in 2009 Q&R established a collaboration platform with customers and major outsource assembly & testing subcontractors (OSAT) to validate assembly and testing processes. This has enabled our customers to introduce and ramp 45 and 40nm products with effective assembly quality improvement. Q&R will continue to enhance this collaboration platform for 28nm and future technologies to support customers from wafer processing to assembly and testing quality management.

TSMC Q&R is also responsible for leading the Company towards the ultimate goal of zero-defect production, through the use of continuous improvement programs. Periodic customer feedback indicates that products shipped from TSMC have consistently met or exceeded their field quality and reliability requirements. In 2009, the effectiveness of TSMC quality management system was upgraded by third-party audit to ISO/TS 16949:2009, and IECQ QC080000 certification was renewed.

5.4 Customer Partnership

5.4.1 Customers

TSMC's global customers have diverse product specialties and excellent performance records in various segments of the semiconductor industry. Fabless customers include: Altera Corporation, Advanced Micro Devices, Inc., Broadcom Corporation, Marvell Semiconductor Inc., NVIDIA Corporation, Qualcomm Inc. and MediaTek Inc. IDM customers include: Analog Devices Inc., Freescale Semiconductor Inc., NXP Semiconductors, and Texas Instruments Inc.

Customer Service

TSMC believes that providing superior customer service is critical to enhancing customer satisfaction and loyalty, which is the path to retaining existing customers, attracting new customers, and strengthening customer partnerships. TSMC's goal is to maintain our position as the provider of the most advanced and largest semiconductor foundry services.

To facilitate customer interaction and information access on a real-time basis, TSMC has established a wide range of web-based services covering applications in design, engineering, and logistics collaborations, collectively branded as EFOUNDRY® service. The design collaboration focuses on content availability and accessibility, with attention to complete, accurate and current information at each level of the wafer design life cycle. The engineering collaboration includes online access to pilot lots, wafer yields, wafer acceptance test (WAT) analysis, and quality reliability data. Logistics collaboration provides access to data updated three times a day on the status of a given wafer lot during fabrication, assembly and testing, final testing, order and shipping.

Customer Satisfaction

TSMC conducts an annual customer satisfaction survey (ACSS) to assess customer satisfaction and to ensure that their needs and wants are adequately understood and addressed. In the survey, all active customers are invited to participate either by web or interview survey through an independent consultancy. Continual improvement plans based upon customer feedback are an integral part of this business process. TSMC has maintained a focus on customer survey data as a key indicator of corporate performance – not just of past performance, but also as a leading indicator of future performance. TSMC has acted on the belief that satisfaction leads to loyalty, and customer loyalty leads to higher levels of retention and expansion.

Customers Accounted for at least 10% of Annual Consolidated Net Sales

Unit: NT$ thousands

2009				2008			
Customer	Net Sales	As % of 2009 Total Net Sales	Relation to TSMC	Customer	Net Sales	As % of 2008 Total Net Sales	Relation to TSMC
Customer A	30,276,650	10%	None	Customer A	45,592,598	14%	None
Customer B	30,162,597	10%	None	Customer B	29,665,642	9%	None
Others	235,302,992	80%		Others	257,899,420	77%	
2009 Total Net Sales	295,742,239	100%		2008 Total Net Sales	333,157,660	100%	

5.4.2 Design Enablement

In order to lower the design barrier for customer to design on TSMC technologies, TSMC offers extensive design support to customers through its own design support team as well as its alliance partners. TSMC technology platform provides a solid foundation for design enablement.

Tech File and PDK

Customers heavily leverage tech files and PDK provided by TSMC. There were more than 20,000 downloads in 2009. TSMC also sees high demand on PDK for mainstream technologies and is increasing resources to support the demand.

Library and IP

TSMC and its alliance partners offer a rich portfolio of libraries and IPs for TSMC customers. These reusable building blocks are essential for many design projects. In 2009, nearly half of new tape-outs to TSMC adopted one or more libraries or IPs from TSMC or its IP partners. To support the high demand, TSMC also invested resource to expand the library and IP portfolio. The total number of library or IP in the portfolio increased to 2,221 in 2009 from about 1,600 in 2008.

Design Methodology and Flow

TSMC released the first foundry-specific Integrated Sign-Off Flow in April 2009. The Integrated Sign-Off Flow, targeting initially at 65nm process node with planned extensions into other process technology nodes, supports advanced design techniques for low power and design-for-manufacturability (DFM). With validated libraries and IP, qualified EDA tools, a full set of proper technology files, and automated installation scripts, Integrated Sign-Off Flow significantly shortens the time it normally takes a design team to set up the design environment and flow before starting the design project. The built-in advanced design methodology and proven sign-off scripts further shortens the design cycle, and improves tape-out quality.

New Service

PowerTrim is a new service rolled out in 2009. It is a first-of-its-kind technology that blends a layer of design technology with advanced semiconductor processing to reduce a design's power leakage. For example, LSI Corporation achieves a 25% reduction in overall leakage in a next-generation product by implementing TSMC's PowerTrim power optimization technology on TSMC's 65nm low power (LP) process. Tela Innovations provides the patented PowerTrim technology and services under an exclusive license to TSMC.

5.5 Employees

5.5.1 Human Capital

Human capital is one of the most important assets of TSMC. TSMC strives to provide employees with a challenging, enjoyable and rewarding work environment. In 2009, TSMC was named the "Most Admired Company in Taiwan" by *Commonwealth Magazine* for the 13th consecutive year.

At the end of 2009, TSMC had more than 24,000 employees worldwide, including 2,792 managers and 9,861 professionals. Female managers comprised 11.2% of all managers, and non-Taiwanese nationals comprised 10.1% of all TSMC managers and professionals. The following tables summarize TSMC's workforce structure at the end of February, 2010:

TSMC Workforce Structure

		12/31/2008	12/31/2009	02/28/2010
Job	Managers	2,618	2,792	2,826
	Professionals	8,830	9,861	10,102
	Assistant Engineer/ Clerical	824	761	774
	Technician	10,571	11,052	11,558
Gender	Male (%)	48.6%	50.7%	50.7%
	Female (%)	51.4%	49.3%	49.3%
Education	Ph.D.	3.1%	3.5%	3.5%
	Master's	30.6%	32.8%	32.6%
	Bachelor's	20.2%	20.7%	21.2%
	Other higher education	18.2%	16.5%	16.3%
	High school	27.9%	26.5%	26.4%
Average Age (years)		32.7	37.8	33.0
Average Years of Service (years)		6.5	6.0	6.4
Total		22,843	24,466	25,260

5.5.2 Recruitment

Attracting new employees and retaining and motivating existing employees are key to the success of TSMC's human resources strategy. TSMC believes in equal opportunity employment. Recruitment is conducted via an open selection process and is based on the candidate's ability to fulfill the needs of each position, regardless of race, gender, age, religion, nationality, or political affiliation. In order to seek out the best talents around the world, TSMC employs a number of recruiting programs, including academic/ corporate collaboration programs, Joint Development Program in Campus, summer internships, job fairs, and Technology Talents Career Symposium. During 2009, TSMC recruited 143 managers, 2,289 professionals and 1,567 technicians.

5.5.3 People Development

Continuous learning is the cornerstone of TSMC's employee development strategy. It is especially important for Company success in this tough economic environment. A tailor-made individual development plan is established for each employee appropriate to the employee's development needs. Employees are provided with a comprehensive network of resources, including on-the-job training, coaching, mentoring, job rotation, on-site courses, e-learning, and external learning opportunities.

TSMC provides employees with a wide range of on-site general, professional and management training programs. In addition to external experts engaged as trainers, hundreds of TSMC employees are trained as qualified instructors for training courses. During 2009, TSMC conducted 726 internal training sessions totaling 506,907 training hours. A total of 255,311 attendees participated in those trainings. The total training expenses were NT$58 million. TSMC's training programs include:

- Management Training: includes development training programs tailored to the needs of managers at all levels. These include New Manager Program, Experienced Manager Program, and Senior Manager Program, as well as other elective courses.
- General Training: refers to training required by government regulations and Company policies. Such training includes industry-specific safety, workplace health and safety, quality, fab emergency response team, languages, and personal effectiveness training.
- Professional/Functional Training: provides technical and professional training required by various functions within the Company, offering training courses on equipment engineering, process engineering, accounting, and information technology, among others.
- Direct Labor (DL) Training: DL training enables production line employees to acquire the knowledge, skills and attitudes they need to perform their job well. It also helps employees pass required tests in order to be certified for operating equipment. Training includes DL Skill Training, Technician "Train-the-Trainer" Training, and Manufacturing Leader Training.
- New Employee Training: includes pre-job training, new employee basic training and job orientation.

TSMC has established the "Procedure of Employee Training and Education", which not only enables the on-site training courses but also best suits company and individual development objectives through external training courses. Under the guideline, employees are encouraged to participate in various training programs, and subsidies are provided when taking short courses, credit courses and degrees.

5.5.4 Employee Satisfaction

To enhance employee career satisfaction, TSMC has continuously promoted programs devoted to employee benefits, employee care, employee rewards, and employee communication. TSMC works hard to enrich its employees' working experience by providing an environment that is challenging yet enjoyable.

Employee Benefits Programs

- TSMC Employee Welfare Committee plans and implements various welfare programs, including hobby clubs, art and cultural seminars, employee outings, TSMC Sports Day, and TSMC Family Day. In addition, TSMC provides holiday bonuses, wedding bonuses, funeral and emergency subsidies.
- To ensure that employees have all the conveniences they need while at work, TSMC provides on-site cafeteria, dry-cleaning, travel, banking, haircut services, housing, and commuting assistances.
- Health improvement programs and psychological consultation services are provided to employees to ensure the physical and psychological well being of all employees.
- In order to promote healthy living, the Company established TSMC Sports Center. It is open to all employees and their family members. And it provides a variety of workout facilities. TSMC provides Children Centers at Hsinchu and Tainan sites to meet employees' needs for childcare.

Employee Recognition

In order to recognize employees' outstanding achievement, TSMC applies various award programs including the Outstanding Engineer Award for each fab and the Total Quality Excellence Conference Award. In 2009, TSMC employees were recognized nationally, including: the National Model Worker Award, the Top 10 National Outstanding Managers Award, the Outstanding Engineer Award, and the Outstanding Young Engineer Award.

Employee Communication

TSMC is committed to keeping an open communication channel with its employees. Regular communication meetings are held for the various levels of managers and employees. Periodic employee satisfaction surveys are conducted. *eSilicon Garden*, a quarterly electronic TSMC internal publication, is issued covering things from work to fun. These all help maintain the free flow of information between TSMC and its employees.

In order to ensure that employees' opinions and voices can be heard, responded to, and resolved, impartial and smooth voice submission mechanisms have been established:

- Whistleblower channels for complaints related to major management, financial and auditing issues directed to:
  1) Independent Audit Committee Chairman
  2) "Ombudsman", headed by a vice president
- Suggestion Box for employees to express their opinions regarding their work and the working environment in general.
- HR Call Center and employee care teams in each fab to deal with issues related to employees' work and personal life.

The company also endeavors to establish and promote policies and measures for ensuring gender equality in accordance with employment laws and sexual harassment prevention policies to create a fair working environment for employees of both sexes.

As a result of TSMC's 2008 annual performance management and development (PMD) appraisal, some employees separated from the Company filed complaints with the Science Park Administration seeking mediations of labor disputes arising from the PMD process and result. The Company continuously communicated with those ex-employees and resolved most of the disputes amicably, by offering to reinstate those ex-employees, or provide financial assistance to those who refused reinstatement. The disputes did not have a material impact on the Company's operations or financial condition.

We firmly believe that harmonious labor relations provide an essential basis to sustain the Company's growth. The Company's management team has become even more devoted to cultivating positive employee relations. To harmonize labor relations and create a win-win situation for the Company and its employees, execution of the Performance Management and Development system (PMD) should be done in a positive and constructive manner, and mutual and timely employee communication based on existing platforms should be enforced.

5.5.5 Retention

From the employee's initial adjustment to professional and career development, TSMC works hard to retain outstanding employees through creating an innovative, challenging, and developmental environment. We are committed to:

- Setting up retention and counseling plans for different groups. For example, TSMC employs a "Buddy System" to help new employees to fit in quickly through assistance provided by senior employees.
- Enabling employees to enhance professional knowledge and to pursue further career development through numerous employee development programs.
- Establishing a synergized welfare platform and providing a work-life balanced environment to all employees; Enhancing employees' loyalty and commitment through employee engagement programs.

5.5.6 Compensation

TSMC's compensation program includes cash compensation and profit sharing bonus. Cash compensation includes a monthly salary and a variable incentive bonus. The employee is entitled to profit sharing of no less than one percent of TSMC's net income after deducting the losses of previous years and contributions to legal and special reserves. The purpose of this profit sharing bonus is to reward employees' contributions appropriately, to encourage employees to work consistently to ensure the success of TSMC, and to link employees' interests with those of TSMC's shareholders.

The amount and form of the profit distribution are determined by the Board of Directors based on the Compensation Committee's recommendation and are subject to shareholders' approval at the Annual Shareholders' Meeting. The Company determines the amount of the profit sharing based on operating results and industry practice in the Republic of China. Individual awards are based on each employee's job responsibility, contribution and performance.

To raise TSMC's competitiveness in recruiting, TSMC made a structural salary increase in 2010, and distributes employees' cash bonus from the Company's profits on a quarterly bases to share the rewards of employees' hard work in a timely fashion.

In addition to providing employees of TSMC's overseas subsidiaries with a locally competitive base salary, the Company grants short-term and long-term bonuses as a part of total compensation. The performance bonus is a short-term incentive and is granted in line with local regulations, market practices, and the overall operating performance of each subsidiary. The long-term incentive bonus is awarded based on TSMC's financial performance and is vested over the course of several years in order to encourage long-term employee commitment and development within the Company.

5.5.7 Retirement Policy

TSMC's retirement policy is in accordance with the provisions in the Labor Standards Law and Labor Pension Act of the Republic of China.

5.5.8 Code of Ethics and Business Conduct

Purpose & Scope

Honorable, honest and legitimate business practice is one of TSMC's foundations for its long-term success. TSMC is known as a company with an outstanding reputation for high ethical standards.

This Code covers the behavioral norms for all Employees and Board of Directors in their dealings with each other as well as with the Company, customers, suppliers, investors and the general public.

Statement of Commitments and Obligations

In addition to strictly abiding by laws and regulations of Taiwan, ROC and the other countries where TSMC engages in business activities, TSMC requires all Employees to employ individual integrity at all times, and clearly understand and act in accordance with business ethics principles that meet or exceed the public's heightened expectations of global companies.

Compliance with Laws and Regulations; Social Responsibility

All Employees and Board members should comply with all applicable laws, regulations, and in-house policies, including this Code, in every aspect of the Company's corporate activities at all times, including the following:

1) Internal Controls, Keeping Accurate Books and Records
2) Respect for Intellectual Property and Proprietary Information Protection
3) Export Control
4) Principle of Fair Dealing
5) Corporate Social Responsibility

Conflicts of Interest and Insider Trading Prevention

1) Avoid Conflicts of Interest
   As a member of TSMC, one should maintain the highest business ethics when encountering a conflict or potential conflict of interest situation.
2) Gifts and Hospitality
   TSMC's business practice is based on objective norms and integrity, and TSMC Employees do not accept gifts or special favors exceeding company policy allowed limit.
3) Insider Trading Prevention
   It is prohibited for TSMC Employees to trade any TSMC or other company's securities while in possession of material non-public information or to pass such information to others for personal financial interests.

Company Assets

All Employees should properly manage the Company's assets in accordance with in-house policies and rules and will not use them for private purposes.

Implementation

1) Issues & Questions
   If Employees have any question concerning this Code, they can consult or seek help from: immediate supervisors, Human Resources, Company website, Legal, Employees Suggestion Boxes, and the Ombudsman system
2) Prevention and Reporting Violations
   All Employees must look out for any violation of this Code. When Employees find or reasonably suspect any violation of this Code, it should be reported to their supervisors immediately.
3) Exceptions to this Code need to be approved by CEO.
4) Disciplinary Actions
   Violation of this Code is subject to disciplinary actions.

5.6 Material Contracts

Shareholders Agreement

Term of Agreement:

Effective as of 03/30/1999 and may be terminated as provided in the agreement

Contracting Parties:

Koninklijke Philips Electronics N.V. (Philips) and EDB Investments Pte Ltd. (EDBI)

(In September 2006, Philips assigned its rights and obligations under this agreement to Philips Semiconductors International B.V. which has now been renamed NXP B.V. In November 2006, NXP B.V. and TSMC purchased all SSMC shares owned by EDBI; EDBI is no longer a contracting party to this agreement.)

Summary:

TSMC, Philips and EDBI had formed a Singapore joint venture "Systems on Silicon Manufacturing Company Pte Ltd." (SSMC) for providing IC foundry services. Philips Semiconductor (now NXP B.V.) and TSMC are committed to purchasing a certain percentage of SSMC's capacity.

Technology Cooperation Agreement

Term of Agreement:
03/30/1999 - 03/29/2004, automatically renewable for successive five-year terms until and unless either party gives written notice to terminate one year before the end of then existing term

Contracting Party:
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)

Summary:
TSMC agreed to transfer certain process technologies to SSMC, and SSMC agreed to pay TSMC a certain percentage of the net selling price of SSMC products.

Patent License Agreement

Term of Agreement:
12/20/2007 - 12/31/2017

Contracting Party:
A multinational company

Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting company.

Manufacturing, License, and Technology Transfer Agreement

Term of Agreement:
04/01/2004 - 03/31/2006, automatically renewable for successive one-year terms until and unless both parties decide otherwise by mutual consent in writing

Contracting Party:
Vanguard International Semiconductor Corporation (VIS)

Summary:
VIS reserves certain capacity to manufacture TSMC products on mutually agreed terms. TSMC may also transfer certain technologies to VIS, for which it will in return receive royalties from VIS.

Patent License Agreement

Term of Agreement:
11/01/2002 - 10/31/2012

Contracting Party:
A multinational company

Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting party.

Patent License Agreement

Term of Agreement:
07/01/2002 - 06/30/2009

Contracting Party:
A multinational company

Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting party.

Patent License Agreement

Term of Agreement:
01/01/2001 - 12/31/2011

Contracting Party:
A multinational company

Summary:
The parties entered into a cross licensing arrangement for certain semiconductor patents. TSMC pays license fees to the contracting party.

Settlement Agreement

Effective Date of Agreement:
11/09/2009

Contracting Parties:
Semiconductor Manufacturing International Corp. (SMIC) and certain of its subsidiaries

Summary:
The parties settled their trade secret misappropriation and breach of 2005 settlement agreement disputes, whereby SMIC agrees to pay TSMC US$200 million, which are in addition to $135 million previously paid to TSMC under the 2005 settlement agreement, and other valuable consideration.

Amended Research and Development Collaboration Agreement

Term of Agreement:
01/01/2009 - 12/31/2009, renewable on annual basis upon mutual agreement

Contracting Party:
NXP B.V.

Summary:
The parties entered into research and development collaboration to develop advanced semiconductor technologies.

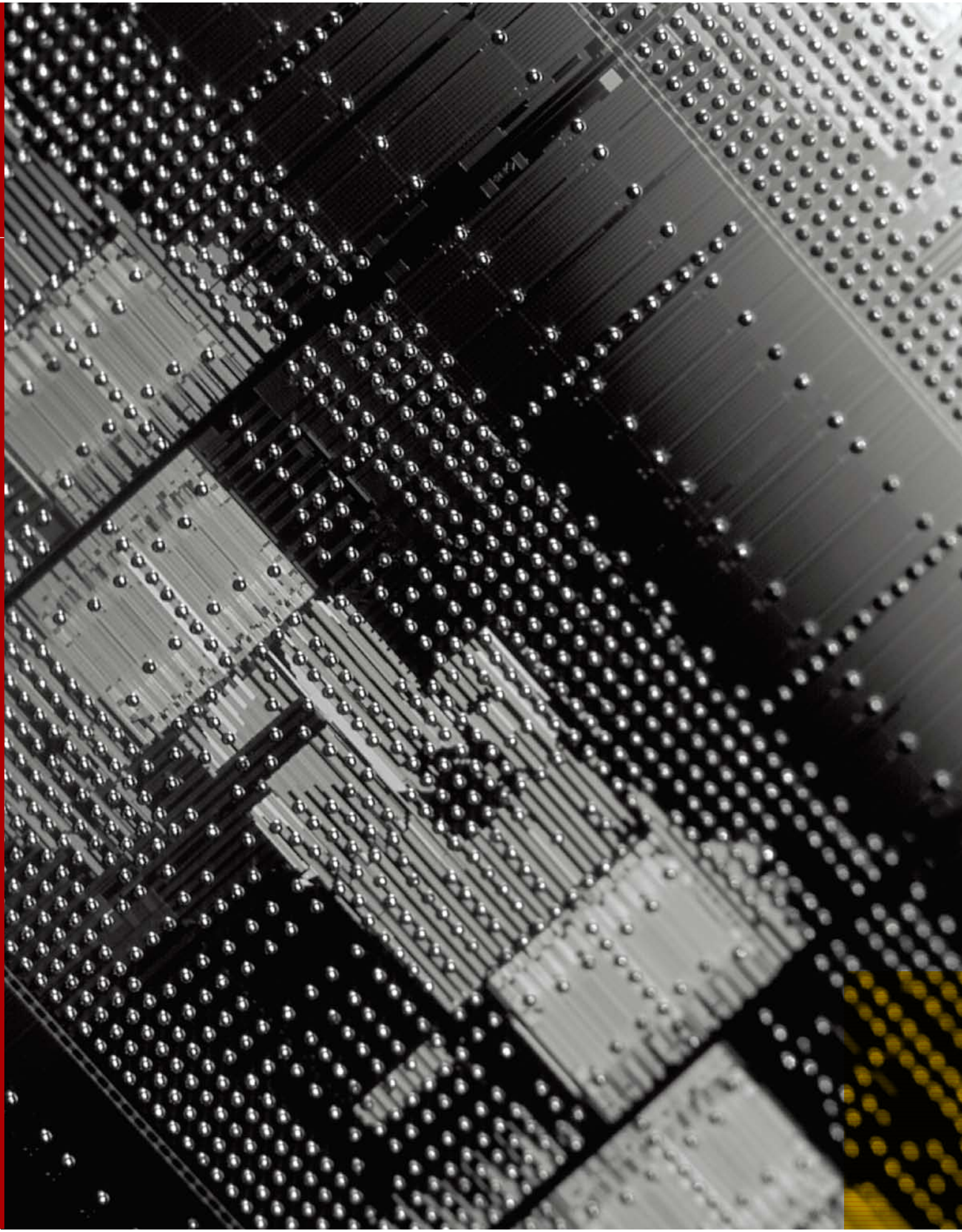
Share Subscription Agreement

Effective Date of Agreement:
12/09/2009

Contracting Parties:
Motech Industries, Inc. (Motech)

Summary:
In accordance with the terms and conditions of the Share Purchase Agreement, TSMC agreed to subscribe through a private placement for new shares of Motech Industries Inc. ("Motech"), which represents 20% of the total outstanding shares of Motech. The total consideration is approximately NT$6.2 billion (US$193 million).

Note: TSMC is not currently party to any other material contract, other than contracts entered into in the ordinary course of our business. The Company's "*Significant Commitments and Contingencies*" are disclosed in the "*Financial Information*" of Annual Report (II), pages 66-67.



6. FINANCIAL HIGHLIGHTS

TSMC's trinity of strengths, technology leadership, manufacturing excellence, and customer partnership, are built on a foundation of financial strength. In 2009, we generated positive free cash flow (equal to operating cash flow minus capital expenditure) for the 8th consecutive year. We also returned a significant amount of cash to our shareholders through cash dividends. With our strong balance sheet and our consistent profitability, we believe we are well positioned for our future growth and for delivering increasing long-term returns to our shareholders.

6.1 Financial Status and Operating Results

6.1.1 Financial Status

Unconsolidated

Unit: NT$ thousands

Item	2009	2008	Difference	%
Current Assets	185,831,537	179,849,479	5,982,058	3%
Fixed Assets	254,751,526	219,282,502	35,469,024	16%
Other Assets	18,415,746	17,242,603	1,173,143	7%
Total Assets	577,426,622	540,559,247	36,867,375	7%
Current Liabilities	72,571,095	53,099,467	19,471,628	37%
Long-term Liabilities	9,772,815	11,082,669	(1,309,854)	-12%
Total Liabilities	82,343,910	64,182,136	18,161,774	28%
Capital Stock	259,027,066	256,254,373	2,772,693	1%
Capital Surplus	55,486,010	49,875,255	5,610,755	11%
Retained Earnings	181,882,682	170,053,667	11,829,015	7%
Total Shareholders' Equity	495,082,712	476,377,111	18,705,601	4%

- **Analysis of Deviation over 20%**

The increase in both current liabilities and total liabilities was mainly due to an increase in payables to contractors and equipment suppliers.

- **Major Impact on Financial Position**

The above deviations over 20% had no major impact on TSMC's financial position.

- **Future Plan on Financial Position:** Not applicable.

Consolidated

Unit: NT$ thousands

Item	2009	2008	Difference	%
Current Assets	259,803,748	252,618,431	7,185,317	3%
Fixed Assets	273,674,787	243,645,350	30,029,437	12%
Other Assets	23,372,182	22,671,293	700,889	3%
Total Assets	594,696,220	558,916,589	35,779,631	6%
Current Liabilities	79,133,288	56,806,756	22,326,532	39%
Long-term Liabilities	16,514,384	21,737,366	(5,222,982)	-24%
Total Liabilities	95,647,672	78,544,122	17,103,550	22%
Capital Stock	259,027,066	256,254,373	2,772,693	1%
Capital Surplus	55,486,010	49,875,255	5,610,755	11%
Retained Earnings	181,882,682	170,053,667	11,829,015	7%
Equity Attributable to Shareholders of the Parent	495,082,712	476,377,111	18,705,601	4%
Total Shareholders' Equity	499,048,548	480,372,467	18,676,081	4%

- **Analysis of Deviation over 20%**

The increase in current liabilities was mainly due to an increase in payables to contractors and equipment suppliers.
The decrease in long-term liabilities was mainly due to the reclassification of payables for acquisition of property, plant and equipment, long-term bank loans and payable for royalties from long-term liabilities to current.
The increase in total liabilities was mainly due to an increase in payables to contractors and equipment suppliers.

- **Major Impact on Financial Position**

The above deviations over 20% had no major impact on TSMC's financial position.

- **Future Plan on Financial Position**: Not applicable.

6.1.2 Operating Results

Unconsolidated

Unit: NT$ thousands

Item	2009	2008	Difference	%
Gross Sales	299,471,214	330,228,027	(30,756,813)	-9%
Sales Returns & Allowances	(13,728,346)	(8,460,944)	(5,267,402)	62%
Net Sales	285,742,868	321,767,083	(36,024,215)	-11%
Cost of Sales	159,106,619	183,589,540	(24,482,921)	-13%
Gross Profit	126,636,249	138,177,543	(11,541,294)	-8%
Realized (Unrealized) Gross Profit From Affiliates	(160,279)	72	(160,351)	-100%
Realized Gross Profit	126,475,970	138,177,615	(11,701,645)	-8%
Operating Expenses	31,953,617	31,887,383	66,234	0%
Income from Operations	94,522,353	106,290,232	(11,767,879)	-11%
Non-operating Income & Gains	4,121,509	6,725,625	(2,604,116)	-39%
Non-operating Expenses & Losses	3,662,840	2,257,039	1,405,801	62%
Income before Income Tax	94,981,022	110,758,818	(15,777,796)	-14%
Income Tax Expenses	(5,763,186)	(10,825,650)	5,062,464	-47%
Income after Income Tax	89,217,836	99,933,168	(10,715,332)	-11%

- **Analysis of Deviation over 20%**

Increase in sales returns and allowance: The increase was the result of higher provision on the potential sales returns and allowances.
Increase in unrealized gross profit from affiliates: The increase was due to higher sales to the affiliates in 4Q'09.
Decrease in non-operating income and gains: The decrease was primarily due to lower interest income and foreign exchange gain.
Increase in non-operating expenses and losses: The increase was primarily due to higher equity in losses of equity method investees but offset by lower valuation loss on financial instruments.
Decrease in income tax expenses: The decrease was primarily due to lower taxable income and an increase in tax credit attributed to higher capital expenditure.

- **Sales Volume Forecast and Related Information**

For additional details, please refer to "*Letter to Shareholders*" on pages 3-5 of this Annual Report.

Consolidated

Unit: NT$ thousands

Item	2009	2008	Difference	%
Gross Sales	309,655,614	341,983,355	(32,327,741)	-9%
Sales Returns & Allowances	(13,913,375)	(8,825,695)	(5,087,680)	58%
Net Sales	295,742,239	333,157,660	(37,415,421)	-11%
Cost of Sales	166,413,628	191,408,099	(24,994,471)	-13%
Gross Profit	129,328,611	141,749,561	(12,420,950)	-9%
Operating Expenses	37,366,725	37,314,193	52,532	0%
Income from Operations	91,961,886	104,435,368	(12,473,482)	-12%
Non-operating Income & Gains	5,653,548	10,821,449	(5,167,901)	-48%
Non-operating Expenses & Losses	2,152,787	3,784,571	(1,631,784)	-43%
Income before Income Tax	95,462,647	111,472,246	(16,009,599)	-14%
Income Tax Expenses	(5,996,424)	(10,949,009)	4,952,585	-45%
Net Income	89,466,223	100,523,237	(11,057,014)	-11%
Net Income Attributable to Shareholders of the Parent	89,217,836	99,933,168	(10,715,332)	-11%

● **Analysis of Deviation over 20%**

Increase in sales return and allowances: The increase was the result of higher provision on the potential sales return and allowances.
Decrease in non-operating income and gains: The decrease was primarily due to lower interest income and foreign exchange gain.
Decrease in non-operating expenses and losses: The decrease was primarily due to lower loss on impairment of financial assets and valuation loss on financial instruments.
Decrease in income tax expenses: The decrease was primarily due to lower taxable income and an increase in tax credit attributed to higher capital expenditure.

● **Sales Volume Forecast and Related Information**

For additional details, please refer to "*Letter to Shareholders*" on pages 3-5 of this Annual Report.

6.1.3 Cash Flow

Unconsolidated

Unit: NT$ thousands

Cash Balance 12/31/2008	Net Cash Provided by Operating Activities in 2009	Net Cash Outflows from Investing and Financing Activities in 2009	Cash Balance 12/31/2009	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
138,208,360	155,902,046	(177,066,863)	117,043,543	-	-

● **Analysis of Cash Flow**

NT$155.9 billion net cash provided by operating activities: Mainly from net income and depreciation/amortization.
NT$92.0 billion net cash used in investing activities: Primarily for capital expenditures.
NT$85.1 billion net cash used in financing activities: Mostly for the payout of cash dividends and repayment of corporate bonds.

● **Remedial Actions for Cash Shortfall**: In view of positive cash flows and ample cash on-hand, remedial actions are not required.

● **Cash Flow Projection for Next Year**: Not applicable.

Consolidated

Unit: NT$ thousands

Cash Balance 12/31/2008	Net Cash Provided by Operating Activities in 2009	Net Cash Outflows from Investing and Financing Activities in 2009	Cash Balance 12/31/2009	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
194,613,752	159,966,465	(183,303,876)	171,276,341	-	-

● **Analysis of Cash Flow**

NT$160.0 billion net cash provided by operating activities: Mainly from net income and depreciation/amortization.
NT$97.8 billion net cash used in investing activities: Primarily for capital expenditures.
NT$85.5 billion net cash used in financial activities: Mostly for the payout of cash dividends and repayment of corporate bonds.

● **Remedial Actions for Cash Shortfall**: In view of positive cash flows and ample cash on-hand, remedial actions are not required.

● **Cash Flow Projection for Next Year**: Not applicable.

6.1.4 Major Capital Expenditure

Major Capital Expenditure and Sources of Funding

Unit: NT$ thousands

Plan	Actual or Planned Source of Capital	Total Amount as of 12/31/2009	Status of Actual or Projected Use of Capital			
			2006	2007	2008	2009
Production Facilities and Equipment	Cash flow generated from operations	289,395,456	73,643,829	77,925,776	56,902,459	80,923,392
R&D Equipment	Cash flow generated from operations	17,156,029	3,746,173	5,401,157	1,637,643	6,371,056

Expected Future Benefits

With the above-mentioned capital expenditures, it is estimated that TSMC's annual production capacity will increase by approximately 1.3 million 8-inch equivalent wafers in 2010.

6.1.5 Long-term Investment Policy and Results

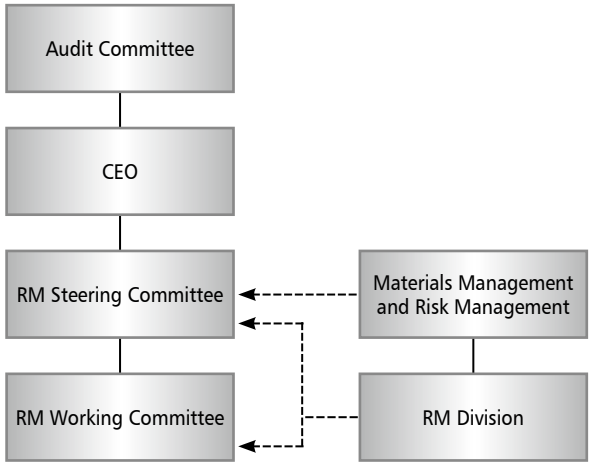
TSMC's long-term investments accounted for under equity method are all for strategic purpose. In 2009, the investment loss from these investments amounted to NT$2,695,720 thousands, significantly higher than last year mainly due to the negative impact from global financial crisis and economic downturn. For future investments, TMSC will continue to focus on strategic purpose through prudent assessments.

6.2 Risk Management

TSMC and its subsidiaries are committed to proactively and cost-effectively integrating and managing strategic, operational, financial and hazardous risks together with potential consequences to operations and revenue. TSMC established its Enterprise Risk Management (ERM) program based on both its corporate vision and its long-term sustainability and responsibility to both industry and society. The ERM program seeks to provide for TSMC's adequate management of risks on behalf of all stakeholders.

In 2008 and 2009, TSMC was affected, as were other companies, by the global financial crisis. TSMC successfully managed the downside and seized opportunity by expanding capacity early to meet subsequent urgent demand from customers. Cost-effective integrated risk management efforts can reduce threats to TSMC's corporate objectives.

6.2.1 Risk Management (RM) Organization Chart



Organization Description

- **RM Steering Committee:**

Reports to Audit Committee;
Is composed of functional heads;
Reviews risk control progress; and
Identifies and approves the prioritized risk lists.

- **RM Working Committee:**

Is composed of representatives from each function;
Aligns functional ERM activities; and
Follows up the risk control action plan.

- RM Division:

Coordinates the RM Working Committee activities;
Facilitates functional risk management activities; and
Consolidates ERM reports into the RM Steering Committee.

6.2.2 Strategic Risks

Industry Developments

The semiconductor market and microelectronics industries have historically been cyclical and subject to significant, and often rapid, increases and decreases in product demand. TSMC's semiconductor foundry business is affected by market conditions in such highly cyclical semiconductor and microelectronics industries. Most of the Company's customers operate in these industries. Variations in order levels from customers result in volatility in the Company's revenues and earnings.

From time to time, the semiconductor and microelectronics industries have experienced significant, and sometimes prolonged, periods of downturns and overcapacity. Because TSMC is, and will continue to be, dependent on the requirements of semiconductor and microelectronics companies for its services, periods of downturns and overcapacity in the general semiconductor and microelectronics industries lead to reduced demand for overall semiconductor foundry services, including the Company's services. If it cannot take appropriate actions such as reducing TSMC's costs to sufficiently offset declines in demand, the Company's revenues, margin and earnings will suffer during periods of downturns and overcapacity.

Changes in Technology

The semiconductor industry and the technologies used in it are constantly changing. TSMC competes by developing process technologies using increasingly smaller nodes and on manufacturing products with multiple or more advanced functions. If it does not anticipate these changes in technologies in a timely manner and rapidly develop new and innovative technologies, or if the Company's competitors unforeseeably gain sudden access to more advanced technologies, TSMC may not be able to provide advanced foundry services on competitive terms. Although it has concentrated on maintaining a competitive edge in research and development, if TSMC fails to achieve advances in technologies or processes, or to obtain access to advanced technologies or processes developed by others, it may become less competitive.

Decrease in Demand and Average Selling Price

A vast majority of the Company's sales revenue is derived from customers who use TSMC's services in communication devices, personal computers, consumer electronics products and industrial devices. Any significant decrease in the demand for the products may decrease the demand for overall global semiconductor foundry services, including TSMC's services, and may adversely affect the Company's revenues. In addition, the historical and current trend of declining average selling prices of end-use applications places downward pressure on the prices of the components that go into such applications. If the average selling prices of end use applications continue to decrease, the pricing pressure on components produced by us may lead to a reduction of TSMC's revenues, margin and earnings.

