

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

May 05, 2009

**1934 Act Registration No. 1-14700**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

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

**For the month of April 2009**

**Taiwan Semiconductor Manufacturing Company Ltd.**

(Translation of Registrant's Name Into English)

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

**Hsinchu Science Park,**

**Taiwan**

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

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**Taiwan Semiconductor Manufacturing  
Company Limited  
Financial Statements for the  
Three Months Ended March 31, 2009 and 2008 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2009 and 2008, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

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We have also reviewed, in accordance with Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the three months ended March 31, 2009 and 2008, and have issued thereon an unqualified review report with an explanatory paragraph relating to the adoption of the newly revised Statement of Financial Accounting Standard, Accounting for Inventories, and the adoption of Interpretation 2007-052, respectively.

April 9, 2009

*Notice to Readers*

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

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 153,276,031	29	\$ 115,869,440	20
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	229,415		160,249	
Available-for-sale financial assets (Notes 2, 6 and 23)			18,591,721	4
Held-to-maturity financial assets (Notes 2, 7 and 23)	4,739,315	1	9,976,745	2
Receivables from related parties (Note 24)	10,181,965	2	24,687,419	4
Notes and accounts receivable	8,321,271	2	16,099,860	3
Allowance for doubtful receivables (Notes 2 and 8)	(198,976)		(687,619)	
Allowance for sales returns and others (Notes 2 and 8)	(6,336,876)	(1)	(4,167,643)	(1)
Other receivables from related parties (Note 24)	230,871		2,221,204	
Other financial assets (Note 25)	1,348,616		395,342	
Inventories (Notes 2, 3 and 9)	12,949,118	2	19,252,120	4
Deferred income tax assets (Notes 2 and 17)	5,849,563	1	8,094,973	1
Prepaid expenses and other current assets	1,047,211		809,189	
<b>Total current assets</b>	<b>191,637,524</b>	<b>36</b>	<b>211,303,000</b>	<b>37</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>				
Investments accounted for using equity method	109,601,554	21	107,596,741	19
Available-for-sale financial assets	1,038,443			
Held-to-maturity financial assets	11,585,538	2	8,023,394	1
Financial assets carried at cost	519,502		748,160	
<b>Total long-term investments</b>	<b>122,745,037</b>	<b>23</b>	<b>116,368,295</b>	<b>20</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
Cost				
Buildings	114,880,914	22	102,763,591	18
Machinery and equipment	636,909,351	119	598,750,110	103
Office equipment	9,856,423	2	9,424,541	2

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Accumulated depreciation	761,646,688 (574,998,401)	143 (108)	710,938,242 (503,748,572)	123 (87)
Advance payments and construction in progress	16,434,915	3	28,503,739	5
Net property, plant and equipment	203,083,202	38	235,693,409	41
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	5,980,431	1	6,781,759	1
Total intangible assets	7,548,187	1	8,349,515	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 17)	5,549,630	1	3,916,735	1
Refundable deposits	2,636,845	1	2,748,142	
Others (Note 2)	443,514		295,217	
Total other assets	8,629,989	2	6,960,094	1
TOTAL	\$ 533,643,939	100	\$ 578,674,313	100

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	\$ 2,962		\$ 239,893	
Accounts payable	4,447,744	1	7,491,302	1
Payables to related parties (Note 24)	1,102,214		1,986,731	
Income tax payable (Notes 2 and 17)	9,663,927	2	13,743,060	3
Bonuses payable to employees and directors (Notes 3 and 19)	15,404,117	3	4,321,538	1
Payables to contractors and equipment suppliers	4,829,314	1	11,413,544	2
Accrued expenses and other current liabilities (Note 15)	6,007,869	1	9,925,414	2
Current portion of bonds payable (Note 14)			8,000,000	1
Total current liabilities	41,458,147	8	57,121,482	10
<b>LONG-TERM LIABILITIES</b>				

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Bonds payable (Note 14)	4,500,000	1	4,500,000	1
Other long-term payables (Note 15)	881,842		1,335,996	
Total long-term liabilities	5,381,842	1	5,835,996	1
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 16)	3,727,225	1	3,666,177	1
Guarantee deposits (Note 27)	1,309,582		1,869,126	
Deferred credits (Notes 2 and 24)	219,859		887,838	
Total other liabilities	5,256,666	1	6,423,141	1
Total liabilities	52,096,655	10	69,380,619	12
<b>CAPITAL STOCK NT\$10 PAR VALUE (Notes 19 and 21)</b>				
Authorized: 28,050,000 thousand shares				
Issued: 25,626,012 thousand shares in 2009				
25,629,242 thousand shares in 2008	256,260,122	48	256,292,416	44
CAPITAL SURPLUS (Notes 2 and 19)	49,965,450	9	51,696,165	9
<b>RETAINED EARNINGS (Note 19)</b>				
Appropriated as legal capital reserve	67,324,393	12	56,406,684	10
Appropriated as special capital reserve	391,857		629,550	
Unappropriated earnings	103,896,290	20	151,596,813	26
	171,612,540	32	208,633,047	36
<b>OTHERS (Notes 2, 21 and 23)</b>				
Cumulative translation adjustments	3,531,944	1	(6,810,720)	(1)
Unrealized gain on financial instruments	177,228		400,861	
Treasury stock: 34,096 thousand shares			(918,075)	
	3,709,172	1	(7,327,934)	(1)
Total shareholders' equity	481,547,284	90	509,293,694	88
TOTAL	\$ 533,643,939	100	\$ 578,674,313	100

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 24)	\$ 39,214,322		\$ 86,911,072	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	1,654,628		1,680,969	
NET SALES	37,559,694	100	85,230,103	100
COST OF SALES (Notes 3, 9, 18 and 24)	29,717,331	79	47,864,496	56
GROSS PROFIT	7,842,363	21	37,365,607	44
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)	131,929		(63,912)	
REALIZED GROSS PROFIT	7,974,292	21	37,301,695	44
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	3,276,829	9	4,912,037	6
General and administrative	1,339,263	3	2,388,738	3
Marketing	263,567	1	586,390	
Total operating expenses	4,879,659	13	7,887,165	9
INCOME FROM OPERATIONS	3,094,633	8	29,414,530	35
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	491,659	2	642,460	1
Foreign exchange gain, net (Note 2)	428,117	1		
Gain on settlement and disposal of financial instruments, net (Notes 2 and 23)	53,461		23,271	
Technical service income (Notes 24 and 27)	41,348		205,295	
Equity in earnings of equity method investees, net (Notes 2 and 10)			1,043,790	1

Valuation gain on financial instruments, net (Notes 2, 5 and 23)			1,740,705	2
Others (Notes 2 and 24)	102,681		223,441	
Total non-operating income and gains	1,117,266	3	3,878,962	4

(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Equity in losses of equity method investees, net (Notes 2 and 10)	\$ 2,949,992	8	\$	
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	442,382	1		
Interest expense	40,776		88,750	
Foreign exchange loss, net (Note 2)			1,774,578	2
Others (Note 2)	29,281		23,009	
<b>Total non-operating expenses and losses</b>	<b>3,462,431</b>	<b>9</b>	<b>1,886,337</b>	<b>2</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>749,468</b>	<b>2</b>	<b>31,407,155</b>	<b>37</b>
<b>INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 17)</b>	<b>809,405</b>	<b>2</b>	<b>(3,263,773)</b>	<b>(4)</b>
<b>NET INCOME</b>	<b>\$ 1,558,873</b>	<b>4</b>	<b>\$ 28,143,382</b>	<b>33</b>

	<b>2009</b>		<b>2008</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE (NT\$, Note 22)</b>				
Basic earnings per share	\$ 0.03	\$ 0.06	\$ 1.20	\$ 1.08
Diluted earnings per share	\$ 0.03	\$ 0.06	\$ 1.20	\$ 1.08

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 three months ended March 31, 2008 (Notes 2 and 21):

	<b>2008</b>
<b>NET INCOME</b>	<b>\$ 28,143,382</b>

EARNINGS PER SHARE (NT\$)

Basic earnings per share	\$	1.08
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Diluted earnings per share	\$	1.07
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The accompanying notes are an integral part of the financial statements.

