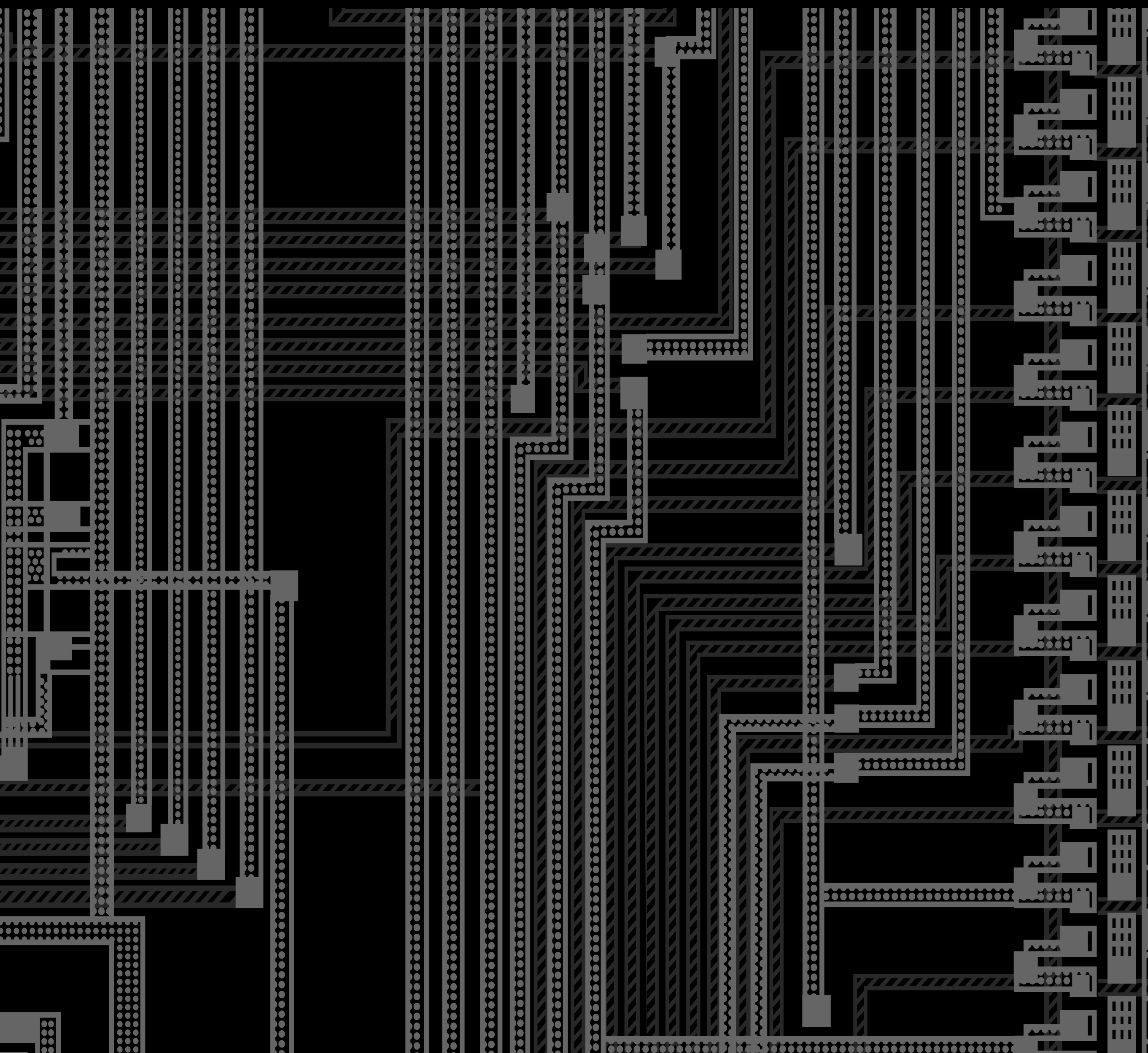