Competition

TSMC competes internationally and domestically with pure-play foundry service providers, as well as with integrated device manufacturers that devote a significant portion of their manufacturing capacity to foundry operations. Some of these companies may have access to more advanced technologies and greater financial and other resources than us, (such as the possibility of receiving direct or indirect government bailout/economic stimulus funds or other incentives that are unavailable to us). The Company's competition may, from time to time, also decide to undertake aggressive pricing initiatives in one or more technology nodes. Competitive activities may cause us to lose customers or to decrease TSMC's customer base, or TSMC's average selling prices, or both.

The Company competes primarily on the basis of process technology, quality and service. The level of competition differs according to the process technology involved. For example, in more mature technologies, the competition tends to be more intense. Some companies compete with TSMC in selected geographic regions or application end markets. In recent years, substantial investments have been made by others to establish new pure-play foundry companies in mainland China and elsewhere; or to spin off Integrated Device Manufacturers' manufacturing operations and transform them into a pure-play foundry company.

Risks Associated with Changes in the Government Policies and Regulatory Environment

TSMC's management team always closely monitors domestic and foreign governmental policies and regulations that might have impacts on TSMC's business and financial operations, and establish relevant risk management procedures. 2009 saw the following changes or developments in governmental policies and regulations that may influence the Company's business operations.

Article 5 of "Income Tax Act" was amended in May 2009. The corporate income tax rate was reduced from 25% to 20% effective from 2010, which will reduce the Company's tax burden. The tax incentive schemes under the "Statute of Upgrading Industries" expired on December 31, 2009. As of the print date of this annual report, the Taiwan legislative authority has not passed any statute containing similar or identical tax incentives. Therefore, there is a likelihood that the Company's tax burden will increase. TSMC has taken into account the various factors which may impact its financial management, and will continue to monitor developments of relevant tax regulations.

In an effort to liberalize doing business or investing in mainland China, in February 2010 the competent authority amended and promulgated relevant regulations for Taiwanese investment or technical cooperation projects in mainland China. Such liberalization will enable TSMC to adopt a more flexible mainland China investment and business strategy.

The Taiwan Financial Supervisory Commission (FSC) requires listed companies to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) starting from January 1, 2013. TSMC has setup an IFRS project team and has launched the project plan for its IFRS adoption. In addition, the progress of such adoption has been regularly reported to the Board. The impact of the IFRS adoption may include changes of accounting

treatment for certain types of transactions and certain modification in the presentation of its financial report. We will keep monitoring the update of IFRS and the development of related laws and regulations in Taiwan and evaluate the respective impact to TSMC.

In addition, the Taiwan legislative authority has been studying the relevant laws relating to environmental protection, e.g. "Greenhouse Gas Reduction Act" and Energy Tax. Since there has been no concrete guidance or laws issuing from the Taiwan government as of yet, the impacts of such laws are indeterminable at the moment. However, it is very likely that such laws may increase the operating cost of the Company.

Other than the above laws and regulations, it is not expected that the relevant governmental policies and regulatory changes would materially impact TSMC's operations and financial condition.

6.2.3 Operational Risks

Risks Associated with Capacity Expansion

In response to customer demand, since 2004, TSMC has steadily ramped up the production of 12-inch wafer fabs in the Hsinchu Science Park and Tainan Science Park, respectively. Total monthly capacity of the Company's 12-inch wafer fabs was increased from 154,300 wafers in December 31, 2008 to 171,400 wafers in December 31, 2009. Overall, TSMC increased its annual production capacity by approximately 0.6 million 8-inch equivalent wafers in 2009. The total average billing utilization rate for 2009 was 75% as a result of the global economic recession in the first half. Expansion and modification of the Company's production facilities will, among other factors, increase TSMC's costs. For example, the Company will need to purchase additional equipment, train personnel to operate the new equipment or hire additional personnel. If it does not increase its net sales accordingly in order to offset these higher costs, TSMC's financial performance may be adversely affected.

As of the date of this Annual Report, the benefits brought about by such capacity expansion were in line with TSMC's expectations. TSMC has established systems to evaluate and forecast market demand and refers to these forecasts and evaluations when considering whether to expand or reduce capacity.

Risks Associated with Sales Concentration

While it generates revenue from hundreds of customers worldwide, TSMC's ten largest customers accounted for approximately 53% of net sales in both 2008 and 2009, and the Company's largest customer accounted for approximately 14% and 10% of net sales in 2008 and 2009, respectively. The loss of, or significant curtailment of purchases by, one or more of the Company's top customers, including curtailments due to a change in the design or manufacturing sourcing policies or practices of these customers, or the timing of customer or distributor inventory adjustments, may adversely affect TSMC's results of operations and financial condition.

Risks Associated with Purchase Concentration

- Raw Materials

TSMC's production operations require that it obtain adequate supplies of raw materials, such as silicon wafers, gases, chemicals, and photoresist, on a timely basis. Shortages in the supply of some materials experienced by specific vendors or by the semiconductor industry generally have in the past resulted in occasional industry-wide price adjustments and delivery delays. Also, since TSMC procures some raw materials from sole-source suppliers, there is a risk that the Company's need for such raw materials may not be met when needed. The Company's revenue and earnings could decline if it is unable to obtain adequate supplies of the necessary raw materials in a timely manner or if there are significant increases in the costs of raw materials that it cannot pass on to its customers.

- Equipment

The Company's operations and ongoing expansion plans depend on its ability to obtain an appropriate amount of equipment and related services from a limited number of suppliers in a market that is characterized by limited supply and long delivery cycles. During such times, supplier-specific or industry-wide lead times for delivery can be as long as nine months. To better manage its supply chain, the Company has implemented various business models and risk management contingencies with suppliers to shorten the procurement lead time. TSMC also provides its projected demand for various items to many of the Company's equipment suppliers to help them plan their production in advance. If it is unable to obtain equipment in a timely manner and at a reasonable cost, TSMC may be unable to fulfill customers' orders, which could negatively impact its financial condition and results of operations.

Risks Associated with Intellectual Property Rights

Our ability to compete successfully and to achieve future growth may depend in part on the continued strength of our intellectual property portfolio. While we actively procure, enforce and protect our intellectual property rights, there can be no assurance that our efforts will be adequate to prevent the misappropriation or improper use of our proprietary technology, trade secrets, software or know-how. Also, we cannot assure you that, as our business or business models expand into new areas, we will be able to independently develop the technology, trade secrets, software or know-how necessary to conduct our business or that we can do so without the intellectual property rights of others. As a result, we may have to rely increasingly on obtaining licenses to certain technologies from third parties. To the extent that we rely on licenses from others, there can be no assurance that we will be able to obtain any or all of the necessary licenses in the future on terms we consider reasonable or at all. The lack of necessary licenses could expose us to claims for damages and/or injunctions from third parties, as well as claims for indemnification by our customers in instances where we have contractually agreed to indemnify our customers against damages resulting from infringement claims.

We have received, from time-to-time, communications from third parties asserting that our technologies, manufacturing processes, the design of the integrated circuits made by us or the use by our customers of semiconductors made by us may infringe their patents or other intellectual property rights. And, because of the nature of the semiconductor industry, we may continue to receive such communications in the future. In some instances, these disputes have resulted in litigation. If we fail to obtain or maintain certain government, technology or intellectual property licenses and, if litigation relating to an intellectual property claim occurs, it could prevent us from manufacturing or selling certain products or using

certain manufacturing processes or technologies, which could reduce our opportunities to compete or generate revenues.

Risks Associated with Litigation

As is the case with many companies in the semiconductor industry, we have received from time-to-time communications from third parties asserting that our technologies, manufacturing processes, the design of the integrated circuits made by us or the use by our customers of semiconductors made by us may infringe upon patents or other intellectual property rights of others. In some instances, these disputes have resulted in litigation by or against us and certain settlement payments by us in some cases. Irrespective of the validity of these claims, we could incur significant costs in the defense thereof or could suffer adverse effects on our operations.

In August 2006, we filed a lawsuit against SMIC in the Superior Court of California for Alameda County for breach of a 2005 agreement that settled an earlier trade secret misappropriation and patent infringement litigation between the parties, as well as for trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against us in the same court alleging breach of settlement agreement, implied covenant of good faith and fair dealing. SMIC also filed a civil action against us in November 2006 with the Beijing People's High Court alleging defamation and breach of good faith. The Beijing People's High Court on June 10, 2009 ruled in favor of TSMC and dismissed SMIC's lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC's trade secrets. We have subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments to TSMC totaling US$200 million, which are in addition to the US$135 million previously paid to TSMC under the 2005 settlement agreement, and to provide TSMC with other valuable consideration.

Other than the matters described above, we were not involved in any other material litigation in 2009 and are not currently involved in any material litigation.

Risks Associated with Mergers and Acquisitions

In 2009, and as of the date of this Annual Report, there were no such risks for TSMC.

Risks Associated with Recruiting and Retaining Qualified Personnel

The Company depends on the continued services and contributions of its executive officers and skilled technical and other personnel. TSMC's business could suffer if it lost, for whatever reasons, the services and contributions of some of these personnel and it cannot adequately replace them. The Company may be required to increase the number of employees in connection with any business expansion, and since there is intense competition for the recruitment of these personnel, it cannot ensure it will be able to fulfill its personnel requirements in a timely manner.

Therefore, the Compensation Committee of the Board of Directors decided to change the compensation system, including a structural increase on base salary and timely distribution of employees' cash bonus from the Company's profits in order to attract and retain talent.

Future R&D Plans and Expected R&D Spending

For additional details, please refer to "*Future R&D Plans*" on page 50 of this Annual Report.

Changes in Corporate Image and Impact on Company's Crisis Management

TSMC has established an excellent corporate image for its firm belief in its core values, its rigorous corporate governance, its outstanding operations, and its vision of a society that works together towards sustainable development, equality and justice, and a harmonious environment to live and work. For its efforts the Company has won wide recognition, such as:

- The Executive Yuan's Enterprise Sustainable Development Award
- The Ministry of Economic Affairs' Outstanding Innovation Achievement Award
- The Council of Labor Affairs' National Workplace Safety Award
- The Environmental Protection Administration's National Enterprise Environmental Protection Award
- *Commonwealth Magazine*'s benchmark for Most Admired Company in Taiwan
- *Commonwealth Magazine*'s Best Corporate Citizenship for a large company
- *GlobalViews Magazine*'s Corporate Social Responsibility award
- Number one in the *Asian Wall Street Journal*'s survey of the top 10 companies in Taiwan
- First place in *Cheers Magazine*'s survey of Company Most Admired by the New Generation
- *IR Magazine*'s award for Best Corporate Governance and Best Investor Relations in Taiwan and Hong Kong

Management believes this recognition is the strongest evidence of TSMC's corporate image.

In addition, the Company has established departments such as Brand Management, Customer Service, Public Relations, Employee Relations, Investor Relations, Risk Management, Internal Audit, and the TSMC Education and Culture Foundation to further improve TSMC's corporate image and to make preparations for prevention and control of potential risks.

Risks Associated with Change in Management

On June 11, 2009, TSMC's Board of Directors approved two major personnel appointments, effective June 12, 2009:

- Appointed Dr. Morris Chang to serve as Chief Executive Officer concurrent with his position as Chairman of the Board
- Appointed Dr. Rick Tsai to serve as President, New Businesses, reporting directly to the Chairman & CEO

6.2.4 Financial Risks

Internal Management of Economic Risks

- Interest Rate Fluctuation

TSMC's exposure to interest rate risks derives primarily from long-term debt obligations incurred in the normal course of business. In order to limit its exposure to interest rate risks, TSMC finances its funding needs through internal generation of cash and the occasional issuance of long-term, fixed-rate debt. On the asset side, the primary objective of TSMC's investments in fixed income securities is to preserve principal in highly liquid markets. In order to maintain the Company's liquidity profile, the majority of fixed income securities are at the short end of the yield curve.

- Foreign Exchange Volatility

Over half of TSMC's capital expenditures and manufacturing costs are denominated in currencies other than NT dollars, primarily in US dollars, Japanese yen and Euros. More than 90% of the Company's sales are denominated in U.S. dollars and currencies other than NT dollars. Therefore, any significant fluctuation to the Company's disadvantage in such exchange rates would have an adverse effect on TSMC's financial condition. TSMC hedged its foreign exchange exposure mainly through cross currency swaps and currency forward contracts.

In addition, fluctuations in the exchange rate between the US dollar and the NT dollar may affect the US dollar value of the Company's common shares and the market price of the Company's American Depositary Shares (ADSs) and of any cash dividends paid in NT dollars on TSMC's common shares represented by ADSs.

- Inflation & Deflation

TSMC's most significant export market is North America, and management does not believe that inflation or deflation in the R.O.C. or North America had a material impact on the Company's results of operations in 2009. However, TSMC cannot provide assurance that there will be no significant variations in the nature, extent or scope of inflation or deflation within any of the Company's key markets in the future or whether deflation possibly arising from the global economic crisis would not have a material impact on TSMC's results of operations.

Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions

TSMC did not make high-risk or high-leveraged financial investments during 2009 and up to the date of this report. Neither did TSMC provide lending, endorsements or guarantees for other parties in the period.

The financial transactions of a "derivative" nature that TSMC entered into were strictly for hedging purposes and not for any trading or speculative purpose. For more information, please refer to the "*Financial Information*" on pages 52-53 of Annual Report (II).

The fair market value of our trading and available for sale financial investments are subject to prevailing market conditions and may fluctuate from TSMC's carrying value from time to time, which may impact the returns of those investments. To control various types of financial transactions, the Company has established internal policies and procedures based on sound financial and business practices, all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Bureau. TSMC policies and procedures include "Policies and Procedures for Financial Derivative Transactions", "Procedures for Lending Funds to Other Parties", "Procedures for Acquisition or Disposal of Assets", and "Procedures for Endorsement and Guarantee".

Risks Associated with Impairment Charges

Under Generally Accepted Accounting Principles (GAAP) of both the Republic of China and the United States, TSMC is required to evaluate its long-lived assets and intangible assets for impairment whenever there is an indication of impairment. If certain criteria are met, TSMC is required to record an impairment charge. TSMC is also required under ROC GAAP and US GAAP to evaluate goodwill for impairment at least on an annual basis or whenever a so-called "triggering event" or an indication of impairment occurs.

Management currently is unable to estimate the extent or timing of any impairment charge for future years. Any impairment charge required may have a material adverse effect on the Company's net income.

The determination of an impairment charge at any given time is substantially based on the expected results of the Company's operations over a number of years subsequent to that time. As a result, an impairment charge is more likely to occur during a period when the Company's operating results are otherwise already depressed. TSMC has established the process and system to closely monitor and access the outlook of capacity utilization and economic cycle.

6.2.5 Hazardous Risks

TSMC maintains a comprehensive risk management system dedicated to the conservation of natural resources, safety of people, and protection of property. In order to effectively handle emergencies and natural disasters at each facility, management has developed comprehensive plans and procedures that focus on risk prevention, emergency response, crisis management, and business continuity. TSMC has adopted local and international standards for ESH management. All TSMC fabs have been ISO 14001 certified (Environmental Management System), OHSAS 18001 certified (Occupational Health and Safety Management System) and QC080000 certified (Hazardous Substance Process Management System); all fabs in Taiwan have also been TOSHMS (Taiwan Occupational Safety and Health Management System) certified.

TSMC pays special attention to emergency preparedness for disasters, such as typhoon, flood, drought caused by climate change, earthquakes, environmental contamination, large-scale product returns, disruption of IT systems, strikes, pandemic (such as H1N1 influenza) and disruptions to the supply of raw materials or water, electricity, gases, and public utilities. TSMC has established a

company-wide task force managing water shortage risk that might be a key issue due to climate change. This task force keeps watch on external supply and internal demand of water. Cross-company consolidations and external collaborations with public agencies are also ongoing in the industrial parks to sustain stable water supply.

TSMC further strengthened its business continuity plans, which include risk assessment, control implementation and the establishment of emergency task forces when necessary; the preparation of a thorough analysis of the emergency, its impact, alternatives, and solution for each possible scenario; and appropriate precautionary and/or recovery measures. Each task force is given the responsibility to ensure TSMC's ability to conduct business while minimizing personal injuries, business disruption, and financial impact under the circumstances. Customers are informed of TSMC's strong business continuity plan to establish their supply chain resilience and insurance placement. For the year 2009, and up to the date of this Annual Report, there are no reportable material events that have necessitated the activation of such contingency plans. In 2009, the Company also conducted the continuous improvement project for building anti-seismic capability evaluation, earthquake response drills and tool anchorage fixation and enhanced TSMC business continuity procedures reference to BS 25999 business continuity management.

Some combustible materials are used in TSMC's manufacturing processes and are therefore subject to explosion and fire risk. The Company maintains many overlapping risk prevention and protection systems, as well as comprehensive fire and casualty insurance, including insurance for loss of property and loss of profit resulting from business interruption. Nonetheless, TSMC's risk management and insurance coverage may, in certain circumstances, be insufficient to cover all of the Company's potential losses. If any of TSMC's fabs were to be damaged or cease operations as a result of an explosion, fire, or environmental excursions, it could reduce the Company's manufacturing capacity and might cause us to lose important customers, thereby having a potentially material adverse impact on TSMC's financial performance. In addition to periodic fire protection system inspection and fire fighting drills, the Company also carried out a corporate-wide fire risk mitigation project focused on management and hardware improvements.

Changes may cause unpredictable production interruption. In order to reduce such uncertainty, TSMC has adopted a number of standards to maintain operational continuity ranging from design, procurement, and construction, to operation and decommission.

6.2.6 Climate Change Risks

If applicable laws, regulations or international accords directly or indirectly requires us: (a) to use certain alternative chemicals or raw materials in; and/or (b) exclude prohibited chemicals or raw materials from our products, processes and designs, we cannot offer any assurances that the resulting product, processes or designs would be as reliable or efficient. Also, our failure to manage the import, export, use, transportation, emissions, discharge, storage, recycling, or disposal of such chemicals and materials could subject us to increased costs or future liabilities.

Any of the above contingencies resulting from the actual and potential impact of local or international laws and regulations as well as international accords on environmental or climate change could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing and assembly and test processes.

Increasing climate change and environmental concerns also presents other commercial challenges because some of our customers and suppliers may request us to exceed the legal standard set for environmentally compliant products and services. If we are unable to offer such products or services, we may lose market share to our competitors.

Further, energy costs in general could increase significantly to be driven by climate change regulations. Therefore our energy costs may increase significantly if utility or power companies pass on their costs, such as those associated with carbon taxes, emission cap and carbon credit trading programs, or other similar programs imposed locally or worldwide.

6.2.7 Other Risks

Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by TSMC's Directors, and Major Shareholders Who Own 10% or More of TSMC's Total Outstanding Shares

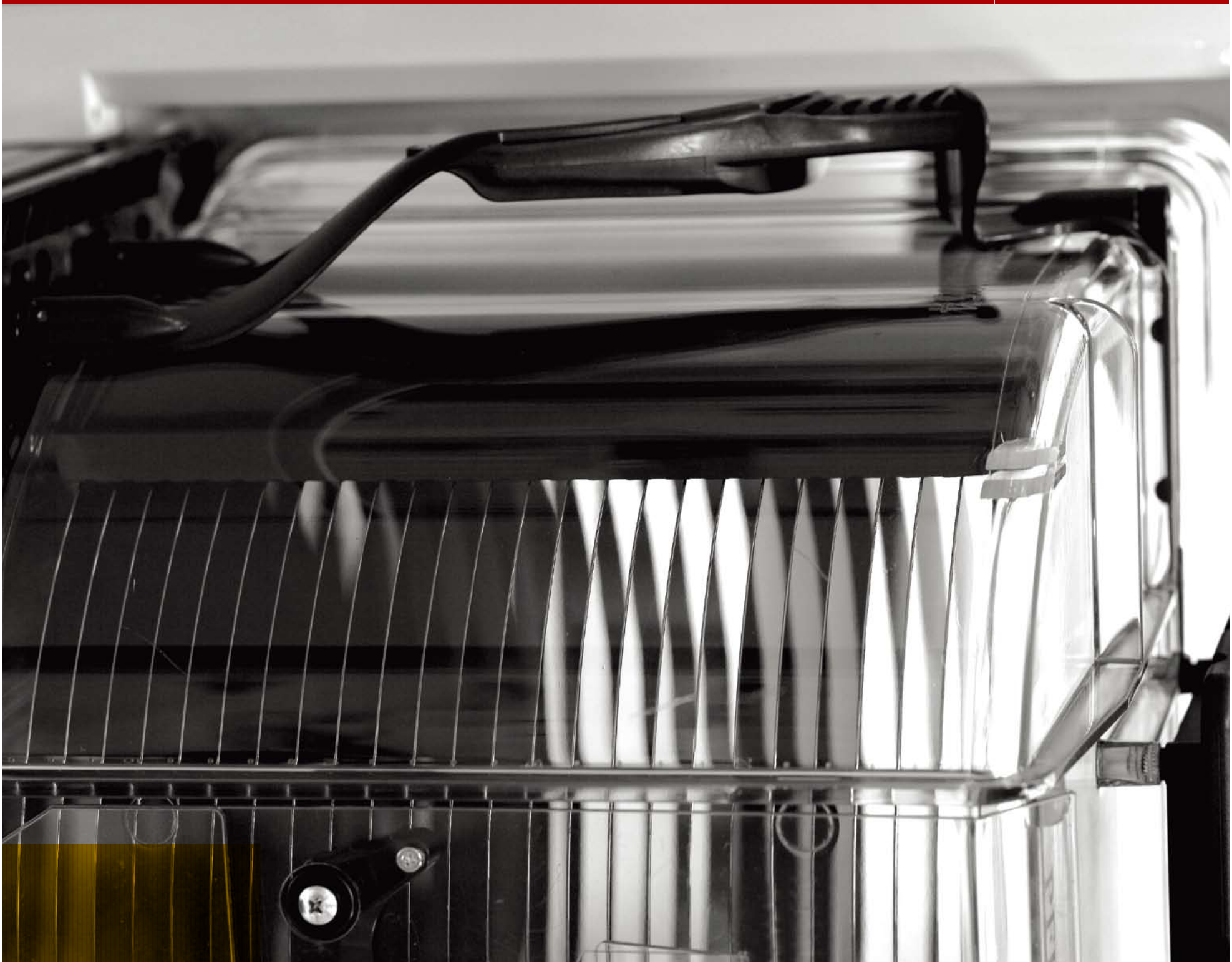
The value of TSMC shareholders' investment may be reduced by possible future sales of TSMC shares owned by the major shareholders.

One or more of our existing shareholders may, from time to time, dispose of significant numbers of our common shares or ADSs. For example, the National Development Fund, who owned 6.4% of TSMC's outstanding shares as of February 28, 2010, had sold our shares in the form of ADSs in several transactions during the period between 1997 and 2005.

There is currently no shareholder who owns 10% or more of TSMC's total outstanding shares.

Other Material Risks

During 2009 and as of the date of this Annual Report, TSMC's management is not aware of any other risk event that could impart a potentially material impact on the financial status of the Company.



7. CORPORATE SOCIAL RESPONSIBILITY

TSMC's core values of Integrity, Commitment, Innovation, and Customer Partnership extend to every facet of its business. TSMC believes that a corporation's most important responsibility to society is to help bring about healthy and positive changes. To fulfill this responsibility:

1) We are honest to our shareholders, to the public, and to our tens of thousands of employees.
2) We respect the rule of law, and we do not engage in illegal activity.
3) We abhor cronyism. We do not seek favoritism from the government or any government official, and we do not bribe.
4) We practice good corporate governance.
5) We do not engage in politics.
6) We aim to provide not just job opportunities, but well-paying job opportunities in a good work environment.
7) We emphasize protection of the environment and climate.
8) We practice unceasing innovation.
9) We invest in LED lighting and solar energy to directly contribute to a greener world through innovation.
10) Within our corporate means, we make contributions to cultural and educational and community activities.

7.1 Typhoon Morakot Disaster Relief Project

Typhoon Morakot struck south Taiwan, causing Taiwan's most severe flooding in 50 years. TSMC and all its employees are deeply saddened by the suffering caused by this typhoon, and we have assembled a "Typhoon Morakot Project Team" and have decided to donate NT$200 million to provide some small measure of relief to the people and places affected by this disaster.

1) Distributed NT$50 million in relief funds to more than 1,000 employees affected by the floods.

As TSMC employees come from all over Taiwan, many colleagues and their families live in areas severely affected by this disaster. We therefore asked managers at all levels to inquire whether their staff was affected by the flooding and whether they need assistance. Currently, about 1,000 of our employees and their relatives live in severely flooded areas, and the great majority are production-line technicians. To provide the fastest and most direct support, TSMC will disburse up to NT$50 million in aid funds. Our employees' direct supervisors will conduct site visits, and we will also use all our available resources to help our employees find missing family members. We hope that these efforts will demonstrate TSMC's commitment to its employees and also reduce some of the government's relief burden.

2) Provided NT$50 million to assist in the repair and restoration of damaged middle and elementary schools around the South Taiwan Science Park to reopen before the beginning of the school year.

   Many Schools near TSMC's Tainan site were severely affected by this disaster, with heavy damage to fences, classrooms, computers, schools, and other equipment. Students would be unable to begin classes on schedule if they were not restored quickly. TSMC disbursed NT$50 million to take direct responsibility for repairing, cleaning, and rebuilding in a safe and timely fashion. We believe this was the most direct and efficient fashion to help restore damaged schools, help students return to school on time, and do our part for the disaster area.

   At the same time, colleagues in TSMC began a book collection drive inside and outside the company, which received enthusiastic support. TSMC received more than 50,000 books and donated them to schools in Tainan, Chiayi, Kaohsiung, Pingtung, Nantou, and Taitung that were affected by Typhoon Morakot

3) Pledged NT$100 million to assist in the government's overall relief efforts.

   Aboriginal villages were among the main disaster areas of Typhoon Morakot, and aborigines have long been an underprivileged minority in Taiwan. TSMC has focused its relief efforts on aboriginal villages to support the government. Our goal is to quickly and effectively find the appropriate roles for government, villagers, and the private sector in building a model of cooperation that will provide long-term support to these villages.

7.2 Environmental, Safety and Health (ESH) Management

TSMC believes its environmental, safety and health practices should not only comply with legal requirements, but also measure up to recognized international practices. The Company aims to prevent pollution, efficiently use all resources, prevent accidents, improve employee safety and health, protect property, and establish a work environment that promotes the well-being of our employees and of the communities in which we operate.

All TSMC manufacturing facilities have received ISO 14001:2004 certification for environmental management systems and OHSAS 18001:2007 certification for occupational health and safety management systems. All fabs in Taiwan have also been TOSHMS (Taiwan Occupational Safety and Health Management System) certified in 2009. TSMC strives for continuous improvement and actively seeks to enhance pollution prevention, power and resource conservation, waste reduction, health and safety management, fire and explosion prevention and other risks, such as earthquakes, in order to reduce overall environmental, safety and health risk. In 2006, TSMC began to adopt the IECQ QC080000 Hazardous Substance Process Management (HSPM) System in order to meet customer needs for management of hazardous materials and to meet the European Union's Restriction of Hazardous Substances (RoHS) directive. All TSMC manufacturing facilities were QC080000 certified in 2007.

TSMC communicates with suppliers and contractors on environmental, safety and health issues and encourages them to improve their ESH performance. In line with this policy, TSMC uses priority work management and self-management to govern work performed by contractors. TSMC requires contractors performing high-risk operations to complete certification for technicians, and to establish their own OHSAS 18001 safety and health management system before bidding on contracts. This self-management is aimed at increasing contractors' sense of ownership and responsibility, with the goal of promoting safety awareness and technical improvement for contractors in the industry.

TSMC has also conducted on-site ESH audits of local material suppliers' and testing/assembly subcontractors since 2005. TSMC requires suppliers or subcontractors that performed poorly on ESH audits to take preventive and corrective action to improve their ESH management. TSMC also assists them to improve their ESH management.

In 2009, TSMC maintained its supplier ESH management program, which is tied to a sustainability index that includes three components: Green Index, Social Index and Risk Index. "Green Index" includes environmental management system, regulatory compliance, hazardous substance management, greenhouse gases inventory and green activities. "Social Index" includes labor & ethical conduct and participation of social activities. "Risk Index" includes: safety & health, fire, natural disaster, transportation, supply chain management, pandemic plan and business continuity plan. The sustainability index is applied to TSMC's critical suppliers.

7.2.1 Environmental Protection

Greenhouse Gases (GHG) Emission Reduction

TSMC is an active participant in international environmental protection programs. In 2005, TSMC was Taiwan's first semiconductor company to make a complete inventory of its GHG and to gain ISO 14064 certification for its processes and outputs. The purpose of the inventory was to serve as a baseline reference for TSMC's strategy to reduce GHG, to meet future domestic regulatory requirements, and to prepare for carbon trading and corporate carbon asset management. All TSMC facilities continue to conduct a GHG inventory on an annual basis. The inventory result shows that the major direct GHG emission is perfluorinated compounds (PFCs), which are used in the semiconductor manufacturing process. The primary indirect GHG emission is electricity consumption.

TSMC is also taking measures to reduce its emission of greenhouse gases. TSMC has endorsed a memorandum of understanding between the Taiwan Semiconductor Industry Association, the ROC Environmental Protection Administration, and the World Semiconductor Council, whereby TSMC is committed to reducing PFC emissions to 10% below the average of 1997 and 1999 by 2010. This emissions target remains fixed as TSMC continues to grow and expand its manufacturing facilities. The Company is taking the following measures to reduce emissions in line with recommendations provided by the Intergovernmental Panel on Climate Change (IPCC):

- Accurate measurement of PFC gas production and the effectiveness of exhaust gas abatement equipment in order to calculate actual PFC emission volumes.
- Evaluation of feasible alternatives to greenhouse gases and gradually replacement of greenhouse gases at all manufacturing facilities, 97% has been deployed in 2009.
- Evaluation and installation of PFC exhaust gas abatement equipment, in line with effectiveness and safety considerations. The installation will be carried out from 2008 to 2010, 33% of which was completed in 2009.

Coal-fired power generators are a major source of electricity in Taiwan and emit large amounts of carbon dioxide (CO_2). TSMC makes continuous efforts to conserve energy, which reduces both carbon dioxide gas emissions and costs. TSMC has not only adopted energy-conservative designs for both manufacturing fabs and offices, but has also improved the energy efficiency of facilities during operation. In 2009, the Company collaborated with vendors to improve the energy and lighting efficiency assisted by some energy efficiency consulting companies.

Air and Water Pollution Control

TSMC has installed effective air and water pollution control equipment in each wafer fab to meet regulatory emissions standards. In addition, TSMC maintains backup pollution control systems, including emergency power supplies, to lower the risk of pollutant emission in the event of equipment breakdown. TSMC monitors the operations of air and water pollution control equipment centrally around the clock and tracks system effectiveness to ensure emitted air and discharged water quality.

Water Conservation

To make the most effective use of Taiwan's limited water resources, all TSMC fabs make efforts to increase water reclamation rates by adjusting the water usage of manufacturing equipment and improving wastewater reclamation systems. New fabs are able to reclaim more than 85% of process water, meeting or exceeding the standards of the Science Park Administration and outperforming most semiconductor fabs around the world. TSMC also strives to reduce non-manufacturing-related water consumption, including water used in air conditioning systems, sanitary facilities, cleaning, landscaping and kitchens.

Waste Management and Recycling

TSMC has established a designated unit responsible for waste recycling and disposal. To meet the goal of sustainable resource utilization, TSMC's first priority is to reduce process waste before considering recycling or disposal. TSMC carefully selects waste disposal and recycling contractors and performs annual audits of certification documents, site operations and transportation routes to ensure legal and proper disposal of waste. Waste recycling has achieved the goal of 90% in 2009, and the Company's landfill rate has been reduced to less than 1%.

Other Environmental Protection Programs

TSMC has implemented an environmental accounting system, allowing each fab to calculate cost savings or profits created by each environmental program.

In addition, TSMC conducts "Product Life Cycle Assessments" (Product LCA), collecting and analyzing data from the entire semiconductor manufacturing chain from raw materials suppliers to finished products, including statistics for such items as energy, raw materials consumption, and pollution. The product LCA study has established "Eco-Profiles" for all TSMC fabs and will help the Company to meet future international regulations such as the European Union's "Energy-Using Product" directive. These "Eco-Profiles" can also be provided to customers who require such documentation. In 2009, TSMC collaborated with its assembly subcontractor, Advanced Semiconductor Engineering Group (ASE) to complete the world's first Integrated Circuit Product Category Rule (IC PCR). This IC PCR follows ISO 14025 standards, and addresses the unique nature of semiconductor manufacturing. It was compiled based on input from major semiconductor companies around the world. The content of the IC PCR covers energy and water consumption, pollutant production, waste production, air pollution, carbon footprint, and other factors. It can act as a reference for global semiconductor companies when completing an Environmental Product Declaration Type III (EPD), and also support the global electronics supply chain in meeting requirements from Wal-Mart, the world's largest retailer, for all suppliers to provide eco-labeling within 5 years. Meanwhile, TSMC and ASE followed this IC PCR to complete an EPD Type III for integrated circuits and obtained a Carbon Footprint Certification from the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), taking a major step forward in manufacturing low-carbon products.

TSMC also maintains "green procurement" procedures, requiring raw materials suppliers to declare that the materials they supply to TSMC do not contain any prohibited substances. This ensures that products manufactured by TSMC comply with customer requirements and the regulatory requirements of the European Union's RoHS directive. TSMC also encourages employees to use "Green Mark" products in offices, such as recycled paper, desktop PCs, LCD monitors, and batteries.

TSMC has adopted the standards of Taiwan "Green Building" and the US Leadership in Energy and Environmental Design (LEED) to apply on future new fab and office building design, which may achieve better

energy and resource efficiency than usual designs. In the meantime, TSMC plans to upgrade existing office buildings to comply with the LEED standard year by year starting in 2008. In August 2008, TSMC Fab 14 Phase III facility based in Southern Taiwan Science Park won certification from the US Green Building Council's Leadership in Energy and Environmental Design – New Construction (LEED-NC) green building rating system with a "gold class" score. TSMC Fab 12 Phase IV facility based in Taiwan Hsinchu also won the same certification in 2009. Fab 14 Phase III is the first building in Taiwan to receive certification from the US Green Building Council. In December 2008, Fab 14 Phase III also has passed Taiwan's "Diamond Class Ecology, Energy Saving, Waste Reduction, and Health (EEWH)" certification, which is the second "Diamond" class in Taiwan and the first recognized factory; TSMC Fab 12 Phase IV facility based in Taiwan Hsinchu also won the same certification in 2009.

TSMC initiated a "Taiwan Corporate Sustainability Forum (TCSF)", which unites 20 Taiwan leading companies as founders. The forum also welcomes new members. TSMC's 2008 Green Forum is the first of a series of Taiwan Corporate Sustainability Forum events. At this meeting, TSMC shared its hands-on experience in obtaining the US Green Building Council's LEED certification, and applying for Taiwan's Ecology, Energy Saving, Waste Reduction, and Health (EEWH) certification for its Fab 14 Phase III facility. TSMC also proposed working with green building experts to draft guidelines for green industrial buildings in Taiwan, helping more domestic companies construct their own green factories and promote green manufacturing. In 2009, the TCSF continued to invite Taiwan leading companies to join the TCSF. Epson Taiwan and Mediatek have become new members. TCSF held an experience sharing for performing corporate social responsibility in November 2009.

In 2009, TSMC completed the first "Supply Chain Carbon Inventory Assistance Plan" in Taiwan. With the assistance of the Taiwan Ministry of Economic Affairs Industrial Development Bureau, TSMC in June 2009 became the first company in Taiwan to lead its suppliers in successfully completing and registering a carbon inventory. TSMC not only actively inventories and reduces its own greenhouse gas emissions, but also requires suppliers to inventory greenhouse gas emissions. Under this plan, TSMC as well as 36 factories at 20 partner companies registered and disclosed greenhouse gas emissions under the guidance of the Taiwan Green Productivity Foundation. Together with our supplier partners, TSMC both supports the Taiwan government's carbon emission reduction policy, and helps the industry prepare for the coming global trend of product carbon footprint labeling and eco-labeling. This move by TSMC demonstrates that corporations can take a long-term, macro-level view when making plans regarding climate change and global warming, and effectively implement these plans pragmatically through the supply chain.

Environmental Compliance Record

There were no environmental penalties or fines in 2009.

7.2.2 Safety and Health

Safety and Health Management

TSMC's safety and health management is built on the framework of the OHSAS 18001 system, and adheres to the management principle of "Plan, Do, Check, Act" to prevent accidents and protect employee safety and health as well as Company assets. In 2009, TSMC fabs in Taiwan have simultaneously received OHSAS 18001 certification and TOSHMS certification for Taiwan occupational safety and health management system.

Besides accident prevention, TSMC has established emergency response procedures to protect the lives of employees and contractors if disasters should occur, as well as to minimize the negative impact on society and the environment. TSMC communicates to suppliers to reduce potential risks in the operation of production equipment and follows safety control procedures when installing production equipment. The Company places stringent controls on high-risk operations and also evaluates the seismic tolerance of facilities and equipment to reduce the risk of earthquake damage. In health management, TSMC maintains regular wellness and professional health programs, such as kitchen GHP (Good Health Practice) establish, metal health appraisal and control and specific group health examination alignment. It also establishes Company-level prevention committees when infectious diseases such as H1N1 influenza, Severe Acute Respiratory Syndrome (SARS) or Avian Influenza pose a potential risk to the Company.