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,558,873	\$ 28,143,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,762,482	18,041,872
Unrealized (realized) gross profit from affiliates	(131,929)	63,912
Amortization of premium/discount of financial assets	(10,448)	(25,931)
Gain on disposal of available-for-sale financial assets, net	(37,370)	(23,271)
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	
Equity in losses (earnings) of equity method investees, net	2,949,992	(1,043,790)
Dividends received from equity method investees	988,201	589,071
Gain on disposal of property, plant and equipment and other assets, net	(36,117)	(77,850)
Deferred income tax	(1,250,521)	498,225
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(267,611)	(125,919)
Receivables from related parties	1,546,239	2,014,229
Notes and accounts receivable	3,119,905	1,811,468
Allowance for doubtful receivables	(237,770)	(1,353)
Allowance for sales returns and others	468,294	310,958
Other receivables from related parties	317,321	64,957
Other financial assets	(636,861)	(63,644)
Inventories	(141,182)	1,735,022
Prepaid expenses and other current assets	145,264	52,276
Increase (decrease) in:		
Accounts payable	133,479	(1,994,516)
Payables to related parties	(100,136)	(1,012,899)
Income tax payable	441,116	2,765,097
Accrued bonuses to employees and directors	256,060	4,321,538
Accrued expenses and other current liabilities	(1,463,087)	(1,581,849)
Accrued pension cost	17,216	8,498
Deferred credits	(58,501)	(23,937)
Net cash provided by operating activities	26,316,818	54,445,546
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(5,444,584)	(14,294,648)
Held-to-maturity financial assets	(204,990)	

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Investments accounted for using equity method	(78,472)	(217,348)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	1,037,370	5,154,736
Held-to-maturity financial assets	1,550,000	2,238,000
Property, plant and equipment and other assets	120	1,157
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2009</b>	<b>2008</b>
Proceeds from return of capital by investees	\$	\$ 55,056
Increase in deferred charges	(37,331)	(584,370)
Decrease (increase) in refundable deposits	82,892	(6,604)
 Net cash used in investing activities	 (3,094,995)	 (7,654,021)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bonds payable	(8,000,000)	
Decrease in guarantee deposits	(169,570)	(371,551)
Proceeds from exercise of employee stock options	15,418	80,948
Repurchase of treasury stock		(3,053,584)
 Net cash used in financing activities	 (8,154,152)	 (3,344,187)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 15,067,671	 43,447,338
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 138,208,360	 72,422,102
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 153,276,031	 \$ 115,869,440
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 351,803	\$ 355,000
Income tax paid	\$ 52,636	\$ 63,801
 <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 2,699,007	\$ 20,318,452
Decrease (increase) in payables to contractors and equipment suppliers	2,745,577	(6,023,804)
 Cash paid	 \$ 5,444,584	 \$ 14,294,648
 Disposal of property, plant and equipment and other assets	 \$ 58,570	 \$ 1,762,010

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Increase in other receivables from related parties	(58,450)	(1,760,853)
Cash received	\$ 120	\$ 1,157
NON-CASH FINANCING ACTIVITIES		
Current portion of bonds payable	\$	\$ 8,000,000
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,106,985	\$ 3,308,040

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

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

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**1. GENERAL**

Taiwan Semiconductor Manufacturing Company Limited (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987 as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. 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).

The Company is a dedicated foundry in the semiconductor industry which engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices and the manufacturing of masks.

As of March 31, 2009 and 2008, the Company had 19,537 and 20,519 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 and asset-backed commercial papers acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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### **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.

Fair value of open-end mutual funds is determined using the net assets value at the end of the period. For debt securities, fair value is determined using the average of bid and asked prices at the end of the period.

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date. Prior to January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods. As stated in note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs.

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

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

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

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentages in the investees until such gains or losses are realized through transactions with third parties. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until such gains or losses are realized through subsequent sales of the related products to third parties. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are realized through transactions with third parties. Gains or losses on sales between equity method investees over each of which the Company has control are deferred in proportion to the Company's weighted-average ownership percentage in the investee which

records gains or losses. In transactions between equity method investees over either or both of which the Company has no control, gains or losses on sales are deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are recorded until they are realized through transactions with third parties.

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

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

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

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

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

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

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

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

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

### **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 indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized over the following periods: Technology license fees the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other

charges 3 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.



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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

### **Stock-based Compensation**

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

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

Effective January 1, 2008, the Company adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors, which requires companies to record bonuses paid to employees, 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 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.

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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.

### Reclassification

Certain accounts in the financial statements as of and for the three months ended March 31, 2008 have been reclassified to be consistent with the financial statements as of and for the three months ended March 31, 2009.

## 3. ACCOUNTING CHANGES

Effective January 1, 2009, the Company adopted the newly revised SFAS No. 10, Accounting for Inventories. The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. Such changes in accounting principle did not have significant effect on the Company's financial statements for the three months ended March 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 bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of NT\$3,586,877 thousand and NT\$0.14, respectively, for the three months ended March 31, 2008.

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

## 4. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Cash and deposits in banks	\$ 142,453,439	\$ 109,361,907
Repurchase agreements collateralized by government bonds	10,822,592	5,995,378
Asset-backed commercial papers		512,155

\$ 153,276,031      \$ 115,869,440

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Trading financial assets		
Forward exchange contracts	\$ 201,358	\$
Cross currency swap contracts	28,057	160,249
	\$ 229,415	\$ 160,249
Trading financial liabilities		
Forward exchange contracts	\$ 206	\$ 121,599
Cross currency swap contracts	2,756	118,294
	\$ 2,962	\$ 239,893

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

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
March 31, 2009		
Sell US\$/Buy NT\$	April 2009	US\$200,000/NT\$6,979,725
Sell EUR/Buy US\$	April 2009	EUR6,140/US\$8,266
March 31, 2008		
Sell EUR/Buy NT\$	April 2008 to July 2008	EUR44,500/ NT\$2,010,109

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
March 31, 2009			

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April 2009 to May 2009    US\$ 130,000/ NT\$4,434,625                      0.66%-6.79%                      0.00%-0.61%

March 31, 2008

April 2008    US\$ 883,000/NT\$26,897,408                      2.60%-3.75%                      1.28%-2.42%

For the three months ended March 31, 2009 and 2008, valuation on financial instruments arising from derivative financial instruments was a net loss of NT\$442,382 thousand and a net gain of NT\$1,740,705 thousand, respectively.