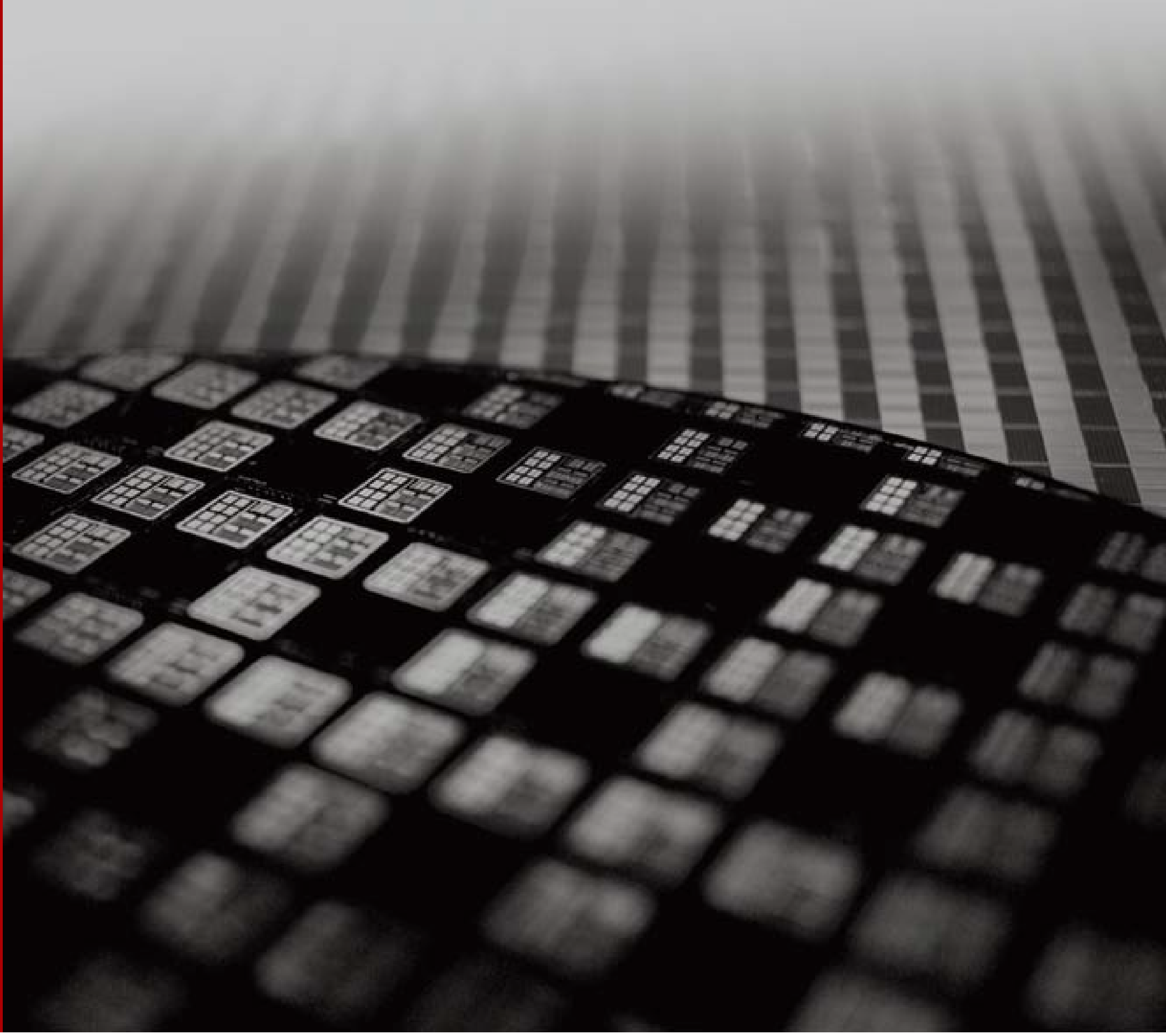
TSMC 2009 BUSINESS OVERVIEW