Working Environment and Employee Safety Protection

TSMC's ESH policy commits to preventing adverse incidents, improving employees' safety and health, protecting property and establishing a secure working environment. TSMC safety and health management operations apply to:

- **Hardware Safety of Equipment Used by Process, Facilities, IT, and General Services Departments**

In addition to meeting regulatory and internal standards when building or rebuilding facilities, TSMC also maintains procedures governing new equipment and raw materials management, safety approvals for bringing new tools online, revising safety rules, seismic protection measures, and other safety measures.

- **General Safety Management, Training and Audit**

All TSMC manufacturing facilities hold environmental, safety and health committee meetings on a monthly basis. TSMC takes preventive measures such as controls on high-risk work, contractor management, chemical safety management, personal protective equipment requirements, and safety audit management. In addition, TSMC also maintains detailed disaster response procedures and performs regular drills to minimize harm to employees and property, as well as the impact on society and the environment in the event of a disaster.

- Working Environment Measurement

TSMC conducts working environment physical and chemical measurements every six months to safeguard employees' health, including measurement of factors such as noise, air quality, chemical exposure, and illumination. The measurement results for each item must be compliant with regulatory requirements; otherwise corrective action is undertaken.

- H1N1 Influenza

Since World Health Organization (WHO) announced the H1N1 influenza global pandemic alert during April 2009, TSMC Corporate Pandemic Influenza Response Committee has convened to monitor the global pandemic status and developed the response strategies. These strategies include educating its employees' H1N1 prevention and response knowledge (such as poster everywhere, all-user mail announcement, dedicated H1N1 web) publishing the managers' H1N1 handling guideline, guideline of employee sick-leave due to flu and installing the alcohol-based hand sanitizers. The Committee also monitors the status of employee leaves due to flu status and, at the same time, develops the continuous plan of manpower shortage to address both the employees' health and business impact.

- Emergency Response

Planning and execution of an effective emergency response requires big-picture thinking, continuous improvement and practice drills. TSMC's emergency response plans include procedures for rapid response to accidents and disaster recovery as well as establishing response procedures for potential disasters.

All TSMC fabs conduct major annual emergency response exercises and evacuation drills. TSMC's on-site service contractors also participate in emergency response planning and exercises to ensure cooperation in handling accidents and to effectively minimize damage caused by disasters.

In addition to regular emergency response drills held by engineering and facilities departments each quarter, the Company's laboratory, canteen, dormitory, and shuttle bus personnel also hold emergency response drills to prepare for events such as earthquake, chemical leakage, ammonia release, fires, and automobile accidents.

- Employee Health Enhancement

TSMC provides healthcare and staff assistance services in every fab. TSMC employees enjoy health services such as 24-hour nursing care, annual physical examinations, psychological consultations, stress management programs, workshops, and staff assistance projects. In addition, the Company also provides clinical and dental care services, women's healthcare, acupuncture and massage services and programs.

Health enhancement activities include nutritional consultation, weight-loss classes, an acupuncture weight-loss program, carotid and thyroid ultrasound examinations, an endocrinology clinic, a dermatology clinic, bone mineral densitometry examinations and cancer screenings. Canteens also provide healthy meals with high fiber and low fat, as well as all-fruit meals. TSMC fabs have fitness centers with treadmills, exercise equipment, and aerobics classrooms to encourage employees to participate in athletic activity. In addition, all employees can find health information through the Company's healthcare website.

Supplier and Contractor Management

For the purpose of enhancing its supply chain management, TSMC is committed to communicating with and encouraging its contractors and suppliers to improve their environmental, safety and health performance. By means of communication between senior managers, site audits and experience sharing, TSMC collaborates with major suppliers and contractors to enhance partnership and ensure continual improvement for increased joint contributions to society. Contractors performing high-risk activities must lay out clearly defined safety precautions and preventative measures. In addition, contractors working on high-risk engineering projects must establish OHSAS 18001 systems and the workers must successfully complete work skill training.

In 2009, the global recession affected most companies and caused some of them operational difficulty because of financial issues. TSMC quickly evaluated each key supplier's financial status and took appropriate actions to help our suppliers continue their operation and support TSMC fab operations.

Environmental, Safety and Health-related Awards in 2009

- Chosen for membership in the Dow Jones Sustainability World Index for a 9th consecutive year, and the only Taiwan member from 2003 to 2007
- Recognized by the Taiwan Institute of Sustainable Energy for "Gold Award for Taiwan Corporate Sustainability Report Award"
- Recognized by the Atomic Energy Council for "Excellence in Radiation Protection"
- Fab 12 Phase IV was recognized by the U.S. Green Building Council (USGBC) for "Golden Award for Leadership in Energy and Environmental Design of New Construction (LEED-NC)"
- Fab 12 Phase IV has passed Taiwan's "Diamond Class Ecology, Energy Saving, Waste Reduction, and Health (EEWH)" certification
- Fab 8 was recognized by the Science Park Administration (SPA) for "Low Carbon Enterprise Award"
- Fab 12 was recognized by the Science Park Administration (SPA) for "Excellence in Labor Safety and Hygiene"
- Fab 6 and Fab 14 were recognized by the Southern Taiwan Science Park Administration for "Excellence in Environmental Protection"

7.3 TSMC Education and Culture Foundation

In 2009, financial crisis engulfed the global economy and Taiwan was gravely affected. To help minimize the impact to the society and sustain our confidence, TSMC continues to contribute substantial amount of resources to education and culture sponsorship.

The TSMC Education and Culture Foundation, established in 1988 to coordinate the Company's sponsorship as part of its efforts in corporate social responsibility, continues to devote its resources towards education, sponsorships of art and culture events, communities building, and the employee volunteer program. We are committed to cultivating talents and improving the education infrastructure. In 2009, Tzi-Shueh Hall of the Chemistry Department in National Taiwan University, donated by the TSMC Foundation, was inaugurated. The new research building will provide a strong base for scientific research and development in Taiwan.

7.3.1 Commitment to Education

Talents are essential to the development of the economy. As a leader of Taiwan's knowledge-based industry, TSMC regards cultivating talented people for society as a major responsibility.

Tzi-Shueh Hall of the Chemistry Department in National Taiwan University, to which the TSMC Foundation donated 120 million NT dollars, was completed and inaugurated in November 2009. The naming of the new building was to honor the donation of TSMC by combining the word "Tzi" from the Chinese name of TSMC, with the word "Shueh" taken from the Department of Chemistry. Literally meaning the accumulation of knowledge in Chinese, Tzi-Shueh Hall will help to prepare true talents. The Company hopes that this building will continue to support state of the art research activities, foster top-notch talents, and eventually will lead basic scientific research in Taiwan.

In the meantime, TSMC continues to devote resources to various programs targeting a whole range of education at different age levels. For secondary schools, we emphasize developing students' potential in both science and humanities. For science education, the Foundation keeps supporting the Wu Chien-Shiung and the Wu Ta-You Science Camps for talented science students to meet with world-class scholars. For humanity education, the Company continues to sponsor the second TSMC Youth Chinese Calligraphy Contest, providing high school students an opportunity to compete and learn both from masters and peers. This year the TSMC Foundation also organized various programs of calligraphy education to extend the social participation in calligraphy arts. In addition, it continued the 6th TSMC Youth Literature Award to encourage young writers. For the past years, the contest has developed numerous talented young writers, and cultivated an appreciation of literature in the community. The TSMC Youth Literature Award has made an impact, and is now an important channel for encouraging young students to read and write. At the primary-school level, TSMC's focus is on aesthetic education. TSMC Foundation has been organizing the TSMC Aesthetic Tour to bring elementary students to visit museums for the 7th consecutive year. In 2009, the Company also sponsored the exhibition "Smiling Kingdom - The Terracotta Warriors of Han Yang Ling" to give children in remote townships opportunities to appreciate Chinese traditional art and culture.

7.3.2 Contributions to Communities

The Foundation continues to promote arts and cultural activities in TSMC site communities of Hsinchu and Tainan. Every year the Company organizes the TSMC Hsin-Chu Art Festival to bring the culture activities to these high-tech cities and encourage a greater art appreciation in the communities.

In an effort to minimize the local impact of the financial crisis that swept the world last year, the TSMC Foundation chose "Find a New World" as the theme of Hsin-Chu Art Festival to arrange a series of educational and cultural programs. Through these programs, we hope to sustain the confidence of our community to fight the tough situation, and to look forward to a better future.

The festival opened with a series of lectures. Writers and experts were invited to guide people through the difficult economic situation. Promoting Chinese Theatre as an important feature of the festival, the festival brought Kunqu Opera "The Jade Hairpin" to present the beauty of Kunqu. Also, the Hsinchu-born maestro Shao-chia Lu led the National Orchestra to present a wonderful concert. Taiwan writer Chun-Ming Huang invited Hsinchu local children to take part in the drama performance. Through their participation, children developed the correct attitude toward the environment. Meanwhile, several charity programs encouraged the care of the underprivileged from every corner, especially in difficult situations.

7.3.3 Sponsorship of Arts

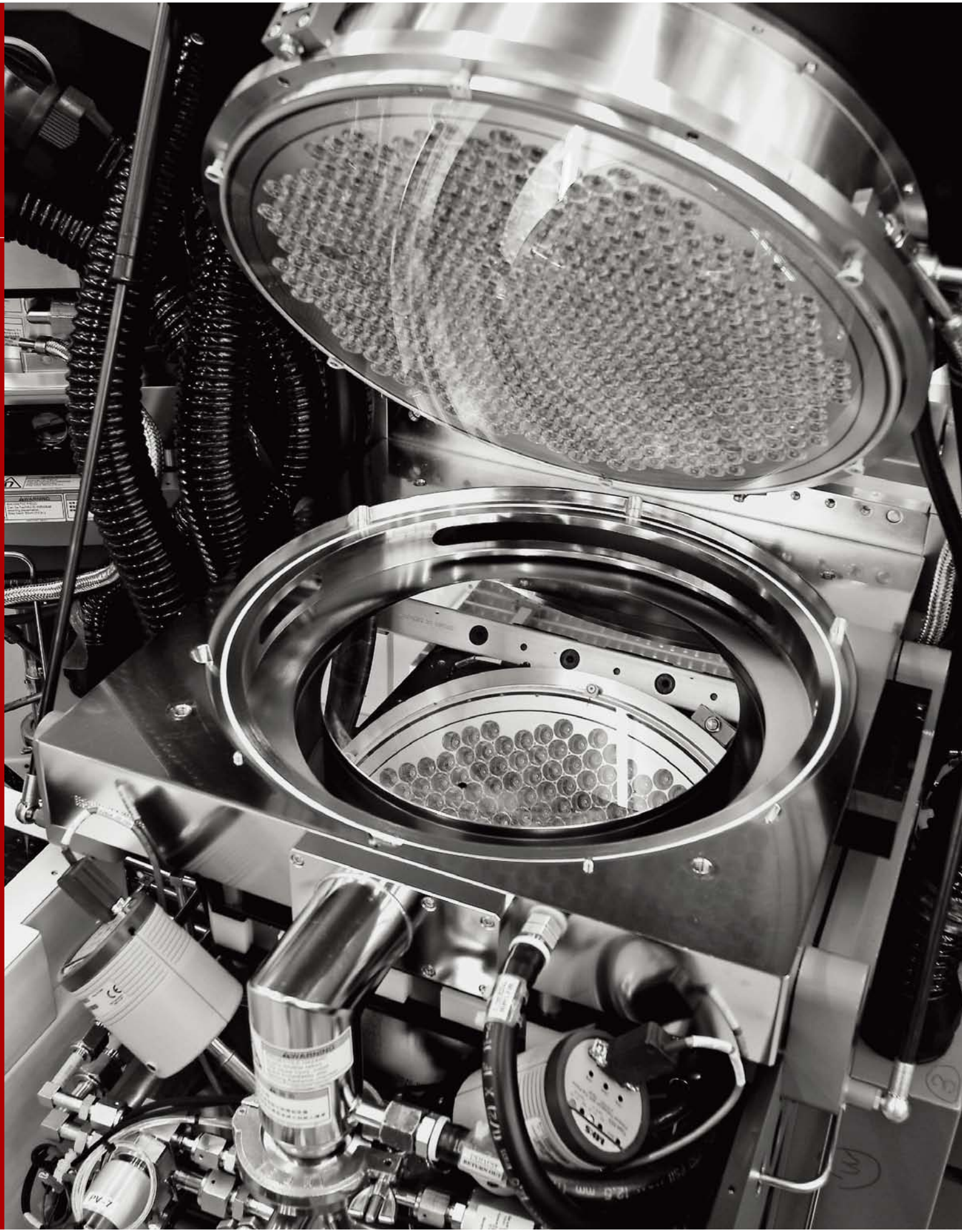
To promote the Chinese classics and culture, the TSMC Foundation continued to support the broadcasting program "Analects in Hsin's View". The program received overwhelming positive response from the society and overseas. As an extension of the program, the TSMC Foundation also sponsored the publishing of the records of the broadcasting program to let more people easily understand the wisdom of the Confucianism.

TSMC continued its support of the Taiwan Literature Camp, which provides workshop and lectures by distinguished authors to people interested in literature. In 2009, 400 literary devotees from across Taiwan convened at Cheng Kung University at Tainan for opportunities to meet masters form Taiwan and China and to receive three days of training and pure inspiration. TSMC also hopes that by holding the camp to infuse the technology campus with humanities.

7.3.4 Employee Volunteer Program

In addition to sponsoring education and art programs, the TSMC Foundation encourages TSMC employees to devote themselves to promote education, bridge the resources gap, and pursue energy conservation. The newly formed Energy-Saving Volunteer team provided two Hsin-chu high schools with the means to evaluate the safety and efficiency in their power usage with counseling in energy-saving programs. The result was extraordinary, with positive responses from the schools and the community. In 2009, the service has extended to 5 high schools in Hsin-chu and Tainan. The team will continue to help to reduce carbon emission and to build a better and safer community.

In addition to the Energy-Saving Volunteer team, TSMC employees have also served as guides to introduce the electronic industry at the National Science Museums during weekends, and read books to the elementary students in remote townships on weekdays. Several hundred of TSMC “Museum Touring” and “Book Reading” volunteers have already served for six years. Since 2003, there are total 3,000 TSMC employees to devote themselves to the society.



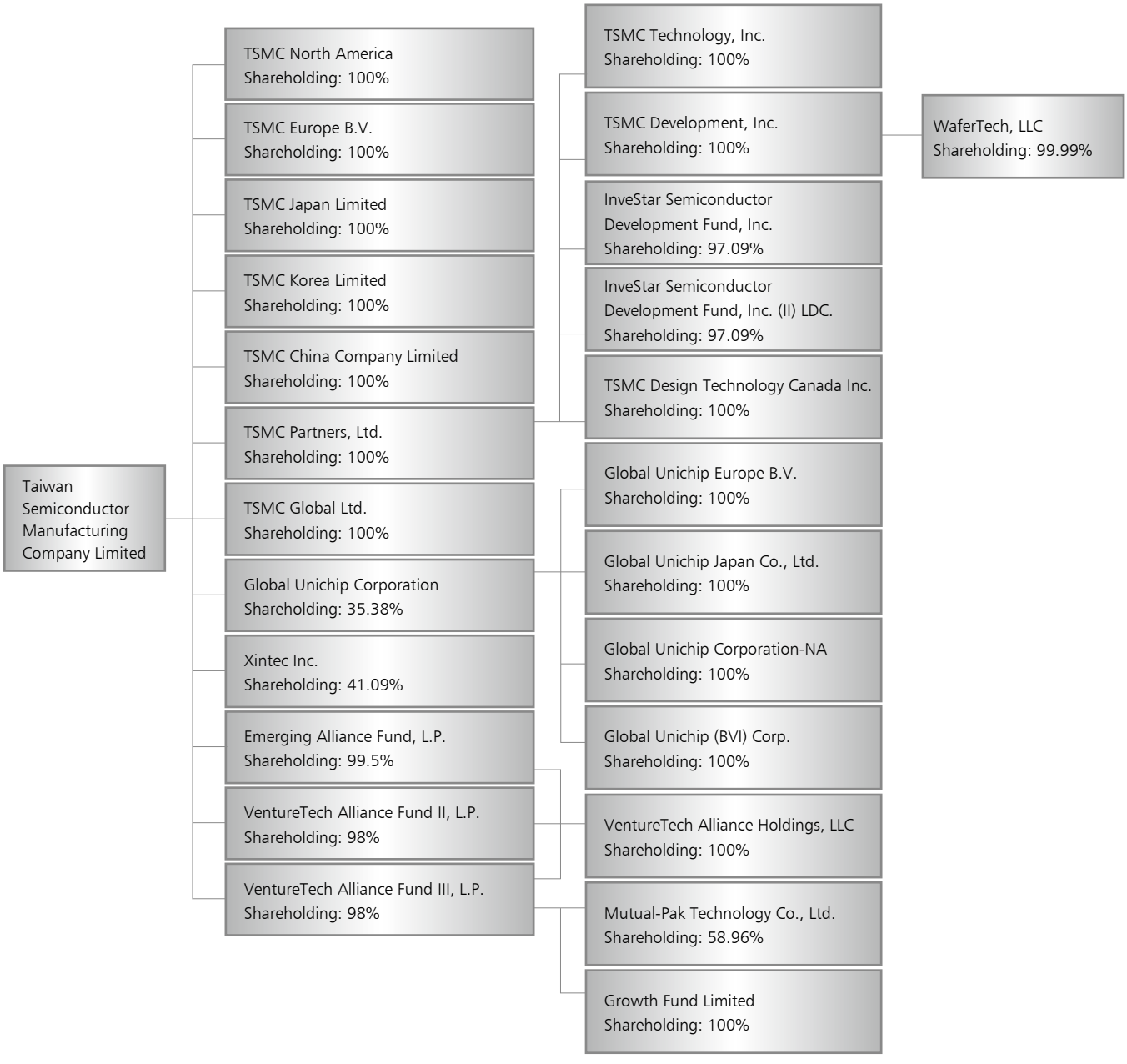
8. AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

TSMC's affiliates support our core foundry business with related services such as design service and back-end assembly and test, enabling TSMC to provide customers with complete solutions meeting their needs.

8.1 Affiliates

8.1.1 TSMC Affiliated Companies Chart

As of 12/31/2009



Note: To simplify the organization structure of investment, TSMC Partners, Ltd. merged TSMC International Investment Ltd. in June 2009.

8.1.2 Business Scope of TSMC and Its Affiliated Companies

TSMC's affiliates support the Company's core business of providing dedicated foundry services and other related businesses. Some of TSMC's affiliated companies are focused on investing in companies involved in design, manufacturing, and other related businesses in the semiconductor industry. TSMC and its affiliates provide mutual support in technology, capacity, marketing and services to maximize synergy within the group, enabling TSMC to provide its customers with the most complete dedicated foundry services worldwide and ensure TSMC's leading position in the global foundry market.

8.1.3 TSMC Affiliated Companies

Unit: NT(US, EUR, JPY, KRW, RMB, CAD)$ thousands

As of 12/31/2009

Company	Date of Incorporation	Place of Registration		Capital Stock	Business Activities
TSMC North America	Jan. 18, 1988	San Jose, California, U.S.A.	US$	11,000	Selling and marketing of integrated circuits and semiconductor devices
TSMC Europe B.V.	Mar. 04, 1994	Amsterdam, The Netherlands	EUR	100	Marketing and engineering supporting activities
TSMC Japan Limited	Sep. 10, 1997	Yokohama, Japan	JPY	300,000	Marketing activities
TSMC Korea Limited	May 02, 2006	Seoul, Korea	KRW	400,000	Customer service and technical supporting activities
TSMC China Company Limited	Aug. 04, 2003	Shanghai, China	RMB	3,070,623	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers
TSMC Technology, Inc.	Feb. 20, 1996	Delaware, U.S.A.	US$	0.001	Engineering supporting activities
InveStar Semiconductor Development Fund, Inc.	Sep. 10, 1996	Cayman Islands	US$	7,911	Investing in new start-up technology companies
InveStar Semiconductor Development Fund, Inc.(II) LDC.	Aug. 25, 2000	Cayman Islands	US$	22,058	Investing in new start-up technology companies
TSMC Development, Inc.	Feb. 16, 1996	Delaware, U.S.A.	US$	0.001	Investment activities
WaferTech, LLC	Jun. 03, 1996	Washington, U.S.A.	US$	330,000	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices
TSMC Partners, Ltd.	Mar. 26, 1998	Tortola, British Virgin Islands	US$	988,268	Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry.
TSMC Design Technology Canada Inc.	May 28, 2007	Ontario, Canada	CAD	2,434	Engineering support activities
TSMC Global Ltd.	Jul. 13, 2006	Tortola, British Virgin Islands	US$	1,284,000	Investment activities
Global Unichip Corporation	Jan. 22, 1998	Hsin-Chu, Taiwan	NT$	1,319,749	Researching, developing, manufacturing, testing and marketing of integrated circuits
Global Unichip Japan Co., Ltd.	Jun. 16, 2005	Japan	JPY	30,000	Products consulting services
Global Unichip Corporation-NA	Feb. 02, 2004	U.S.A.	US$	800	Products consulting services
Global Unichip Europe B.V.	May 08, 2008	The Netherlands	EUR	100	Products consulting services
Global Unichip (BVI) Corp.	Feb. 20, 2009	Tortola, British Virgin Islands	US$	550	Investment activities
Xintec Inc.	Sep. 11, 1998	Taoyuan, Taiwan	NT$	2,265,287	Wafer level chip size packaging service
Mutual-Pak Technology Co., Ltd.	Mar. 22, 2006	Taipei, Taiwan	NT$	155,690	Manufacturing and selling of electronic parts and researching, developing and testing of RFID
Emerging Alliance Fund, L.P.	Jan. 10, 2001	Cayman Islands	US$	28,095	Investing in new start-up technology companies
VentureTech Alliance Fund II, L.P.	Feb. 27, 2004	Cayman Islands	US$	33,055	Investing in new start-up technology companies
VentureTech Alliance Fund III, L.P.	Mar. 25, 2006	Cayman Islands	US$	52,950	Investing in new start-up technology companies
Growth Fund Limited	May 30, 2007	Cayman Islands	US$	1,550	Investing in new start-up technology companies
VentureTech Alliance Holdings, LLC	Apr. 25, 2007	Delaware, U.S.A.		N/A	Investing in new start-up technology companies

8.1.4 Common Shareholders of TSMC and Its Subsidiaries or Its Affiliates with Deemed Control: None.

8.1.5 Rosters of Directors, Supervisors, and Presidents of TSMC's Affiliated Companies

Unit: US/EUR$, except shareholding

As of 12/31/2009

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
TSMC North America	Director	Jason Chen	-	-
	Director	Rick Cassidy	-	-
	President	Rick Cassidy	-	-
			TSMC holds 11,000,000 shares	100%
TSMC Europe B.V.	Director	Jason Chen	-	-
	Director	Wendell Huang	-	-
	Director	Maria Marced	-	-
	President	Maria Marced	-	-
			TSMC holds 200 shares	100%
TSMC Japan Limited	Chairman	Rick Tsai	-	-
	Director	Jason Chen	-	-
	Director	Makoto Onodera	-	-
	Supervisor	Lora Ho	-	-
	President	Makoto Onodera	-	-
			TSMC holds 6,000 shares	100%
TSMC Korea Limited	Director	C.C. Pan	-	-
	Director	Chih-Chun Tsai	-	-
			TSMC holds 80,000 shares	100%
TSMC China Company Limited	Chairman	F.C.Tseng	-	-
	Director	C.C.Wei	-	-
	Director	Y.C. Chao	-	-
	Supervisor	Lora Ho	-	-
	President	C.H. Chen	-	-
			(TSMC's investment US$371,000,000)	(100%)
TSMC Partners, Ltd.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Lora Ho	-	-
			TSMC holds 988,268,244shares	100%
TSMC Technology, Inc.	Chairman	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Lora Ho	-	-
			TSMC Partners, Ltd. holds 1,000 shares	100%
InveStar Semiconductor Development Fund, Inc.	Director	Wendell Huang	-	-
			TSMC Partners, Ltd. holds 7,680,107 share	97.09%
InveStar Semiconductor Development Fund, Inc. (II) LDC.	Director	Wendell Huang	-	-
			TSMC Partners, Ltd. holds 21,415,133 shares	97.09%
TSMC Design Technology Canada Inc.	Director	Fu-Chieh Hsu	-	-
	Director	Sreedhar Natarajan	-	-
	Director	Richard Thurston	-	-
	President	Cliff Hou	-	-
			TSMC Partners, Ltd. holds 2,300,000 shares	100%
TSMC Development, Inc.	Chairman	Lora Ho	-	-
	Director	Richard Thurston	-	-
	President	Lora Ho	-	-
			TSMC Partners, Ltd.holds 1,000 shares	100%
WaferTech, LLC	Chairman	Rick Tsai	-	-
	Director	Steve Tso	-	-
	President	Kuo-Chin Hsu	-	-
			TSMC Development, Inc.holds 293,636,833 shares	99.99%
TSMC Global Ltd.	Director	Lora Ho	-	-
	Director	Richard Thurston	-	-
			TSMC holds 1,284 shares	100%
Global Unichip Corporation	Chairman	Representative of TSMC: F.C. Tseng	46,687,859 shares	35.38%
	Director	Representative of TSMC: Lora Ho	46,687,859 shares	35.38%
	Director	Representative of TSMC: Jim Lai	47,470,644 shares	35.97%
	Director	Representative of TSMC: Fu-Chieh Hsu	46,687,859 shares	35.38%
	Director	Representative of Chin Yu Investment Ltd.: C.C. Shiue	1,391,531 shares	1.05%
	Director	Representative of Chuang Yi Investment Ltd.: K.C. Shih	5,318,765 shares	4.03%
	Independent Director	C.W. Jen	-	-
	Independent Director	W.C. Liu	-	-
	Independent Director	W.Y. Wang	-	-
	President	Jim Lai	782,785 shares	0.59%

(Continued)

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
Global Unichip Japan Co., Ltd.	Director Director Director Supervisor President	Jim Lai Chung-Lin Tsai James Cheng K.C. Shih Chung-Lin Tsai	- - - - - GUC holds 600 shares	- - - - - 100%
Global Unichip Corporation-NA	Director Director President	James Cheng Jim Lai Jim Lai	- - - GUC holds 800,000 shares	- - - 100%
Global Unichip Europe B.V.	Director	Hwang, Yawlin	- (GUC's investment EUR$100,000)	- (100%)
Global Unichip (BVI) Corp.	Director Director	Representative of GUC: Jim Lai Representative of GUC: Chien, Pei-Lun	- - GUC holds 550,000 shares	- - 100%
Xintec Inc.	Chairman Director Director Director Director Supervisor Supervisor President	Representative of TSMC: Shang-yi Chiang Representative of TSMC: C.C.Wei Representative of TSMC: Lora Ho Representative of OmniVision Investment Holding Inc.: XinPing He Tzun Zing Chen Representative of Cheng Xin Technology Development Corp.: Toang Chiou Lu Representative of VisEra Holding Company: W.M. Sheng Lidon Chen	93,081,225 shares 93,081,225 shares 93,081,225 shares 9,616,150 shares 1,614,985 shares 1,205,793 shares 36,502,320 shares 368,813 shares	41.09% 41.09% 41.09% 4.25% 0.71% 0.53% 16.11% 0.16%
Mutual-Pak Technology Co., Ltd.	Chairman Director Director Supervisor President	Hsu-Tung Chen Lewis Hwan Reprsentative of VentureTech Alliance Fund III, L.P.: Juine-Kei Tseng Wei-Pong Lin Lewis Hwan	80,000 shares 1,759,000 shares 9,180,000 shares 30,000 shares 1,759,000 shares	0.51% 11.30% 58.96% 0.19% 11.30%
Emerging Alliance Fund, L.P.	None	None	(TSMC's investment US$27,954,767)	(99.5%)
VentureTech Alliance Fund II, L.P.	None	None	(TSMC's investment US$32,394,351)	(98%)
VentureTech Alliance Fund III, L.P.	None	None	(TSMC's investment US$51,891,000)	(98%)
Growth Fund Limited	None	None	(VentureTech Alliance Fund III, L.P.'s investment US$1,550,000)	(100%)
VentureTech Alliance Holdings, LLC	None	None	None	(100%)

8.1.6 Operational Highlights of TSMC Affiliated Companies (Note)

Unit: NT$ thousands, except EPS ($) As of 12/31/2009

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income (Net of Tax)	Basic EPS (Net of Tax)*	Remark
TSMC North America	352,330	26,484,291	23,622,179	2,862,112	163,703,629	287,821	197,076	17.92	
TSMC Europe B.V.	4,625	243,450	83,983	159,467	344,790	43,374	35,445	177,225	
TSMC Japan Limited	104,520	169,182	33,519	135,663	232,726	10,578	4,203	700.50	
TSMC Korea Limited	11,000	20,406	1,887	18,519	14,224	1,293	2,392	29.90	
TSMC China Company Limited	14,410,434	13,416,228	10,457,521	2,958,707	4,244,911	(3,068,425)	(3,244,458)	N/A	
TSMC Technology, Inc.	0.03	340,224	49,695	290,529	420,441	20,021	21,879	21,879	
InveStar Semiconductor Development Fund, Inc.	253,389	242,192	160	242,032	8,074	(49,405)	(49,673)	(6.28)	
InveStar Semiconductor Development Fund, Inc. (II) LDC.	706,518	453,515	200	453,315	365,640	32,443	31,724	1.44	
TSMC Development, Inc.	0.03	6,289,511	143	6,289,368	-	(2,932)	185,091	185,091	
WaferTech, LLC	10,569,900	5,763,134	552,447	5,210,687	5,556,299	(16,467)	(4,139)	(0.01)	
TSMC Partners, Ltd.	31,654,232	32,638,619	93,000	32,545,619	480,345	(54,907)	(54,907)	(0.06)	
TSMC Design Technology Canada Inc.	74,281	122,951	20,686	102,265	156,653	14,300	6,939	3.02	
TSMC Global Ltd.	41,126,520	45,401,566	4,310	45,397,256	714,607	505,232	505,232	393,482.87	
Global Unichip Corporation	1,319,749	4,074,386	1,296,078	2,778,308	8,269,806	397,234	412,771	3.15	
Global Unichip Japan Co., Ltd.	10,452	14,812	1,869	12,943	39,992	1,904	1,614	2,690	
Global Unichip Corporation-NA	25,624	41,140	2,474	38,666	158,175	7,353	5,617	7.02	
Global Unichip Europe B.V.	4,625	5,244	14	5,230	7,484	365	354	N/A	
Global Unichip (BVI) Corp.	17,617	17,488	-	17,488	-	(134)	(133)	(0.24)	
Xintec Inc.	2,265,287	4,958,081	1,459,941	3,498,140	2,354,536	(1,963)	10,597	0.05	
Mutual-Pak Technology Co., Ltd.	155,690	95,624	5,120	90,504	-	(43,537)	(36,515)	(2.35)	
Emerging Alliance Fund, L.P.	899,891	307,410	7	307,403	11,078	(92,606)	(92,606)	N/A	
VentureTech Alliance Fund II, L.P.	1,058,752	1,141,194	610	1,140,584	53,786	(178,442)	(178,442)	N/A	
VentureTech Alliance Fund III, L.P.	1,695,989	1,318,787	-	1,318,787	3,100	(224,620)	(224,620)	N/A	
Growth Fund Limited	49,647	26,354	-	26,354	1	(4,200)	(4,200)	N/A	
VentureTech Alliance Holdings, LLC	-	-	-	-	-	-	-	N/A	

*TSMC Japan Limited, TSMC Europe B.V., TSMC Korea Limited, Global, TSMC Design Technology Canada Inc., Unichip Japan Co., Ltd. and Global Unichip (BVI) Corp., the basic EPS of each group entity is calculated based on audit figures.

Note: Foreign exchange rates for balance sheet amounts are as follows: $1 USD = $32.030 NT, $1 EUR = $46.250 NT, $1 JPY = $0.3484 NT, $1 RMB = $4.693NT, $1 KRW = $0.0275 NT, $1 CAD= $30.52 NT

Foreign exchange rates for income statement amounts are as follows: $1 USD = $33.036 NT, $1 EUR = $46.192 NT, $1 JPY = $0.3550 NT, $1 RMB = $4.838 NT, $1 KRW = $0.0260NT, $1 CAD= $29.07 NT

8.2 Status of TSMC Common Shares and ADRs Acquired, Disposed of, and Held by Subsidiaries: None.

8.3 Special Notes

8.3.1 Private Placement Securities in 2009 and as of the Date of this Annual Report: None.

8.3.2 Regulatory Authorities' Legal Penalties to the Company or Its Employees, and the Company's Resulting Punishment on Its Employees for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements in 2009 and as of the Date of this Annual Report

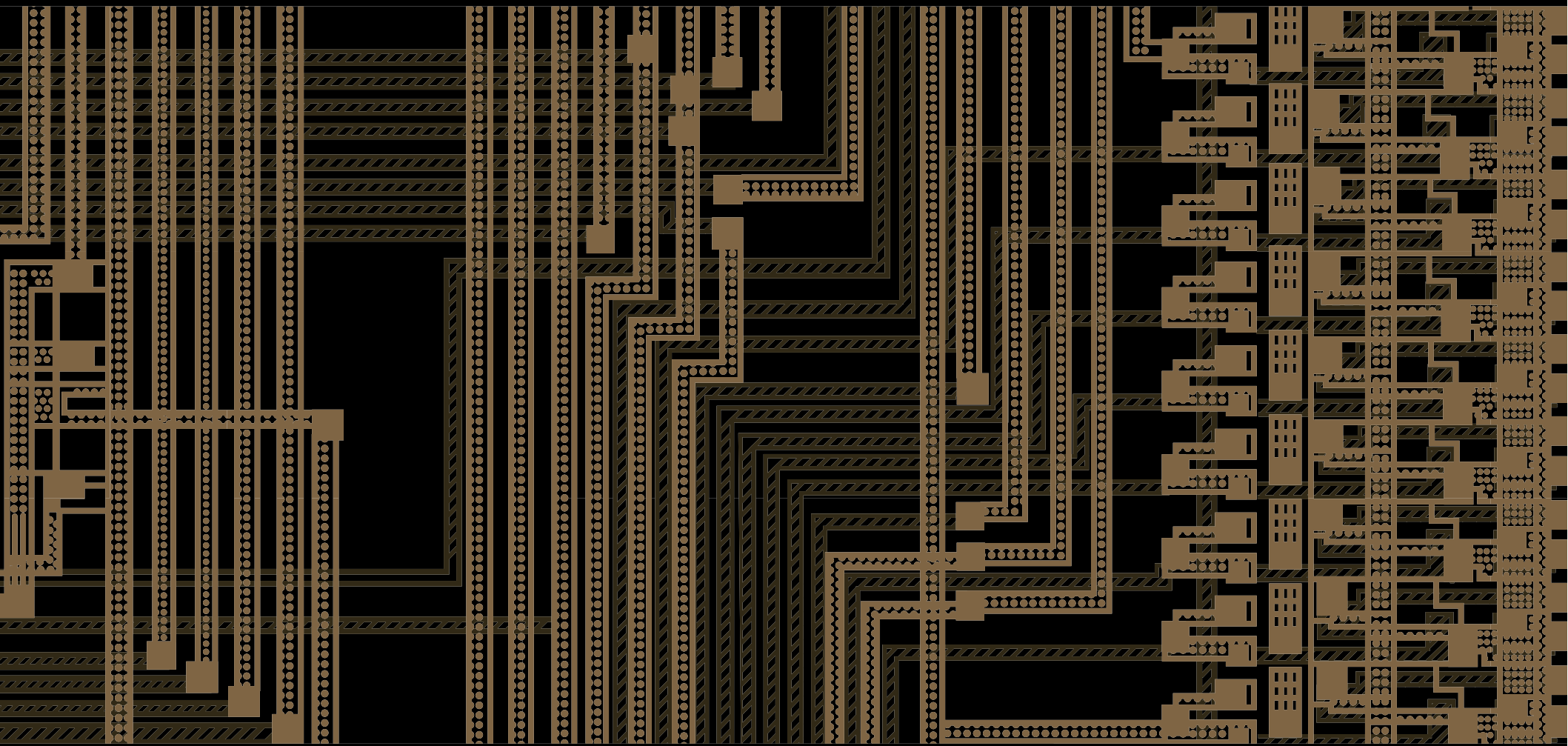
The authorities inspected TSMC's human resources management procedure and job time records and issued fines totalling NT$42,000 for incompleteness of the relevant records. TSMC will work closely with the authorities to address the concerns of both sides fairly.