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 1,038,443	\$ 4,065,233
Open-end mutual funds		14,126,171
Government bonds		400,317
	1,038,443	18,591,721
Current portion		(18,591,721)
	\$ 1,038,443	\$

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Corporate bonds	\$ 15,446,490	\$ 10,908,455
Government bonds	878,363	6,091,684
Structured time deposits		1,000,000
	16,324,853	18,000,139
Current portion	(4,739,315)	(9,976,745)
	\$ 11,585,538	\$ 8,023,394

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
March 31, 2008				
Step-up callable domestic deposits	\$ 1,000,000	\$ 3,844	1.77%-1.83%	April 2008 to October 2008

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 436,746	\$ 688,972

Write-off	(237,770)	(1,353)
Balance, end of period	\$ 198,976	\$ 687,619



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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 5,868,582	\$ 3,856,685
Provision	1,654,628	1,680,969
Write-off	(1,186,334)	(1,370,011)
Balance, end of period	\$ 6,336,876	\$ 4,167,643

## 9. INVENTORIES

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Finished goods	\$ 2,313,609	\$ 3,511,335
Work in process	9,462,462	13,943,712
Raw materials	558,422	1,192,836
Supplies and spare parts	614,625	604,237
	\$ 12,949,118	\$ 19,252,120

Write-downs of inventories to net realizable value in the amount of NT\$171,264 thousand and NT\$98,156 thousand, respectively, were included in the cost of sales for the three months ended March 31, 2009 and 2008.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>March 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
TSMC Global Ltd. (TSMC Global)	\$ 47,526,422	100	\$ 41,971,629	100
TSMC International Investment Ltd. (TSMC International)	30,028,035	100	27,063,207	100
Vanguard International Semiconductor Corporation (VIS)	9,491,037	37	11,183,477	36
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	5,720,868	39	8,352,727	39
TSMC China Company Limited (TSMC China)	5,220,310	100	7,895,259	100
TSMC Partners, Ltd. (TSMC Partners)	3,719,188	100	3,528,732	100
TSMC North America	2,613,897	100	2,184,900	100
VentureTech Alliance Fund III, L.P. (VTAF III)	1,403,469	98	1,037,387	98
XinTec Inc. (XinTec)	1,397,538	42	1,483,429	43

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Global UniChip Corporation (GUC)	991,305	36	891,488	37
VentureTech Alliance Fund II, L.P. (VTAF II)	841,597	98	1,039,699	98
Emerging Alliance Fund, L.P. (Emerging Alliance)	371,095	99	390,518	99

(Continued)

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	<b>March 31</b>			
	<b>2009</b>	<b>% of</b>	<b>2008</b>	<b>% of</b>
	<b>Carrying</b>	<b>Owner-</b>	<b>Carrying</b>	<b>Owner-</b>
	<b>Amount</b>	<b>ship</b>	<b>Amount</b>	<b>ship</b>
TSMC Japan Limited (TSMC Japan)	\$ 132,714	100	\$ 112,111	100
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	129,083	100	97,152	100
TSMC Korea Limited (TSMC Korea)	14,996	100	15,533	100
Chi Cherng Investment Co., Ltd. (Chi Cherng)			175,689	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)			173,804	36
	<b>\$ 109,601,554</b>		<b>\$ 107,596,741</b>	

(Concluded)

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

For the three months ended March 31, 2009 and 2008, equity in earnings/losses of equity method investees was a net loss of NT\$2,949,992 thousand and a net gain of NT\$1,043,790 thousand, respectively. Related equity in earnings/losses of equity method investees were determined based on the reviewed financial statements, except those of Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea for the three months ended March 31, 2009. The Company believes that, had Emerging Alliance, TSMC Japan, TSMC Europe and TSMC Korea's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's financial statements.

As of March 31, 2009 and 2008, fair value of publicly traded stocks in investments accounted for using equity method (VIS and GUC) was NT\$14,040,883 thousand and NT\$22,267,805 thousand, respectively.

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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	\$ 2,053,253	\$ 2,677,388
Amortization	(156,034)	(156,034)
Balance, end of period	\$ 1,897,219	\$ 2,521,354

As of March 31, 2009 and 2008, balance of the aforementioned difference allocated to goodwill was NT\$1,061,885 thousand and NT\$987,349 thousand, respectively. There are no any additions or impairment for the three months ended March 31, 2009 and 2008.



**11. FINANCIAL ASSETS CARRIED AT COST**

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Non-publicly traded stocks	\$ 357,509	\$ 364,913
Mutual funds	161,993	383,247
	<b>\$ 519,502</b>	<b>\$ 748,160</b>

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Three Months Ended March 31, 2009</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 114,014,588	\$ 866,326	\$	\$	\$ 114,880,914
Machinery and equipment	635,008,261	2,945,926	(1,044,836)		636,909,351
Office equipment	9,748,869	209,878	(102,324)		9,856,423
	758,771,718	\$ 4,022,130	\$ (1,147,160)	\$	761,646,688
Accumulated depreciation					
Buildings	65,351,514	\$ 2,042,457	\$	\$	67,393,971
Machinery and equipment	484,046,160	16,025,834	(449,252)		499,622,742
Office equipment	7,849,580	234,397	(102,289)		7,981,688
	557,247,254	\$ 18,302,688	\$ (551,541)	\$	574,998,401
Advance payments and construction in progress	17,758,038	\$ (1,323,123)	\$	\$	16,434,915
Net	\$ 219,282,502				\$ 203,083,202

	<b>Three Months Ended March 31, 2008</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 101,907,892	\$ 856,009	\$	\$ (310)	\$ 102,763,591
Machinery and equipment	589,131,625	11,778,538	(2,145,226)	(14,827)	598,750,110
Office equipment	9,167,107	263,119	(5,875)	190	9,424,541

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	700,206,624	\$ 12,897,666	\$ (2,151,101)	\$ (14,947)	710,938,242
Accumulated depreciation					
Buildings	57,349,828	\$ 1,935,317	\$	(4)	59,285,141
Machinery and equipment	422,278,071	15,254,323	(392,248)	2	437,140,148
Office equipment	7,097,120	232,012	(5,875)	26	7,323,283
	486,725,019	\$ 17,421,652	\$ (398,123)	\$ 24	503,748,572
Advance payments and construction in progress	21,082,953	\$ 7,420,786	\$	\$	28,503,739
Net	\$ 234,564,558				\$ 235,693,409

No interest was capitalized during the three months ended March 31, 2009 and 2008.

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**13. DEFERRED CHARGES, NET**

	<b>Three Months Ended March 31, 2009</b>				
	<b>Balance, Beginning of Period</b>	<b>Addition</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 3,786,251	\$	\$ (211,735)	\$	\$ 3,574,516
Software and system design costs	1,559,857	37,331	(178,774)		1,418,414
Patent and others	1,055,353		(67,852)		987,501
	<b>\$ 6,401,461</b>	<b>\$ 37,331</b>	<b>\$ (458,361)</b>	<b>\$</b>	<b>\$ 5,980,431</b>

	<b>Three Months Ended March 31, 2008</b>				
	<b>Balance, Beginning of Period</b>	<b>Addition</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 5,349,937	\$	\$ (390,922)	\$	\$ 4,959,015
Software and system design costs	1,309,272	215,826	(181,138)	(74)	1,343,886
Patent and others	513,204		(34,346)		478,858
	<b>\$ 7,172,413</b>	<b>\$ 215,826</b>	<b>\$ (606,406)</b>	<b>\$ (74)</b>	<b>\$ 6,781,759</b>

**14. BONDS PAYABLE**

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

**15. OTHER LONG-TERM PAYABLES**

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

<b>Year of Payment</b>	<b>Amount</b>
2009 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 1,027,619
2010	520,287
2011	440,921
	1,988,827
Current portion (classified under accrued expenses and other current liabilities)	(1,106,985)
	\$ 881,842



**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 cost of NT\$152,354 thousand and NT\$164,396 thousand for the three months ended March 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. The Company recognized pension cost of NT\$72,171 thousand and NT\$67,246 thousand for the three months ended March 31, 2009 and 2008, respectively.