- TSMC's shares are listed on the Taiwan Stock Exchange (TWSE) under the code 2330.
- Depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM.

TABLE OF CONTENTS



TSMC VISION & CORE VALUES

TSMC Vision

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

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

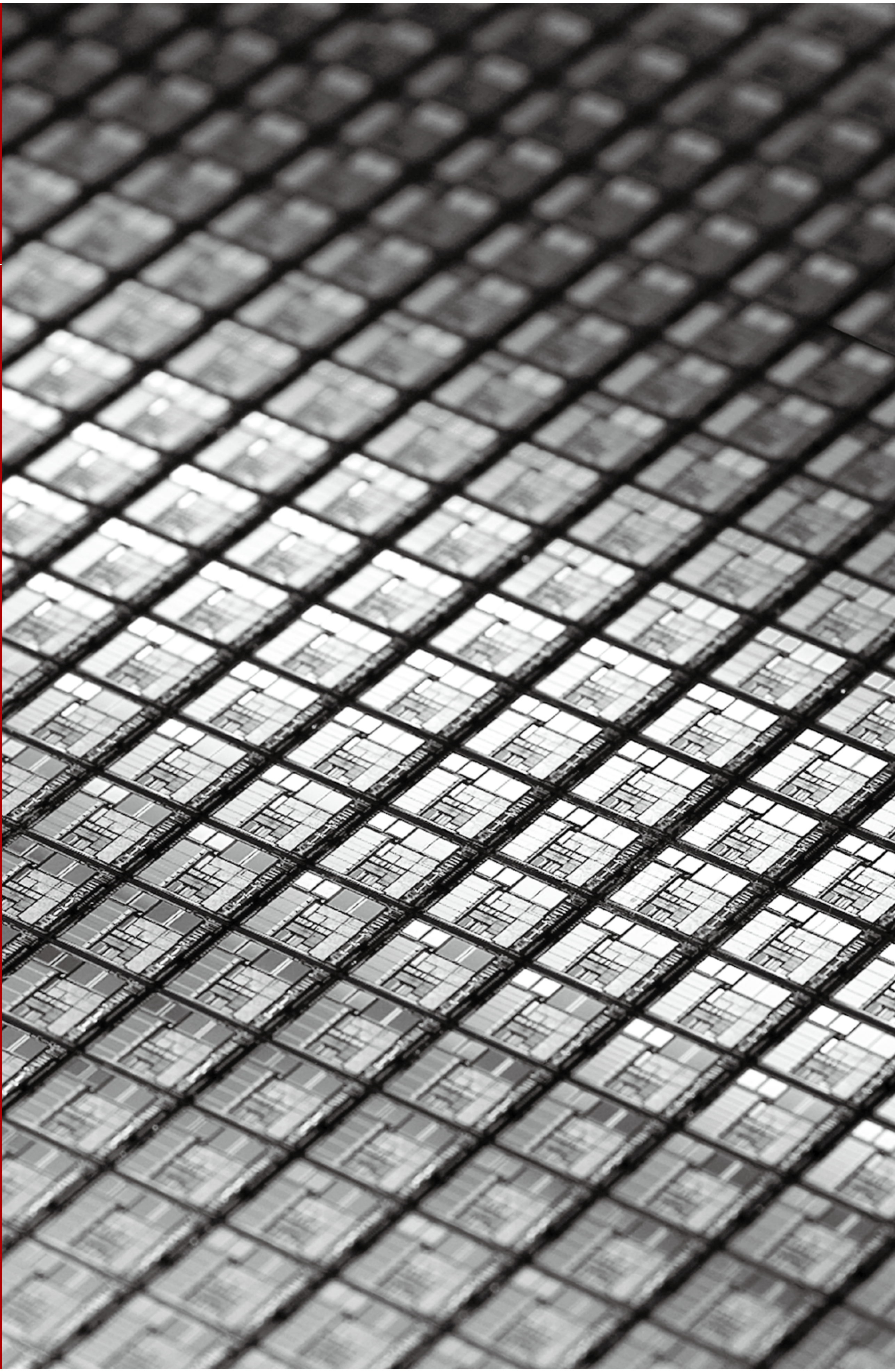
TSMC Core Values

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

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

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

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



1. LETTER TO SHAREHOLDERS

Dear Shareholders,

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

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

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

Financial Results

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

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

Among other highlights in 2009, TSMC achieved:
- Gross profit margin of 43.7 percent; and
- Operating profit margin of 31.1 percent.