8.3.3 Any Events in 2009 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

8.3.4 Other Necessary Supplement: None.

TWSE: 2330
NYSE: TSM

TSMC ANNUAL REPORT 2009 (II) FINANCIAL INFORMATION



- Taiwan Stock Exchange Market Observation Post System: http://newmops.tse.com.tw
- TSMC annual report is available at http://www.tsmc.com/english/e_investor/e02_annual/e02_annual.htm

Printed on March 12, 2010

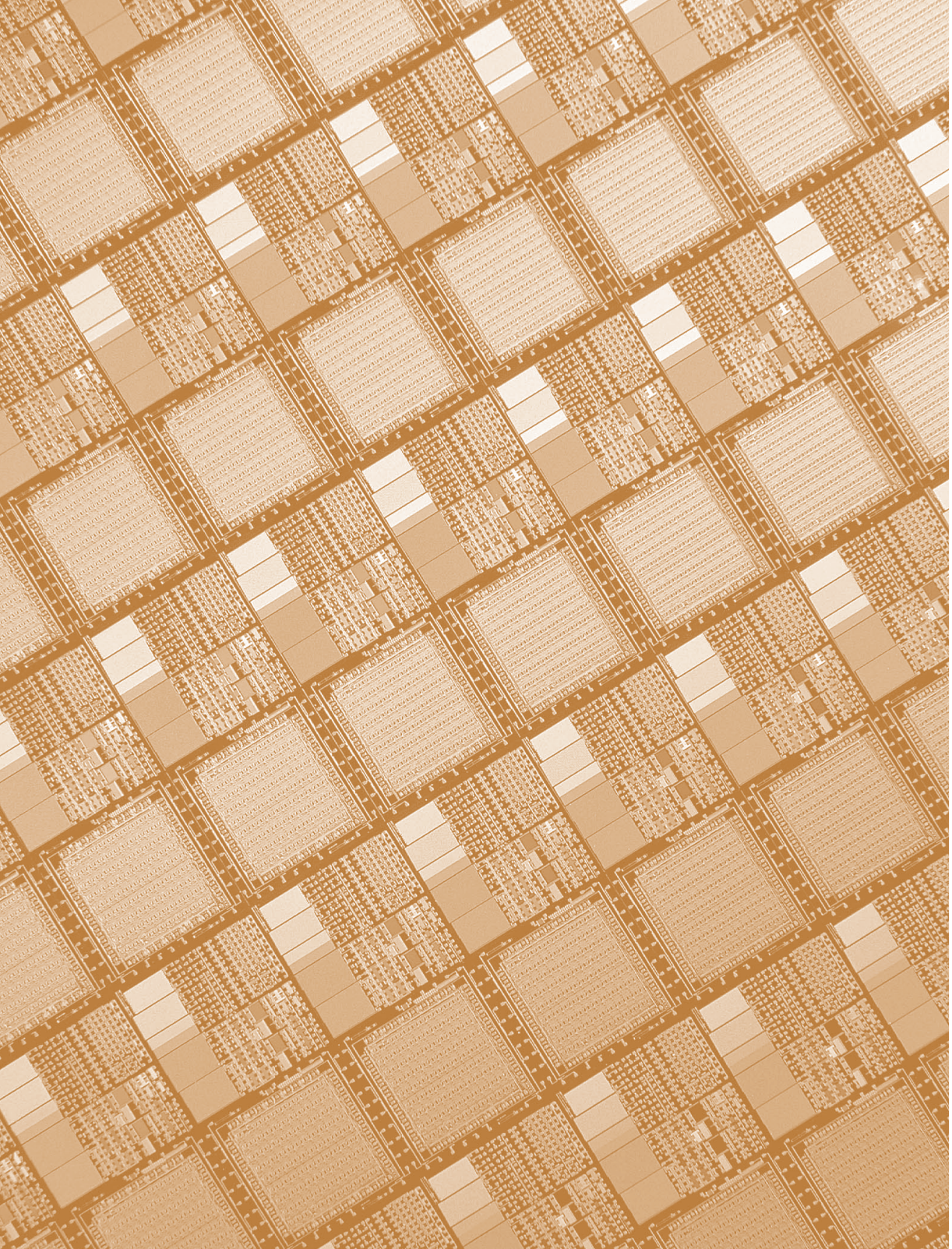


TABLE OF CONTENTS

1. Condensed Balance Sheet

1.1 Condensed Balance Sheet from 2005 to 2009 (Unconsolidated)

Unit: NT$ thousands

Item	2005	2006	2007	2008	2009
Current Assets	197,562,416	193,676,010	174,299,286	179,849,479	185,831,537
Long-term Investments	80,659,601	137,378,205	123,891,153	124,184,663	118,427,813
Fixed Assets	214,145,633	228,235,359	234,564,558	219,282,502	254,751,526
Other Assets	15,172,165	14,295,330	19,017,626	17,242,603	18,415,746
Current Liabilities					
Before Distribution	32,184,415	42,905,154	43,800,810	53,099,467	72,571,095
After Distribution	97,699,015	125,252,816	124,798,894	129,975,779	*
Long-term Liabilities	22,111,575	14,175,271	14,001,462	5,431,252	4,916,390
Other Liabilities	7,613,476	8,523,195	6,878,949	5,651,417	4,856,425
Capital Stock	247,300,246	258,296,879	264,271,037	256,254,373	259,027,066
Capital Surplus	57,117,886	54,107,498	53,732,682	49,875,255	55,486,010
Retained Earnings					
Before Distribution	142,771,034	197,124,532	218,864,571	170,053,667	181,882,682
After Distribution	70,114,801	109,687,478	133,414,062	92,664,846	*
Cumulative Transaction Adjustments	(640,742)	(1,191,165)	(1,072,853)	481,158	(1,766,667)
Unrealized Gain/loss on Financial Instruments	-	561,615	680,997	(287,342)	453,621
Total Assets	507,539,815	573,584,904	551,772,623	540,559,247	577,426,622
Total Liabilities					
Before Distribution	61,909,466	65,603,620	64,681,221	64,182,136	82,343,910
After Distribution	127,424,066	147,951,282	145,679,305	141,058,448	*
Total Equity					
Before Distribution	445,630,349	507,981,284	487,091,402	476,377,111	495,082,712
After Distribution	380,115,749	425,633,622	406,093,318	399,500,799	*

*Pending shareholders' meeting resolution

1.2 Condensed Balance Sheet from 2005 to 2009 (Consolidated)

Unit: NT$ thousands

Item	2005	2006	2007	2008	2009
Current Assets	212,300,790	260,317,168	249,822,329	252,618,431	259,803,748
Long-term Investments	42,382,494	53,895,151	36,461,325	39,981,515	37,845,503
Fixed Assets	244,823,292	254,094,190	260,252,187	243,645,350	273,674,787
Other Assets	20,003,013	19,178,650	24,329,385	22,671,293	23,372,182
Current Liabilities					
Before Distribution	35,122,227	46,860,531	48,706,007	56,806,756	79,133,288
After Distribution	100,636,827	129,208,193	129,704,091	133,683,068	*
Long-term Liabilities	30,410,171	22,873,542	24,284,470	16,191,041	11,388,479
Other Liabilities	7,738,483	8,612,970	7,189,178	5,546,325	5,125,905
Capital Stock	247,300,246	258,296,879	264,271,037	256,254,373	259,027,066
Capital Surplus	57,117,886	54,107,498	53,732,682	49,875,255	55,486,010
Retained Earnings					
Before Distribution	142,771,034	197,124,532	218,864,571	170,053,667	181,882,682
After Distribution	70,114,801	109,687,478	133,414,062	92,664,846	*
Cumulative Transaction Adjustments	(640,742)	(1,191,165)	(1,072,853)	481,158	(1,766,667)
Unrealized Gain/loss on Financial Instruments	-	561,615	680,997	(287,342)	453,621
Total Assets	519,509,589	587,485,159	570,865,226	558,916,589	594,696,220
Total Liabilities					
Before Distribution	73,270,881	78,347,043	80,179,655	78,544,122	95,647,672
After Distribution	138,785,481	160,694,705	161,177,739	155,420,434	*
Equity Attributable to Shareholders of the Parent					
Before Distribution	445,630,349	507,981,284	487,091,402	476,377,111	495,082,712
After Distribution	380,115,749	425,633,622	406,093,318	399,500,799	*
Minority Interest	608,359	1,156,832	3,594,169	3,995,356	3,965,836
Total Equity					
Before Distribution	446,238,708	509,138,116	490,685,571	480,372,467	499,048,548
After Distribution	380,724,108	426,790,454	409,687,487	403,496,155	*

*Pending shareholders' meeting resolution

2. Condensed Statement of Income

2.1 Condensed Statement of Income from 2005 to 2009 (Unconsolidated)

Unit: NT$ thousands (Except EPS: NT$)

Item	2005	2006	2007	2008	2009
Net Sales	264,588,364	313,881,635	313,647,644	321,767,083	285,742,868
Gross Profit	115,244,049	149,718,400	137,159,314	138,177,615	126,475,970
Income from Operations	93,013,824	126,299,859	112,252,047	106,290,232	94,522,353
Non-operating Income and Gains	7,381,360 ***	11,562,877 ***	11,105,792 ***	6,725,625	4,121,509
Non-operating Expenses and Losses	6,575,761 ***	3,056,237 ***	2,606,433 ***	2,257,039	3,662,840
Interest Revenue	2,506,769 ***	3,382,868	2,634,636	2,728,892	1,117,374
Interest Expense	1,180,484 ***	661,200	584,736	355,056	142,026
Income from Operations of Continued Segments - before Tax	93,819,423	134,806,499	120,751,406	110,758,818	94,981,022
Income from Operations of Continued Segments - after Tax	93,575,035	127,255,917	109,177,093	99,933,168	89,217,836
Net Income	93,575,035	127,009,731	109,177,093	99,933,168	89,217,836
Basic Earnings Per Share	3.79 *	4.93 *	4.14 *	3.86 *	3.45 *
Adjusted Basic Earnings Per Share	3.47 **	4.70 **	4.04 **	3.84 **	-
Capitalized Interest	-	-	-	-	-

* Based on weighted average shares outstanding in each year

** Retroactively adjusted for stock dividends until 2008 and profit sharing to employees in stock until 2007

*** Certain accounts have been reclassified to conform to year 2008 classifications.

2.2 Condensed Statement of Income from 2005 to 2009 (Consolidated)

Unit: NT$ thousands (Except EPS: NT$)

Item	2005	2006	2007	2008	2009
Net Sales	266,565,070	317,407,171	322,630,596	333,157,660	295,742,239
Gross Profit	118,202,874	155,810,090	142,350,211	141,749,561	129,328,611
Income from Operations	90,968,559	127,264,694	111,721,907	104,435,368	91,961,886
Non-operating Income and Gains	9,399,360 ***	9,839,081 ***	11,933,803	10,821,449	5,653,548
Non-operating Expenses and Losses	6,104,672 ***	3,741,567 ***	2,013,684	3,784,571	2,152,787
Interest Revenue	2,806,226 ***	4,542,149	5,651,700	5,373,823	2,600,925
Interest Expense	1,413,374 ***	890,602	842,242	614,988	391,479
Income from Operations of Continued Segments - before Tax	94,263,247	133,362,208	121,642,026	111,472,246	95,462,647
Income from Operations of Continued Segments - after Tax	93,632,668	125,588,497	109,932,400	100,523,237	89,466,223
Net Income	93,632,668	127,195,246	109,932,400	100,523,237	89,466,223
Net Income Attributable to Shareholders of the Parent	93,575,035	127,009,731	109,177,093	99,933,168	89,217,836
Basic Earnings Per Share	3.79 *	4.93 *	4.14 *	3.86 *	3.45 *
Adjusted Basic Earnings Per Share	3.47 **	4.70 **	4.04 **	3.84 **	-
Capitalized Interest	-	-	-	-	-

* Based on weighted average shares outstanding in each year

** Retroactively adjusted for stock dividends until 2008 and profit sharing to employees in stock until 2007

*** Certain accounts have been reclassified to conform to year 2008 classifications

3. Financial Analysis

3.1 Financial Analysis from 2005 to 2009 (Unconsolidated)

		2005	2006	2007	2008	2009
Capital Structure Analysis	Debt Ratio (%)	12.20	11.44	11.72	11.87	14.26
	Long-term Fund to Fixed Assets Ratio (%)	218.42	228.78	213.63	219.72	196.27
Liquidity Analysis	Current Ratio (%)	613.84	451.40	397.94	338.70	256.07
	Quick Ratio (%)	560.93	404.49	348.53	312.83	228.94
	Times Interest Earned (Times)	80.48	204.39	207.51	312.95	669.76
Operating Performance Analysis	Average Collection Turnover (Times)	8.08	9.26	8.82	11.08	11.17
	Days Sales Outstanding	45.18	39.40	41.40	32.93	32.66
	Average Inventory Turnover (Times)	9.82	9.27	8.78	10.86	10.06
	Average Inventory Turnover Days	37.19	39.37	41.57	33.59	36.29
	Average Payment Turnover (Times)	14.24	15.81	16.05	20.40	18.46
	Fixed Assets Turnover (Times)	1.24	1.38	1.34	1.47	1.12
	Total Assets Turnover (Times)	0.52	0.55	0.57	0.60	0.49
Profitability Analysis	Return on Total Assets (%)	19.01	23.60	19.49	18.35	15.98
	Return on Equity (%)	22.16	26.64	21.94	20.74	18.37
	Operating Income to Paid-in Capital Ratio (%)	37.61	48.90	42.48	41.48	36.49
	Pre-tax Income to Paid-in Capital Ratio (%)	37.94	52.06	45.69	43.22	36.67
	Net Margin (%)	35.37	40.46	34.81	31.06	31.22
	Basic Earnings Per Share (NT$) (Note 1)	3.47	4.70	4.04	3.84	3.45
	Diluted Earnings Per Share (NT$) (Note 1)	3.46	4.69	4.04	3.81	3.44
Cash Flow	Cash Flow Ratio (%)	468.02	457.01	397.52	399.16	214.83
	Cash Flow Adequacy Ratio (%)	150.88	153.75	139.35	134.79	122.02
	Cash Flow Reinvestment Ratio (%)	12.50	14.18	9.73	12.95	6.99
Leverage	Operating Leverage	2.30	2.04	2.23	2.50	2.46
	Financial Leverage	1.01	1.01	1.01	1.00	1.00

Analysis of Deviation over 20% for 2009 vs. 2008:

1. The debt ratio increased by 20% as a result of an increase of current liabilities, primarily due to an increase of payables to contractors and equipment suppliers.
2. The current ratio decreased by 24% and quick ratio decreased by 27%, mainly due to an increase in current liabilities.
3. The times interest earned increased by 114%, as a result of a decrease in interest expense at a higher percentage than the decrease in earning before interest and taxes.
4. The fixed asset turnover decreased by 24%, primarily due to an increase in net fixed assets and a decrease in net sales.
5. The cash flow ratio decreased by 46%, mainly due to a decrease in cash provided by operating activities and an increase in current liabilities.
6. The cash flow reinvestment ratio decreased by 46%, resulting from a decrease in cash provided by operating activities and an increase in gross fixed assets.

Note 1: Retroactively adjusted for stock dividends until 2008 and profit sharing to employees in stock until 2007.
Note 2: Certain accounts of year 2005 have been reclassified to conform to year 2006 classifications.

*Glossary

1. Capital Structure Analysis
   - (1) Debt Ratio = Total Liabilities / Total Assets
   - (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets
2. Liquidity Analysis
   - (1) Current Ratio = Current Assets / Current Liabilities
   - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
   - (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   - (2) Days Sales Oustanding = 365 / Average Collection Turnover
   - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   - (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   - (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   - (6) Fixed Assets Turnover = Net Sales / Net Fixed Assets
   - (7) Total Assets Turnover = Net Sales / Total Assets
4. Profitability Analysis
   - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   - (2) Return on Equity = Net Income / Average Shareholders' Equity
   - (3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital
   - (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   - (5) Net Margin = Net Income / Net Sales
   - (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
   - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)
6. Leverage
   - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

3.2 Financial Analysis from 2005 to 2009 (Consolidated)

		2005	2006	2007	2008	2009
Capital Structure Analysis	Debts Ratio (%)	14.10	13.34	14.05	14.05	16.08
	Long-term Fund to Fixed Assets (%)	194.69	209.38	197.87	203.81	186.51
Liquidity Analysis	Current Ratio (%)	604.46	555.51	512.92	444.70	328.31
	Quick Ratio (%)	549.94	506.39	461.11	415.32	300.15
	Times Interest Earned (Times)	67.69	152.46	145.43	182.26	244.85
Operating Performance Analysis	Average Collection Turnover (Times)	7.84	8.84	8.55	10.73	10.78
	Days Sales Outstanding	46.54	41.28	42.69	34.01	33.86
	Average Inventory Turnover (Times)	8.91	8.25	7.96	9.88	9.30
	Average Inventory Turnover Days	40.94	44.22	45.85	36.94	39.25
	Average Payment Turnover (Times)	14.37	15.41	15.76	20.02	18.77
	Fixed Assets Turnover (Times)	1.09	1.25	1.24	1.37	1.08
	Total Assets Turnover (Times)	0.51	0.54	0.57	0.60	0.50
Profitability Analysis	Return on Total Assets (%)	18.89	23.12	19.10	17.89	15.57
	Return on Equity (%)	22.16	26.64	21.94	20.74	18.37
	Operating Income to Paid-in Capital Ratio (%)	36.78	49.27	42.28	40.75	35.50
	Pre-tax Income to Paid-in Capital Ratio (%)	38.12	52.22	46.03	43.50	36.85
	Net Margin (%)	35.13	40.07	34.07	30.17	30.25
	Basic Earnings Per Share (NT$) (Note 1)	3.47	4.70	4.04	3.84	3.45
	Diluted Earnings Per Share (NT$) (Note 1)	3.46	4.69	4.04	3.81	3.44
Cash Flow	Cash Flow Ratio (%)	447.65	437.46	377.30	389.91	202.15
	Cash Flow Adequacy Ratio (%)	154.53	156.75	142.46	139.50	126.39
	Cash Flow Reinvestment Ratio (%)	12.64	14.36	10.07	12.98	6.90
Leverage	Operating Leverage	2.31	1.99	2.21	2.53	2.53
	Financial Leverage	1.02	1.01	1.01	1.01	1.00
Industry Specific Key Performance Indicator	Billing Utilization Rate (%)	94	102	93 (Note2)	88 (Note2)	76 (Note2)
	Advanced Technologies (0.13-micron and below) Percentage of Wafer Sales (%)	45	49	55	64	67
	Sales Growth (%)	3.6	19.1	1.6	3.3	-11.2
	Net Income Growth (%)	1.4	35.7	-14.0	-8.5	-10.7

Analysis of Deviation over 20% for 2009 vs. 2008:

1. The current ratio decreased by 26% and quick ratio decreased by 28%, mainly due to an increase in current liabilities.
2. The times interest earned increased by 34%, as a result of a decrease in interest expense at a higher percentage than the decrease in earnings before interest and taxes.
3. The fixed asset turnover decreased by 21%, primarily due to an increase in net fixed assets and a decrease in net sales.
4. The cash flow ratio decreased by 48%, mainly due to a decrease in cash provided by operating activities.
5. The cash flow reinvestment ratio decreased by 47%, resulting from a decrease in cash provided by operating activities and an increase in gross fixed assets

Note 1: Retroactively adjusted for stock dividends until 2008 and profit sharing to employees in stock until 2007.

Note 2: Capacity includes wafers committed by Vanguard.

Note 3: Certain accounts of year 2005 have been reclassified to conform to year 2006 classifications.

*Glossary

1. Capital Structure Analysis
   - (1) Debt Ratio = Total Liabilities / Total Assets
   - (2) Long-term Fund to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets
2. Liquidity Analysis
   - (1) Current Ratio = Current Assets / Current Liabilities
   - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   - (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance Analysis
   - (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   - (2) Days Sales Outstanding = 365 / Average Collection Turnover
   - (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   - (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   - (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   - (6) Fixed Assets Turnover = Net Sales / Net Fixed Assets
   - (7) Total Assets Turnover = Net Sales / Total Assets
4. Profitability Analysis
   - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   - (2) Return on Equity = Net Income / Average Shareholders' Equity
   - (3) Operating Income to Paid-in Capital Ratio = Operating Income / Paid-in Capital
   - (4) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   - (5) Net Margin = Net Income / Net Sales
   - (6) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash Flow
   - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)
6. Leverage
   - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
   - (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

4. Auditors' Opinions from 2005 to 2009

Year	CPA	Audit Opinion
2005	Hung-Wen Huang, Ming-Cheng Chang	An Unqualified Opinion
2006	Hung-Wen Huang, Ming-Cheng Chang	An Unqualified Opinion
2007	Hung-Wen Huang, Ming-Cheng Chang	An Unqualified Opinion
2008	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards
2009	Hung-Peng Lin, Shu-Chieh Huang	An Unqualified Opinion with explanatory paragraph referring to adoption of new accounting standards

Deloitte & Touche
12F, No. 156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan, R.O.C.
Tel: 886-2-2545-9988

5. Audit Committee's Report

The Board of Directors has prepared the Company's 2009 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Chairman of the Audit Committee: Sir Peter Leahy Bonfield

February 9, 2010

6. Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2009 and as of the date of this Annual Report: None

7. Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2009 and 2008, and expressed an unqualified opinion with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standard, Accounting for Inventories, and the adoption of Interpretation 2007-052, respectively, on such consolidated financial statements.

Deloitte & Touche

January 22, 2010

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

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

ASSETS	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 117,043,543	20	$ 138,208,360	26
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	181,743	-	42,460	-
Held-to-maturity financial assets (Notes 2, 7 and 23)	9,944,843	2	5,881,999	1
Receivables from related parties (Note 24)	22,541,773	4	11,728,204	2
Notes and accounts receivable	19,884,520	3	11,441,176	2
Allowance for doubtful receivables (Notes 2 and 8)	(431,000)	-	(436,746)	-
Allowance for sales returns and others (Notes 2 and 8)	(8,583,632)	(1)	(5,868,582)	(1)
Other receivables from related parties (Note 24)	246,003	-	489,742	-
Other financial assets (Note 25)	1,104,072	-	711,755	-
Inventories (Notes 2, 3 and 9)	18,830,216	3	12,807,936	2
Deferred income tax assets (Notes 2 and 17)	4,063,410	1	3,650,700	1
Prepaid expenses and other current assets	1,006,046	-	1,192,475	-
Total current assets	185,831,537	32	179,849,479	33
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)				
Investments accounted for using equity method	104,660,098	18	109,871,178	20
Available-for-sale financial assets	1,046,672	1	2,032,658	1
Held-to-maturity financial assets	12,219,055	2	11,761,325	2
Financial assets carried at cost	501,988	-	519,502	-
Total long-term investments	118,427,813	21	124,184,663	23
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)				
Cost				
Buildings	124,522,047	22	114,014,588	21
Machinery and equipment	713,426,126	123	635,008,261	118
Office equipment	10,781,099	2	9,748,869	2
	848,729,272	147	758,771,718	141
Accumulated depreciation	(627,764,323)	(109)	(557,247,254)	(103)
Advance payments and construction in progress	33,786,577	6	17,758,038	3
Net property, plant and equipment	254,751,526	44	219,282,502	41
INTANGIBLE ASSETS				
Goodwill (Note 2)	1,567,756	-	1,567,756	-
Deferred charges, net (Notes 2 and 13)	5,891,685	1	6,401,461	1
Total intangible assets	7,459,441	1	7,969,217	1
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 17)	7,763,643	1	6,497,972	1
Refundable deposits	2,698,116	1	2,719,737	1
Others (Note 2)	494,546	-	55,677	-
Total other assets	10,956,305	2	9,273,386	2
TOTAL	$ 577,426,622	100	$ 540,559,247	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	$ -	-	$ 83,618	-
Accounts payable	9,678,849	2	4,314,265	1
Payables to related parties (Note 24)	2,039,342	-	1,202,350	-
Income tax payable (Notes 2 and 17)	8,761,120	2	9,222,811	2
Salary and bonus payable	8,677,299	1	1,601,897	-
Accrued profit sharing to employees and bonus to directors (Notes 2, 3 and 19)	6,771,338	1	15,148,057	3
Payables to contractors and equipment suppliers	28,756,884	5	7,574,891	1
Accrued expenses and other current liabilities (Notes 15 and 23)	7,886,263	1	5,951,578	1
Current portion of bonds payable (Notes 14 and 23)	-	-	8,000,000	2
Total current liabilities	72,571,095	12	53,099,467	10
LONG-TERM LIABILITIES				
Bonds payable (Notes 14 and 23)	4,500,000	1	4,500,000	1
Other long-term payables (Notes 15 and 23)	416,390	-	931,252	-
Total long-term liabilities	4,916,390	1	5,431,252	1
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 16)	3,807,176	1	3,710,009	1
Guarantee deposits (Note 27)	1,001,376	-	1,479,152	-
Deferred credits (Notes 2 and 24)	47,873	-	462,256	-
Total other liabilities	4,856,425	1	5,651,417	1
Total liabilities	82,343,910	14	64,182,136	12
CAPITAL STOCK - NT$10 PAR VALUE (Notes 19 and 21)				
Authorized: 28,050,000 thousand shares				
Issued: 25,902,706 thousand shares in 2009				
25,625,437 thousand shares in 2008	259,027,066	45	256,254,373	47
CAPITAL SURPLUS (Notes 2 and 19)	55,486,010	10	49,875,255	9
RETAINED EARNINGS (Note 19)				
Appropriated as legal capital reserve	77,317,710	13	67,324,393	13
Appropriated as special capital reserve	-	-	391,857	-
Unappropriated earnings	104,564,972	18	102,337,417	19
	181,882,682	31	170,053,667	32
OTHERS (Notes 2, 21 and 23)				
Cumulative translation adjustments	(1,766,667)	-	481,158	-
Unrealized gain/loss on financial instruments	453,621	-	(287,342)	-
	(1,313,046)	-	193,816	-
Total shareholders' equity	495,082,712	86	476,377,111	88
TOTAL	$ 577,426,622	100	$ 540,559,247	100

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

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	$ 299,471,214		$ 330,228,027	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	13,728,346		8,460,944	
NET SALES	285,742,868	100	321,767,083	100
COST OF SALES (Notes 3, 9, 18 and 24)	159,106,619	56	183,589,540	57
GROSS PROFIT	126,636,249	44	138,177,543	43
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)	(160,279)	-	72	-
REALIZED GROSS PROFIT	126,475,970	44	138,177,615	43
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	19,688,032	7	19,737,038	6
General and administrative	10,238,131	3	9,895,617	3
Marketing	2,027,454	1	2,254,728	1
Total operating expenses	31,953,617	11	31,887,383	10
INCOME FROM OPERATIONS	94,522,353	33	106,290,232	33
NON-OPERATING INCOME AND GAINS				
Settlement income (Note 27)	1,464,915	1	951,180	-
Interest income (Note 2)	1,117,374	-	2,728,892	1
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	587,151	-	-	-
Technical service income (Notes 24 and 27)	375,118	-	619,237	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 23)	53,364	-	452,159	-
Foreign exchange gain, net (Note 2)	-	-	1,113,406	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	-	-	72,568	-
Others (Notes 2 and 24)	523,587	-	788,183	-
Total non-operating income and gains	4,121,509	1	6,725,625	2

(Continued)

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

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

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as available-for-sale financial assets instead of treasury stock for the year ended December 31, 2008 (Notes 2 and 21):

	2008
NET INCOME	$ 100,035,447
EARNINGS PER SHARE (NT$)	
Basic earnings per share	$ 3.84
Diluted earnings per share	$ 3.81

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Others			Total Shareholders' Equity
	Shares (In Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	
BALANCE, JANUARY 1, 2008	26,427,104	$ 264,271,037	$ 53,732,682	$ 56,406,684	$ 629,550	$ 161,828,337	$ 218,864,571	$ (1,072,853)	$ 680,997	$ (49,385,032)	$ 487,091,402
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(237,693)	237,693	-	-	-	-	-
Profit sharing to employees - in cash	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	(3,939,883)
Profit sharing to employees - in stock	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	(76,881,311)
Stock dividends to shareholders - NT$0.02 per share	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-
Bonus to directors	-	-	-	-	-	(176,890)	(176,890)	-	-	-	(176,890)
Capital surplus transferred to capital stock	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	99,933,168	99,933,168	-	-	-	99,933,168
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	(137,063)
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011
Issuance of stock from exercising stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	227,150
Cash dividends received by subsidiaries from the Company	-	-	102,279	-	-	-	-	-	-	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(233,915)	-	(233,915)
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	(734,424)	-	(734,424)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	-
BALANCE, DECEMBER 31, 2008	25,625,437	256,254,373	49,875,255	67,324,393	391,857	102,337,417	170,053,667	481,158	(287,342)	-	476,377,111
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	9,993,317	-	(9,993,317)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(391,857)	391,857	-	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	-	(76,876,312)
Stock dividends to shareholders - NT$0.02 per share	51,251	512,509	-	-	-	(512,509)	(512,509)	-	-	-	-
Profit sharing to employees - in stock	141,870	1,418,699	6,076,289	-	-	-	-	-	-	-	7,494,988
Capital surplus transferred to capital stock	76,876	768,763	(768,763)	-	-	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	89,217,836	89,217,836	-	-	-	89,217,836
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	-	-	115,418
Translation adjustments	-	-	-	-	-	-	-	(2,247,825)	-	-	(2,247,825)
Issuance of stock from exercising stock options	7,272	72,722	187,811	-	-	-	-	-	-	-	260,533
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	14,014	-	14,014
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	726,949	-	726,949
BALANCE, DECEMBER 31, 2009	25,902,706	$ 259,027,066	$ 55,486,010	$ 77,317,710	$ -	$ 104,564,972	$ 181,882,682	$ (1,766,667)	$ 453,621	$ -	$ 495,082,712

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

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

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

Taiwan Semiconductor Manufacturing Company Limited

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 89,217,836	$ 99,933,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,327,868	74,569,562
Unrealized (realized) gross profit from affiliates	160,279	(72)
Amortization of premium/discount of financial assets	6,322	(97,381)
Impairment of financial assets	-	247,488
Gain on disposal of available-for-sale financial assets, net	(37,370)	(443,404)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Loss (gain) on disposal of financial assets carried at cost, net	97	(8,755)
Equity in losses (earnings) of equity method investees, net	2,695,720	(72,568)
Dividends received from equity method investees	1,402,592	1,804,351
Gain on disposal of property, plant and equipment and other assets, net	(138,613)	(298,769)
Loss on idle assets	-	210,477
Deferred income tax	(1,678,381)	2,361,261
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(222,901)	(164,405)
Receivables from related parties	(10,813,569)	14,973,444
Notes and accounts receivable	(8,443,344)	6,470,152
Allowance for doubtful receivables	(5,746)	(252,226)
Allowance for sales returns and others	2,715,050	2,011,897
Other receivables from related parties	235,470	43,835
Other financial assets	(392,317)	(380,057)
Inventories	(6,022,280)	8,179,206
Prepaid expenses and other current assets	290,470	(330,664)
Increase (decrease) in:		
Accounts payable	4,925,758	(5,171,553)
Payables to related parties	836,992	(1,797,280)
Income tax payable	(461,691)	(1,766,153)
Salary and bonus payable	7,075,402	(30,280)
Accrued profit sharing to employees and bonus to directors	(881,731)	15,148,057
Accrued expenses and other current liabilities	1,259,544	(3,112,220)
Accrued pension cost	97,167	52,330
Deferred credits	(230,487)	(129,494)
Net cash provided by operating activities	155,902,046	211,949,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(86,970,843)	(56,766,192)
Available-for-sale financial assets	-	(23,697,000)
Held-to-maturity financial assets	(10,803,805)	(12,371,965)
Investments accounted for using equity method	(320,443)	(494,765)
Financial assets carried at cost	(1,411)	(20,681)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	1,037,370	45,584,934
Held-to-maturity financial assets	6,293,000	15,004,000
Financial assets carried at cost	18,828	10,606
Property, plant and equipment and other assets	71,850	2,042,899
Proceeds from return of capital by investees	$ 27,753	$ 2,465,293
Cash from merger of subsidiaries	-	270,650
Increase in deferred charges	(1,347,228)	(3,199,813)
Decrease in refundable deposits	21,621	21,801
Net cash used in investing activities	(91,973,308)	(31,150,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(477,776)	(761,525)
Proceeds from exercise of employee stock options	260,533	227,150
Cash dividends	(76,876,312)	(76,881,311)
Profit sharing to employees in cash	-	(3,939,883)
Bonus to directors	-	(176,890)
Repurchase of treasury stock	-	(33,480,997)
Net cash used in financing activities	(85,093,555)	(115,013,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,164,817)	65,786,258
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	138,208,360	72,422,102
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 117,043,543	$ 138,208,360
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 351,803	$ 355,056
Income tax paid	$ 7,791,196	$ 10,282,464
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant, and equipment	$ 108,592,471	$ 58,951,343
Increase in payables to contractors and equipment suppliers	(21,620,819)	(2,185,151)
Nonmonetary exchange trade-out price	(809)	-
Cash paid	$ 86,970,843	$ 56,766,192
Disposal of property, plant and equipment and other assets	$ 64,390	$ 2,051,168
Decrease (increase) in other receivables from related parties	8,269	(8,269)
Nonmonetary exchange trade-out price	(809)	-
Cash received	$ 71,850	$ 2,042,899
Repurchase of treasury stock	$ -	$ 30,427,413
Decrease in accrued expenses and other current liabilities	-	3,053,584
Cash paid	$ -	$ 33,480,997
NON-CASH FINANCING ACTIVITIES		
Current portion of bonds payable	$ -	$ 8,000,000
Current portion of other long-term payable (under accrued expenses and other current liabilities)	$ 769,144	$ 1,026,421

(Continued)

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

1. GENERAL

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

As of December 31, 2009 and 2008, the Company had 22,292 and 20,425 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

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

The fair value of debt securities is determined using the average of bid and asked prices at the end of the year.

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

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

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Pension Costs

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

Income Tax

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

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

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

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

Stock-based Compensation

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

Profit Sharing to Employees and Bonus to Directors

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

Treasury Stock

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

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

Foreign-currency Transactions

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

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

3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the year in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the year. Such changes in accounting principle did not have significant effect on the Company's financial statements for the year ended December 31, 2009.

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors", issued in March 2007 by the ARDF, which requires companies to record profit sharing to employees and bonus to directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax and retroactively adjusted for the issuance of stock dividend) of NT$12,627,332 thousand and NT$0.48, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted SFAS No. 39, "Accounting for Share-based Payment", which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's financial statements as of and for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

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

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

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

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

Outstanding forward exchange contracts consisted of the following:

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

Outstanding cross currency swap contracts consisted of the following:

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

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Corporate bonds	$ 1,046,672	$ 2,032,658

7. HELD-TO- MATURITY FINANCIAL ASSETS

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

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

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

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

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

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

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

9. INVENTORIES

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

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
TSMC Global Ltd. (TSMC Global)	$ 45,397,256	100	$ 45,756,519	100
TSMC Partners, Ltd. (TSMC Partners)	32,545,619	100	3,730,913	100
Vanguard International Semiconductor Corporation (VIS)	9,365,232	37	9,787,275	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,157,141	39	6,808,192	39
TSMC China Company Limited (TSMC China)	2,961,043	100	6,267,128	100
TSMC North America	2,723,727	100	2,435,666	100
Xintec Inc. (Xintec)	1,475,014	41	1,506,384	42
VentureTech Alliance Fund III, L.P. (VTAF III)	1,309,615	98	1,305,605	98
VentureTech Alliance Fund II, L.P. (VTAF II)	1,122,810	98	975,367	98
Global UniChip Corporation (GUC)	983,126	35	950,263	36
Emerging Alliance Fund, L.P. (Emerging Alliance)	305,866	99	433,481	99
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	159,467	100	124,594	100
TSMC Japan Limited (TSMC Japan)	135,663	100	137,617	100
TSMC Korea Limited (TSMC Korea)	18,519	100	15,117	100
TSMC International Investment Ltd. (TSMC International)	-	-	29,637,057	100
	$ 104,660,098		$ 109,871,178	

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

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

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

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

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

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

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

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

	Years Ended December 31	
	2009	2008
Balance, beginning of year	$ 1,061,885	$ 987,349
From merger of subsidiaries	-	74,536
Balance, end of year	$ 1,061,885	$ 1,061,885

11. FINANCIAL ASSETS CARRIED AT COST

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2009				
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Balance, End of Year
Cost					
Buildings	$ 114,014,588	$ 10,520,371	$ (12,978)	$ 66	$ 124,522,047
Machinery and equipment	635,008,261	80,824,102	(2,408,802)	2,565	713,426,126
Office equipment	9,748,869	1,219,459	(187,163)	(66)	10,781,099
	758,771,718	$ 92,563,932	$ (2,608,943)	$ 2,565	848,729,272
Accumulated depreciation					
Buildings	65,351,514	$ 8,186,551	$ (12,971)	$ 66	73,525,160
Machinery and equipment	484,046,160	63,395,862	(1,750,677)	2,565	545,693,910
Office equipment	7,849,580	882,718	(186,979)	(66)	8,545,253
	557,247,254	$ 72,465,131	$ (1,950,627)	$ 2,565	627,764,323
Advance payments and construction in progress	17,758,038	$ 16,028,539	$ -	$ -	33,786,577
	$ 219,282,502				$ 254,751,526

	Year Ended December 31, 2008				
	Balance, Beginning of Year	Additions (Deductions)	Disposals	Reclassification	Balance, End of Year
Cost					
Buildings	$ 101,907,892	$ 12,115,531	$ (8,524)	$ (311)	$ 114,014,588
Machinery and equipment	589,131,625	49,396,313	(3,385,502)	(134,175)	635,008,261
Office equipment	9,167,107	764,414	(182,709)	57	9,748,869
	700,206,624	$ 62,276,258	$ (3,576,735)	$ (134,429)	758,771,718
Accumulated depreciation					
Buildings	57,349,828	$ 8,010,214	$ (8,524)	$ (4)	65,351,514
Machinery and equipment	422,278,071	63,145,978	(1,258,542)	(119,347)	484,046,160
Office equipment	7,097,120	935,140	(182,706)	26	7,849,580
	486,725,019	$ 72,091,332	$ (1,449,772)	$ (119,325)	557,247,254
Advance payments and construction in progress	21,082,953	$ (3,324,915)	$ -	$ -	17,758,038
	$ 234,564,558				$ 219,282,502

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

13. DEFERRED CHARGES, NET

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

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

14. BONDS PAYABLE

	December 31	
	2009	2008
Domestic unsecured bonds:		
Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	$ 4,500,000	$ 12,500,000
Current portion	-	(8,000,000)
	$ 4,500,000	$ 4,500,000

15. OTHER LONG-TERM PAYABLES

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

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

16. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts and recognized pension costs of NT$608,731 thousand and NT$657,870 thousand for the years ended December 31, 2009 and 2008, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

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

a. Components of net periodic pension cost for the year

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

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

	2009	2008
Benefit obligation		
Vested benefit obligation	$ 123,524	$ 114,930
Nonvested benefit obligation	3,754,388	4,146,366
Accumulated benefit obligation	3,877,912	4,261,296
Additional benefits based on future salaries	2,614,358	3,245,483
Projected benefit obligation	6,492,270	7,506,779
Fair value of plan assets	(2,612,295)	(2,441,687)
Funded status	3,879,975	5,065,092
Unrecognized net transition obligation	(91,291)	(99,591)
Prior service cost	161,977	169,216
Unrecognized net loss	(143,485)	(1,424,708)
Accrued pension cost	$ 3,807,176	$ 3,710,009
Vested benefit	$ 135,501	$ 126,259

c. Actuarial assumptions at December 31, 2009 and 2008

	2009	2008
Discount rate used in determining present values	2.25%	2.00%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	1.50%	2.25%

d. Contributions to the Funds for the year

2009	2008
$ 191,554	$ 202,263

e. Payments from the Funds for the year

2009	2008
$ 37,801	$ 28,990

17. INCOME TAX

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

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

b. Income tax expense consisted of the following:

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

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

	December 31	
	2009	2008
Current deferred income tax assets		
Investment tax credits	$ 3,210,254	$ 2,791,000
Temporary differences		
Allowance for sales returns and others	794,507	710,098
Others	58,649	149,602
	$ 4,063,410	$ 3,650,700
Noncurrent deferred income tax assets		
Investment tax credits	$ 11,521,487	$ 10,821,218
Temporary differences		
Depreciation	1,909,152	1,625,499
Others	132,336	450,901
Valuation allowance	(5,799,332)	(6,399,646)
	$ 7,763,643	$ 6,497,972

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

d. Integrated income tax information:

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

The estimated and actual creditable ratios for distribution of earnings of 2009 and 2008 was 0.35% and 9.10%, respectively.