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

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
<b>The Fund</b>		
Balance, beginning of period	\$ 2,389,519	\$ 2,145,010
Contributions	60,334	67,530
Interest	52,445	71,235
Payments	(19,355)	(5,196)
Balance, end of period	\$ 2,482,943	\$ 2,278,579
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,710,009	\$ 3,657,679
Accruals	17,216	8,498
Balance, end of period	\$ 3,727,225	\$ 3,666,177

**17. INCOME TAX**

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

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 187,357	\$ 7,851,789
Tax effect of the following:		
Tax-exempt income	(587,186)	(2,634,089)
Temporary and permanent differences	1,212,887	271,414
Others	69,174	41,235

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Income tax credits used	(441,116)	(2,764,800)
Income tax currently payable	\$ 441,116	\$ 2,765,549

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

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Income tax currently payable	\$ 441,116	\$ 2,765,549
Net change in deferred income tax assets		
Investment tax credits	(393,267)	1,457,032
Temporary differences	313,793	(51,527)
Valuation allowance	(1,171,047)	(907,281)
Income tax expense (benefit)	\$ (809,405)	\$ 3,263,773

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,136,000	\$ 8,094,973
Temporary differences	713,563	
	\$ 5,849,563	\$ 8,094,973
Noncurrent deferred income tax assets		
Investment tax credits	\$ 8,869,485	\$ 5,284,749
Temporary differences	1,908,744	1,194,838
Valuation allowance	(5,228,599)	(2,562,852)
	\$ 5,549,630	\$ 3,916,735

d. Integrated income tax information:

The balance of the imputation credit account as of March 31, 2009 and 2008 was NT\$521,634 thousand and NT\$3,012,848 thousand, respectively.

The estimated and actual creditable ratio for distribution of earnings of 2008 and 2007 was 0.51% and 9.83%, respectively.

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

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



f. As of March 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	\$ 4,592,039	\$ 4,592,039	2011
		2,984,713	2,984,713	2012
		22,829	22,829	2013
		\$ 7,599,581	\$ 7,599,581	
Statute for Upgrading Industries	Research and development expenditures	\$ 627,742	\$ 186,626	2010
		2,687,841	2,687,841	2011
		2,977,848	2,977,848	2012
		493,875	493,875	2013
		\$ 6,787,306	\$ 6,346,190	
Statute for Upgrading Industries	Personnel training expenditures	\$ 23,146	\$ 23,146	2010
		36,568	36,568	2011
		\$ 59,714	\$ 59,714	

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 Fab 14 - Module A	2007 to 2011
Construction of Fab 14 Module B and expansion Fab 12 and others	2008 to 2012

h. The tax authorities have examined income tax returns of the Company through 2006.

## 18. LABOR COST, DEPRECIATION AND AMORTIZATION

Three Months Ended March 31, 2009		
Classified as	Classified as	Total
	Operating Expenses	

	<b>Cost of Sales</b>		
Labor cost			
Salary and bonus	\$ 2,077,798	\$ 1,191,042	\$ 3,268,840
Labor and health insurance	169,346	99,493	268,839
Pension	141,518	83,007	224,525
Meal	94,845	38,426	133,271
Welfare	23,159	13,596	36,755
Others	17,187	4,661	21,848
	\$ 2,523,853	\$ 1,430,225	\$ 3,954,078
Depreciation	\$ 17,408,696	\$ 889,926	\$ 18,298,622
Amortization	\$ 302,212	\$ 156,149	\$ 458,361

	<b>Three Months Ended March 31, 2008</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost of</b>		
	<b>Sales</b>		
Labor cost			
Salary and bonus	\$ 4,535,435	\$ 3,206,078	\$ 7,741,513
Labor and health insurance	171,065	96,691	267,756
Pension	147,988	83,654	231,642
Meal	110,622	44,839	155,461
Welfare	46,066	26,074	72,140
Others	48,224	1,251	49,475
	<b>\$ 5,059,400</b>	<b>\$ 3,458,587</b>	<b>\$ 8,517,987</b>
Depreciation	\$ 16,397,601	\$ 1,016,959	\$ 17,414,560
Amortization	\$ 448,400	\$ 158,006	\$ 606,406

## 19. SHAREHOLDERS EQUITY

As of March 31, 2009, 1,092,053 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,460,265 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:

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
From merger	\$ 22,805,390	\$ 23,276,911
Additional paid-in capital	17,972,138	18,994,954
From convertible bonds	8,893,190	9,077,065
From long-term investments	294,677	347,180
Donations	55	55
	<b>\$ 49,965,450</b>	<b>\$ 51,696,165</b>

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals the Company's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;



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

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

For the three months ended March 31, 2009 and 2008, the Company has recorded bonuses to employees and directors with an estimate based on historical experience with a charge to earnings of approximately 15% of net income. If the actual amounts subsequently resolved by the shareholders differ from the estimated amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock 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 a Board of Directors' meeting held on February 10, 2009 and a shareholders' meeting held on June 13, 2008, respectively. The appropriations and dividends per share were as follows:

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

\$ 86,990,281      \$ 96,130,525

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The amounts of the appropriations of earnings for 2007 are consistent with the resolutions of the meeting of the Board of Directors held on February 19, 2008. Bonus to employees that will be 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 charged against earnings and the amount was consistent with the resolutions of meeting of the Board of Directors held on February 10, 2009.

The Board of Directors meeting held on February 10, 2009 and the shareholders meeting held on June 13, 2008 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$768,763 thousand and NT\$768,813 thousand, respectively. The amounts of the appropriations of earnings for 2008, bonus to employees and directors, and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. The Company's shareholders meeting is scheduled for June 10, 2009.

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

Under the Integrated Income Tax System that became effective on January 1, 1998, 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 the 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

Options of the aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2009.

Information about outstanding options for the three months ended March 31, 2009 and 2008 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2009		
Balance, beginning of period	36,234	\$35.3
Options exercised	(575)	26.8
Options canceled	(127)	45.4
Balance, end of period	35,532	35.4

(Continued)

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2008		
Balance, beginning of period	41,875	\$37.4
Options exercised	(2,138)	37.9
Options canceled	(193)	46.8
 Balance, end of period	 39,544	 37.3

(Concluded)

The number of outstanding options and exercise prices had been adjusted to reflect the distribution of earnings in accordance with the plans.

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

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$24.2-\$33.9	25,057	3.91	\$31.0	25,057	\$31.0
38.2- 50.4	10,475	5.65	45.8	8,571	45.5
	35,532		35.4	33,628	34.7

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

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
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%

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Expected life	5 years	5 years
Net income:		
Net income as reported	\$ 1,558,873	\$ 28,143,382
Pro forma net income	1,445,013	28,081,304
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 0.06	\$ 1.08
Pro forma basic EPS	0.06	1.08
Diluted EPS as reported	0.06	1.08
Pro forma diluted EPS	0.06	1.07

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**21. TREASURY STOCK**

(Shares in Thousands)

	Beginning Shares	Addition	Retirement	Ending Shares
Three months ended March 31, 2008				
Parent company stock held by subsidiaries	34,096			34,096
Repurchase under share buyback plan	800,000		800,000	
	834,096		800,000	34,096

As of March 31, 2008, the book value of the treasury stock was NT\$918,075 thousand and the market value was NT\$2,151,452 thousand. The Company's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

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

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
Three months ended March 31, 2009					
Basic EPS					
Earnings available to common shareholders	\$ 749,468	\$ 1,558,873	25,625,796	\$ 0.03	\$ 0.06
Effect of dilutive potential common shares					
Bonus to employees			157,947		
Stock options			8,471		

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 749,468	\$ 1,558,873	25,792,214	\$ 0.03	\$ 0.06
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Three months ended March 31, 2008

Basic EPS

Earnings available to common shareholders	\$ 31,407,155	\$ 28,143,382	26,115,770	\$ 1.20	\$ 1.08
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Effect of dilutive potential common shares

Bonus to employees			35,390		
Stock options			16,022		

Diluted EPS

Earnings available to common shareholders (including effect of dilutive potential common shares)	\$ 31,407,155	\$ 28,143,382	26,167,182	\$ 1.20	\$ 1.08
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As discussed in Note 3, effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record bonuses paid to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing share, or in combination of both cash and shares, potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholders meeting in the following year.

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2008 to decrease from NT\$1.10 to NT\$1.08.