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

Technology, Capacity and Customers

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

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

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

Technology Innovation

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

Corporate Developments

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

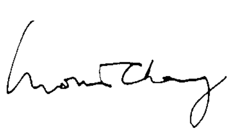
TSMC also invested US$193 million for a 20% equity stake in Motech, the largest solar cell manufacturer in Taiwan. The Motech investment allows TSMC to accelerate our time to market, to better evaluate opportunities along the solar value chain, and to further formulate our overall solar strategy.

Honors and Awards

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

Outlook

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



Morris Chang
Chairman and Chief Executive Officer

2. INTRODUCTION AND MARKET OVERVIEW

An Introduction to TSMC

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

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

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

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

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

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

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

Market and Business Summary

TSMC Achievements

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

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

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

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

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

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

Market Overview

It is estimated that the semiconductor market in 2009 reached US$226 billion in revenue, a 9% decrease compared to 2008. According to IC Insights, total foundry, a manufacturing sub-segment of the semiconductor industry, generated total revenues of US$22 billion in 2009, -11% year-on-year. Revenues from pure-play foundries such as TSMC reached US$19 billion, or 8% of total semiconductor industry revenue, and TSMC's total revenue was US$9 billion.

Industry Outlook, Opportunities and Threats

Industry Demand and Supply Outlook

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

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

TSMC Position, Differentiation and Strategy

Position

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

Differentiation

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

Strategy

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

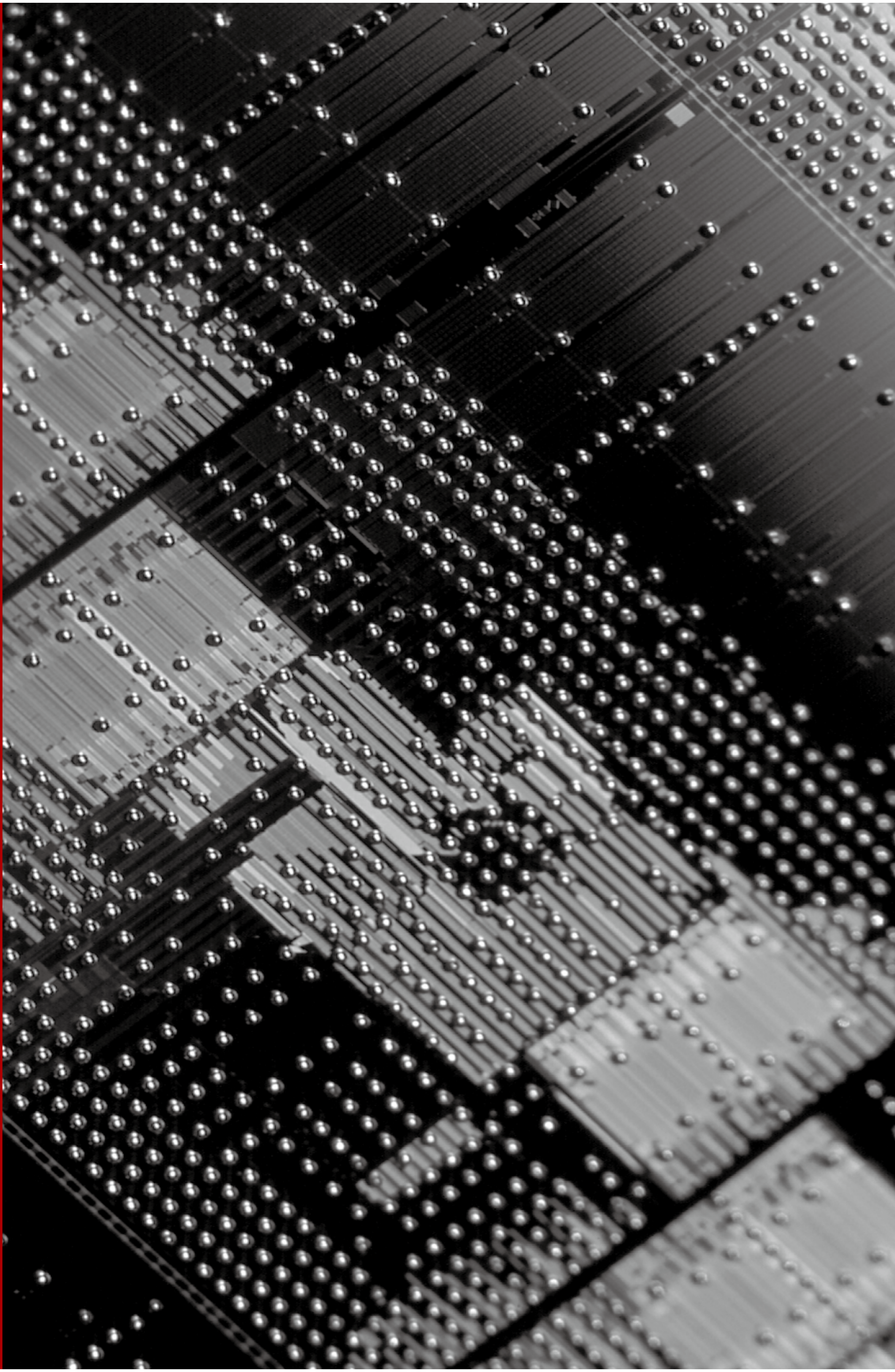
To address the challenges of falling wafer prices and fiercer competition from other semiconductor manufacturing companies, TSMC persists in strengthening its core competitiveness, and properly deploys its short-term and long-term technology and business development plans in order to hold ROI and growth.