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

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

f. As of December 31, 2009, investment tax credits consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 579,804	$ -	2009
		1,216,551	-	2010
		4,644,652	-	2011
		3,457,388	3,457,388	2012
		3,310,922	3,310,922	2013
		$ 13,209,317	$ 6,768,310	
Statute for Upgrading Industries	Research and development expenditures	$ 2,663,784	$ -	2010
		2,671,264	1,971,732	2011
		2,691,517	2,691,517	2012
		3,250,265	3,250,265	2013
		$ 11,276,830	$ 7,913,514	
Statute for Upgrading Industries	Personnel training expenditures	$ 23,146	$ -	2010
		19,293	19,293	2011
		30,624	30,624	2012
		$ 73,063	$ 49,917	
Statute for Upgrading Industries	Investments in important technology-based enterprises	$ 7,297	$ -	2009
		79,804	-	2010
		$ 87,101	$ -	

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

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

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

18. LABOR COST, DEPRECIATION AND AMORTIZATION

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

	Year Ended December 31, 2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	$ 17,088,512	$ 11,989,661	$ 29,078,173
Labor and health insurance	677,817	379,196	1,057,013
Pension	587,281	328,669	915,950
Meal	437,910	174,906	612,816
Welfare	174,641	100,989	275,630
Others	190,323	15,979	206,302
	$ 19,156,484	$ 12,989,400	$ 32,145,884
Depreciation	$ 68,373,886	$ 3,701,241	$ 72,075,127
Amortization	$ 1,771,919	$ 663,434	$ 2,435,353

19. SHAREHOLDERS' EQUITY

As of December 31, 2009, 1,097,513 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs is 5,487,565 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

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

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

a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals the Company's paid-in capital;

b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

c. Bonus to directors and profit sharing to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

20. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

As of December 31, 2009, information about outstanding options was as follows:

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

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

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2009 and 2008. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the years ended December 31, 2009 and 2008 would have been as follows:

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

21. TREASURY STOCK

(Shares in Thousands)

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

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
Year ended December 31, 2009					
Basic EPS					
Earnings available to common shareholders	$ 94,981,022	$ 89,217,836	25,835,802	$ 3.68	$ 3.45
Effect of dilutive potential common shares	-	-	77,801		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	$ 94,981,022	$ 89,217,836	25,913,603	$ 3.67	$ 3.44
Year ended December 31, 2008					
Basic EPS					
Earnings available to common shareholders	$ 110,758,818	$ 99,933,168	26,039,186	$ 4.25	$ 3.84
Effect of dilutive potential common shares	-	-	196,493		
Diluted EPS					
Earnings available to common shareholders (including effect of dilutive potential common shares)	$ 110,758,818	$ 99,933,168	26,235,679	$ 4.22	$ 3.81

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

Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the shareholders' meeting in the following year.

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

23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

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

2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.

3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.

4) Fair value of the bonds payable was based on their quoted market price.

5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2009 and 2008 estimated using valuation techniques were recognized as net gains of NT$181,743 thousand and net losses of NT$41,158 thousand, respectively.

d. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT$23,392,313 thousand and NT$19,718,442 thousand, respectively and financial liabilities exposed to fair value interest rate risk were NT$4,500,000 thousand and NT$12,583,618 thousand, respectively.

e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2009 and 2008 were as follows:

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

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

f. Information about financial risks

1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities. Subject to turmoil in the global financial market, the Company had evaluated its financial instruments and the Company believed the exposure to market risk as of December 31, 2009 was not significant.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to turmoil in the global financial market, the Company evaluated whether the financial instruments for any possible counter-party or third-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believed that the Company's exposure to credit risk as of December 31, 2009 was not significant.

3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.

4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America
TSMC China
TSMC Europe
TSMC Japan
TSMC Korea

b. Investees

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

c. Indirect subsidiaries

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

d. Indirect investee

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

e. Others

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

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

	2009		2008	
	Amount	%	Amount	%
For the year				
Sales				
TSMC North America	$ 161,251,368	54	$ 192,986,719	58
Others	2,231,343	1	1,814,440	1
	$ 163,482,711	55	$ 194,801,159	59
Purchases				
WaferTech	$ 5,560,707	18	$ 8,207,876	22
TSMC China	3,787,113	12	4,717,676	12
SSMC	3,537,659	11	4,441,795	12
VIS	3,312,656	10	3,209,028	8
	$ 16,198,135	51	$ 20,576,375	54
Manufacturing expenses				
Xintec (rent and outsourcing)	$ 36,101	-	$ -	-
VisEra (outsourcing)	35,737	-	72,174	-
	$ 71,838	-	$ 72,174	-
Marketing expenses - commission				
TSMC Europe	$ 325,463	16	$ 367,846	16
TSMC Japan	233,855	12	251,367	11
Others	24,726	1	16,408	1
	$ 584,044	29	$ 635,621	28
Research and development expenses				
TSMC Technology (primarily consulting fee)	$ 409,686	2	$ 352,900	2
TSMC Canada (primarily consulting fee)	157,527	1	172,291	1
Others	49,251	-	19,934	-
	$ 616,464	3	$ 545,125	3
Sales of property, plant and equipment				
Xintec	$ 58,450	91	$ -	-
TSMC China	595	1	1,849,317	91
Other	263	-	10,843	-
	$ 59,308	92	$ 1,860,160	91
Non-operating income and gains				
VIS (primarily technical service income, see Note 27e)	$ 224,740	5	$ 296,250	4
TSMC China	184,626	4	297,418	5
SSMC (primarily technical service income, see Note 27d)	141,488	3	244,865	4
VisEra	-	-	100,821	1
Others	263	-	178	-
	$ 551,117	12	$ 939,532	14

(Continued)

	2009		2008	
	Amount	%	Amount	%
As of December 31				
Receivables				
TSMC North America	$ 22,203,242	98	$ 11,512,777	98
Others	338,531	2	215,427	2
	$ 22,541,773	100	$ 11,728,204	100
Other receivables				
TSMC China	$ 111,103	45	$ 112,933	23
VIS	81,663	33	42,969	9
SSMC	39,629	16	56,949	12
TSMC North America	8,676	4	256,624	52
Others	4,932	2	20,267	4
	$ 246,003	100	$ 489,742	100
Payables				
WaferTech	$ 561,165	27	$ 171,089	14
VIS	529,060	26	317,491	26
TSMC China	481,500	24	117,417	10
SSMC	238,741	12	162,807	14
TSMC Technology	109,220	5	41,904	3
TSMC North America	4,222	-	327,250	28
Others	115,434	6	64,392	5
	$ 2,039,342	100	$ 1,202,350	100
Deferred credits				
TSMC China	$ 7,970	17	$ 183,896	40

(Concluded)

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

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

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

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

Compensation of directors and management personnel:

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

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

25. PLEDGED OR MORTGAGED ASSETS

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

26. SIGNIFICANT LONG-TERM LEASES

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

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

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

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2009, excluding those disclosed in other notes, were as follows:

a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.

b. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2009 the Company had a total of US$29,582 thousand of guarantee deposits.

c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

d. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.

e. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.

f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of December 31, 2009, SMIC had paid US$135 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case". Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. Regarding the claims raised by SMIC in the Beijing lawsuit, the Beijing People's High Court has on June 10, 2009 rejected those claims and dismissed the lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. TSMC, TSMC North America and WaferTech have subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC, TSMC North America and WaferTech in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC, TSMC North America and WaferTech. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US$200 million, which are in addition to the US$135 million previously paid to TSMC under the 2005 settlement agreement, and to provide TSMC with other valuable consideration.

28. ADDITIONAL DISCLOSURES

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

a. Financing provided: None;

b. Endorsement/guarantee provided: None;

c. Marketable securities held: Please see Table 1 attached;

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Please see Table 2 attached;

e. Acquisition of individual real estate properties at costs of at least NT$100 million or 20% of the paid-in capital: Please see Table 3 attached;

f. Disposal of individual real estate properties at prices of at least NT$100 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

h. Receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;

i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 6 attached;

j. Information about derivatives of investees over which the Company has a controlling interest:

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

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

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

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

For the year ended December 31, 2009, net gains arising from forward exchange contracts of Xintec were NT$4,448 thousand.

k. Information on investment in Mainland China

1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 24.

29. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

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

b. Geographic information

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

c. Export sales

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

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

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

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

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Investees

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
TSMC	Corporate bond							
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	$ 1,046,672	N/A	$ 1,046,672	
	Formosa Petrochemical Corporation	-	Held-to-maturity financial assets	-	3,178,551	N/A	3,200,302	
	Taiwan Power Company	-	〃	-	3,004,941	N/A	3,011,743	
	Nan Ya Plastics Corporation	-	〃	-	2,000,145	N/A	2,029,935	
	Formosa Plastics Corporation	-	〃	-	1,671,815	N/A	1,685,345	
	China Steel Corporation	-	〃	-	1,512,130	N/A	1,528,117	
	CPC Corporation, Taiwan	-	〃	-	500,031	N/A	499,913	
	Taipei Fubon Commercial Bank Co., Ltd.	-	〃	-	298,884	N/A	298,751	
	First Commercial Bank Co., Ltd.	-	〃	-	99,814	N/A	99,815	
	Government bond							
	European Investment Bank Bonds	-	Held-to-maturity financial assets	-	2,003,877	N/A	2,025,500	
	2003 Asian Development Bank Govt. Bond	-	〃	-	893,710	N/A	875,103	
	Stock							
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	45,397,256	100	45,397,256	
	TSMC Partners	Subsidiary	〃	988,268	32,545,619	100	32,545,619	
	VIS	Investee accounted for using equity method	〃	628,223	9,365,232	37	10,114,398	
	SSMC	Investee accounted for using equity method	〃	314	6,157,141	39	5,581,994	
	TSMC North America	Subsidiary	〃	11,000	2,723,727	100	2,723,727	
	Xintec	Investee with a controlling financial interest	〃	93,081	1,475,014	41	1,437,395	
	GUC	Investee with a controlling financial interest	〃	46,688	983,126	35	7,913,592	
	TSMC Europe	Subsidiary	〃	-	159,467	100	159,467	
	TSMC Japan	Subsidiary	〃	6	135,663	100	135,663	
	TSMC Korea	Subsidiary	〃	80	18,519	100	18,519	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	297,655	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	〃	10,500	105,000	7	332,943	
	W.K. Technology Fund IV	-	〃	4,000	40,000	2	43,975	
	Fund							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	〃	-	59,412	1	59,412	
	Capital							
	TSMC China	Subsidiary	Investments accounted for using equity method	-	2,961,043	100	2,958,707	
	VTAF III	Subsidiary	〃	-	1,309,615	98	1,292,412	
	VTAF II	Subsidiary	〃	-	1,122,810	98	1,117,773	
	Emerging Alliance	Subsidiary	〃	-	305,866	99	305,866	
TSMC Partners	Corporate bond							
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US$ 20,543	N/A	US$ 21,312	
	General Elec Cap Corp. Mtn	-	〃	-	US$ 20,219	N/A	US$ 21,182	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Common stock							
	TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US$ 340,387	100	US$ 340,387	
	VisEra Holding Company	Inestee accounted for using equity method	〃	43,000	US$ 70,967	49	US$ 70,967	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	〃	21,415	US$ 13,741	97	US$ 13,741	
	TSMC Technology	Subsidiary	〃	1	US$ 9,071	100	US$ 9,071	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	〃	7,680	US$ 7,336	97	US$ 7,336	
	TSMC Canada	Subsidiary	〃	2,300	US$ 3,193	100	US$ 3,193	
	Mcube Inc.	Investee accounted for using equity method	〃	5,333	US$ 800	70	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	
TSMC Development	Corporate bond							
	GE Capital Corp.	-	Held-to-maturity financial assets	-	US$ 20,334	N/A	US$ 21,182	
	JP Morgan Chase & Co.	-	〃	-	US$ 15,000	N/A	US$ 15,000	
	Stock							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US$ 154,432	100	US$ 154,432	
Emerging Alliance	Common stock							
	RichWave Technology Corp.	-	Financial assets carried at cost	4,247	US$ 1,648	10	US$ 1,648	
	Global Investment Holding Inc.	-	〃	10,000	US$ 3,065	6	US$ 3,065	
	Preferred stock							
	Audience, Inc.	-	Financial assets carried at cost	1,654	US$ 250	1	US$ 250	
	Axiom Microdevices, Inc.	-	〃	1,000	US$ 24	1	US$ 24	
	Mosaic Systems, Inc.	-	〃	2,481	US$ 12	6	US$ 12	
	Next IO, Inc.	-	〃	800	US$ 500	1	US$ 500	
	Optichron, Inc.	-	〃	1,281	US$ 1,072	2	US$ 1,072	
	Pixim, Inc.	-	〃	4,641	US$ 1,137	2	US$ 1,137	
	QST Holdings, LLC	-	〃	-	US$ 131	4	US$ 131	
	Teknovus, Inc.	-	〃	6,977	US$ 1,327	2	US$ 1,327	
	Capital							
	VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7	-	
VTAF II	Common stock							
	Leadtrend	-	Available-for-sale financial assets	1,515	US$ 9,721	4	US$ 9,721	
	RichWave Technology Corp.	-	Financial assets carried at cost	1,043	US$ 730	1	US$ 730	
	Sentelic	-	〃	1,200	US$ 2,040	15	US$ 2,040	
	Preferred stock							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US$ 2,168	4	US$ 2,168	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009						Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)		Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)		
	Aquantia	-	Financial assets carried at cost	3,974	US$	3,816	5	US$	3,816	
	Audience, Inc.	-	〃	7,956	US$	1,838	2	US$	1,838	
	Axiom Microdevices, Inc.	-	〃	759	US$	650	13	US$	650	
	Beceem Communications	-	〃	834	US$	1,701	1	US$	1,701	
	Impinj, Inc.	-	〃	475	US$	1,000	-	US$	1,000	
	Next IO, Inc.	-	〃	3,795	US$	953	2	US$	953	
	Optichron, Inc.	-	〃	2,784	US$	2,664	4	US$	2,664	
	Pixim, Inc.	-	〃	33,347	US$	1,878	2	US$	1,878	
	Power Analog Microelectronics	-	〃	7,027	US$	3,383	19	US$	3,383	
	QST Holdings, LLC	-	〃	-	US$	593	13	US$	593	
	Teknovus, Inc.	-	〃	1,599	US$	454	-	US$	454	
	Xceive	-	〃	3,936	US$	1,516	2	US$	1,516	
	Capital									
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-		-	31		-	
VTAF III	Common stock									
	Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US$	2,112	59	US$	2,112	
	Acionn Technology Corporation	Investee accounted for using equity method	〃	4,500	US$	566	42	US$	566	
	Preferred stock									
	Auramicro, Inc.	-	Financial assets carried at cost	4,694	US$	1,408	20	US$	1,408	
	BridgeLux, Inc.	-	〃	4,955	US$	6,391	4	US$	6,391	
	Exclara, Inc.	-	〃	21,708	US$	4,568	18	US$	4,568	
	GTBF, Inc.	-	〃	1,154	US$	1,500	N/A	US$	1,500	
	InvenSense, Inc.	-	〃	816	US$	1,000	1	US$	1,000	
	LiquidLeds Lighting Corp.	-	〃	1,600	US$	800	11	US$	800	
	M2000, Inc.	-	〃	3,000	US$	3,000	5	US$	3,000	
	Neoconix, Inc.	-	〃	3,283	US$	4,608	6	US$	4,608	
	Powervation, Ltd.	-	〃	310	US$	4,678	16	US$	4,678	
	Quellan, Inc.	-	〃	3,106	US$	457	6	US$	457	
	Silicon Technical Services, LLC	-	〃	1,055	US$	1,208	1	US$	1,208	
	Tilera, Inc.	-	〃	3,222	US$	2,781	3	US$	2,781	
	Validity Sensors, Inc.	-	〃	8,070	US$	3,089	3	US$	3,089	
	Capital									
	Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US$	823	100	US$	823	
	VTA Holdings	Subsidiary	〃	-		-	62		-	
Growth Fund	Common stock									
	Staccato	-	Financial assets carried at cost	10	US$	25	-	US$	25	
	SiliconBlue Technologies, Inc.	-	〃	5,107	US$	762	2	US$	762	
ISDF	Common stock									
	Memsic, Inc.	-	Available-for-sale financial assets	1,364	US$	4,472	6	US$	4,472	
	Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	557	US$	154	2	US$	154	
	Preferred stock									
	Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US$	1,221	9	US$	1,221	
	IP Unity, Inc.	-	〃	1,008	US$	290	1	US$	290	
	Sonics, Inc.	-	〃	230	US$	497	2	US$	497	
ISDF II	Common stock									
	Memsic, Inc.	-	Available-for-sale financial assets	1,145	US$	3,754	5	US$	3,754	
	Sonics, Inc.	-	Financial assets carried at cost	278	US$	10	3	US$	10	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Epic Communication, Inc.	-	Financial assets carried at cost	50	US$ 23	-	US$ 23	
	EON Technology, Corp.	-	〃	2,368	US$ 656	3	US$ 656	
	Goyatek Technology, Corp.	-	〃	932	US$ 545	6	US$ 545	
	Capella Microsystems (Taiwan), Inc.	-	〃	561	US$ 210	2	US$ 210	
	Auden Technology MFG. Co., Ltd.	-	〃	1,049	US$ 223	3	US$ 223	
	Preferred stock							
	Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US$ 3,664	18	US$ 3,664	
	FangTek, Inc.	-	〃	1,032	US$ 686	6	US$ 686	
	Kilopass Technology, Inc.	-	〃	3,887	US$ 500	5	US$ 500	
	Sonics, Inc.	-	〃	264	US$ 456	3	US$ 456	
GUC	Open-end mutual fund							
	Jih Sun Bond Fund	-	Available-for-sale financial assets	5,668	$ 80,008	-	$ 80,008	
	FSITC Taiwan Bond Fund	-	〃	352	60,005	-	60,005	
	Cathay Bond Fund	-	〃	2,509	30,001	-	30,001	
	Common stock							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	38,617	100	38,617	
	GUC-Japan	Subsidiary	〃	1	12,899	100	12,899	
	GUC-Europe	Subsidiary	〃	-	5,213	100	5,213	
	GUC-BVI	Subsidiary	〃	550	17,466	100	17,466	
Xintec	Capital							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	Corporate bond							
	Ab Svensk Exportkredit Swedish	-	Available-for-sale financial assets	5,000	US$ 5,144	N/A	US$ 5,144	
	African Development Bank	-	〃	2,600	US$ 2,622	N/A	US$ 2,622	
	Allstate Life Global Fdg	-	〃	220	US$ 221	N/A	US$ 221	
	Asian Development Bank	-	〃	2,500	US$ 2,497	N/A	US$ 2,497	
	Astrazeneca Plc	-	〃	2,150	US$ 2,349	N/A	US$ 2,349	
	Australia + New Zealand Bkg	-	〃	2,000	US$ 2,054	N/A	US$ 2,054	
	Banco Bilbao Vizcaya P R	-	〃	3,250	US$ 3,248	N/A	US$ 3,248	
	Bank New York Inc. Medium	-	〃	2,100	US$ 2,262	N/A	US$ 2,262	
	Bank of New York Mellon	-	〃	2,200	US$ 2,208	N/A	US$ 2,208	
	Bear Stearns Cos Inc.	-	〃	5,000	US$ 4,974	N/A	US$ 4,974	
	Bear Stearns Cos Inc.	-	〃	3,500	US$ 3,391	N/A	US$ 3,391	
	Bhp Billiton Fin USA Ltd.	-	〃	2,000	US$ 2,129	N/A	US$ 2,129	
	Bnp Paribas SA	-	〃	2,310	US$ 2,339	N/A	US$ 2,339	
	Boeing Co.	-	〃	450	US$ 445	N/A	US$ 445	
	Bsch Issuances Ltd.	-	〃	2,250	US$ 2,359	N/A	US$ 2,359	
	Cello Part/Veri Wirelss	-	〃	2,000	US$ 2,068	N/A	US$ 2,068	
	Citibank NA	-	〃	5,000	US$ 4,996	N/A	US$ 4,996	
	Citigroup funding Inc.	-	〃	2,000	US$ 2,016	N/A	US$ 2,016	
	Credit Suisse New York	-	〃	2,000	US$ 2,057	N/A	US$ 2,057	
	European Investment Bank	-	〃	2,250	US$ 2,243	N/A	US$ 2,243	
	Federal Farm Cr Bks	-	〃	2,250	US$ 2,254	N/A	US$ 2,254	
	Finance for Danish Ind	-	〃	1,900	US$ 1,900	N/A	US$ 1,900	
	General Elec Cap Corp.	-	〃	1,000	US$ 978	N/A	US$ 978	
	General Elec Cap Corp.	-	〃	7,000	US$ 7,001	N/A	US$ 7,001	
	General Elec Cap Corp. Fdic Gtd	-	〃	2,500	US$ 2,547	N/A	US$ 2,547	
	Goldman Sachs Group Inc.	-	〃	2,000	US$ 1,939	N/A	US$ 1,939	
	Goldman Sachs Group Incser 2	-	〃	3,000	US$ 3,012	N/A	US$ 3,012	
	Hewlett Packard Co.	-	〃	3,000	US$ 3,000	N/A	US$ 3,000	
	HSBC Fin Corp.	-	〃	2,315	US$ 2,233	N/A	US$ 2,233	
	HSBC USA Inc. Fdic Gtd Tlgp	-	〃	2,200	US$ 2,277	N/A	US$ 2,277	
	IBM Corp.	-	〃	1,800	US$ 1,796	N/A	US$ 1,796	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	International Business Machs	-	Available-for-sale financial assets	3,000	US$ 3,027	N/A	US$ 3,027	
	Intl Bk Recon + Develop	-	〃	2,000	US$ 2,069	N/A	US$ 2,069	
	JP Morgan Chase + Co.	-	〃	2,500	US$ 2,523	N/A	US$ 2,523	
	JP Morgan Chase + Co. Fdic Gtd Tlg	-	〃	3,000	US$ 3,030	N/A	US$ 3,030	
	Kfw	-	〃	2,230	US$ 2,236	N/A	US$ 2,236	
	Kfw Medium Term Nts Book Entry	-	〃	1,950	US$ 1,953	N/A	US$ 1,953	
	Kreditanstalt Fur Wiederaufbau	-	〃	650	US$ 673	N/A	US$ 673	
	Lloyds Tsb Bank Plc Ser 144A	-	〃	5,950	US$ 6,049	N/A	US$ 6,049	
	Mellon Fdg Corp.	-	〃	3,500	US$ 3,419	N/A	US$ 3,419	
	Met Life Glob Funding I	-	〃	2,100	US$ 2,142	N/A	US$ 2,142	
	Met Life Glob Funding I	-	〃	500	US$ 502	N/A	US$ 502	
	Metlife Inc.	-	〃	2,000	US$ 2,017	N/A	US$ 2,017	
	Metropolitan Life Global Fdg	-	〃	750	US$ 739	N/A	US$ 739	
	Metropolitan Life Global Fdg I	-	〃	3,340	US$ 3,278	N/A	US$ 3,278	
	Morgan Stanley	-	〃	2,200	US$ 2,212	N/A	US$ 2,212	
	Morgan Stanley	-	〃	2,000	US$ 2,032	N/A	US$ 2,032	
	Morgan Stanley Fdic Gtd Tlgp	-	〃	2,210	US$ 2,244	N/A	US$ 2,244	
	Morgan Stanley for Equity	-	〃	2,000	US$ 1,943	N/A	US$ 1,943	
	Nordea Bank Fld Plc	-	〃	2,250	US$ 2,240	N/A	US$ 2,240	
	Oesterreichische Kontrollbank	-	〃	2,000	US$ 2,059	N/A	US$ 2,059	
	Ontario (Province of)	-	〃	2,000	US$ 1,980	N/A	US$ 1,980	
	Paccar Finl Corp. Mtn Bk Ent	-	〃	1,000	US$ 1,007	N/A	US$ 1,007	
	Pricoa Global Fdg I Med Term	-	〃	1,750	US$ 1,638	N/A	US$ 1,638	
	Pricoa Global Funding 1	-	〃	1,200	US$ 1,167	N/A	US$ 1,167	
	Pricoa Global Fdg I Medium	-	〃	2,200	US$ 2,130	N/A	US$ 2,130	
	Royal Bk of Scotland Plc	-	〃	5,000	US$ 5,078	N/A	US$ 5,078	
	Royal Bk Scotlnd Grp Plc 144A	-	〃	9,450	US$ 9,578	N/A	US$ 9,578	
	Southern Co.	-	〃	600	US$ 602	N/A	US$ 602	
	Sovereign Bancorp Fdic Gtd Tlg	-	〃	2,200	US$ 2,246	N/A	US$ 2,246	
	State Str Corp.	-	〃	1,940	US$ 1,920	N/A	US$ 1,920	
	Suncorp Metway Ltd.	-	〃	2,000	US$ 2,004	N/A	US$ 2,004	
	Suncorp Metway Ltd.	-	〃	5,000	US$ 5,170	N/A	US$ 5,170	
	Svenska Handelsbanken Ab	-	〃	2,200	US$ 2,214	N/A	US$ 2,214	
	Swedbank Ab	-	〃	2,000	US$ 1,994	N/A	US$ 1,994	
	Swedbank Foreningssparbanken A	-	〃	1,500	US$ 1,537	N/A	US$ 1,537	
	Ubs Ag Stamford	-	〃	1,300	US$ 1,300	N/A	US$ 1,300	
	US Central Federal Cred	-	〃	4,800	US$ 4,799	N/A	US$ 4,799	
	Verizon Communications Inc.	-	〃	2,200	US$ 2,294	N/A	US$ 2,294	
	Verizon Global Fdg Corp.	-	〃	500	US$ 528	N/A	US$ 528	
	Wachovia Corp. New	-	〃	4,000	US$ 4,246	N/A	US$ 4,246	
	Wells Fargo + Company	-	〃	2,000	US$ 2,013	N/A	US$ 2,013	
	Westfield Cap Corp. Ltd.	-	〃	500	US$ 514	N/A	US$ 514	
	Westpac Banking Corp.	-	〃	2,100	US$ 2,112	N/A	US$ 2,112	
	Westpac Banking Corp.	-	〃	2,170	US$ 2,168	N/A	US$ 2,168	
	Nationwide Building Society	-	Held-to-maturity financial assets	8,000	US$ 8,000	N/A	US$ 8,008	
	Westpac Banking Corp. 12/12 Frn	-	〃	5,000	US$ 5,000	N/A	US$ 4,999	
	Agency bond							
	Fannif Mae	-	Available-for-sale financial assets	2,820	US$ 2,814	N/A	US$ 2,814	
	Fed Hm Ln Pc Pool 1b2830	-	〃	2,554	US$ 2,635	N/A	US$ 2,635	
	Fed Hm Ln Pc Pool 1g0115	-	〃	2,271	US$ 2,315	N/A	US$ 2,315	
	Fed Hm Ln Pc Pool 1k1210	-	〃	2,053	US$ 2,121	N/A	US$ 2,121	
	Fed Hm Ln Pc Pool 780741	-	〃	2,121	US$ 2,181	N/A	US$ 2,181	
	Federal Farm Cr Bks	-	〃	2,000	US$ 2,117	N/A	US$ 2,117	
	Federal Farm Credit Bank	-	〃	3,000	US$ 2,990	N/A	US$ 2,990	
	Federal Farm Credit Bank	-	〃	2,200	US$ 2,258	N/A	US$ 2,258	
	Federal Home Ln Bank	-	〃	11,000	US$ 11,028	N/A	US$ 11,028	
	Federal Home Ln Mtg Corp.	-	〃	1,350	US$ 1,352	N/A	US$ 1,352	
	Federal Home Ln Mtg Corp.	-	〃	3,421	US$ 3,533	N/A	US$ 3,533	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Federal Home Ln Mtg Corp.	-	Available-for-sale financial assets	2,662	US$ 2,763	N/A	US$ 2,763	
	Federal Home Ln Mtg Corp.	-	〃	2,469	US$ 2,521	N/A	US$ 2,521	
	Federal Home Ln Mtg Corp.	-	〃	2,309	US$ 2,350	N/A	US$ 2,350	
	Federal Home Ln Mtg Corp.	-	〃	2,358	US$ 2,448	N/A	US$ 2,448	
	Federal Home Loan Bank	-	〃	10,000	US$ 9,987	N/A	US$ 9,987	
	Federal Home Loan Bank	-	〃	8,000	US$ 7,992	N/A	US$ 7,992	
	Federal Home Loan Bank	-	〃	10,000	US$ 10,012	N/A	US$ 10,012	
	Federal Home Loan Bank	-	〃	4,700	US$ 4,715	N/A	US$ 4,715	
	Federal Home Loan Bank	-	〃	11,200	US$ 11,186	N/A	US$ 11,186	
	Federal Home Loan Bank	-	〃	3,310	US$ 3,319	N/A	US$ 3,319	
	Federal Home Loan Bank	-	〃	3,000	US$ 2,989	N/A	US$ 2,989	
	Federal Home Loan Bank	-	〃	3,000	US$ 2,983	N/A	US$ 2,983	
	Federal Home Loan Bank	-	〃	3,000	US$ 2,984	N/A	US$ 2,984	
	Federal Home Loan Mtg Corp.	-	〃	1,411	US$ 1,441	N/A	US$ 1,441	
	Federal Home Loan Mtg Corp.	-	〃	1,940	US$ 2,012	N/A	US$ 2,012	
	Federal National Mort Assoc	-	〃	2,117	US$ 2,176	N/A	US$ 2,176	
	Federal National Mort Assoc	-	〃	1,752	US$ 1,782	N/A	US$ 1,782	
	Federal Natl Mtg Assn Gtd Remi	-	〃	2,854	US$ 2,926	N/A	US$ 2,926	
	Federal Natl Mtg Assn Mtn	-	〃	2,669	US$ 2,765	N/A	US$ 2,765	
	Federal Natl Mtg Assn Remic	-	〃	2,871	US$ 2,953	N/A	US$ 2,953	
	Federal Natl Mtg Assn	-	〃	4,000	US$ 4,228	N/A	US$ 4,228	
	Federal Natl Mtge Assn	-	〃	2,039	US$ 2,126	N/A	US$ 2,126	
	Fhr 3087 Jb	-	〃	2,540	US$ 2,656	N/A	US$ 2,656	
	Fnma Pool 745688	-	〃	2,272	US$ 2,336	N/A	US$ 2,336	
	Fnma Pool 790772	-	〃	1,527	US$ 1,568	N/A	US$ 1,568	
	Fnma Pool 819649	-	〃	2,318	US$ 2,383	N/A	US$ 2,383	
	Fnma Pool 829989	-	〃	2,146	US$ 2,221	N/A	US$ 2,221	
	Fnma Pool 846233	-	〃	2,288	US$ 2,332	N/A	US$ 2,332	
	Fnma Pool 870884	-	〃	2,357	US$ 2,442	N/A	US$ 2,442	
	Fnma Pool 879908	-	〃	2,056	US$ 2,128	N/A	US$ 2,128	
	Fnr 2005 47 Ha	-	〃	2,652	US$ 2,753	N/A	US$ 2,753	
	Fnr 2006 60 Co	-	〃	3,062	US$ 3,153	N/A	US$ 3,153	
	Fnr 2009 70 Nt	-	〃	2,537	US$ 2,609	N/A	US$ 2,609	
	Freddie Mac	-	〃	4,500	US$ 4,491	N/A	US$ 4,491	
	Gnma II Pool 082431	-	〃	2,000	US$ 2,030	N/A	US$ 2,030	
	Government bond							
	US Treasury N/B	-	Available-for-sale financial assets	21,400	US$ 21,394	N/A	US$ 21,394	
	US Treasury N/B	-	〃	2,170	US$ 2,158	N/A	US$ 2,158	
	US Treasury Nts	-	〃	37,700	US$ 39,012	N/A	US$ 39,012	
	United States Treas Nts	-	〃	10,536	US$ 10,548	N/A	US$ 10,548	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US$ 15,000	N/A	US$ 15,091	
	Corporate issued note							
	Barclays U.S. Fdg LLC	-	Available-for-sale financial assets	4,500	US$ 4,489	N/A	US$ 4,489	
	Royal Bk of Scotland	-	〃	5,000	US$ 4,982	N/A	US$ 4,982	
	Money market fund							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	8,858	US$ 8,858	N/A	US$ 8,858	