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	2009		March 31		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>						
Financial assets at fair value through profit or loss	\$ 229,415	\$ 229,415	\$ 160,249	\$ 160,249	\$ 160,249	\$ 160,249
Available-for-sale financial assets	1,038,443	1,038,443	18,591,721	18,591,721	18,591,721	18,591,721
Held-to-maturity financial assets	16,324,853	16,412,672	18,000,139	18,001,071	18,000,139	18,001,071
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	2,962	2,962	239,893	239,893	239,893	239,893
Bonds payable (including current portion)	4,500,000	4,601,709	12,500,000	12,657,936	12,500,000	12,657,936
Other long-term payables (including current portion)	1,988,827	1,988,827	4,644,036	4,644,036	4,644,036	4,644,036

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) For those derivatives and structured time deposits with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.



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

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- 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 March 31, 2009 and 2008 estimated using valuation techniques were recognized as gains of NT\$226,453 thousand and losses of NT\$79,644 thousand, respectively.
- d. As of March 31, 2009 and 2008, financial assets exposed to fair value interest rate risk were NT\$17,592,711 thousand and NT\$36,752,109 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$4,502,962 thousand and NT\$12,739,893 thousand, respectively.
- e. Movements of unrealized gains/losses on financial instruments for the three months ended March 31, 2009 and 2008 were as follows:

	<b>Three Months Ended March 31, 2009</b>		
	<b>From Available- for-sale  Financial Assets</b>	<b>From Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 32,658	\$ (320,000)	\$ (287,342)
Recognized directly in shareholders equity	43,155	458,785	501,940
Removed from shareholders equity and recognized in earnings	(37,370)		(37,370)
Balance, end of period	\$ 38,443	\$ 138,785	\$ 177,228

	<b>Three Months Ended March 31, 2008</b>		
	<b>From Available- for-sale  Financial Assets</b>	<b>From Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 266,573	\$ 414,424	\$ 680,997
Recognized directly in shareholders equity	69,584	(326,449)	(256,865)
Removed from shareholders equity and recognized in earnings	(23,271)		(23,271)
Balance, end of period	\$ 312,886	\$ 87,975	\$ 400,861

- f. Information about financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly

fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair value of these debt securities. Subject to recent turmoil in the global financial market, the Company had evaluated its financial instruments and the Company believed the exposure to market risk as of March 31, 2009 was not significant.

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- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to recent 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 March 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:

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
For the three months ended March 31				
Sales				
TSMC North America	\$ 22,964,954	58	\$ 54,293,942	63
Others	296,134	1	345,421	
	\$ 23,261,088	59	\$ 54,639,363	63
Purchases				
WaferTech	\$ 739,712	17	\$ 2,378,352	21
SSMC	514,174	11	1,358,468	12
TSMC China	447,631	10	1,220,202	11
VIS	393,296	9	793,272	7
	\$ 2,094,813	47	\$ 5,750,294	51
Manufacturing expenses – outsourcing				
VisEra	\$ 8,359		\$ 315	
Marketing expenses – commission				
TSMC Europe	\$ 71,736	27	\$ 76,949	13
TSMC Japan	49,114	19	45,186	8
TSMC Korea	3,375	1	5,198	1
	\$ 124,225	47	\$ 127,333	22
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 85,917	3	\$ 89,660	2
TSMC Canada (primarily consulting fee)	37,632	1	53,937	1
Others	19,882		10,118	
	\$ 143,431	4	\$ 153,715	3
Sales of property, plant and equipment				
XinTec	\$ 58,450	100	\$	
TSMC China			1,760,853	99

	\$	58,450	100	\$	1,760,853	99
Non-operating income and gains						
TSMC China	\$	47,799	4	\$	88,760	2
VIS (primarily technical service income, see Note 27e)		24,108	2		106,748	3
SSMC (primarily technical service income, see Note 27d)		17,289	2		61,712	2
VisEra					55,225	1
	\$	89,196	8	\$	312,445	8

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	2009		2008	
	Amount	%	Amount	%
As of March 31				
Receivables				
TSMC North America	\$ 10,033,427	99	\$ 24,508,626	99
Others	148,538	1	178,793	1
	\$ 10,181,965	100	\$ 24,687,419	100
Other receivables				
TSMC China	\$ 107,608	47	\$ 1,942,566	87
XinTec	59,862	26	681	
VIS	35,615	15	108,629	5
SSMC	17,211	7	77,688	4
Others	10,575	5	91,640	4
	\$ 230,871	100	\$ 2,221,204	100
Payables				
VIS	\$ 298,360	27	\$ 476,214	24
WaferTech	237,033	21	602,332	30
SSMC	202,534	18	465,295	24
TSMC China	193,560	18	304,048	15
TSMC Technology	97,970	9	59,499	3
Others	72,757	7	79,343	4
	\$ 1,102,214	100	\$ 1,986,731	100
Deferred credits				
TSMC China	\$ 137,174	62	\$ 457,290	52
VisEra			46,631	5
	\$ 137,174	62	\$ 503,921	57

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

The Company leased part of its office space from GUC and also leased certain buildings and facilities to VisEra. The rental expense and income were classified under operating expenses and non-operating income, respectively. The lease terms and prices were determined in accordance with mutual agreements. The lease agreement between the Company and VisEra expired in April 2008.

**25. PLEDGED OR MORTGAGED ASSETS**

As of March 31, 2009, the Company had pledged time deposits of NT\$454,112 thousand (classified as other financial assets) as collateral for land lease agreements and customs duty guarantee.

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**26. SIGNIFICANT LONG-TERM LEASES**

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

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

<b>Year</b>	<b>Amount</b>
2009 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 232,312
2010	256,543
2011	254,962
2012	287,491
2013	265,847
2014 and thereafter	2,014,873
	<b>\$ 3,312,028</b>

**27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of March 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 March 31, 2009 the Company had a total of US\$37,042 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.) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 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 March 31, 2008, SMIC had paid US\$120 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. The matters are pending in both courts. The result of the above-mentioned litigation cannot be determined at this time.

**28. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 5 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC China entered into forward exchange contracts during the three months ended March 31, 2009 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts outstanding as of March 31, 2009:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell RMB/buy US\$	April 2009 to June 2009	RMB54,800/US\$8,000
Sell US\$/buy JPY	April 2009	US\$46/JPY4,500

For the three months ended March 31, 2009, net losses arising from forward exchange contracts of TSMC China were NT\$386 thousand.

XinTec entered into forward exchange contracts during the three months ended March 31, 2009 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contract as of March 31, 2009:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
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Sell US\$/buy NT\$

April 2009

US\$300/NT\$10,160

For the three months ended March 31, 2009, net losses arising from forward exchange contracts of XinTec were NT\$4,470 thousand.

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k. Information on investment in Mainland China

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

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**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Investees****MARKETABLE SECURITIES HELD****March 31, 2009****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31,	
			Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)
Corporate bond				
Taiwan Mobile Co., Ltd.		Available-for-sale financial assets		\$ 1,038,443
Taiwan Power Company		Held-to-maturity financial assets		4,203,835
Formosa Petrochemical Corporation				3,557,958
San Ya Plastics Corporation				3,492,875
Formosa Plastic Corporation				1,986,809
China Steel Corporation				1,204,918
IPC Corporation, Taiwan				1,000,095
Government bond				
2003 Asian Development Bank Govt. bond		Held-to-maturity financial assets		878,363
Stocks				
SMC Global	Subsidiary	Investments accounted for using equity method	1	47,526,422
SMC International	Subsidiary		987,968	30,028,035
SMC IS	Investee accounted for using equity method		628,223	9,491,037
SMC	Investee accounted for using equity method		314	5,720,868
SMC Partners	Subsidiary		300	3,719,188
SMC North America	Subsidiary		11,000	2,613,897
inTec	Investee with a controlling financial interest		92,620	1,397,538
UC	Investee with a controlling financial interest		44,904	991,305
SMC Japan	Subsidiary		6	132,714
SMC Europe	Subsidiary			129,083
SMC Korea	Subsidiary		80	14,996
United Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584
Chin-Etsu Handotai Taiwan Co., Ltd.			10,500	105,000
Y.K. Technology Fund IV			4,000	40,000

ontung Venture Capital Co., Ltd.			2,633	18,925
nd				
orizon Ventures Fund		Financial assets carried at cost		103,992
rimson Asia Capital				58,001
apital				
SMC China	Subsidiary	Investments accounted for using equity method		5,220,310
TAF III	Subsidiary			1,403,469
TAF II	Subsidiary			841,597
merging Alliance	Subsidiary			371,095