- **Short-term business development plan**

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

- **Long-term business development plan**

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



3. COLLABORATE FOR SUCCESS

Chairman Dr. Morris Chang's Keynote Speech at the 2010 TSMC North American Technology Symposium

The following is a summary of TSMC Chairman and CEO Dr. Morris Chang's Keynote Speech at the 2010 TSMC North American Technology Symposium on April 13, which addresses the changing environment of the semiconductor industry and the challenges ahead, as well as TSMC's commitment to maintaining its technology and capacity leadership and collaboration with customers to overcome these challenges.

I would like to cover three subjects: the near term and the mid to long-term outlook of the semiconductor industry and how TSMC is positioned in this environment, the challenges that TSMC and our customers face, and finally, the necessity of collaboration to respond to the challenges that we will face.

Semiconductor Market Outlook

My first topic is the near term and mid- to long-term outlook of the semiconductor market. Business is very good right now and this year we are looking at very strong growth in the semiconductor market. We estimate that the market will grow 22 percent this year, and the semiconductor market will reach US$276 billion. We also expect next year to be very good with growth of seven percent.

In the mid to long term we see several factors that tend to slow worldwide semiconductor industry growth. First, it appears that the semiconductor content in electronics is rising very slowly and is now in the upper part of the S-curve. Another factor that seems to be slowing semiconductor growth is that the average price of semiconductors continues to decline. As semiconductor applications migrate from business applications to consumer applications, the price decline actually goes a little faster. Also, as the applications go from developed countries to developing countries, the shift of the market venue tends to accelerate price decline also.

Another factor is that there are some innovative components other than semiconductors that are emerging, such as touch screen display, that tend to take up value and also tends to lessen the semiconductor content in electronics. And then an even bigger factor is that Moore's Law is slowing down.

All those factors lead us to predict that semiconductor market growth in the 2011 to 2014 period will be around 4.2 percent per year, and we see that the growth for fabless companies will be faster–around 7.2 percent.

TSMC's Position

Now I would like to talk about how TSMC is positioned in this environment. We know that what we can provide our customers is really two things, technology and capacity. Those are the two things that we must provide to do our job, and we commit ourselves to providing those two things to our customers well in the next few years

On technology, we have almost tripled our R&D force in the last five years and R&D expenses have more than doubled in the same period.

Moore's Law, as I said, will slow down, but certainly for the next few generations it is still going to move forward. Twenty-eight nanometer, of course, is imminent. Twenty nanometer is going to happen. Fourteen nanometer, I think will most probably happen. Even though the realization of 10 nanometer is going to be beyond my career, but I think in my career I will still do everything to make even 10 nanometer happen. So the next few generations are still very well within reach.

In terms of capacity, last year we increased our capital spending to US$2.7 billion, and this year we are going to have capital spending of US$4.8 billion. In terms of employees, we went from 20,000 employees at our lowest point last year to about 25,000 today, and we expect to be at about 29,000 at the end of the year. We believe that we will have by far the largest effective capacity at any node of technology, and we intend to maintain the lead.