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Investees

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) or Disposal (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)
TSMC	Corporate bond													
	Taiwan Mobile Co., Ltd.	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	$ 2,032,658	-	$ -	-	$ 1,037,370	$ 1,000,000	$ 37,370	-	$ 1,046,672
	Formosa Petrochemical Corporation	Held-to-maturity financial assets	〃	-	-	3,554,908	-	457,351	-	-	-	-	-	3,178,551
	Taiwan Power Company	〃	〃	-	-	4,209,629	-	203,892	-	-	-	-	-	3,004,941
	Formosa Plastic Corporation	〃	〃	-	-	2,385,285	-	203,994	-	-	-	-	-	1,671,815
	China Steel Corporation	〃	〃	-	-	1,000,000	-	514,672	-	-	-	-	-	1,512,130
	Taipei Fubon Commercial Bank Co., Ltd.	〃	〃	-	-	-	-	298,677	-	-	-	-	-	298,884
	Government bond													
	European Investment Bank Bonds	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	383,387	-	2,025,500	-	400,000	383,909	16,091	-	2,003,876
	Capital													
	VTAF III	Investments accounted for using equity method	-	Subsidiary	-	1,305,605	-	262,922	-	-	-	-	-	1,309,615
TSMC Development	Corporate bond													
	JP Morgan Chase & Co.	Held-to-maturity financial assets	JP Morgan Securitied Inc.	-	-	-	-	US$ 15,000	-	-	-	-	-	US$ 15,000
GUC	Open-end mutual fund													
	Jih Sun Bond Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	-	-	19,143	270,000	13,475	190,120	190,000	120	5,668	80,008
	FSITC Taiwan Bond Fund	〃	First Securities Investment Trust Co., Ltd.	-	-	-	1,146	195,000	794	135,206	135,000	206	352	60,005
	Prudential Financial Bond Fund	〃	Prudential Financial Securities Investment Trust Enterprise	-	-	-	11,261	170,000	11,261	170,319	170,000	319	-	-
	PCA Well Pool Fund	〃	PCA Securities Investment Trust Co., Ltd.	-	-	-	13,121	170,000	13,121	170,241	170,000	241	-	-
	Hua Nan Phoenix Bond Fund	〃	Hua Nan Investment Trust Co., Ltd.	-	-	-	10,287	160,000	10,287	160,143	160,000	143	-	-
TSMC Global	Corporate bond													
	Ab Svensk Exportkredit Swedish	Available-for-sale financial assets	-	-	-	-	5,000	US$ 5,185	-	-	-	-	5,000	US$ 5,144
	Banco Bilbao Vizcaya P R	〃	-	-	-	-	3,250	US$ 3,250	-	-	-	-	3,250	US$ 3,248
	Bear Stearns Cos Inc.	〃	-	-	-	-	5,000	US$ 4,965	-	-	-	-	5,000	US$ 4,974
	Bear Stearns Cos Inc.	〃	-	-	-	-	3,500	US$ 3,360	-	-	-	-	3,500	US$ 3,391
	Chase Manhattan Corp. New	〃	-	-	3,250	US$ 3,353	-	-	3,250	US$ 3,380	US$ 3,480	US$ (100)	-	-
	Citibank NA	〃	-	-	-	-	3,000	US$ 3,002	3,000	US$ 3,002	US$ 3,002	-	-	-
	Citibank NA	〃	-	-	-	-	5,000	US$ 4,995	-	-	-	-	5,000	US$ 4,996
	Deutsche Bank Ag London	〃	-	-	2,995	US$ 3,013	-	-	2,995	US$ 3,021	US$ 3,041	US$ (20)	-	-
	General Elec Cap Corp.	〃	-	-	-	-	5,000	US$ 4,834	4,000	US$ 3,880	US$ 3,868	US$ 12	1,000	US$ 978
	General Elec Cap Corp.	〃	-	-	-	-	7,000	US$ 7,002	-	-	-	-	7,000	US$ 7,001
	Goldman Sachs Group Incser 2	〃	-	-	-	-	3,000	US$ 3,016	-	-	-	-	3,000	US$ 3,012

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) or Disposal (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)
	International Business Machs	Available-for-sale financial assets	-	-	-	US$ -	3,000	US$ 3,030	-	US$ -	US$ -	US$ -	3,000	US$ 3,027
	JP Morgan Chase + Co. Fdic Gtd Tlg	〃	-	-	-	-	3,000	US$ 3,030	-	-	-	-	3,000	US$ 3,030
	Keycorp Fdic Gtd Tlgp	〃	-	-	-	-	5,000	US$ 5,061	5,000	US$ 5,061	US$ 5,061	-	-	-
	Lloyds Tsb Bank Plc Ser 144A	〃	-	-	-	-	5,950	US$ 6,077	-	-	-	-	5,950	US$ 6,049
	Mellon Fdg Corp.	〃	-	-	-	-	3,500	US$ 3,404	-	-	-	-	3,500	US$ 3,419
	Metropolitan Life Global Fdg I	〃	-	-	-	-	3,340	US$ 3,245	-	-	-	-	3,340	US$ 3,278
	Morgan Stanley	〃	-	-	4,855	US$ 4,552	-	-	4,855	US$ 4,751	US$ 4,768	US$ (17)	-	-
	Royal Bk of Scotland Plc	〃	-	-	-	-	5,000	US$ 5,106	-	-	-	-	5,000	US$ 5,078
	Royal Bk Scotlnd Grp Plc 144A	〃	-	-	-	-	9,450	US$ 9,596	-	-	-	-	9,450	US$ 9,578
	Suncorp Metway Ltd.	〃	-	-	-	-	5,000	US$ 5,192	-	-	-	-	5,000	US$ 5,170
	US Central Federal Cred	〃	-	-	-	-	4,800	US$ 4,799	-	-	-	-	4,800	US$ 4,799
	Wachovia Corp. New	〃	-	-	-	-	4,000	US$ 4,239	-	-	-	-	4,000	US$ 4,246
	Wachovia Corp. New	〃	-	-	3,130	US$ 3,135	-	-	3,130	US$ 3,195	US$ 3,100	US$ 95	-	-
	Wells Fargo + Co. New Med Trm	〃	-	-	4,500	US$ 4,493	-	-	4,500	US$ 4,524	US$ 4,282	US$ 242	-	-
	Nationwide Building Society	Held-to-maturity financial assets	-	-	-	-	8,000	US$ 8,000	-	-	-	-	8,000	US$ 8,000
	Westpac Banking Corp. 12/12 Frn	〃	-	-	-	-	5,000	US$ 5,000	-	-	-	-	5,000	US$ 5,000
	Agency bond													
	Fed Hm Ln Pc Pool 1g1282	Available-for-sale financial assets	-	-	3,215	US$ 3,285	-	-	3,179	US$ 3,281	US$ 3,171	US$ 110	-	-
	Fed Hm Ln Pc Pool b19205	〃	-	-	5,449	US$ 5,501	-	-	5,335	US$ 5,511	US$ 5,225	US$ 286	-	-
	Fed Home Ln Bank	〃	-	-	5,000	US$ 5,305	-	-	5,000	US$ 5,282	US$ 5,035	US$ 247	-	-
	Federal Farm Cr Bks	〃	-	-	3,400	US$ 3,610	-	-	3,400	US$ 3,590	US$ 3,411	US$ 179	-	-
	Federal Farm Credit Bank	〃	-	-	3,375	US$ 3,433	-	-	3,375	US$ 3,429	US$ 3,370	US$ 59	-	-
	Federal Home Ln Bank	〃	-	-	-	-	11,000	US$ 11,038	-	-	-	-	11,000	US$ 11,028
	Federal Home Ln Bks	〃	-	-	3,725	US$ 3,854	-	-	3,725	US$ 3,851	US$ 3,721	US$ 130	-	-
	Federal Home Ln Bks	〃	-	-	5,000	US$ 5,320	-	-	5,000	US$ 5,312	US$ 5,098	US$ 214	-	-
	Federal Home Ln Bks	〃	-	-	4,000	US$ 4,148	-	-	4,000	US$ 4,151	US$ 4,136	US$ 15	-	-
	Federal Home Ln Mtg	〃	-	-	5,000	US$ 5,340	-	-	5,000	US$ 5,334	US$ 5,186	US$ 148	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	3,340	US$ 3,428	-	-	3,340	US$ 3,431	US$ 3,335	US$ 96	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	3,500	US$ 3,560	-	-	3,500	US$ 3,561	US$ 3,494	US$ 67	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	3,500	US$ 3,743	-	-	3,500	US$ 3,749	US$ 3,786	US$ (37)	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	-	-	3,679	US$ 3,824	-	-	-	-	3,421	US$ 3,533
	Federal Home Ln Mtg Corp.	〃	-	-	3,060	US$ 3,108	-	-	3,005	US$ 3,078	US$ 3,003	US$ 75	-	-
	Federal Home Loan Bank	〃	-	-	-	-	10,000	US$ 9,996	-	-	-	-	10,000	US$ 9,987
	Federal Home Loan Bank	〃	-	-	-	-	10,000	US$ 10,002	2,000	US$ 2,000	US$ 2,000	-	8,000	US$ 7,992
	Federal Home Loan Bank	〃	-	-	-	-	10,000	US$ 10,035	-	-	-	-	10,000	US$ 10,012
	Federal Home Loan Bank	〃	-	-	-	-	4,700	US$ 4,723	-	-	-	-	4,700	US$ 4,715
	Federal Home Loan Bank	〃	-	-	-	-	11,200	US$ 11,200	-	-	-	-	11,200	US$ 11,186
	Federal Home Loan Bank	〃	-	-	-	-	3,310	US$ 3,310	-	-	-	-	3,310	US$ 3,319
	Federal Home Loan Bank	〃	-	-	-	-	3,000	US$ 3,000	-	-	-	-	3,000	US$ 2,984
	Federal Home Loan Bank	〃	-	-	4,500	US$ 4,710	-	-	4,500	US$ 4,709	US$ 4,518	US$ 191	-	-
	Federal Natl Mtg Assn	〃	-	-	-	-	9,246	US$ 9,474	9,246	US$ 9,461	US$ 9,474	US$ (13)	-	-
	Federal Natl Mtg Assn	〃	-	-	3,700	US$ 3,713	-	-	3,700	US$ 3,712	US$ 3,700	US$ 12	-	-
	Federal Natl Mtg Assn	〃	-	-	4,000	US$ 4,169	-	-	4,000	US$ 4,180	US$ 4,117	US$ 63	-	-
	Federal Natl Mtg Assn	〃	-	-	3,500	US$ 3,809	-	-	3,500	US$ 3,801	US$ 3,645	US$ 156	-	-
	Federal Natl Mtg Assn	〃	-	-	-	-	4,000	US$ 4,261	-	-	-	-	4,000	US$ 4,228
	Federal Natl Mtg Assn	〃	-	-	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 Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) or Disposal (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)
	Federal Natl Mtg Assn Gtd Remi	Available-for-sale financial assets	-	-	-	US$ -	3,062	US$ 3,153	-	US$ -	US$ -	US$ -	2,854	US$ 2,926
	Federal Natl Mtg Assn Remic	〃	-	-	-	-	3,036	US$ 3,127	-	-	-	-	2,871	US$ 2,953
	Fnma Pool 257245	〃	-	-	3,456	US$ 3,513	-	-	3,415	US$ 3,513	US$ 3,437	US$ 76	-	-
	Fnma Pool 691283	〃	-	-	2,963	US$ 3,039	-	-	2,932	US$ 3,028	US$ 2,920	US$ 108	-	-
	Fnma Pool 852300	〃	-	-	-	-	9,276	US$ 9,843	9,206	US$ 9,773	US$ 9,770	US$ 3	-	-
	Fnma Pool 852347	〃	-	-	-	-	3,761	US$ 3,991	3,721	US$ 3,950	US$ 3,949	US$ 1	-	-
	Fnma Pool 888738	〃	-	-	3,669	US$ 3,776	-	-	3,659	US$ 3,828	US$ 3,801	US$ 27	-	-
	Fnma Pool 888793	〃	-	-	4,105	US$ 4,242	-	-	4,071	US$ 4,265	US$ 4,207	US$ 58	-	-
	Fnma Pool 955778	〃	-	-	-	-	7,680	US$ 8,138	7,395	US$ 7,829	US$ 7,836	US$ (7)	-	-
	Fnr 2006 60 Co	〃	-	-	-	-	3,239	US$ 3,352	-	-	-	-	3,062	US$ 3,153
	Freddie Mac	〃	-	-	-	-	4,500	US$ 4,490	-	-	-	-	4,500	US$ 4,491
	Government bond													
	United States Treas Nts	Available-for-sale financial assets	-	-	10,266	US$ 10,374	-	-	10,357	US$ 11,258	US$ 11,258	-	10,536	US$ 10,548
	US Treasury N/B	〃	-	-	-	-	41,900	US$ 41,931	20,500	US$ 20,564	US$ 20,515	US$ 49	21,400	US$ 21,394
	US Treasury N/B	〃	-	-	-	-	3,520	US$ 3,498	1,350	US$ 1,358	US$ 1,341	US$ 17	2,170	US$ 2,158
	US Treasury Nts	〃	-	-	-	-	50,000	US$ 52,184	12,300	US$ 12,826	US$ 12,837	US$ (11)	37,700	US$ 39,012
	Societe De Financement De Lec	Held-to-maturity financial assets	-	-	-	-	15,000	US$ 15,000	-	-	-	-	15,000	US$ 15,000
	Corporate issued note													
	Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	-	-	4,500	US$ 4,489	-	-	-	-	4,500	US$ 4,489
	Royal Bk of Scotland	〃	-	-	-	-	5,000	US$ 4,982	-	-	-	-	5,000	US$ 4,982
	Money market fund													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	30,435	US$ 30,435	495,908	US$ 495,908	517,485	US$ 517,485	US$ 517,485	-	8,858	US$ 8,858
	Corporate issued asset-backed securities													
	Banc Amer Coml Mtg Inc.	Available-for-sale financial assets	-	-	4,597	US$ 4,584	-	-	4,472	US$ 4,480	US$ 4,584	US$ (104)	-	-
	Cit Equip Coll Tr	〃	-	-	4,000	US$ 3,884	-	-	4,000	US$ 3,925	US$ 3,996	US$ (71)	-	-
	Credit Suisse First Boston Mtg	〃	-	-	4,353	US$ 4,349	-	-	4,090	US$ 4,085	US$ 4,188	US$ (103)	-	-
	First Un Natl Bk Coml Mtg Tr	〃	-	-	4,788	US$ 4,715	-	-	4,774	US$ 4,780	US$ 4,954	US$ (174)	-	-
	Lb Ubs Coml Mtg Tr	〃	-	-	3,737	US$ 3,495	-	-	3,725	US$ 3,537	US$ 3,697	US$ (160)	-	-
	Tiaa Seasoned Coml Mtg Tr	〃	-	-	3,397	US$ 3,163	-	-	3,375	US$ 3,283	US$ 3,392	US$ (109)	-	-
	Wamu Mtg	〃	-	-	3,214	US$ 2,925	-	-	3,172	US$ 3,106	US$ 3,114	US$ (8)	-	-

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

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

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets, translation adjustments or equity in earnings/losses of equity method investees.

(Concluded)

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	October 25, 2009 to December 30, 2009	$ 514,777	By the construction progress	Fu Tsu Construction Co., Ltd. and China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

TABLE 4

Taiwan Semiconductor Manufacturing Company Limited and Investees

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America	Subsidiary	Sales	$ 161,251,368	54	Net 30 days after invoice date	-	-	$ 22,203,242	52	
	GUC	Investee with a controlling financial interest	Sales	2,023,612	1	Net 30 days after monthly closing	-	-	338,502	1	
	VIS	Investee accounted for using equity method	Sales	139,044	-	Net 30 days after invoice date	-	-	-	-	
	WaferTech	Indirect subsidiary	Purchases	5,560,707	18	Net 30 days after monthly closing	-	-	(561,165)	5	
	TSMC China	Subsidiary	Purchases	3,787,113	12	Net 30 days after monthly closing	-	-	(481,500)	4	
	SSMC	Investee accounted for using equity method	Purchases	3,537,659	11	Net 30 days after monthly closing	-	-	(238,741)	2	
	VIS	Investee accounted for using equity method	Purchases	3,312,656	10	Net 30 days after monthly closing	-	-	(529,060)	5	
GUC	TSMC North America	Same parent company	Purchases	937,160	28	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(173,789)	25	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	1,801,655	77	Net 30 days after monthly closing	-	-	397,695	73	

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

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Investees

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

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

Note 1: The calculation of turnover days excludes other receivables from related parties.
Note 2: The ending balance primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Investees

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE DECEMBER 31, 2009

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	$ 42,327,245	$ 42,327,245	1	100	$ 45,397,256	$ 505,232	$ 505,232	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry.	31,456,130	31,456,130	988,268	100	32,545,619	(54,907)	(54,907)	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	37	9,365,232	89,241	(368,710)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,157,141	1,608,714	427,022	Investee accounted for using equity method
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	2,961,043	(3,244,458)	(3,242,122)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,723,727	360,562	360,562	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,475,014	10,597	(20,659)	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,703,163	1,440,241	-	98	1,309,615	(224,620)	(223,546)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,093,943	1,036,422	-	98	1,122,810	(178,442)	(174,873)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	983,126	412,771	146,384	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	959,044	986,797	-	99	305,866	(92,606)	(92,143)	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	159,467	35,445	35,445	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	135,663	4,203	4,203	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	18,519	2,392	2,392	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US$ 0.001	US$ 0.001	1	100	US$ 340,387	US$ 9,293	Note 2	Subsidiary
	VisEra Holding Company	Cayman Islands	Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US$ 43,000	US$ 43,000	43,000	49	US$ 70,967	US$ 322	Note 2	Investee accounted for using equity method
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US$ 21,415	US$ 32,289	21,415	97	US$ 13,741	US$ 960	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US$ 0.001	US$ 0.001	1	100	US$ 9,071	US$ 662	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	US$ 7,680	US$ 7,680	7,680	97	US$ 7,336	US$ (1,504)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	US$ 2,300	US$ 2,300	2,300	100	US$ 3,193	US$ 210	Note 2	Subsidiary (Note 3)
	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US$ 800	-	5,333	70	US$ 800	US$ (24)	Note 2	Investee accounted for using equity method
	Mcube Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US$ 1,000	-	1,000	10	US$ 1,000	US$ (24)	Note 2	Investee accounted for using equity method
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US$ 330,000	US$ 380,000	293,637	100	US$ 154,432	US$ (125)	Note 2	Subsidiary
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US$ 91,041	US$ 91,041	253,120	89	US$ 125,983	US$ 313	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US$ 3,088	US$ 1,705	9,180	59	US$ 2,112	US$ (1,105)	Note 2	Subsidiary
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US$ 1,777	US$ 1,777	4,500	42	US$ 566	US$ (1,239)	Note 2	Investee accounted for using equity method
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	US$ 1,550	US$ 700	-	100	US$ 823	US$ (127)	Note 2	Subsidiary (Note 3)
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US$ 800	US$ 800	800	100	$ 38,617	$ 5,617	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,899	1,608	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50	-	100	5,213	353	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US$ 550	-	550	100	17,466	(133)	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary (Note 3)

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

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

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

TABLE 7

Taiwan Semiconductor Manufacturing Company Limited

INFORMATION OF INVESTMENT IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2009

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2009 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US$ in Thousand)	Percentage of Ownership
					Outflow	Inflow		
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	$ 12,180,367 (RMB 3,070,623)	(Note 1)	$ 12,180,367 (US$ 371,000)	$ -	$ -	$ 12,180,367 (US$ 371,000)	100%

Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009	Accumulated Investment in Mainland China as of December 31, 2009 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment (US$ in Thousand)
$ (3,242,122)	$ 2,961,043	$ -	$ 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 audited financial statements.

8. Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

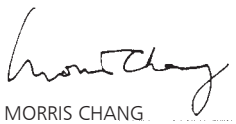
REPRESENTATION LETTER

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

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By



MORRIS CHANG
Chairman

January 22, 2010

IINDEPENDENT AUDITORS' REPORT

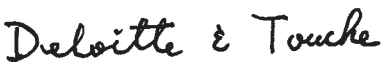
The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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



January 22, 2010

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

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

ASSETS	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 171,276,341	29	$ 194,613,752	35
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	186,081	-	55,730	-
Available-for-sale financial assets (Notes 2, 6 and 24)	14,389,946	2	10,898,715	2
Held-to-maturity financial assets (Notes 2, 7 and 24)	9,944,843	2	5,881,999	1
Receivables from related parties	12,524	-	407	-
Notes and accounts receivable	44,637,642	7	25,023,321	4
Allowance for doubtful receivables (Notes 2 and 8)	(543,325)	-	(455,751)	-
Allowance for sales returns and others (Notes 2 and 8)	(8,724,481)	(1)	(6,071,026)	(1)
Other receivables from related parties	121,292	-	99,918	-
Other financial assets (Note 26)	1,849,987	-	1,911,699	-
Inventories (Notes 2, 3 and 9)	20,913,751	4	14,876,645	3
Deferred income tax assets (Notes 2 and 18)	4,370,309	1	3,969,330	1
Prepaid expenses and other current assets	1,368,838	-	1,813,692	-
Total current assets	259,803,748	44	252,618,431	45
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)				
Investments accounted for using equity method	17,871,208	3	18,907,158	3
Available-for-sale financial assets	1,358,049	-	2,032,658	-
Held-to-maturity financial assets	15,553,242	3	15,426,252	3
Financial assets carried at cost	3,063,004	1	3,615,447	1
Total long-term investments	37,845,503	7	39,981,515	7
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)				
Cost				
Land and land improvements	934,090	-	953,857	-
Buildings	142,294,558	24	132,249,996	24
Machinery and equipment	775,653,489	130	697,498,743	125
Office equipment	13,667,747	2	12,430,800	2
Leased assets	714,424	-	722,339	-
	933,264,308	156	843,855,735	151
Accumulated depreciation	(693,743,886)	(117)	(618,816,267)	(110)
Advance payments and construction in progress	34,154,365	6	18,605,882	3
Net property, plant and equipment	273,674,787	45	243,645,350	44
INTANGIBLE ASSETS				
Goodwill (Note 2)	5,931,318	1	6,044,392	1
Deferred charges, net (Notes 2 and 13)	6,458,554	1	7,125,828	1
Total intangible assets	12,389,872	2	13,170,220	2
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 18)	7,988,303	1	6,636,873	1
Refundable deposits	2,733,143	1	2,767,199	1
Others (Notes 2 and 26)	260,864	-	97,001	-
Total other assets	10,982,310	2	9,501,073	2
TOTAL	$ 594,696,220	100	$ 558,916,589	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	$ 25	-	$ 85,187	-
Accounts payable	10,905,884	2	5,553,151	1
Payables to related parties (Note 25)	783,007	-	489,857	-
Income tax payable (Notes 2 and 18)	8,800,249	1	9,331,825	2
Salary and bonus payable	9,317,035	2	2,215,780	-
Accrued profit sharing to employees and bonus to directors and supervisors (Notes 2, 3 and 20)	6,818,343	1	15,369,730	3
Payables to contractors and equipment suppliers	28,924,265	5	7,998,773	1
Accrued expenses and other current liabilities (Notes 16, 24 and 28)	12,635,182	2	7,540,055	1
Current portion of bonds payable and bank loans (Notes 14, 15, 24 and 26)	949,298	-	8,222,398	2
Total current liabilities	79,133,288	13	56,806,756	10
LONG-TERM LIABILITIES				
Bonds payable (Notes 14 and 24)	4,500,000	1	4,500,000	1
Long-term bank loans (Notes 15, 24 and 26)	578,560	-	1,420,476	-
Other long-term payables (Notes 16, 24 and 28)	5,602,420	1	9,548,226	2
Obligations under capital leases (Notes 2 and 24)	707,499	-	722,339	-
Total long-term liabilities	11,388,479	2	16,191,041	3
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	3,797,032	1	3,701,584	1
Guarantee deposits (Note 28)	1,006,023	-	1,484,495	-
Deferred credits (Note 2)	185,689	-	316,537	-
Others	137,161	-	43,709	-
Total other liabilities	5,125,905	1	5,546,325	1
Total liabilities	95,647,672	16	78,544,122	14
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock - NT$10 par value (Notes 20 and 22)				
Authorized: 28,050,000 thousand shares				
Issued: 25,902,706 thousand shares in 2009				
25,625,437 thousand shares in 2008	259,027,066	43	256,254,373	46
Capital surplus (Notes 2 and 20)	55,486,010	9	49,875,255	9
Retained earnings (Note 20)				
Appropriated as legal capital reserve	77,317,710	13	67,324,393	12
Appropriated as special capital reserve	-	-	391,857	-
Unappropriated earnings	104,564,972	18	102,337,417	18
	181,882,682	31	170,053,667	30
Others (Notes 2, 22 and 24)				
Cumulative translation adjustments	(1,766,667)	-	481,158	-
Unrealized gain/loss on financial instruments	453,621	-	(287,342)	-
	(1,313,046)	-	193,816	-
Equity attributable to shareholders of the parent	495,082,712	83	476,377,111	85
MINORITY INTERESTS (Note 2)	3,965,836	1	3,995,356	1
Total shareholders' equity	499,048,548	84	480,372,467	86
TOTAL	$ 594,696,220	100	$ 558,916,589	100

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	$ 309,655,614		$ 341,983,355	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	13,913,375		8,825,695	
NET SALES	295,742,239	100	333,157,660	100
COST OF SALES (Notes 3, 9, 19 and 25)	166,413,628	56	191,408,099	58
GROSS PROFIT	129,328,611	44	141,749,561	42
OPERATING EXPENSES (Note 19)				
Research and development	21,593,398	7	21,480,937	7
General and administrative	11,285,478	4	11,096,599	3
Marketing	4,487,849	2	4,736,657	1
Total operating expenses	37,366,725	13	37,314,193	11
INCOME FROM OPERATIONS	91,961,886	31	104,435,368	31
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	2,600,925	1	5,373,823	2
Settlement income (Note 28)	1,464,915	1	951,180	-
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	594,660	-	-	-
Technical service income (Notes 25 and 28)	367,013	-	1,181,966	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	45,994	-	701,533	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	15,999	-	721,050	-
Foreign exchange gain, net (Note 2)	-	-	1,227,653	1
Others (Note 2)	564,042	-	664,244	-
Total non-operating income and gains	5,653,548	2	10,821,449	3
NON-OPERATING EXPENSES AND LOSSES				
Impairment of financial assets (Notes 2, 6, 11 and 24)	$ 913,230	1	$ 1,560,055	1
Foreign exchange loss, net (Note 2)	626,971	-	-	-
Interest expense	391,479	-	614,988	-
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	-	-	1,081,019	-
Loss on idle assets (Note 2)	-	-	210,477	-
Others (Note 2)	221,107	-	318,032	-
Total non-operating expenses and losses	2,152,787	1	3,784,571	1
INCOME BEFORE INCOME TAX	95,462,647	32	111,472,246	33
INCOME TAX EXPENSE (Notes 2 and 18)	5,996,424	2	10,949,009	3
NET INCOME	$ 89,466,223	30	$ 100,523,237	30
ATTRIBUTABLE TO:				
Shareholders of the parent	$ 89,217,836	30	$ 99,933,168	30
Minority interests	248,387	-	590,069	-
	$ 89,466,223	30	$ 100,523,237	30

	2009		2008	
	Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT$, Note 23)				
Basic earnings per share	$ 3.68	$ 3.45	$ 4.26	$ 3.84
Diluted earnings per share	$ 3.67	$ 3.44	$ 4.23	$ 3.81

(Continued)

(Concluded)

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	Equity Attributable to Shareholders of the Parent														
	Capital Stock - Common Stock			Retained Earnings				Others					Minority Interests	Total Shareholders' Equity
	Shares (In Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Others Total	Total		
BALANCE, JANUARY 1, 2008	26,427,104	$ 264,271,037	$ 53,732,682	$ 56,406,684	$ 629,550	$ 161,828,337	$ 218,864,571	$ (1,072,853)	$ 680,997	$ (49,385,032)	$ (49,776,888)	$ 487,091,402	$ 3,594,169	$ 490,685,571
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(237,693)	237,693	-	-	-	-	-	-	-	-
Profit sharing to employees - in cash	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	(3,939,883)	-	(3,939,883)
Profit sharing to employees - in stock	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT$3.00 per share	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	-	(76,881,311)	-	(76,881,311)
Stock dividends to shareholders - NT$0.02 per share	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-	-	-	-
Bonus to directors	-	-	-	-	-	(176,890)	(176,890)	-	-	-	-	(176,890)	-	(176,890)
Capital surplus transferred to capital stock	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	99,933,168	99,933,168	-	-	-	-	99,933,168	590,069	100,523,237
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	-	(137,063)	11,700	(125,363)
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011	1,554,011	(68,792)	1,485,219
Issuance of stock from exercising employee stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	-	227,150	-	227,150
Cash dividends received by subsidiaries from parent company	-	-	102,279	-	-	-	-	-	-	-	-	102,279	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(826,251)	-	(826,251)	(826,251)	(17,048)	(843,299)
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	(142,088)	-	(142,088)	(142,088)	-	(142,088)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)	(30,427,413)	-	(30,427,413)
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	79,812,445	-	-	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(114,742)	(114,742)
BALANCE, DECEMBER 31, 2008	25,625,437	256,254,373	49,875,255	67,324,393	391,857	102,337,417	170,053,667	481,158	(287,342)	-	193,816	476,377,111	3,995,356	480,372,467
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	9,993,317	-	(9,993,317)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(391,857)	391,857	-	-	-	-	-	-	-	-
Cash dividends to shareholders - NT$3.00per share	-	-	-	-	-	(76,876,312)	(76,876,312)	-	-	-	-	(76,876,312)	-	(76,876,312)
Stock dividends to shareholders - NT$0.02per share	51,251	512,509	-	-	-	(512,509)	(512,509)	-	-	-	-	-	-	-
Profit sharing to employees - in stock	141,870	1,418,699	6,076,289	-	-	-	-	-	-	-	-	7,494,988	-	7,494,988
Capital surplus transferred to capital stock	76,876	768,763	(768,763)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	89,217,836	89,217,836	-	-	-	-	89,217,836	248,387	89,466,223
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	115,418	-	-	-	-	-	-	-	-	115,418	(38,966)	76,452
Translation adjustments	-	-	-	-	-	-	-	(2,247,825)	-	-	(2,247,825)	(2,247,825)	39,786	(2,208,039)
Issuance of stock from exercising employee stock options	7,272	72,722	187,811	-	-	-	-	-	-	-	-	260,533	-	260,533
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	622,541	-	622,541	622,541	6,047	628,588
Net change in unrealized gain (loss) on financial instruments from equity method investees	-	-	-	-	-	-	-	-	118,422	-	118,422	118,422	-	118,422
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(284,774)	(284,774)
BALANCE, DECEMBER 31, 2009	25,902,706	$ 259,027,066	$ 55,486,010	$ 77,317,710	$ -	$ 104,564,972	$ 181,882,682	$ (1,766,667)	$ 453,621	$ -	$ (1,313,046)	$ 495,082,712	$ 3,965,836	$ 499,048,548

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

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	$ 89,217,836	$ 99,933,168
Net income attributable to minority interests	248,387	590,069
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,814,748	81,512,191
Amortization of premium/discount of financial assets	21,483	(93,393)
Impairment of financial assets	913,230	1,560,055
Loss (gain) on disposal of available-for-sale financial assets, net	20,337	(637,219)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-
Gain on disposal of financial assets carried at cost, net	(20,245)	(83,831)
Equity in earnings of equity method investees, net	(45,994)	(701,533)
Dividends received from equity method investees	1,239,490	1,661,134
Gain on disposal of property, plant and equipment and other assets, net	(45,475)	(100,285)
Loss on idle assets	-	210,477
Deferred income tax	(1,752,409)	2,279,414
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(215,513)	1,412,531
Receivables from related parties	(12,117)	10,478
Notes and accounts receivable	(19,614,321)	22,180,805
Allowance for doubtful receivables	87,574	(246,056)
Allowance for sales returns and others	2,653,455	1,981,991
Other receivables from related parties	(21,374)	143,702
Other financial assets	7,834	(425,937)
Inventories	(6,037,106)	8,985,615
Prepaid expenses and other current assets	585,430	(443,462)
Increase (decrease) in:		
Accounts payable	4,916,885	(6,021,731)
Payables to related parties	293,150	(1,013,519)
Income tax payable	(531,576)	(1,794,303)
Salary and bonus payable	7,101,255	(17,670)
Accrued profit sharing to employees and bonus to directors and supervisors	(1,056,399)	15,369,730
Accrued expenses and other current liabilities	1,356,269	(3,936,757)
Accrued pension cost	95,448	36,062
Deferred credits	(237,726)	(858,161)
Net cash provided by operating activities	159,966,465	221,493,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(87,784,906)	(59,222,654)
Available-for-sale financial assets	(38,800,577)	(85,273,867)
Held-to-maturity financial assets	(12,224,353)	(16,523,275)
Investments accounted for using equity method	(42,947)	(55,871)
Financial assets carried at cost	(321,195)	(463,211)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	36,039,978	138,515,023
Held-to-maturity financial assets	7,944,800	15,634,620
Financial assets carried at cost	131,075	199,424
Property, plant and equipment and other assets	24,241	194,940
Proceeds from return of capital by investees	-	2,345,867
Increase in deferred charges	(1,469,831)	(3,395,287)

(Continued)

	2009	2008
Decrease in refundable deposits	$ 34,056	$ 10,570
Decrease (increase) in other assets	1,176	(8,163)
Net cash used in investing activities	(96,468,483)	(8,041,884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term bank loans	286,574	98,400
Repayments of:		
Long-term bank loans	(378,673)	(468,313)
Bonds payable	(8,000,000)	-
Decrease in guarantee deposits	(478,472)	(758,514)
Proceeds from exercise of employee stock options	260,533	227,150
Cash dividends	(76,876,312)	(76,779,032)
Profit sharing to employees in cash	-	(3,939,883)
Bonus to directors	-	(176,890)
Repurchase of treasury stock	-	(33,480,997)
Decrease in minority interests	(284,774)	(114,742)
Net cash used in financing activities	(85,471,124)	(115,392,821)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,973,142)	98,058,860
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,364,269)	1,568,404
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	194,613,752	94,986,488
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 171,276,341	$ 194,613,752
SUPPLEMENTAL INFORMATION		
Interest paid	$ 580,376	$ 676,318
Income tax paid	$ 8,088,124	$ 10,477,018
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	$ 109,151,226	$ 60,978,527
Increase in payables to contractors and equipment suppliers	(21,361,340)	(1,742,041)
Nonmonetary exchange trade-out price	(809)	-
Increase in obligations under capital leases	(4,171)	(13,832)
Cash paid	$ 87,784,906	$ 59,222,654
Disposal of property, plant and equipment and other assets	$ 25,050	$ 194,940
Nonmonetary exchange trade-out price	(809)	-
Cash received	$ 24,241	$ 194,940
Repurchase of treasury stock	$ -	$ 30,427,413
Decrease in accrued expenses and other current liabilities	-	3,053,584
Cash paid	$ -	$ 33,480,997
NONCASH FINANCING ACTIVITIES		
Current portion of bonds payable	$ -	$ 8,000,000
Current portion of long-term bank loans	$ 949,298	$ 222,398
Current portion of other long-term payables (under accrued expenses and other current liabilities)	$ 4,005,307	$ 1,126,546

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. GENERAL

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

As of December 31, 2009 and 2008, TSMC and its subsidiaries had 26,390 and 24,834 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

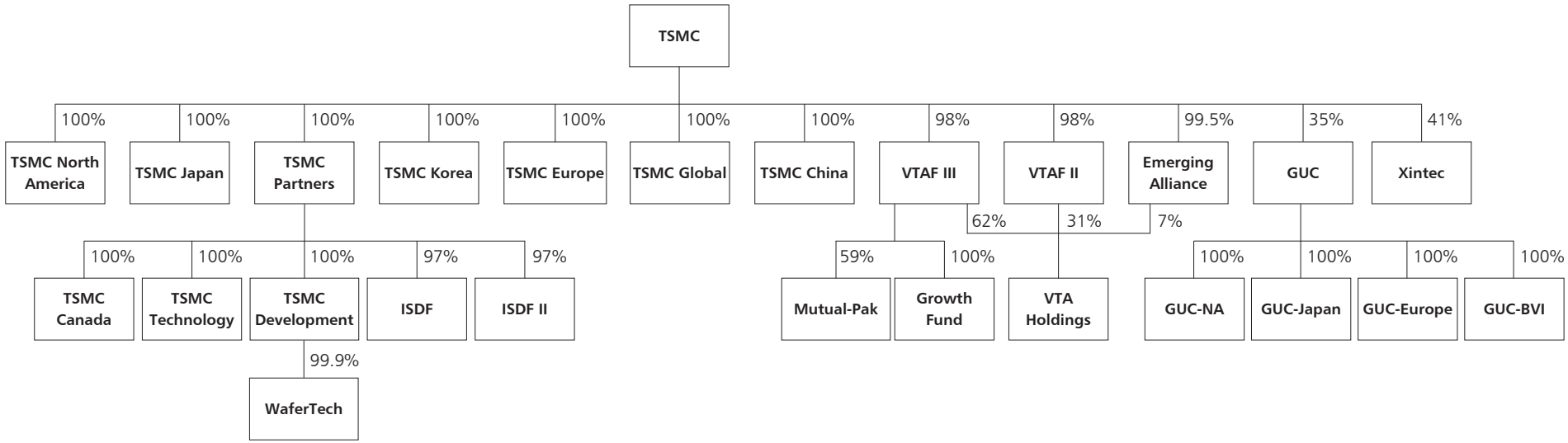
Principles of Consolidation

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

The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership December 31		Remark
		2009	2008	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	-	100%	In June 2009, TSMC International was merged into TSMC Partners.
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC China Company Limited (TSMC China)	100%	100%	-
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	35%	36%	TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	41%	42%	TSMC obtained three out of five director positions and has a controlling interest in Xintec.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-
	TSMC Technology, Inc. (TSMC Technology)	100%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	TSMC Development, Inc. (TSMC Development)	100%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	-	Its previous shareholder, TSMC International, was merged into TSMC Partners in June 2009.
TSMC Development	WaferTech, LLC (WaferTech)	99.9%	99.9%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	59%	51%	-
	Growth Fund Limited (Growth Fund)	100%	100%	-
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	100%	-
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	100%	-
	Global Unichip (BVI) Corp. (GUC- BVI)	100%	-	Newly established in February 2009.

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of December 31, 2009:



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

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

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

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

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

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets are remeasured at fair value subsequently with

changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

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

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Pension Costs

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

Income Tax

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

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

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

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

Stock-based Compensation

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

Profit Sharing to Employees and Bonus to Directors and Supervisors

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

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When TSMC retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - 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 year-end; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value on an item-by-item basis except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the year in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the year. Such a change in accounting principle did not have significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2009.