(Continued)

				March 31,	
				Shares/Units	Carrying Per
				(in	Value
				Thousands)	(US\$ in Ow
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account			Thousands)
Preferred stock Xen, Inc.		Financial assets carried at cost	328	US\$	656
Corporate bond General Elec Cap Corp. Mtn		Held-to-maturity financial assets		US\$	20,730
General Elec Cap Corp. Mtn				US\$	20,276
Stocks TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$	675,301
Star Semiconductor Development and, Inc. (II) LDC. (ISDF II)	Subsidiary		32,289	US\$	25,508
TSMC Technology	Subsidiary		1	US\$	8,494
Star Semiconductor Development and, Inc. (ISDF)	Subsidiary		7,680	US\$	7,076
Corporate bond Capital Corp.		Held-to-maturity financial assets		US\$	20,420
Stocks InferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$	186,309
Common stock Era Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$	65,097
TSMC Canada	Subsidiary		2,300	US\$	2,547
Common stock ShWave Technology Corp.		Financial assets carried at cost	4,247	US\$	1,648
Global Investment Holding Inc.			10,000	US\$	3,065
Preferred stock Audience, Inc.		Financial assets carried at cost	1,654	US\$	250
Siom Microdevices, Inc.			1,000	US\$	24
AmFire Corporation				US\$	31
Saiaic Systems, Inc.			2,481	US\$	12



xt IO, Inc.			800	US\$	500
tichron, Inc.			714	US\$	1,000
timal Corporation				US\$	229
im, Inc.			4,642	US\$	1,137
T Holding, LLC				US\$	131
knovus, Inc.			6,977	US\$	1,327

pital					
ntureTech Alliance Holdings, LLC	Subsidiary				
TA Holdings)					
ommon stock					
uantia			Financial assets carried at cost	2,108	US\$ 2,573
adtrend				1,265	US\$ 660
ntelic				1,200	US\$ 2,040
ferred stock					
Technologies, Inc.			Financial assets carried at cost	2,890	US\$ 2,168
dience, Inc.				7,956	US\$ 1,838
iom Microdevices, Inc.				7,017	US\$ 1,787

(Continued)

		March 31,	
		Carrying	Per
Marketable Securities Type and Name	Relationship with the Company	Shares/Units (in thousands)	Value (US\$ in Thousands)
Beceem Communications			
GemFire Corporation			
Impinj, Inc.			
Miradia, Inc.			
Next IO, Inc.			
Optichron, Inc.			
Pixim, Inc.			
Power Analog Microelectronics			
QST Holding, LLC			
RichWave Technology Corp.			
Teknovus, Inc.			
Xceive			
Capital			
VTA Holdings	Subsidiary		
Common stock			
Mutual-pak Technology Co., Ltd.	Subsidiary		
Acionn Technology Corporation	Investee accounted for using equity method		
Auramicro, Inc.			
InvenSense, Inc.			
Preferred stock			
Advaseense Sensors, Inc.			
BridgeLux, Inc.			
Exclara, Inc.			
GTBF, Inc.			
LiquidLeds Lighting Corp.			
M2000, Inc.			
Neoconix, Inc.			
Powervation, Ltd.			
Quellan, Inc.			
Silicon Technical Services, LLC			
Tilera, Inc.			
Validity Sensors, Inc.			

Capital Growth Fund Limited (Growth Fund)	Subsidiary	Investments accounted for using equity method	US\$	69
VTA Holdings	Subsidiary			
Common stock Staccato		Financial assets carried at cost	10 US\$	25
Common stock Memsic, Inc.		Available-for-sale financial assets	1,364 US\$	2,727
Capella Microsystems (Taiwan), Inc.		Financial assets carried at cost	530 US\$	154
Preferred stock Integrated Memory Logic, Inc.		Financial assets carried at cost	2,872 US\$	1,221
IP Unity, Inc.			1,008 US\$	290
NanoAmp Solutions, Inc.			541 US\$	541
Sonics, Inc.			230 US\$	1,843

(Continued)

			March 31,	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units	Carrying Per
			(in thousands)	Value (US\$ in Thousands)
Common stock				
Chitek Technology Corp.		Financial assets at fair value through profit or loss	85	US\$ 401
emsic, Inc.		Available-for-sale financial assets	1,145	US\$ 2,289
Chitek Technology Corp.			288	US\$ 1,357
Link Technology (Taiwan), Inc.			1,512	US\$ 3,854
onics, Inc.		Financial assets carried at cost	278	US\$ 32
ic Communication, Inc.			50	US\$ 23
ON Technology, Corp.			2,494	US\$ 691
oyatek Technology, Corp.			932	US\$ 545
endchip Technologies Corp.			1,020	US\$ 574
pella Microsystems (Taiwan), Inc.			534	US\$ 210
nden Technology MFG. Co., Ltd.			1,049	US\$ 223
Preferred stock				
Chip Technologies Limited		Financial assets carried at cost	6,979	US\$ 3,664
ngTek, Inc.			7,064	US\$ 3,428
lopass Technology, Inc.			3,887	US\$ 1,746
noAmp Solutions, Inc.			375	US\$ 375
onics, Inc.			264	US\$ 3,082
Open-end mutual funds				
udential Financial Bond Fund		Available-for-sale financial assets	11,261	170,153
CA Well Pool Fund			7,724	100,111
na Nan Phoenix Bond Fund			6,434	100,041
TC Taiwan Bond Fund			500	85,096
ai-President James Bond Fund			4,392	70,107
anta Wan Tai Bond Fund			1,385	20,009
thay Bond Fund			1,259	15,003
Common stock				
JC-NA	Subsidiary	Investments accounted for using equity method	800	35,555
JC-Japan	Subsidiary		1	12,027
JC-Europe	Subsidiary			4,867
JC-BVI	Subsidiary		50	1,696

Capital Compositech Ltd.	Financial assets carried at cost	587
Government bonds United States Treas Nts	Available-for-sale financial assets	US\$ 10,576
Corporate issued asset-backed securities Pass Tr	Available-for-sale financial assets	US\$ 771
Credit Suisse First Boston Mtg		US\$ 439
First Franklin Mtg Ln Tr		US\$ 379
Mtg Secs Corp.		US\$ 824
Home Equity Mortgage Trust		US\$ 563
Home Equity Mtg Tr 2006 4		US\$ 352
Momura Asset Accep Corp.		US\$ 628
Perwin Mtg Tr		US\$ 348
Money market funds Ga Cash Mgmt Global Offshore	Available-for-sale financial assets	US\$ 3,919 (Concluded)

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**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Account Type	Financial Statement Account	Nature of Investment (in Counter-party Relationship)	Beginning Balance	Acquisition	Disposal (Note 2)	
			Amount (US\$ in thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in thousands)	Shares/Units (in Thousands)
td.	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	\$2,032,658	\$	\$1,037,370	\$1,000,000
on	Held-to-maturity financial assets		1,000,000	204,990		
Bank	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	383,387		400,000	383,909
Sond	Available-for-sale financial assets	Prudential Financial Securities Investment Trust Enterprise		11,261	170,000	
		PCA Securities Investment Trust Co., Ltd.		7,724	100,000	
d Fund		Hua Nan Investment Trust Co., Ltd.		6,434	100,000	