Challenges Ahead

As we look at the challenges ahead, I think the biggest challenge is probably the increasing difficulties we face as we go down the path of Moore's Law. The physical shrinkage that Moore's Law anticipates is becoming harder and harder.

We have almost exhausted the optical lithography domain, and we are going to be shifting to the non-optical lithography pretty quickly, and that involves a great deal of uncertainty and also much higher cost both in R&D and in production. The secondary effects that come with the physical shrinkage have become more and more prominent. Leakage and interconnect complexity have has become bigger problems. Innovative transistors such as the finFET are certainly feasible, but they also mean higher intrinsic cost. So, one has to arrive at the conclusion that technically the future progress of Moore's Law is going to be increasingly difficult. And with the increasing technical difficulty, R&D costs are escalating.

Even more serious than the escalation of R&D costs, is the escalation of fab construction costs. The reason why we chose to build Gigafabs is that the economies of scale will be more and more favorable. The bigger you go, the lower the production cost will be. A foundry with a small fab really will have a very difficult time competing with our Gigafabs. The scale advantage is enormous.

The consulting firm International Business Strategies (IBS) has predicted that while in the 0.13-micron generation there were 15 companies that had fabs, and in the 45-nanometer generation there were nine companies that had fabs. They predict that in the 32-nanometer generation there will be only five companies that will have fabs, and in the 22-nanometer generation there will be just three.

Now, I mentioned earlier that we will probably reach the 14-nanometer node, and even 10 nanometers. How many companies do you think will have fabs at 14 nanometers or at 10 nanometers?

If you extrapolate along the IBS line, there are only three at the 22-nanometer generation. If you extrapolate beyond that, I think you'll get to only one company when you reach the 14-nanometer or 10 nanometer generations. But if anybody will be there, TSMC will be.

I think that as Moore's Law becomes more difficult and the path becomes narrower, we've got to start joining more tightly with our customers, and that's collaboration.

Collaborate for Success

We have always advocated collaboration, but the kind of collaboration that we advocate now is even more than the kind of collaboration that we advocated as late as four years ago. Four years ago I gave a talk saying "let us collaborate in as early in the design phase as possible". Now I'm advocating that we collaborate even before the design starts. The difference is because there are trade-offs to make, and we should make them together with our customers.

The trade-offs are between power and performance. I think increasingly customers will not need performance improvement, but power improvement, so the trade-off of speed for leakage is a very, very important one, and it is something that the designer and the technologist should make together.

Then there is the trade-off of transistor performance and design architecture, the co-optimization. We don't really need very fast transistors in every functional block. We can have just "good enough" transistors in some functional blocks, and achieve overall cost and power reduction. At the system level the designer and the technologist can also start to include components, resistors, capacitors in the package. That collaboration also needs to take place before the design even starts.

So I believe that we can be far more effective in collaboration than we can by just each minding his own business, doing his own job. TSMC is committed to being a technology and capacity leader, providing customers with the technology they want and the capacity they need. Our challenges can be overcome with closer collaboration. Let us collaborate to win together. Thank you very much.

4. CORPORATE SOCIAL RESPONSIBILITY

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

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

Environmental, Safety and Health (ESH) Management

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

Environmental Protection

Greenhouse Gas (GHG) Emission Reduction
TSMC takes measures to reduce its emission of greenhouse gases. TSMC has endorsed a memorandum of understanding between the Taiwan Semiconductor Industry Association, the ROC Environmental Protection Administration, and the World Semiconductor Council, whereby TSMC is committed to reducing PFC emissions to 10% below the average of 1997 and 1999 by 2010. This emissions target remains fixed as TSMC continues to grow and expand its manufacturing facilities.

TSMC not only actively inventories and reduces its own greenhouse gas emissions, but also requires suppliers to inventory greenhouse gas emissions. Under this plan, TSMC as well as 36 factories at 20 partner companies registered and disclosed greenhouse gas emissions under the guidance of the Taiwan Green Productivity Foundation.