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors", issued in March 2007 by the ARDF, which requires companies to record profit sharing to employees and bonus to directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax and retroactively adjusted for the issuance of stock dividend) of NT$12,827,595 thousand and NT$0.49, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted SFAS No. 39, "Accounting for Share-based Payment", which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's consolidated financial statements as of and for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

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

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

	December 31	
	2009	2008
Trading financial assets		
Forward exchange contracts	$ 4,338	$ 28,423
Cross currency swap contracts	181,743	14,049
Publicly traded stocks	-	13,258
	$ 186,081	$ 55,730
Trading financial liabilities		
Forward exchange contracts	$ 25	$ 35,812
Cross currency swap contracts	-	49,375
	$ 25	$ 85,187

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

Outstanding forward exchange contracts consisted of the following:

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

Outstanding cross currency swap contracts consisted of the following:

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

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Corporate bonds	$ 7,042,219	$ 3,279,073
Agency bonds	5,032,037	5,696,511
Government bonds	2,341,780	340,893
Publicly traded stocks	574,865	279,937
Corporate issued notes	303,367	-
Money market funds	283,713	1,000,086
Open-end mutual funds	170,014	-
Corporate issued asset-backed securities	-	2,334,873
	15,747,995	12,931,373
Current portion	(14,389,946)	(10,898,715)
	$ 1,358,049	$ 2,032,658

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

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

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

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

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

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

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

9. INVENTORIES

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

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

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

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

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

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

11. FINANCIAL ASSETS CARRIED AT COST

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2009					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Year
Cost						
Land and land improvements	$ 953,857	$ -	$ -	$ 1,817	$ (21,584)	$ 934,090
Buildings	132,249,996	10,530,802	(12,978)	(19,910)	(453,352)	142,294,558
Machinery and equipment	697,498,743	81,548,279	(1,872,721)	9,964	(1,530,776)	775,653,489
Office equipment	12,430,800	1,491,370	(226,779)	22,821	(50,465)	13,667,747
Leased asset	722,339	4,171	-	7,143	(19,229)	714,424
	843,855,735	$ 93,574,622	$ (2,112,478)	$ 21,835	$ (2,075,406)	933,264,308
Accumulated depreciation						
Land and land improvements	295,898	$ 30,072	$ -	$ -	$ (8,390)	317,580
Buildings	72,681,699	9,379,371	(12,971)	(5,779)	(220,602)	81,821,718
Machinery and equipment	535,962,291	68,064,750	(1,791,122)	(6,271)	(1,434,174)	600,795,474
Office equipment	9,693,809	1,168,317	(224,769)	(158)	(47,850)	10,589,349
Leased asset	182,570	36,126	-	7,143	(6,074)	219,765
	618,816,267	$ 78,678,636	$ (2,028,862)	$ (5,065)	$ (1,717,090)	693,743,886
Advance payments and construction in progress	18,605,882	$ 15,576,604	$ -	$ (26,426)	$ (1,695)	34,154,365
	$ 243,645,350					$ 273,674,787

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

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

13. DEFERRED CHARGES, NET

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

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

14. BONDS PAYABLE

	December 31	
	2009	2008
Domestic unsecured bonds:		
Issued in January 2002 and repayable in 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	$ 4,500,000	$ 12,500,000
Current portion	-	(8,000,000)
	$ 4,500,000	$ 4,500,000

15. LONG-TERM BANK LOANS

	December 31	
	2009	2008
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 0.67% - 2.70% in 2009 and 2.56% - 3.67% in 2008	$ 788,263	$ 728,400
US$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 0.68% - 0.97% in 2009 and 3.62% in 2008	640,895	658,719
Repayable from December 2007 in 8 semi-annual installments, annual interest at 1.10% - 2.42% in 2009 and 2.42% - 3.23% in 2008	98,700	168,750
Repayable from May 2007 in 16 quarterly installments, fully repaid in June 2009, annual interest at 2.42% - 3.00%	-	37,828
Repayable from March 2007 in 12 quarterly installments, fully repaid in June 2009, annual interest at 2.53% - 3.21%	-	32,472
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.42% - 3.00%	-	8,995
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.56% - 3.15%	-	7,710
	1,527,858	1,642,874
Current portion	(949,298)	(222,398)
	$ 578,560	$ 1,420,476

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

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

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

16. OTHER LONG-TERM PAYABLES

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

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

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

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

17. PENSION PLANS

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

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

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

a. Components of net periodic pension cost for the year

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

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

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

c. Actuarial assumptions at December 31, 2009 and 2008

	2009	2008
Discount rate used in determining present values	2.25%	2.00% - 2.50%
Future salary increase rate	3.00%	2.00% - 3.00%
Expected rate of return on plan assets	1.50% - 2.00%	2.25% - 2.50%

d. Contributions to the Funds for the year

	2009	2008
	$ 194,221	$ 206,873

e. Payments from the Funds for the year

	2009	2008
	$ 37,801	$ 28,990

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:

	Years Ended December 31	
	2009	2008
Income tax expense based on "income before income tax" at statutory rates	$ 24,182,953	$ 27,970,388
The effect of the following:		
Tax-exempt income	(8,652,030)	(9,670,500)
Temporary and permanent differences	3,136,013	2,122,899
Others	247,050	44,073
Additional tax at 10% on unappropriated earnings	30,707	13,926
Net operating loss carryforwards used	(66,135)	(205,234)
Income tax credits used	(9,984,616)	(11,109,313)
Income tax currently payable	$ 8,893,942	$ 9,166,239

b. Income tax expense consisted of the following:

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

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

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

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

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

d. Integrated income tax information:

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

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

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

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

f. As of December 31, 2009, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 587,048	$ -	2009
		1,331,228	110,488	2010
		4,711,020	66,368	2011
		3,464,868	3,464,868	2012
		3,315,509	3,315,509	2013
		$ 13,409,673	$ 6,957,233	
Statute for Upgrading Industries	Research and development expenditures	$ 2,711,736	$ 9,353	2010
		2,809,829	2,090,320	2011
		2,968,208	2,968,208	2012
		3,409,744	3,409,744	2013
		$ 11,899,517	$ 8,477,625	
Statute for Upgrading Industries	Personnel training expenditures	$ 37	$ -	2009
		23,905	759	2010
		20,081	20,081	2011
		32,534	32,534	2012
		484	484	2013
		$ 77,041	$ 53,858	
Statute for Upgrading Industries	Investments in important technology-based enterprises	$ 7,297	$ -	2009
		79,804	-	2010
		$ 87,101	$ -	

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

	Tax-Exemption Period
Construction of Fab 14 - Module A	2006 to 2010
Construction of Fab 12 - Module B and expansion of Fab 14 - Module A	2007 to 2011
Construction of Fab 14 - Module B and expansion of Fab 12 and others	2008 to 2012
2003 plant expansion of GUC	2007 to 2011
2005 and 2006 plant expansion of GUC	To be determined
2003 plant expansion of Xintec	2007 to 2011

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

19. LABOR COST, DEPRECIATION AND AMORTIZATION

	Year Ended December 31, 2009		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	$ 18,122,593	$ 15,798,756	$ 33,921,349
Labor and health insurance	698,566	579,231	1,277,797
Pension	603,765	433,910	1,037,675
Meal	442,328	195,758	638,086
Welfare	527,662	201,487	729,149
Others	134,334	233,258	367,592
	$ 20,529,248	$ 17,442,400	$ 37,971,648
Depreciation	$ 74,482,133	$ 4,180,237	$ 78,662,370
Amortization	$ 1,259,949	$ 870,426	$ 2,130,375

	Year Ended December 31, 2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary and bonus	$ 19,574,249	$ 15,654,567	$ 35,228,816
Labor and health insurance	766,952	489,601	1,256,553
Pension	634,730	403,962	1,038,692
Meal	474,048	188,407	662,455
Welfare	640,817	273,055	913,872
Others	262,144	171,631	433,775
	$ 22,352,940	$ 17,181,223	$ 39,534,163
Depreciation	$ 74,703,223	$ 4,033,588	$ 78,736,811
Amortization	$ 1,837,540	$ 878,755	$ 2,716,295

20. SHAREHOLDERS' EQUITY

As of December 31, 2009, 1,097,513 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,487,565 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

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

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

a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;

b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

c. Bonus to directors and profit sharing to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

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

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

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:

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

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

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

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

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

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

21. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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

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

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

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

	Number of Options	Weighted-average Exercise Prices (NT$)
Year ended December 31, 2009		
Balance, beginning of year	5,557	$ 63.9
Options granted	87	13.8
Options exercised	(1,475)	11.0
Options canceled	(359)	63.4
Balance, end of year	3,810	83.5
Year ended December 31, 2008		
Balance, beginning of year	7,598	60.3
Options granted	284	14.8
Options exercised	(2,115)	14.0
Options canceled	(210)	168.4
Balance, end of year	5,557	66.6

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

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

Range of Exercise Price (NT$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
$ 8.4	374	1.00	$ 8.4	374	$ 8.4
15.5	1,796	1.67	15.5	154	15.5
175.0	1,640	4.00	175.0	-	-
	3,810	2.61	83.5	528	10.5

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

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

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Year ended December 31, 2009		
Balance, beginning of year	7,442	$ 14.8
Options exercised	(2,552)	13.5
Options canceled	(930)	17.1
Balance, end of year	3,960	14.7
Year ended December 31, 2008		
Balance, beginning of year	9,642	15.1
Options exercised	(728)	12.4
Options canceled	(1,472)	15.5
Balance, end of year	7,442	14.8

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

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

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

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2009 and 2008. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the years ended December 31, 2009 and 2008 would have been as follows:

		2009	2008
Assumptions:			
TSMC	Expected dividend yield	1.00% - 3.44%	1.00% - 3.44%
	Expected volatility	43.77% - 46.15%	43.77% - 46.15%
	Risk free interest rate	3.07% - 3.85%	3.07% - 3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00% - 0.60%	0.00% - 0.60%
	Expected volatility	22.65% - 45.47%	22.65% - 45.47%
	Risk free interest rate	2.12% - 2.56%	2.12% - 2.56%
	Expected life	3 - 6 years	3 - 6 years
Xintec	Expected dividend yield	0.80%	0.80%
	Expected volatility	31.79% - 47.42%	31.79% - 47.42%
	Risk free interest rate	1.88% - 2.45%	1.88% - 2.45%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
As reported		$ 89,217,836	$ 99,933,168
Pro forma		88,838,182	100,037,622
Earnings per share (EPS) - after income tax (NT$):			
Basic EPS as reported		$ 3.45	$ 3.84
Pro forma basic EPS		3.44	3.84
Diluted EPS as reported		3.44	3.81
Pro forma diluted EPS		3.43	3.81

22. TREASURY STOCK

(Shares in Thousands)

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

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

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

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

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

23. EARNINGS PER SHARE

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (In Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Year ended December 31, 2009					
Basic EPS					
Earnings available to common shareholders of the parent	$ 95,189,766	$ 89,217,836	25,835,802	$ 3.68	$ 3.45
Effect of dilutive potential common shares	-	-	77,801		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	$ 95,189,766	$ 89,217,836	25,913,603	$ 3.67	$ 3.44
Year ended December 31, 2008					
Basic EPS					
Earnings available to common shareholders of the parent	$110,847,835	$ 99,933,168	26,039,186	$ 4.26	$ 3.84
Effect of dilutive potential common shares	-	-	196,493		
Diluted EPS					
Earnings available to common shareholders of the parent (including effect of dilutive potential common shares)	$110,847,835	$ 99,933,168	26,235,679	$ 4.23	$ 3.81

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

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

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	$ 186,081	$ 186,081	$ 55,730	$ 55,730
Available-for-sale financial assets	15,747,995	15,747,995	12,931,373	12,931,373
Held-to-maturity financial assets	25,498,085	25,671,664	21,308,251	21,457,008
Liabilities				
Financial liabilities at fair value through profit or loss	25	25	85,187	85,187
Bonds payable (including current portion)	4,500,000	4,574,979	12,500,000	12,612,423
Long-term bank loans (including current portion)	1,527,858	1,527,858	1,642,874	1,642,874
Other long-term payables (including current portion)	9,607,727	9,607,727	10,674,772	10,674,772
Obligations under capital leases	707,499	707,499	722,339	722,339

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

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

2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.

3) The fair values of those derivatives and structured time deposits are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.

4) Fair value of the bonds payable was based on their quoted market price.

5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.

c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2009 and 2008 estimated using valuation techniques were recognized as net gains of NT$186,056 thousand and net losses of NT$42,715 thousand, respectively.

d. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT$40,857,296 thousand and NT$34,002,159 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT$4,500,025 thousand and NT$12,585,187 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT$1,527,858 thousand and NT$1,642,874 thousand, respectively.

e. Movements of the unrealized gains or losses on financial instruments for the years ended December 31, 2009 and 2008 were as follows:

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

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

f. Information about financial risk

1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets and held-to-maturity financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. Subject to turmoil in the global financial market, the Company evaluated its financial assets and determined that certain impairment for its asset-backed securities is other-than-temporary. The Company had appropriately recognized related impairment losses.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to turmoil in the global financial market, the Company evaluated the financial instruments for any possible counter-party or third-party default. As a result of the evaluation, the Company determined that certain financial instruments are exposed to credit risk and had appropriately recognized related impairment losses.

3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.

4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates. The Company's long-term bank loans were floating-rate loans. Therefore, changes in the market interest rates will result in changes in the effective rate of the long-term bank loans, which will affect future cash flows.

25. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

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

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

c. Others

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

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

(Continued)

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

(Concluded)

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

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

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

Compensation of directors and management personnel:

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

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

26. PLEDGED OR MORTGAGED ASSETS

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

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

27. SIGNIFICANT LONG-TERM LEASES

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

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

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

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

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2009, excluding those disclosed in other notes, were as follows:

a. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.

b. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2009 TSMC had a total of US$29,582 thousand of guarantee deposits.

c. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase at least 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

d. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and will be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.

e. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.

f. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of December 31, 2009, SMIC had paid US$135 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America

and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case". Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. In January 2009, the court in the California action held a four-day bench trial to determine whether a Settlement Agreement existed between the parties, and if there were an agreement, the interpretation of certain terms. SMIC contended that there was no binding Settlement Agreement, and TSMC, TSMC North America and WaferTech contended that the Settlement Agreement signed on January 30, 2005 and finalized shortly thereafter and repeatedly ratified bound the parties. On March 10, 2009, the Court issued its Statement of Decision. The Court rejected SMIC's contention, and found that the parties were bound by the Settlement Agreement identified by TSMC, TSMC North America and WaferTech. The Court also interpreted the meaning of certain provisions within the Settlement Agreement. Regarding the claims raised by SMIC in the Beijing lawsuit, the Beijing People's High Court has on June 10, 2009 rejected those claims and dismissed the lawsuit. On November 4, 2009, after a two-month trial, a jury in the California action found SMIC to have both breached the 2005 settlement agreement and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. TSMC, TSMC North America and WaferTech have subsequently settled both lawsuits with SMIC. Pursuant to the new settlement agreement, the parties have agreed to the entry of a stipulated judgment in favor of TSMC, TSMC North America and WaferTech in the California action, and to the dismissal of SMIC's appeal against the Beijing High Court's finding in favor of TSMC, TSMC North America and WaferTech. Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments by installments to TSMC totaling US$200 million, which are in addition to the US$135 million previously paid to TSMC under the 2005 settlement agreement, and to provide TSMC with other valuable consideration.

g. The Company entered into an agreement with a counterparty in 2003 whereby TSMC China is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC China is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC China since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT$8,355,395 thousand and NT$8,579,726 thousand as of December 31, 2009 and 2008, respectively, which is included in other long-term payables.

h. Amounts available under unused letters of credit as of December 31, 2009 were NT$16,155 thousand.

29. ADDITIONAL DISCLOSURES

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

a. Financing provided: None;

b. Endorsement/guarantee provided: None;

c. Marketable securities held: Please see Table 1 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Please see Table 2 attached;

e. Acquisition of individual real estate properties at costs of at least NT$100 million or 20% of the paid-in capital: Please see Table 3 attached;

f. Disposal of individual real estate properties at prices of at least NT$100 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 4 attached;

h. Receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;

i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;

j. Information on investment in Mainland China

1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.

k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

30. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

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

b. Geographic information:

	North America and Others	Taiwan	Adjustments and Elimination	Consolidated
2009				
Sales to other than consolidated entities	$ 162,783,488	$ 132,958,751	$ -	$ 295,742,239
Sales among consolidated entities	11,891,274	163,407,355	(175,298,629)	-
Total sales	$ 174,674,762	$ 296,366,106	$ (175,298,629)	$ 295,742,239
Gross profit	$ 2,004,734	$ 128,456,453	$ (1,132,576)	$ 129,328,611
Operating expenses				(37,366,725)
Non-operating income and gains				5,653,548
Non-operating expenses and losses				(2,152,787)
Income before income tax				$ 95,462,647
Identifiable assets	$ 113,023,501	$ 468,112,330	$ (24,285,114)	$ 556,850,717
Long-term investments				37,845,503
Total assets				$ 594,696,220
2008				
Sales to other than consolidated entities	$ 193,727,539	$ 139,430,121	$ -	$ 333,157,660
Sales among consolidated entities	16,280,818	194,731,514	(211,012,332)	-
Total sales	$ 210,008,357	$ 334,161,635	$ (211,012,332)	$ 333,157,660
Gross profit	$ 2,114,127	$ 140,540,236	$ (904,802)	$ 141,749,561
Operating expenses				(37,314,193)
Non-operating income and gains				10,821,449
Non-operating expenses and losses				(3,784,571)
Income before income tax				$ 111,472,246
Identifiable assets	$ 122,781,555	$ 425,545,212	$ (29,391,693)	$ 518,935,074
Long-term investments				39,981,515
Total assets				$ 558,916,589

c. Export sales

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

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

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

	Years Ended December 31			
	2009		2008	
	Amount	%	Amount	%
Customer A	$ 33,025,488	11	$ 46,523,059	14
Customer B	31,994,983	10	30,271,064	9

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009

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

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
TSMC	Corporate bond							
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	$ 1,046,672	N/A	$ 1,046,672	
	Formosa Petrochemical Corporation	-	Held-to-maturity financial assets	-	3,178,551	N/A	3,200,302	
	Taiwan Power Company	-	〃	-	3,004,941	N/A	3,011,743	
	Nan Ya Plastics Corporation	-	〃	-	2,000,145	N/A	2,029,935	
	Formosa Plastics Corporation	-	〃	-	1,671,815	N/A	1,685,345	
	China Steel Corporation	-	〃	-	1,512,130	N/A	1,528,117	
	CPC Corporation, Taiwan	-	〃	-	500,031	N/A	499,913	
	Taipei Fubon Commercial Bank Co., Ltd.	-	〃	-	298,884	N/A	298,751	
	First Commercial Bank Co., Ltd.	-	〃	-	99,814	N/A	99,815	
	Government bond							
	European Investment Bank Bonds	-	Held-to-maturity financial assets	-	2,003,877	N/A	2,025,500	
	2003 Asian Development Bank Govt. Bond	-	〃	-	893,710	N/A	875,103	
	Stock							
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	45,397,256	100	45,397,256	
	TSMC Partners	Subsidiary	〃	988,268	32,545,619	100	32,545,619	
	VIS	Investee accounted for using equity method	〃	628,223	9,365,232	37	10,114,398	
	SSMC	Investee accounted for using equity method	〃	314	6,157,141	39	5,581,994	
	TSMC North America	Subsidiary	〃	11,000	2,723,727	100	2,723,727	
	Xintec	Investee with a controlling financial interest	〃	93,081	1,475,014	41	1,437,395	
	GUC	Investee with a controlling financial interest	〃	46,688	983,126	35	7,913,592	
	TSMC Europe	Subsidiary	〃	-	159,467	100	159,467	
	TSMC Japan	Subsidiary	〃	6	135,663	100	135,663	
	TSMC Korea	Subsidiary	〃	80	18,519	100	18,519	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	297,655	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	〃	10,500	105,000	7	332,943	
	W.K. Technology Fund IV	-	〃	4,000	40,000	2	43,975	
	Fund							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
	Crimson Asia Capital	-	〃	-	59,412	1	59,412	
	Capital							
	TSMC China	Subsidiary	Investments accounted for using equity method	-	2,961,043	100	2,958,707	
	VTAF III	Subsidiary	〃	-	1,309,615	98	1,292,412	
	VTAF II	Subsidiary	〃	-	1,122,810	98	1,117,773	
	Emerging Alliance	Subsidiary	〃	-	305,866	99	305,866	
TSMC Partners	Corporate bond							
	General Elec Cap Corp. Mtn	-	Held-to-maturity financial assets	-	US$ 20,543	N/A	US$ 21,312	
	General Elec Cap Corp. Mtn	-	〃	-	US$ 20,219	N/A	US$ 21,182	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Common stock							
	TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US$ 340,387	100	US$ 340,387	
	VisEra Holding Company	Investee accounted for using equity method	〃	43,000	US$ 70,967	49	US$ 70,967	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	〃	21,415	US$ 13,741	97	US$ 13,741	
	TSMC Technology	Subsidiary	〃	1	US$ 9,071	100	US$ 9,071	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	〃	7,680	US$ 7,336	97	US$ 7,336	
	TSMC Canada	Subsidiary	〃	2,300	US$ 3,193	100	US$ 3,193	
	Mcube Inc.	Investee accounted for using equity method	〃	5,333	US$ 800	70	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	
TSMC Development	Corporate bond							
	GE Capital Corp.	-	Held-to-maturity financial assets	-	US$ 20,334	N/A	US$ 21,182	
	JP Morgan Chase & Co.	-	〃	-	US$ 15,000	N/A	US$ 15,000	
	Stock							
	WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US$ 154,432	100	US$ 154,432	
Emerging Alliance	Common stock							
	RichWave Technology Corp.	-	Financial assets carried at cost	4,247	US$ 1,648	10	US$ 1,648	
	Global Investment Holding Inc.	-	〃	10,000	US$ 3,065	6	US$ 3,065	
	Preferred stock							
	Audience, Inc.	-	Financial assets carried at cost	1,654	US$ 250	1	US$ 250	
	Axiom Microdevices, Inc.	-	〃	1,000	US$ 24	1	US$ 24	
	Mosaic Systems, Inc.	-	〃	2,481	US$ 12	6	US$ 12	
	Next IO, Inc.	-	〃	800	US$ 500	1	US$ 500	
	Optichron, Inc.	-	〃	1,281	US$ 1,072	2	US$ 1,072	
	Pixim, Inc.	-	〃	4,641	US$ 1,137	2	US$ 1,137	
	QST Holdings, LLC	-	〃	-	US$ 131	4	US$ 131	
	Teknovus, Inc.	-	〃	6,977	US$ 1,327	2	US$ 1,327	
	Capital							
	VentureTech Alliance Holdings, LLC (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	7	-	
VTAF II	Common stock							
	Leadtrend	-	Available-for-sale financial assets	1,515	US$ 9,721	4	US$ 9,721	
	RichWave Technology Corp.	-	Financial assets carried at cost	1,043	US$ 730	1	US$ 730	
	Sentelic	-	〃	1,200	US$ 2,040	15	US$ 2,040	
	Preferred stock							
	5V Technologies, Inc.	-	Financial assets carried at cost	2,890	US$ 2,168	4	US$ 2,168	
	Aquantia	-	〃	3,974	US$ 3,816	5	US$ 3,816	
	Audience, Inc.	-	〃	7,956	US$ 1,838	2	US$ 1,838	
	Axiom Microdevices, Inc.	-	〃	759	US$ 650	13	US$ 650	
	Beceem Communications	-	〃	834	US$ 1,701	1	US$ 1,701	
	Impinj, Inc.	-	〃	475	US$ 1,000	-	US$ 1,000	
	Next IO, Inc.	-	〃	3,795	US$ 953	2	US$ 953	
	Optichron, Inc.	-	〃	2,784	US$ 2,664	4	US$ 2,664	
	Pixim, Inc.	-	〃	33,347	US$ 1,878	2	US$ 1,878	
	Power Analog Microelectronics	-	〃	7,027	US$ 3,383	19	US$ 3,383	
	QST Holdings, LLC	-	〃	-	US$ 593	13	US$ 593	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Teknovus, Inc.	-	Financial assets carried at cost	1,599	US$ 454	-	US$ 454	
	Xceive	-	〃	3,936	US$ 1,516	2	US$ 1,516	
	Capital							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	31	-	
VTAF III	Common stock							
	Mutual-Pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	9,180	US$ 2,112	59	US$ 2,112	
	Acionn Technology Corporation	Investee accounted for using equity method	〃	4,500	US$ 566	42	US$ 566	
	Preferred stock							
	Auramicro, Inc.	-	Financial assets carried at cost	4,694	US$ 1,408	20	US$ 1,408	
	BridgeLux, Inc.	-	〃	4,955	US$ 6,391	4	US$ 6,391	
	Exclara, Inc.	-	〃	21,708	US$ 4,568	18	US$ 4,568	
	GTBF, Inc.	-	〃	1,154	US$ 1,500	N/A	US$ 1,500	
	InvenSense, Inc.	-	〃	816	US$ 1,000	1	US$ 1,000	
	LiquidLeds Lighting Corp.	-	〃	1,600	US$ 800	11	US$ 800	
	M2000, Inc.	-	〃	3,000	US$ 3,000	5	US$ 3,000	
	Neoconix, Inc.	-	〃	3,283	US$ 4,608	6	US$ 4,608	
	Powervation, Ltd.	-	〃	310	US$ 4,678	16	US$ 4,678	
	Quellan, Inc.	-	〃	3,106	US$ 457	6	US$ 457	
	Silicon Technical Services, LLC	-	〃	1,055	US$ 1,208	1	US$ 1,208	
	Tilera, Inc.	-	〃	3,222	US$ 2,781	3	US$ 2,781	
	Validity Sensors, Inc.	-	〃	8,070	US$ 3,089	3	US$ 3,089	
	Capital							
	Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	-	US$ 823	100	US$ 823	
	VTA Holdings	Subsidiary	〃	-	-	62	-	
Growth Fund	Common stock							
	Staccato	-	Financial assets carried at cost	10	US$ 25	-	US$ 25	
	SiliconBlue Technologies, Inc.	-	〃	5,107	US$ 762	2	US$ 762	
ISDF	Common stock							
	Memsic, Inc.	-	Available-for-sale financial assets	1,364	US$ 4,472	6	US$ 4,472	
	Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	557	US$ 154	2	US$ 154	
	Preferred stock							
	Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US$ 1,221	9	US$ 1,221	
	IP Unity, Inc.	-	〃	1,008	US$ 290	1	US$ 290	
	Sonics, Inc.	-	〃	230	US$ 497	2	US$ 497	
ISDF II	Common stock							
	Memsic, Inc.	-	Available-for-sale financial assets	1,145	US$ 3,754	5	US$ 3,754	
	Sonics, Inc.	-	Financial assets carried at cost	278	US$ 10	3	US$ 10	
	Epic Communication, Inc.	-	〃	50	US$ 23	-	US$ 23	
	EON Technology, Corp.	-	〃	2,368	US$ 656	3	US$ 656	
	Goyatek Technology, Corp.	-	〃	932	US$ 545	6	US$ 545	
	Capella Microsystems (Taiwan), Inc.	-	〃	561	US$ 210	2	US$ 210	
	Auden Technology MFG. Co., Ltd.	-	〃	1,049	US$ 223	3	US$ 223	
	Preferred stock							
	Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US$ 3,664	18	US$ 3,664	
	FangTek, Inc.	-	〃	1,032	US$ 686	6	US$ 686	
	Kilopass Technology, Inc.	-	〃	3,887	US$ 500	5	US$ 500	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Sonics, Inc.	-	Financial assets carried at cost	264	US$ 456	3	US$ 456	
GUC	Open-end mutual fund							
	Jih Sun Bond Fund	-	Available-for-sale financial assets	5,668	$ 80,008	-	$ 80,008	
	FSITC Taiwan Bond Fund	-	〃	352	60,005	-	60,005	
	Cathay Bond Fund	-	〃	2,509	30,001	-	30,001	
	Common stock							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	38,617	100	38,617	
	GUC-Japan	Subsidiary	〃	1	12,899	100	12,899	
	GUC-Europe	Subsidiary	〃	-	5,213	100	5,213	
	GUC-BVI	Subsidiary	〃	550	17,466	100	17,466	
Xintec	Capital							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	Corporate bond							
	Ab Svensk Exportkredit Swedish	-	Available-for-sale financial assets	5,000	US$ 5,144	N/A	US$ 5,144	
	African Development Bank	-	〃	2,600	US$ 2,622	N/A	US$ 2,622	
	Allstate Life Global Fdg	-	〃	220	US$ 221	N/A	US$ 221	
	Asian Development Bank	-	〃	2,500	US$ 2,497	N/A	US$ 2,497	
	Astrazeneca Plc	-	〃	2,150	US$ 2,349	N/A	US$ 2,349	
	Australia + New Zealand Bkg	-	〃	2,000	US$ 2,054	N/A	US$ 2,054	
	Banco Bilbao Vizcaya P R	-	〃	3,250	US$ 3,248	N/A	US$ 3,248	
	Bank New York Inc. Medium	-	〃	2,100	US$ 2,262	N/A	US$ 2,262	
	Bank of New York Mellon	-	〃	2,200	US$ 2,208	N/A	US$ 2,208	
	Bear Stearns Cos Inc.	-	〃	5,000	US$ 4,974	N/A	US$ 4,974	
	Bear Stearns Cos Inc.	-	〃	3,500	US$ 3,391	N/A	US$ 3,391	
	Bhp Billiton Fin USA Ltd.	-	〃	2,000	US$ 2,129	N/A	US$ 2,129	
	Bnp Paribas SA	-	〃	2,310	US$ 2,339	N/A	US$ 2,339	
	Boeing Co.	-	〃	450	US$ 445	N/A	US$ 445	
	Bsch Issuances Ltd.	-	〃	2,250	US$ 2,359	N/A	US$ 2,359	
	Cello Part/Veri Wirelss	-	〃	2,000	US$ 2,068	N/A	US$ 2,068	
	Citibank NA	-	〃	5,000	US$ 4,996	N/A	US$ 4,996	
	Citigroup funding Inc.	-	〃	2,000	US$ 2,016	N/A	US$ 2,016	
	Credit Suisse New York	-	〃	2,000	US$ 2,057	N/A	US$ 2,057	
	European Investment Bank	-	〃	2,250	US$ 2,243	N/A	US$ 2,243	
	Federal Farm Cr Bks	-	〃	2,250	US$ 2,254	N/A	US$ 2,254	
	Finance for Danish Ind	-	〃	1,900	US$ 1,900	N/A	US$ 1,900	
	General Elec Cap Corp.	-	〃	1,000	US$ 978	N/A	US$ 978	
	General Elec Cap Corp.	-	〃	7,000	US$ 7,001	N/A	US$ 7,001	
	General Elec Cap Corp. Fdic Gtd	-	〃	2,500	US$ 2,547	N/A	US$ 2,547	
	Goldman Sachs Group Inc.	-	〃	2,000	US$ 1,939	N/A	US$ 1,939	
	Goldman Sachs Group Incser 2	-	〃	3,000	US$ 3,012	N/A	US$ 3,012	
	Hewlett Packard Co.	-	〃	3,000	US$ 3,000	N/A	US$ 3,000	
	HSBC Fin Corp.	-	〃	2,315	US$ 2,233	N/A	US$ 2,233	
	HSBC USA Inc. Fdic Gtd Tlgp	-	〃	2,200	US$ 2,277	N/A	US$ 2,277	
	IBM Corp.	-	〃	1,800	US$ 1,796	N/A	US$ 1,796	
	International Business Machs	-	〃	3,000	US$ 3,027	N/A	US$ 3,027	
	Intl Bk Recon + Develop	-	〃	2,000	US$ 2,069	N/A	US$ 2,069	
	JP Morgan Chase + Co.	-	〃	2,500	US$ 2,523	N/A	US$ 2,523	
	JP Morgan Chase + Co. Fdic Gtd Tlg	-	〃	3,000	US$ 3,030	N/A	US$ 3,030	
	Kfw	-	〃	2,230	US$ 2,236	N/A	US$ 2,236	
	Kfw Medium Term Nts Book Entry	-	〃	1,950	US$ 1,953	N/A	US$ 1,953	
	Kreditanstalt Fur Wiederaufbau	-	〃	650	US$ 673	N/A	US$ 673	
	Lloyds Tsb Bank Plc Ser 144A	-	〃	5,950	US$ 6,049	N/A	US$ 6,049	
	Mellon Fdg Corp.	-	〃	3,500	US$ 3,419	N/A	US$ 3,419	
	Met Life Glob Funding I	-	〃	2,100	US$ 2,142	N/A	US$ 2,142	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Met Life Glob Funding I	-	Available-for-sale financial assets	500	US$ 502	N/A	US$ 502	
	Metlife Inc.	-	〃	2,000	US$ 2,017	N/A	US$ 2,017	
	Metropolitan Life Global Fdg	-	〃	750	US$ 739	N/A	US$ 739	
	Metropolitan Life Global Fdg I	-	〃	3,340	US$ 3,278	N/A	US$ 3,278	
	Morgan Stanley	-	〃	2,200	US$ 2,212	N/A	US$ 2,212	
	Morgan Stanley	-	〃	2,000	US$ 2,032	N/A	US$ 2,032	
	Morgan Stanley Fdic Gtd Tlgp	-	〃	2,210	US$ 2,244	N/A	US$ 2,244	
	Morgan Stanley for Equity	-	〃	2,000	US$ 1,943	N/A	US$ 1,943	
	Nordea Bank Fld Plc	-	〃	2,250	US$ 2,240	N/A	US$ 2,240	
	Oesterreichische Kontrollbank	-	〃	2,000	US$ 2,059	N/A	US$ 2,059	
	Ontario (Province of)	-	〃	2,000	US$ 1,980	N/A	US$ 1,980	
	Paccar Finl Corp. Mtn Bk Ent	-	〃	1,000	US$ 1,007	N/A	US$ 1,007	
	Pricoa Global Fdg I Med Term	-	〃	1,750	US$ 1,638	N/A	US$ 1,638	
	Pricoa Global Funding 1	-	〃	1,200	US$ 1,167	N/A	US$ 1,167	
	Pricoa Global Fdg I Medium	-	〃	2,200	US$ 2,130	N/A	US$ 2,130	
	Royal Bk of Scotland Plc	-	〃	5,000	US$ 5,078	N/A	US$ 5,078	
	Royal Bk Scotlnd Grp Plc 144A	-	〃	9,450	US$ 9,578	N/A	US$ 9,578	
	Southern Co.	-	〃	600	US$ 602	N/A	US$ 602	
	Sovereign Bancorp Fdic Gtd Tlg	-	〃	2,200	US$ 2,246	N/A	US$ 2,246	
	State Str Corp.	-	〃	1,940	US$ 1,920	N/A	US$ 1,920	
	Suncorp Metway Ltd.	-	〃	2,000	US$ 2,004	N/A	US$ 2,004	
	Suncorp Metway Ltd.	-	〃	5,000	US$ 5,170	N/A	US$ 5,170	
	Svenska Handelsbanken Ab	-	〃	2,200	US$ 2,214	N/A	US$ 2,214	
	Swedbank Ab	-	〃	2,000	US$ 1,994	N/A	US$ 1,994	
	Swedbank Foreningssparbanken A	-	〃	1,500	US$ 1,537	N/A	US$ 1,537	
	Ubs Ag Stamford	-	〃	1,300	US$ 1,300	N/A	US$ 1,300	
	US Central Federal Cred	-	〃	4,800	US$ 4,799	N/A	US$ 4,799	
	Verizon Communications Inc.	-	〃	2,200	US$ 2,294	N/A	US$ 2,294	
	Verizon Global Fdg Corp.	-	〃	500	US$ 528	N/A	US$ 528	
	Wachovia Corp. New	-	〃	4,000	US$ 4,246	N/A	US$ 4,246	
	Wells Fargo + Company	-	〃	2,000	US$ 2,013	N/A	US$ 2,013	
	Westfield Cap Corp. Ltd.	-	〃	500	US$ 514	N/A	US$ 514	
	Westpac Banking Corp.	-	〃	2,100	US$ 2,112	N/A	US$ 2,112	
	Westpac Banking Corp.	-	〃	2,170	US$ 2,168	N/A	US$ 2,168	
	Nationwide Building Society	-	Held-to-maturity financial assets	8,000	US$ 8,000	N/A	US$ 8,008	
	Westpac Banking Corp. 12/12 Frn	-	〃	5,000	US$ 5,000	N/A	US$ 4,999	
	Agency bond							
	Fannif Mae	-	Available-for-sale financial assets	2,820	US$ 2,814	N/A	US$ 2,814	
	Fed Hm Ln Pc Pool 1b2830	-	〃	2,554	US$ 2,635	N/A	US$ 2,635	
	Fed Hm Ln Pc Pool 1g0115	-	〃	2,271	US$ 2,315	N/A	US$ 2,315	
	Fed Hm Ln Pc Pool 1k1210	-	〃	2,053	US$ 2,121	N/A	US$ 2,121	
	Fed Hm Ln Pc Pool 780741	-	〃	2,121	US$ 2,181	N/A	US$ 2,181	
	Federal Farm Cr Bks	-	〃	2,000	US$ 2,117	N/A	US$ 2,117	
	Federal Farm Credit Bank	-	〃	3,000	US$ 2,990	N/A	US$ 2,990	
	Federal Farm Credit Bank	-	〃	2,200	US$ 2,258	N/A	US$ 2,258	
	Federal Home Ln Bank	-	〃	11,000	US$ 11,028	N/A	US$ 11,028	
	Federal Home Ln Mtg Corp.	-	〃	1,350	US$ 1,352	N/A	US$ 1,352	
	Federal Home Ln Mtg Corp.	-	〃	3,421	US$ 3,533	N/A	US$ 3,533	
	Federal Home Ln Mtg Corp.	-	〃	2,662	US$ 2,763	N/A	US$ 2,763	
	Federal Home Ln Mtg Corp.	-	〃	2,469	US$ 2,521	N/A	US$ 2,521	
	Federal Home Ln Mtg Corp.	-	〃	2,309	US$ 2,350	N/A	US$ 2,350	
	Federal Home Ln Mtg Corp.	-	〃	2,358	US$ 2,448	N/A	US$ 2,448	
	Federal Home Loan Bank	-	〃	10,000	US$ 9,987	N/A	US$ 9,987	
	Federal Home Loan Bank	-	〃	8,000	US$ 7,992	N/A	US$ 7,992	
	Federal Home Loan Bank	-	〃	10,000	US$ 10,012	N/A	US$ 10,012	
	Federal Home Loan Bank	-	〃	4,700	US$ 4,715	N/A	US$ 4,715	
	Federal Home Loan Bank	-	〃	11,200	US$ 11,186	N/A	US$ 11,186	
	Federal Home Loan Bank	-	〃	3,310	US$ 3,319	N/A	US$ 3,319	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with TSMC	Financial Statement Account	December 31, 2009				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US$ in Thousands)	
	Federal Home Loan Bank	-	Available-for-sale financial assets	3,000	US$ 2,989	N/A	US$ 2,989	
	Federal Home Loan Bank	-	〃	3,000	US$ 2,983	N/A	US$ 2,983	
	Federal Home Loan Bank	-	〃	3,000	US$ 2,984	N/A	US$ 2,984	
	Federal Home Loan Mtg Corp.	-	〃	1,411	US$ 1,441	N/A	US$ 1,441	
	Federal Home Loan Mtg Corp.	-	〃	1,940	US$ 2,012	N/A	US$ 2,012	
	Federal National Mort Assoc	-	〃	2,117	US$ 2,176	N/A	US$ 2,176	
	Federal National Mort Assoc	-	〃	1,752	US$ 1,782	N/A	US$ 1,782	
	Federal Natl Mtg Assn Gtd Remi	-	〃	2,854	US$ 2,926	N/A	US$ 2,926	
	Federal Natl Mtg Assn Mtn	-	〃	2,669	US$ 2,765	N/A	US$ 2,765	
	Federal Natl Mtg Assn Remic	-	〃	2,871	US$ 2,953	N/A	US$ 2,953	
	Federal Natl Mtg Assn	-	〃	4,000	US$ 4,228	N/A	US$ 4,228	
	Federal Natl Mtge Assn	-	〃	2,039	US$ 2,126	N/A	US$ 2,126	
	Fhr 3087 Jb	-	〃	2,540	US$ 2,656	N/A	US$ 2,656	
	Fnma Pool 745688	-	〃	2,272	US$ 2,336	N/A	US$ 2,336	
	Fnma Pool 790772	-	〃	1,527	US$ 1,568	N/A	US$ 1,568	
	Fnma Pool 819649	-	〃	2,318	US$ 2,383	N/A	US$ 2,383	
	Fnma Pool 829989	-	〃	2,146	US$ 2,221	N/A	US$ 2,221	
	Fnma Pool 846233	-	〃	2,288	US$ 2,332	N/A	US$ 2,332	
	Fnma Pool 870884	-	〃	2,357	US$ 2,442	N/A	US$ 2,442	
	Fnma Pool 879908	-	〃	2,056	US$ 2,128	N/A	US$ 2,128	
	Fnr 2005 47 Ha	-	〃	2,652	US$ 2,753	N/A	US$ 2,753	
	Fnr 2006 60 Co	-	〃	3,062	US$ 3,153	N/A	US$ 3,153	
	Fnr 2009 70 Nt	-	〃	2,537	US$ 2,609	N/A	US$ 2,609	
	Freddie Mac	-	〃	4,500	US$ 4,491	N/A	US$ 4,491	
	Gnma II Pool 082431	-	〃	2,000	US$ 2,030	N/A	US$ 2,030	
	Government bond							
	US Treasury N/B	-	Available-for-sale financial assets	21,400	US$ 21,394	N/A	US$ 21,394	
	US Treasury N/B	-	〃	2,170	US$ 2,158	N/A	US$ 2,158	
	US Treasury Nts	-	〃	37,700	US$ 39,012	N/A	US$ 39,012	
	United States Treas Nts	-	〃	10,536	US$ 10,548	N/A	US$ 10,548	
	Societe De Financement De Lec	-	Held-to-maturity financial assets	15,000	US$ 15,000	N/A	US$ 15,091	
	Corporate issued note							
	Barclays U.S. Fdg LLC	-	Available-for-sale financial assets	4,500	US$ 4,489	N/A	US$ 4,489	
	Royal Bk of Scotland	-	〃	5,000	US$ 4,982	N/A	US$ 4,982	
	Money market fund							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	8,858	US$ 8,858	N/A	US$ 8,858	