Inc.	Available-for-sale financial assets	US\$ 4,584		US\$ 4,480	US\$ 4,584
		US\$ 3,884		US\$ 3,925	US\$ 3,996
ston		US\$ 4,349		US\$ 4,085	US\$ 4,188
l Mtg		US\$ 4,715		US\$ 4,780	US\$ 4,954
		US\$ 3,495		US\$ 3,537	US\$ 3,697
Mtg Tr		US\$ 3,163		US\$ 3,283	US\$ 3,392
		US\$ 2,925		US\$ 3,106	US\$ 3,114
al	Available-for-sale financial assets	US\$ 30,435	US\$243,824	US\$ 270,339	US\$270,339 270,339

(Continued)

Company Name	Marketable Securities Type and Name	Financial Nature	Beginning Balance	Acquisition	Disposal (Note 2)		Ending Balance (Note 3)
			Amount	Amount	Carrying Value	Gain (Loss) or Disposal	Amount
			US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
			Shares/Units	Shares/Units	Shares/Units	Shares/Units	Shares/Units
			(in US\$ Thousands)	(in US\$ Thousands)	(in US\$ Thousands)	(in US\$ Thousands)	(in US\$ Thousands)
	Agency bonds						
		Available-for-sale financial assets					
	Fed Hm Ln Pc Pool 1g1282		US\$3,285	US\$	US\$3,281	US\$3,171	US\$ 110
	Fed Hm Ln Pc Pool B19205		US\$5,501		US\$5,511	US\$5,225	US\$ 286
	Federal Home Ln Mtg Corp.		US\$3,108		US\$3,078	US\$3,003	US\$ 75
	Fnma Pool 257245		US\$3,513		US\$3,513	US\$3,437	US\$ 76
	Fnma Pool 691283		US\$3,039		US\$3,028	US\$2,920	US\$ 108
	Fnma Pool 888738		US\$3,776		US\$3,828	US\$3,801	US\$ 27
	Fnma Pool 888793		US\$4,242		US\$4,265	US\$4,207	US\$ 58
	Fed Home Ln Bank		US\$5,305		US\$5,282	US\$5,035	US\$ 247
	Federal Farm Cr Bks		US\$3,610		US\$3,590	US\$3,411	US\$ 179
	Federal Farm Credit Bank		US\$3,433		US\$3,430	US\$3,370	US\$ 60
	Federal Home Ln Bks		US\$3,854		US\$3,852	US\$3,721	US\$ 131
	Federal Home Ln Bks		US\$5,320		US\$5,312	US\$5,098	US\$ 214
	Federal Home Ln Bks		US\$4,148		US\$4,151	US\$4,136	US\$ 15
	Federal Home Ln Mtg		US\$5,340		US\$5,334	US\$5,186	US\$ 148
	Federal Home Ln Mtg Corp.		US\$3,428		US\$3,432	US\$3,336	US\$ 96
	Federal Home Ln Mtg Corp.		US\$3,560		US\$3,561	US\$3,494	US\$ 67
	Federal Home Ln Mtg Corp.		US\$3,743		US\$3,749	US\$3,786	US\$ (37)
	Federal Home Loan Bank		US\$4,710		US\$4,709	US\$4,518	US\$ 191
	Federal Natl Mtg Assn		US\$3,713		US\$3,712	US\$3,700	US\$ 12
	Federal Natl Mtg Assn		US\$4,169		US\$4,179	US\$4,116	US\$ 63
	Federal Natl Mtg Assn		US\$3,809		US\$3,801	US\$3,645	US\$ 156
	Federal Natl Mtg Assn		US\$4,134		US\$4,127	US\$4,151	US\$ (24)
	Corporate bonds						
		Available-for-sale financial assets					
	Chase Manhattan Corp. New		US\$3,353		US\$3,380	US\$3,480	US\$(100)
	Deutsche Bank Ag London		US\$3,013		US\$3,021	US\$3,041	US\$ (20)
	Morgan Stanley		US\$4,552		US\$4,751	US\$4,768	US\$ (17)
	Wachovia Corp. New		US\$3,135		US\$3,195	US\$3,100	US\$ 95
	Wells Fargo + Co. New Med Trm		US\$4,493		US\$4,524	US\$4,282	US\$ 242

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





**TABLE 3**

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

	Transaction Details	Abnormal Transaction				
		Unit Price	Payment Terms			
	Purchases/ Sales					
Related Party	Nature of Relationships	Sales Amount	% to Total	Payment Terms	(Note)	(Note)
North America	Subsidiary	Sales \$22,964,954	58	Net 30 days after invoice date		
	Investee with a controlling financial interest	Sales 282,542	1	Net 30 days after monthly closing		
	Indirect subsidiary	Purchases 739,712	17	Net 30 days after monthly closing		
	Investee accounted for using equity method	Purchases 514,174	11	Net 30 days after monthly closing		
	Subsidiary	Purchases 447,631	10	Net 30 days after monthly closing		
	Investee accounted for using equity method	Purchases 393,296	9	Net 30 days after monthly closing		

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

**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**MARCH 31, 2009**

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue	Amounts Action Taken	Amounts Received in Subsequent Period	Allowance for Bad Debt
				Days (Note 1)				
Company	TSMC North America	Subsidiary	\$10,036,468	43	\$3,336,961		\$3,529,284	\$
	GUC	Investee with a controlling financial interest	148,475	59	28		28	
	TSMC China	Subsidiary	107,608	(Note 2)				
cc	OmniVision	Parent company of director (represented for XinTec)	39,677	87				

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

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

**TABLE 5**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**MARCH 31, 2009**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2009			Net (I of th (E Cu in T
			March 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Share (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$47,526,422	\$
nal	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	30,028,035	
	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	9,491,037	
	Singapore	Fabrication and supply of integrated circuits	5,120,028	5,120,028	314	39	5,720,868	
	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	5,220,310	(
	Tortola, British	Investment activities	10,350	10,350	300	100	3,719,188	

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merica	Virgin Islands										
	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100			2,613,897		
	Cayman Islands	Investing in new start-up technology companies	1,518,713	1,440,241		98			1,403,469		
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	92,620	42			1,397,538		
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	44,904	36			991,305		
ce	Cayman Islands	Investing in new start-up technology companies	1,036,422	1,036,422		98			841,597		
	Cayman Islands	Investing in new start-up technology companies	986,797	986,797		99			371,095		
	Yokohama, Japan	Marketing activities	83,760	83,760	6	100			132,714		
	Amsterdam, the Netherlands	Marketing and engineering supporting activities	15,749	15,749		100			129,083		
	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100			14,996		
ment	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$ 0.001	1	100	US\$	675,301	US\$		
gy	Cayman Islands	Investing in new start-up technology companies	US\$ 32,289	US\$ 32,289	32,289	97	US\$	25,508	US\$		
	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	1	100	US\$	8,494	US\$		
	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 7,680	7,680	97	US\$	7,076	US\$		
	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 380,000	US\$ 380,000	293,637	100	US\$	186,309	US\$		
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\$	65,097	US\$		

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Ontario, Canada	Engineering support activities	US\$	2,300	US\$	2,300	2,300	100	US\$	2,547	US\$
Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US\$	91,041	US\$	91,041	253,120	89	US\$	114,159	US\$

(Continued)

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2009			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)
			March 31, 2009 (Foreign Currencies in Thousands)	December 31, 2008 (Foreign Currencies in Thousands)	Shareholders' (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)	
Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 1,705	US\$ 1,705	4,590	51	US\$ 1,276	US\$(181)
Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments			4,500	41	US\$ 925	US\$(260)
Growth Fund	Cayman Islands	Investing in new start-up technology companies	US\$ 700	US\$ 700		100	US\$ 69	US\$ (31)
WTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				68		
WTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				24		
GUC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 800	800	100	35,555	386
GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 30,000	1	100	12,027	824
GUC-Europe	The Netherlands	Consulting services in main products	EUR 100	EUR 50		100	4,867	119
GUC-BVI	British Virgin Islands	Investment activities	US\$ 50		50	100	1,696	
WTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies				8		

(Concluded)

Note 1: Equity in earnings/losses of investees include the

effect of  
unrealized gross  
profit from  
affiliates.

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

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



**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009**

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

Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan	Investment Flows	Accumulated Outflow of Investment from Taiwan	Equity in the Earnings	Carrying Value
				as of January 1, 2009	as of March 31, 2009	as of March 31, 2009	as of March 31, 2009	
China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (Note 1) (RMB 3,070,623)		(US\$ in Thousand) \$ 12,180,367 (US\$371,000)	\$ \$ \$	(US\$ in Thousand) \$ 12,180,367 (US\$371,000)	100% \$(1,238,636)	\$5,220,367
		<b>Accumulated Investment in Mainland China as of March 31, 2009 (US\$ in Thousand)</b>		<b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)</b>		<b>Upper Limit on Investment (US\$ in Thousand)</b>		
		\$12,180,367 (US\$371,000)		\$12,180,367 (US\$371,000)		\$12,180,367 (US\$371,000)		

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

Note 2: Amount was recognized based on the reviewed

financial  
statements.

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**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Three Months Ended March 31, 2009 and 2008 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements, issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

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

April 9, 2009

Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 223,262,081	40	\$ 144,277,026	24
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	243,109		1,375,693	
Available-for-sale financial assets (Notes 2, 6 and 24)	1,544,968		54,681,566	9
Held-to-maturity financial assets (Notes 2, 7 and 24)	4,739,315	1	9,976,745	2
Receivables from related parties (Note 25)	274		7,790	
Notes and accounts receivable	20,607,929	4	43,211,493	7
Allowance for doubtful receivables (Notes 2 and 8)	(277,287)		(702,051)	
Allowance for sales returns and others (Notes 2 and 8)	(6,508,609)	(1)	(4,566,637)	(1)
Other receivables from related parties (Note 25)	52,826		215,645	
Other financial assets (Note 26)	2,478,466	1	1,453,071	
Inventories (Notes 2, 3 and 9)	14,775,167	3	21,889,637	4
Deferred income tax assets, net (Notes 2 and 18)	6,267,893	1	8,479,964	1
Prepaid expenses and other current assets	1,370,899		1,155,394	
<b>Total current assets</b>	<b>268,557,031</b>	<b>49</b>	<b>281,455,336</b>	<b>46</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>				
Investments accounted for using equity method	17,451,182	3	21,943,759	4
Available-for-sale financial assets	1,038,443		2,502	
Held-to-maturity financial assets	13,668,922	2	8,023,394	1
Financial assets carried at cost	3,523,341	1	3,723,589	1
<b>Total long-term investments</b>	<b>35,681,888</b>	<b>6</b>	<b>33,693,244</b>	<b>6</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>				
<b>Cost</b>				
Land and land improvements	981,274		889,387	
Buildings	133,649,278	24	119,234,824	20

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Machinery and equipment	702,224,877	127	653,821,179	109
Office equipment	12,642,166	2	11,802,450	2
Leased assets	744,074		649,941	
	850,241,669	153	786,397,781	131
Accumulated depreciation	(640,120,878)	(115)	(555,853,934)	(93)
Advance payments and construction in progress	16,957,601	3	31,065,812	5
Net property, plant and equipment	227,078,392	41	261,609,659	43
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	6,188,390	1	5,709,938	1
Deferred charges, net (Notes 2 and 13)	6,646,575	1	7,467,978	2
Total intangible assets	12,834,965	2	13,177,916	3
<b>OTHER ASSETS</b>				
Deferred income tax assets, net (Notes 2 and 18)	5,732,151	1	3,970,320	1
Refundable deposits	2,674,090	1	2,790,102	1
Others (Note 2)	216,877		346,268	
Total other assets	8,623,118	2	7,106,690	2
<b>TOTAL</b>	<b>\$ 552,775,394</b>	<b>100</b>	<b>\$ 597,042,845</b>	<b>100</b>

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 3,211		\$ 244,283	
Accounts payable	5,314,336	1	9,381,919	2
Payables to related parties (Note 25)	509,311		956,105	
Income tax payable (Notes 2 and 18)	9,835,673	2	13,947,003	2
Bonuses payable to employees, directors and supervisors (Notes 3 and 20)	15,644,815	3	4,371,892	1
Payables to contractors and equipment suppliers	5,144,858	1	12,256,151	2
Accrued expenses and other current liabilities (Notes 16 and 28)	8,636,194	1	12,599,255	2
Current portion of bonds payable and long-term bank loans (Notes 14, 15 and 26)	286,582		8,279,587	1

Total current liabilities	45,374,980	8	62,036,195	10
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Note 14)	4,500,000	1	4,500,000	1
Long-term bank loans (Notes 15 and 26)	1,633,066		1,736,617	
Other long-term payables (Notes 16 and 28)	9,750,821	2	9,055,790	2
Obligations under capital leases (Note 2)	744,074		649,941	
Total long-term liabilities	16,627,961	3	15,942,348	3
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,717,959	1	3,673,505	1
Guarantee deposits (Note 28)	1,319,777		1,871,897	
Deferred credits (Notes 2 and 25)	390,179		510,540	
Others	30,779		38,072	
Total other liabilities	5,458,694	1	6,094,014	1
Total liabilities	67,461,635	12	84,072,557	14
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock NT\$10 par value (Notes 20 and 22)				
Authorized: 28,050,000 thousand shares				
Issued: 25,626,012 thousand shares in 2009				
25,629,242 thousand shares in 2008	256,260,122	46	256,292,416	43
Capital surplus (Notes 2 and 20)	49,965,450	9	51,696,165	9
Retained earnings (Note 20)				
Appropriated as legal capital reserve	67,324,393	12	56,406,684	10
Appropriated as special capital reserve	391,857		629,550	
Unappropriated earnings	103,896,290	19	151,596,813	25
	171,612,540	31	208,633,047	35
Others (Notes 2, 22 and 24)				
Cumulative translation adjustments	3,531,944	1	(6,810,720)	(1)
Unrealized gains on financial instruments	177,228		400,861	
Treasury stock: 34,096 thousand shares			(918,075)	
	3,709,172	1	(7,327,934)	(1)



Equity attributable to shareholders of the parent	481,547,284	87	509,293,694	86
MINORITY INTERESTS (Note 2)	3,766,475	1	3,676,594	
Total shareholders equity	485,313,759	88	512,970,288	86
TOTAL	\$ 552,775,394	100	\$ 597,042,845	100

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

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 25)	\$ 41,171,249		\$ 89,408,089	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	1,671,123		1,928,123	
NET SALES	39,500,126	100	87,479,966	100
COST OF SALES (Notes 3, 9, 19 and 25)	32,019,884	81	49,240,688	57
GROSS PROFIT	7,480,242	19	38,239,278	43
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	3,728,933	10	5,270,006	6
General and administrative	1,594,563	4	2,662,529	3
Marketing	947,405	2	1,183,545	1
Total operating expenses	6,270,901	16	9,116,080	10
INCOME FROM OPERATIONS	1,209,341	3	29,123,198	33
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	983,772	3	1,348,910	1
Foreign exchange gain, net (Note 2)	464,687	1		
Technical service income (Notes 25 and 28)	40,271		841,894	1
Valuation gain on financial instruments, net (Notes 2, 5 and 24)			1,476,252	2
Equity in earnings of equity method investees, net (Notes 2 and 10)			577,322	1
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)				