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) or Disposal (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)
TSMC	Corporate bond													
	Taiwan Mobile Co., Ltd.	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	$ 2,032,658	-	$ -	-	$ 1,037,370	$ 1,000,000	$ 37,370	-	$ 1,046,672
	Formosa Petrochemical Corporation	Held-to-maturity financial assets	〃	-	-	3,554,908	-	457,351	-	-	-	-	-	3,178,551
	Taiwan Power Company	〃	〃	-	-	4,209,629	-	203,892	-	-	-	-	-	3,004,941
	Formosa Plastic Corporation	〃	〃	-	-	2,385,285	-	203,994	-	-	-	-	-	1,671,815
	China Steel Corporation	〃	〃	-	-	1,000,000	-	514,672	-	-	-	-	-	1,512,130
	Taipei Fubon Commercial Bank Co., Ltd.	〃	〃	-	-	-	-	298,677	-	-	-	-	-	298,884
	Government bond													
	European Investment Bank Bonds	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	383,387	-	2,025,500	-	400,000	383,909	16,091	-	2,003,876
	Capital													
	VTAF III	Investments accounted for using equity method	-	Subsidiary	-	1,305,605	-	262,922	-	-	-	-	-	1,309,615
TSMC Development	Corporate bond													
	JP Morgan Chase & Co.	Held-to-maturity financial assets	JP Morgan Securitied Inc.	-	-	-	-	US$ 15,000	-	-	-	-	-	US$ 15,000
GUC	Open-end mutual fund													
	Jih Sun Bond Fund	Available-for-sale financial assets	Jih Sun Investment Trust Co., Ltd.	-	-	-	19,143	270,000	13,475	190,120	190,000	120	5,668	80,008
	FSITC Taiwan Bond Fund	〃	First Securities Investment Trust Co., Ltd.	-	-	-	1,146	195,000	794	135,206	135,000	206	352	60,005
	Prudential Financial Bond Fund	〃	Prudential Financial Securities Investment Trust Enterprise	-	-	-	11,261	170,000	11,261	170,319	170,000	319	-	-
	PCA Well Pool Fund	〃	PCA Securities Investment Trust Co., Ltd.	-	-	-	13,121	170,000	13,121	170,241	170,000	241	-	-
	Hua Nan Phoenix Bond Fund	〃	Hua Nan Investment Trust Co., Ltd.	-	-	-	10,287	160,000	10,287	160,143	160,000	143	-	-
TSMC Global	Corporate bond													
	Ab Svensk Exportkredit Swedish	Available-for-sale financial assets	-	-	-	-	5,000	US$ 5,185	-	-	-	-	5,000	US$ 5,144
	Banco Bilbao Vizcaya P R	〃	-	-	-	-	3,250	US$ 3,250	-	-	-	-	3,250	US$ 3,248
	Bear Stearns Cos Inc.	〃	-	-	-	-	5,000	US$ 4,965	-	-	-	-	5,000	US$ 4,974
	Bear Stearns Cos Inc.	〃	-	-	-	-	3,500	US$ 3,360	-	-	-	-	3,500	US$ 3,391
	Chase Manhattan Corp. New	〃	-	-	3,250	US$ 3,353	-	-	3,250	US$ 3,380	US$ 3,480	US$ (100)	-	-
	Citibank NA	〃	-	-	-	-	3,000	US$ 3,002	3,000	US$ 3,002	US$ 3,002	-	-	-
	Citibank NA	〃	-	-	-	-	5,000	US$ 4,995	-	-	-	-	5,000	US$ 4,996
	Deutsche Bank Ag London	〃	-	-	2,995	US$ 3,013	-	-	2,995	US$ 3,021	US$ 3,041	US$ (20)	-	-
	General Elec Cap Corp.	〃	-	-	-	-	5,000	US$ 4,834	4,000	US$ 3,880	US$ 3,868	US$ 12	1,000	US$ 978
	General Elec Cap Corp.	〃	-	-	-	-	7,000	US$ 7,002	-	-	-	-	7,000	US$ 7,001

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) or Disposal (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)
	Goldman Sachs Group Incser 2	Available-for-sale financial assets	-	-	-	US$ -	3,000	US$ 3,016	-	US$ -	US$ -	US$ -	3,000	US$ 3,012
	International Business Machs	〃	-	-	-	-	3,000	US$ 3,030	-	-	-	-	3,000	US$ 3,027
	JP Morgan Chase + Co. Fdic Gtd Tlg	〃	-	-	-	-	3,000	US$ 3,030	-	-	-	-	3,000	US$ 3,030
	Keycorp Fdic Gtd Tlgp	〃	-	-	-	-	5,000	US$ 5,061	5,000	US$ 5,061	US$ 5,061	-	-	-
	Lloyds Tsb Bank Plc Ser 144A	〃	-	-	-	-	5,950	US$ 6,077	-	-	-	-	5,950	US$ 6,049
	Mellon Fdg Corp.	〃	-	-	-	-	3,500	US$ 3,404	-	-	-	-	3,500	US$ 3,419
	Metropolitan Life Global Fdg I	〃	-	-	-	-	3,340	US$ 3,245	-	-	-	-	3,340	US$ 3,278
	Morgan Stanley	〃	-	-	4,855	US$ 4,552	-	-	4,855	US$ 4,751	US$ 4,768	US$ (17)	-	-
	Royal Bk of Scotland Plc	〃	-	-	-	-	5,000	US$ 5,106	-	-	-	-	5,000	US$ 5,078
	Royal Bk Scotlnd Grp Plc 144A	〃	-	-	-	-	9,450	US$ 9,596	-	-	-	-	9,450	US$ 9,578
	Suncorp Metway Ltd.	〃	-	-	-	-	5,000	US$ 5,192	-	-	-	-	5,000	US$ 5,170
	US Central Federal Cred	〃	-	-	-	-	4,800	US$ 4,799	-	-	-	-	4,800	US$ 4,799
	Wachovia Corp. New	〃	-	-	-	-	4,000	US$ 4,239	-	-	-	-	4,000	US$ 4,246
	Wachovia Corp. New	〃	-	-	3,130	US$ 3,135	-	-	3,130	US$ 3,195	US$ 3,100	US$ 95	-	-
	Wells Fargo + Co. New Med Trm	〃	-	-	4,500	US$ 4,493	-	-	4,500	US$ 4,524	US$ 4,282	US$ 242	-	-
	Nationwide Building Society	Held-to-maturity financial assets	-	-	-	-	8,000	US$ 8,000	-	-	-	-	8,000	US$ 8,000
	Westpac Banking Corp. 12/12 Frn	〃	-	-	-	-	5,000	US$ 5,000	-	-	-	-	5,000	US$ 5,000
	Agency bond													
	Fed Hm Ln Pc Pool 1g1282	Available-for-sale financial assets	-	-	3,215	US$ 3,285	-	-	3,179	US$ 3,281	US$ 3,171	US$ 110	-	-
	Fed Hm Ln Pc Pool b19205	〃	-	-	5,449	US$ 5,501	-	-	5,335	US$ 5,511	US$ 5,225	US$ 286	-	-
	Fed Home Ln Bank	〃	-	-	5,000	US$ 5,305	-	-	5,000	US$ 5,282	US$ 5,035	US$ 247	-	-
	Federal Farm Cr Bks	〃	-	-	3,400	US$ 3,610	-	-	3,400	US$ 3,590	US$ 3,411	US$ 179	-	-
	Federal Farm Credit Bank	〃	-	-	3,375	US$ 3,433	-	-	3,375	US$ 3,429	US$ 3,370	US$ 59	-	-
	Federal Home Ln Bank	〃	-	-	-	-	11,000	US$ 11,038	-	-	-	-	11,000	US$ 11,028
	Federal Home Ln Bks	〃	-	-	3,725	US$ 3,854	-	-	3,725	US$ 3,851	US$ 3,721	US$ 130	-	-
	Federal Home Ln Bks	〃	-	-	5,000	US$ 5,320	-	-	5,000	US$ 5,312	US$ 5,098	US$ 214	-	-
	Federal Home Ln Bks	〃	-	-	4,000	US$ 4,148	-	-	4,000	US$ 4,151	US$ 4,136	US$ 15	-	-
	Federal Home Ln Mtg	〃	-	-	5,000	US$ 5,340	-	-	5,000	US$ 5,334	US$ 5,186	US$ 148	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	3,340	US$ 3,428	-	-	3,340	US$ 3,431	US$ 3,335	US$ 96	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	3,500	US$ 3,560	-	-	3,500	US$ 3,561	US$ 3,494	US$ 67	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	3,500	US$ 3,743	-	-	3,500	US$ 3,749	US$ 3,786	US$ (37)	-	-
	Federal Home Ln Mtg Corp.	〃	-	-	-	-	3,679	US$ 3,824	-	-	-	-	3,421	US$ 3,533
	Federal Home Ln Mtg Corp.	〃	-	-	3,060	US$ 3,108	-	-	3,005	US$ 3,078	US$ 3,003	US$ 75	-	-
	Federal Home Loan Bank	〃	-	-	-	-	10,000	US$ 9,996	-	-	-	-	10,000	US$ 9,987
	Federal Home Loan Bank	〃	-	-	-	-	10,000	US$ 10,002	2,000	US$ 2,000	US$ 2,000	-	8,000	US$ 7,992
	Federal Home Loan Bank	〃	-	-	-	-	10,000	US$ 10,035	-	-	-	-	10,000	US$ 10,012
	Federal Home Loan Bank	〃	-	-	-	-	4,700	US$ 4,723	-	-	-	-	4,700	US$ 4,715
	Federal Home Loan Bank	〃	-	-	-	-	11,200	US$ 11,200	-	-	-	-	11,200	US$ 11,186
	Federal Home Loan Bank	〃	-	-	-	-	3,310	US$ 3,310	-	-	-	-	3,310	US$ 3,319
	Federal Home Loan Bank	〃	-	-	-	-	3,000	US$ 3,000	-	-	-	-	3,000	US$ 2,984
	Federal Home Loan Bank	〃	-	-	4,500	US$ 4,710	-	-	4,500	US$ 4,709	US$ 4,518	US$ 191	-	-
	Federal Natl Mtg Assn	〃	-	-	-	-	9,246	US$ 9,474	9,246	US$ 9,461	US$ 9,474	US$ (13)	-	-
	Federal Natl Mtg Assn	〃	-	-	3,700	US$ 3,713	-	-	3,700	US$ 3,712	US$ 3,700	US$ 12	-	-
	Federal Natl Mtg Assn	〃	-	-	4,000	US$ 4,169	-	-	4,000	US$ 4,180	US$ 4,117	US$ 63	-	-
	Federal Natl Mtg Assn	〃	-	-	3,500	US$ 3,809	-	-	3,500	US$ 3,801	US$ 3,645	US$ 156	-	-
	Federal Natl Mtg Assn	〃	-	-	-	-	4,000	US$ 4,261	-	-	-	-	4,000	US$ 4,228
	Federal Natl Mtg Assn	〃	-	-	3,750	US$ 4,134	-	-	3,750	US$ 4,127	US$ 4,151	US$ (24)	-	-
	Federal Natl Mtg Assn Gtd Remi	〃	-	-	-	-	3,062	US$ 3,153	-	-	-	-	2,854	US$ 2,926
	Federal Natl Mtg Assn Remic	〃	-	-	-	-	3,036	US$ 3,127	-	-	-	-	2,871	US$ 2,953
	Fnma Pool 257245	〃	-	-	3,456	US$ 3,513	-	-	3,415	US$ 3,513	US$ 3,437	US$ 76	-	-
	Fnma Pool 691283	〃	-	-	2,963	US$ 3,039	-	-	2,932	US$ 3,028	US$ 2,920	US$ 108	-	-
	Fnma Pool 852300	〃	-	-	-	-	9,276	US$ 9,843	9,206	US$ 9,773	US$ 9,770	US$ 3	-	-
	Fnma Pool 852347	〃	-	-	-	-	3,761	US$ 3,991	3,721	US$ 3,950	US$ 3,949	US$ 1	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (In Thousands)	Amount (US$ in Thousands)	Shares/Units (In Thousands) (Note 1)	Amount (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) or Disposal (US$ in Thousands)	Shares/Units (In Thousands)	Amount (US$ in Thousands)
	Fnma Pool 888738	Available-for-sale financial assets	-	-	3,669	US$ 3,776	-	US$ -	3,659	US$ 3,828	US$ 3,801	US$ 27	-	US$ -
	Fnma Pool 888793	〃	-	-	4,105	US$ 4,242	-	-	4,071	US$ 4,265	US$ 4,207	US$ 58	-	-
	Fnma Pool 955778	〃	-	-	-	-	7,680	US$ 8,138	7,395	US$ 7,829	US$ 7,836	US$ (7)	-	-
	Fnr 2006 60 Co	〃	-	-	-	-	3,239	US$ 3,352	-	-	-	-	3,062	US$ 3,153
	Freddie Mac	〃	-	-	-	-	4,500	US$ 4,490	-	-	-	-	4,500	US$ 4,491
	Government bond													
	United States Treas Nts	Available-for-sale financial assets	-	-	10,266	US$ 10,374	-	-	10,357	US$ 11,258	US$ 11,258	-	10,536	US$ 10,548
	US Treasury N/B	〃	-	-	-	-	41,900	US$ 41,931	20,500	US$ 20,564	US$ 20,515	US$ 49	21,400	US$ 21,394
	US Treasury N/B	〃	-	-	-	-	3,520	US$ 3,498	1,350	US$ 1,358	US$ 1,341	US$ 17	2,170	US$ 2,158
	US Treasury Nts	〃	-	-	-	-	50,000	US$ 52,184	12,300	US$ 12,826	US$ 12,837	US$ (11)	37,700	US$ 39,012
	Societe De Financement De Lec	Held-to-maturity financial assets	-	-	-	-	15,000	US$ 15,000	-	-	-	-	15,000	US$ 15,000
	Corporate issued note													
	Barclays U.S. Fdg LLC	Available-for-sale financial assets	-	-	-	-	4,500	US$ 4,489	-	-	-	-	4,500	US$ 4,489
	Royal Bk of Scotland	〃	-	-	-	-	5,000	US$ 4,982	-	-	-	-	5,000	US$ 4,982
	Money market fund													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	30,435	US$ 30,435	495,908	US$ 495,908	517,485	US$ 517,485	US$ 517,485	-	8,858	US$ 8,858
	Corporate issued asset-backed securities													
	Banc Amer Coml Mtg Inc.	Available-for-sale financial assets	-	-	4,597	US$ 4,584	-	-	4,472	US$ 4,480	US$ 4,584	US$ (104)	-	-
	Cit Equip Coll Tr	〃	-	-	4,000	US$ 3,884	-	-	4,000	US$ 3,925	US$ 3,996	US$ (71)	-	-
	Credit Suisse First Boston Mtg	〃	-	-	4,353	US$ 4,349	-	-	4,090	US$ 4,085	US$ 4,188	US$ (103)	-	-
	First Un Natl Bk Coml Mtg Tr	〃	-	-	4,788	US$ 4,715	-	-	4,774	US$ 4,780	US$ 4,954	US$ (174)	-	-
	Lb Ubs Coml Mtg Tr	〃	-	-	3,737	US$ 3,495	-	-	3,725	US$ 3,537	US$ 3,697	US$ (160)	-	-
	Tiaa Seasoned Coml Mtg Tr	〃	-	-	3,397	US$ 3,163	-	-	3,375	US$ 3,283	US$ 3,392	US$ (109)	-	-
	Wamu Mtg	〃	-	-	3,214	US$ 2,925	-	-	3,172	US$ 3,106	US$ 3,114	US$ (8)	-	-

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

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.

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	October 25, 2009 to December 30, 2009	$ 514,777	By the construction progress	Fu Tsu Construction Co., Ltd. and China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

TABLE 4

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America	Subsidiary	Sales	$ 161,251,368	54	Net 30 days after invoice date	-	-	$ 22,203,242	52	
	GUC	Investee with a controlling financial interest	Sales	2,023,612	1	Net 30 days after monthly closing	-	-	338,502	1	
	VIS	Investee accounted for using equity method	Sales	139,044	-	Net 30 days after invoice date	-	-	-	-	
	WaferTech	Indirect subsidiary	Purchases	5,560,707	18	Net 30 days after monthly closing	-	-	(561,165)	5	
	TSMC China	Subsidiary	Purchases	3,787,113	12	Net 30 days after monthly closing	-	-	(481,500)	4	
	SSMC	Investee accounted for using equity method	Purchases	3,537,659	11	Net 30 days after monthly closing	-	-	(238,741)	2	
	VIS	Investee accounted for using equity method	Purchases	3,312,656	10	Net 30 days after monthly closing	-	-	(529,060)	5	
GUC	TSMC North America	Same parent company	Purchases	937,160	28	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(173,789)	25	
Xintec	OmniVision	Parent company of director (represented for Xintec)	Sales	1,801,655	77	Net 30 days after monthly closing	-	-	397,695	73	

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

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2009

(Amounts in Thousands of New Taiwan Dollars)

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

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

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

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH TSMC EXERCISES SIGNIFICANT INFLUENCE DECEMBER 31, 2009

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	$ 42,327,245	$ 42,327,245	1	100	$ 45,397,256	$ 505,232	$ 505,232	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment in companies involved in the design, manufacture, and other related business in the semiconductor industry.	31,456,130	31,456,130	988,268	100	32,545,619	(54,907)	(54,907)	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,232,288	628,223	37	9,365,232	89,241	(368,710)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	6,157,141	1,608,714	427,022	Investee accounted for using equity method
	TSMC China	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	2,961,043	(3,244,458)	(3,242,122)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,723,727	360,562	360,562	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	93,081	41	1,475,014	10,597	(20,659)	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,703,163	1,440,241	-	98	1,309,615	(224,620)	(223,546)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,093,943	1,036,422	-	98	1,122,810	(178,442)	(174,873)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	46,688	35	983,126	412,771	146,384	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	959,044	986,797	-	99	305,866	(92,606)	(92,143)	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749	-	100	159,467	35,445	35,445	Subsidiary (Note 3)
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	135,663	4,203	4,203	Subsidiary (Note 3)
	TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	18,519	2,392	2,392	Subsidiary (Note 3)
TSMC Partners	TSMC Development	Delaware, U.S.A.	Investment activities	US$ 0.001	US$ 0.001	1	100	US$ 340,387	US$ 9,293	Note 2	Subsidiary
	VisEra Holding Company	Cayman Islands	Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US$ 43,000	US$ 43,000	43,000	49	US$ 70,967	US$ 322	Note 2	Investee accounted for using equity method
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US$ 21,415	US$ 32,289	21,415	97	US$ 13,741	US$ 960	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US$ 0.001	US$ 0.001	1	100	US$ 9,071	US$ 662	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	US$ 7,680	US$ 7,680	7,680	97	US$ 7,336	US$ (1,504)	Note 2	Subsidiary
	TSMC Canada	Ontario, Canada	Engineering support activities	US$ 2,300	US$ 2,300	2,300	100	US$ 3,193	US$ 210	Note 2	Subsidiary (Note 3)
	Mcube Inc. (Common Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US$ 800	-	5,333	70	US$ 800	US$ (24)	Note 2	Investee accounted for using equity method
	Mcube Inc. (Preferred Stock)	Delaware, U.S.A.	Research, development, and sale of micro-semiconductor device	US$ 1,000	-	1,000	10	US$ 1,000	US$ (24)	Note 2	Investee accounted for using equity method
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US$ 330,000	US$ 380,000	293,637	100	US$ 154,432	US$ (125)	Note 2	Subsidiary
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US$ 91,041	US$ 91,041	253,120	89	US$ 125,983	US$ 313	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US$ 3,088	US$ 1,705	9,180	59	US$ 2,112	US$ (1,105)	Note 2	Subsidiary
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	US$ 1,777	US$ 1,777	4,500	42	US$ 566	US$ (1,239)	Note 2	Investee accounted for using equity method
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	US$ 1,550	US$ 700	-	100	US$ 823	US$ (127)	Note 2	Subsidiary (Note 3)
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	62	-	-	Note 2	Subsidiary (Note 3)
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	31	-	-	Note 2	Subsidiary (Note 3)
GUC	GUC-NA	U.S.A.	Consulting services in main products	US$ 800	US$ 800	800	100	$ 38,617	$ 5,617	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,899	1,608	Note 2	Subsidiary (Note 3)
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50	-	100	5,213	353	Note 2	Subsidiary (Note 3)
	GUC-BVI	British Virgin Islands	Investment activities	US$ 550	-	550	100	17,466	(133)	Note 2	Subsidiary (Note 3)
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	7	-	-	Note 2	Subsidiary (Note 3)

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

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

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

TABLE 7

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2009

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2009 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009 (US$ in Thousand)	Percentage of Ownership
					Outflow	Inflow		
TSMC China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	$ 12,180,367 (RMB 3,070,623)	(Note 1)	$ 12,180,367 (US$ 371,000)	$ -	$ -	$ 12,180,367 (US$ 371,000)	100%

Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009	Accumulated Investment in Mainland China as of December 31, 2009 (US$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousand)	Upper Limit on Investment (US$ in Thousand)
$ (3,242,122)	$ 2,961,043	$ -	$ 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 audited financial statements.

TABLE 8

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

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

A. FOR THE YEAR ENDED DECEMBER 31, 2009

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	$ 161,251,368	-	52%
				Receivables from related parties	22,203,242	-	4%
				Other receivables from related parties	8,676	-	-
				Payables to related parties	4,222	-	-
		TSMC China	1	Sales	63,278	-	-
				Purchases	3,787,113	-	1%
				Gain on disposal of property, plant and equipment	176,521	-	-
				Technical service income	8,105	-	-
				Marketing expenses - commission	10,302	-	-
				Other receivables from related parties	111,103	-	-
				Payables to related parties	481,500	-	-
				Deferred credits	7,970	-	-
		TSMC Japan	1	Marketing expenses - commission	233,855	-	-
				Payables to related parties	23,288	-	-
		TSMC Europe	1	Marketing expenses - commission	325,463	-	-
				Research and development expenses	21,463	-	-
				Payables to related parties	31,342	-	-
		TSMC Korea	1	Marketing expenses - commission	14,424	-	-
				Payables to related parties	1,418	-	-
		GUC	1	Sales	2,023,612	-	1%
				Research and development expenses	26,488	-	-
				Receivables from related parties	338,502	-	-
		TSMC Technology	1	Research and development expenses	409,686	-	-
				Payables to related parties	109,220	-	-
		WaferTech	1	Sales	4,482	-	-
				Purchases	5,560,707	-	2%
				Other receivables from related parties	4,932	-	-
				Payables to related parties	561,165	-	-
		TSMC Canada	1	Research and development expenses	157,527	-	-
				Payables to related parties	13,653	-	-
		Xintec	1	Manufacturing overhead	35,466	-	-
				Payables to related parties	37,363	-	-
				Sales of property, plant and equipment and other assets	58,450	-	-

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
3	GUC	TSMC North America	3	Purchases	$ 937,160	-	-
				Manufacturing overhead	303,687	-	-
				Payables to related parties	173,789	-	-
		GUC-NA	3	Operating expenses	157,345	-	-
				Accrued Expense	14,618	-	-
		GUC-Japan	3	Operating expenses	39,755	-	-
				Accrued Expense	3,462	-	-
		GUC-Europe	3	Operating expenses	7,305	-	-

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

B. FOR THE YEAR ENDED DECEMBER 31, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	$ 192,986,719	-	55%
				Receivables from related parties	11,512,777	-	2%
				Other receivables from related parties	256,624	-	-
				Payables to related parties	327,250	-	-
		TSMC China	1	Sales	101,245	-	-
				Purchases	4,717,676	-	1%
				Gain on disposal of property, plant and equipment	197,681	-	-
				Technical service income	99,737	-	-
				Other receivables from related parties	112,933	-	-
				Payables to related parties	117,417	-	-
				Deferred credits	183,896	-	-
		TSMC Japan	1	Marketing expenses - commission	251,367	-	-
				Payables to related parties	20,528	-	-
		TSMC Europe	1	Marketing expenses - commission	367,846	-	-
				Payables to related parties	29,679	-	-
		TSMC Korea	1	Marketing expenses - commission	16,408	-	-
				Payables to related parties	1,313	-	-
		GUC	1	Sales	1,611,058	-	-
				General and administrative expenses - rental expense	1,050	-	-
				Research and development expenses	18,940	-	-
				Receivables from related parties	215,190	-	-
				Payables to related parties	7,003	-	-
		TSMC Technology	1	Research and development expenses	352,900	-	-
				Payables to related parties	41,904	-	-
		WaferTech	1	Sales	12,216	-	-
				Purchases	8,207,876	-	2%
				Other receivables from related parties	13,813	-	-
				Payables to related parties	171,089	-	-
		TSMC Canada	1	Research and development expenses	172,291	-	-
				Payables to related parties	3,297	-	-
		Emerging Alliance	1	Other receivables from related parties	5,149	-	-
2	TSMC Partners	TSMC International	3	Other receivables	8,149,280	-	1%
				Deferred revenue	8,149,280	-	1%

(Continued)

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

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

9. U.S. GAAP Financial Information

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

U.S. GAAP RECONCILIATIONS OF SHAREHOLDERS' EQUITY
December 31, 2008 and 2009

(In Thousand New Taiwan Dollars)

	2009	2008
Total shareholders' equity based on R.O.C. GAAP	$ 499,048,548	$ 480,372,467
Adjustments		
- U.S. GAAP adjustments on equity-method investees	(449,910)	(484,992)
- Impairment of long-lived assets		
- Loss on impairment of assets	(10,439,143)	(10,709,654)
- Reversal of depreciation on assets impaired under U.S. GAAP	10,439,143	10,709,654
- 10%tax on undistributed earnings	(3,588,008)	(4,554,897)
- Goodwill		
- Carrying amount difference for 68% equity interest in TASMC's share acquisition	52,212,732	52,212,732
- Reversal of amortization of goodwill recognized under R.O.C. GAAP	(11,318,915)	(11,228,894)
- Accrued pension cost	(31,734)	(35,622)
- Accrual for deferred pension loss under U.S. SFAS No. 158	(10,712)	(1,288,895)
- Income tax effect of U.S. GAAP adjustments	134,367	68,398
- Net adjustment	36,947,820	34, 687,830
Total equity based on U.S. GAAP	$ 535,996,368	$ 515,060,297
Attributable to		
Shareholders of the parent	532,042,816	511,089,189
Noncontrolling interests	3,953,552	3,971,108
	$ 535,996,368	$ 515,060,297

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

U.S. GAAP RECONCILIATIONS OF NET INCOME
For the Years Ended December 31, 2008 and 2009

(In Thousand New Taiwan Dollars)

	2009	2008
Net income		
Consolidated net income based on R.O.C. GAAP	$ 89,466,223	$ 100,523,237
Adjustments		
- Realization of unrealized loss on marketable securities recognized under R.O.C. GAAP prior to January 1, 2006	-	(98,024)
- U.S. GAAP adjustments on equity-method investees	(6,300)	(16,405)
- Reversal of depreciation on assets impaired under U.S. GAAP	-	675,651
- 10% tax on undistributed earnings	966,889	983,382
- Profit sharing to employees, directors and supervisors		
- Current year accrual	-	-
- Fair market value adjustment of prior year accrual	(648,092)	(20,369,334)
- Pension expense	3,888	4,289
- Stock-based compensation	(559,078)	215,766
- Income tax effect of U.S. GAAP adjustments	69,929	(96,366)
- Net adjustment	(172,764)	(18,701,041)
Consolidated net income based on U.S. GAAP	$ 89,293,459	$ 81,822,196
Attributable to		
Shareholders of the parent	89,102,226	81,473,243
Noncontrolling interests	191,233	348,953
	$ 89,293,459	$ 81,822,196

CONTACT INFORMATION

Corporate Headquarters & Fab 12
8, Li-Hsin Rd. 6, Hsinchu Science Park, Hsinchu, Taiwan 300-78, R.O.C.
Tel: 886-3-5636688 Fax: 886-3-5637000

Fab 2, Fab 5
121, Park Ave. 3, Hsinchu Science Park, Hsinchu, Taiwan 300-77, R.O.C.
Tel: 886-3-5636688 Fax: 886-3-5781546

Fab 3
9, Creation Rd. 1, Hsinchu Science Park, Hsinchu, Taiwan 300-77, R.O.C.
Tel: 886-3-5636688 Fax: 886-3-5781548

Fab 6
1, Nan-Ke North Rd., Tainan Science Park, Tainan, Taiwan 741-44, R.O.C.
Tel: 886-6-5056688 Fax: 886-6-5052057

Fab 8
25, Li-Hsin Rd., Hsinchu Science Park, Hsinchu, Taiwan 300-78, R.O.C.
Tel: 886-3-5636688 Fax: 886-3-5662051

Fab 14
1-1, Nan-Ke North Rd., Tainan Science Park, Tainan, Taiwan 741-44, R.O.C.
Tel: 886-6-5056688 Fax: 886-6-5051262

TSMC North America
2585 Junction Avenue, San Jose, CA 95134, U.S.A.
Tel: 408-3828000 Fax: 408-3828008

TSMC Europe B.V.
World Trade Center, Zuidplein 60, 1077 XV Amsterdam, The Netherlands
Tel: 31-20-3059900 Fax: 31-20-3059911

TSMC Japan Limited
21F, Queen's Tower C, 2-3-5, Minatomirai, Nishi-ku, Yokohama
Kanagawa, 220-6221, Japan
Tel: 81-45-6820670 Fax: 81-45-6820673

TSMC China Company Limited
4000, Wen Xiang Road, Songjiang, Shanghai, China
Postcode: 201616
Tel: 86-21-57768000 Fax: 86-21-57762525

TSMC Korea Limited
15F, AnnJay Tower, 718-2, Yeoksam-dong, Gangnam-gu
Seoul 135-080, Korea
Tel: 82-2-20511688 Fax: 82-2-20511669

TSMC Liaison Office in India
1st Floor, Pine Valley, Embassy Golf-Links Business Park
Bangalore-560071, India
Tel: 91-80-41768615 Fax: 91-80-41764568

TSMC Design Technology Canada Inc.
349 Terry Fox Drive, Kanata, ON K2K 2V6, Canada
Tel: 1-613-5667067 Fax: 1-613-2713643

TSMC Spokesperson
Name: Lora Ho
Title: Vice President & CFO
Tel: 886-3-5664602 Fax: 886-3-5670121
Email: cyhsu@tsmc.com

Deputy Spokesperson
Name: J.H. Tzeng
Title: Deputy Director, Public Relations
Tel: 886-3-5055028 Fax: 886-3-5670121
Email: jhtzeng@tsmc.com

TSMC Investor Relations
Name: Elizabeth Sun
Title: Director, Investor Relations
Tel: 886-3-5682085 Fax: 886-3-5797337
Email: invest@tsmc.com

Auditors
Company: Deloitte & Touche
Auditors: Hung-Peng Lin, Shu-Chieh Huang
Address: 12F, 156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan 105-96, R.O.C.
Tel: 886-2-25459988 Fax: 886-2-25459966
Website: http://www.deloitte.com.tw

Common Share Transfer Agent and Registrar
Company: The Transfer Agency Department of Chinatrust
Commercial Bank
Address: 5F, 83, Sec. 1, Chung-Ching S. Rd., Taipei, Taiwan 100-08, R.O.C.
Tel: 886-2-21811911 Fax: 886-2-23116723
Website: http://www.chinatrust.com.tw

ADR Depositary Bank
Company: Citibank, N.A.
Depositary Receipts Services
Address: 388 Greenwich Street, New York, NY 10013, U.S.A.
Website: http://www.citigroup.com/adr
Tel: 1-877-2484237 (toll free)
Tel: 1-781-5754555 (out of US)
Fax: 1-201-3243284
E-mail: citibank@shareholders-online.com
TSMC's depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM. The information relating to TSM is available at http://www.nyse.com and http://newmops.tse.com.tw