Water Conservation
To make the most effective use of Taiwan's limited water resources, all TSMC fabs make efforts to increase water reclamation rates by adjusting the water usage of manufacturing equipment and improving wastewater reclamation systems. New fabs are able to reclaim more than 85% of process water, meeting or exceeding the standards of the Science Park Administration and outperforming most semiconductor fabs around the world.

Waste Management and Recycling
To meet the goal of sustainable resource utilization, TSMC's first priority is to reduce process waste before considering recycling or disposal. Waste recycling achieved the goal of 90% in 2009, and the Company's landfill rate has been reduced to less than 1%.

Green Building

TSMC initiated a "green factory" program in 2006 to improve environmental performance and health. The program covers design and construction of new fabs, enhancement of existing fabs, internal training, and encouraging partners to gain "green building" certification. To reach our targets, TSMC established a Green Building Task Force, which will certify new fabs and existing office buildings according to the U.S. Leadership in Energy and Environmental Design (LEED) standard and Taiwan's Ecology, Energy Saving, Waste Reduction, Health (EEWH) standard. In 2008 and 2009 respectively, TSMC's newly-constructed Fab14 Phase 3 and Fab12 Phase 4 won EEWH diamond level and LEED gold level certification.

IC Product Category Rule Project

In 2009, TSMC collaborated with its assembly subcontractor, Advanced Semiconductor Engineering Group (ASE) to complete the world's first Integrated Circuit Product Category Rule (IC PCR). This IC PCR follows ISO 14025 standards, and addresses the unique nature of semiconductor manufacturing. It was compiled based on input from major semiconductor companies around the world. The content of the IC PCR covers energy and water consumption, pollutant production, waste production, air pollution, carbon footprint, and other factors. It can act as a reference for global semiconductor companies when completing an Environmental Product Declaration Type III (EPD). Meanwhile, TSMC and ASE followed this IC PCR to complete an EPD Type III for integrated circuits and obtained a Carbon Footprint Certification from the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), taking a major step forward in manufacturing low-carbon products.

Safety and Health Management

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

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

TSMC Education and Culture Foundation

The TSMC Education and Culture Foundation, established in 1988 to coordinate the Company's sponsorship as part of its efforts in corporate social responsibility, continues to devote its resources towards education, sponsorships of art and culture events, community building, and the employee volunteer program.

Commitment to Education

Talents are essential to the development of the economy. As a leader of Taiwan's knowledge-based industry, TSMC regards cultivating talented people for society as a major responsibility. In 2009, Tzi-Shueh Hall of the Chemistry Department in National Taiwan University, donated by the TSMC Foundation, was inaugurated. The new research building will provide a strong base for scientific research and development in Taiwan. In the meantime, TSMC continues to devote resources to various programs targeting a whole range of education at different age levels, including the TSMC Youth Calligraphy Contest, the TSMC Youth Literature Contest, and the Wu Chien-Shiung and the Wu Ta-You Science Camps.

Contributions to Communities

The Foundation continues to promote arts and cultural activities in TSMC site communities of Hsinchu and Tainan. Every year the Company organizes the TSMC Hsin-Chu Art Festival to bring the culture activities to these high-tech cities and encourage a greater art appreciation in the communities. Last year, the TSMC Foundation chose "Find a New World" as the theme of Hsin-Chu Art Festival to arrange a series of educational and cultural programs.

Sponsorship of the Arts

To promote the Chinese classics and culture, the TSMC Foundation continued to support the broadcasting program "Analects in Hsin's View". TSMC also continued its support of the Taiwan Literature Camp, which provides workshop and lectures by distinguished authors to people interested in literature.

Employee Volunteer Program

In addition to sponsoring education and art programs, the TSMC Foundation encourages TSMC employees to devote themselves to promote education, bridge the resources gap, and pursue energy conservation. The newly formed Energy-Saving Volunteer team provided two Hsin-chu high schools with the means to evaluate the safety and efficiency in their power usage with counseling in energy-saving programs. In addition to the Energy-saving Volunteer team, TSMC employees have also served as guides to introduce the electronic industry at the National Science Museums during weekends, and read books to the elementary students in remote townships on weekdays. Several hundred of TSMC "Museum Touring" and "Book Reading" volunteers have already served for six years. Since 2003, there are total 3,000 TSMC employees to devote themselves to the society.

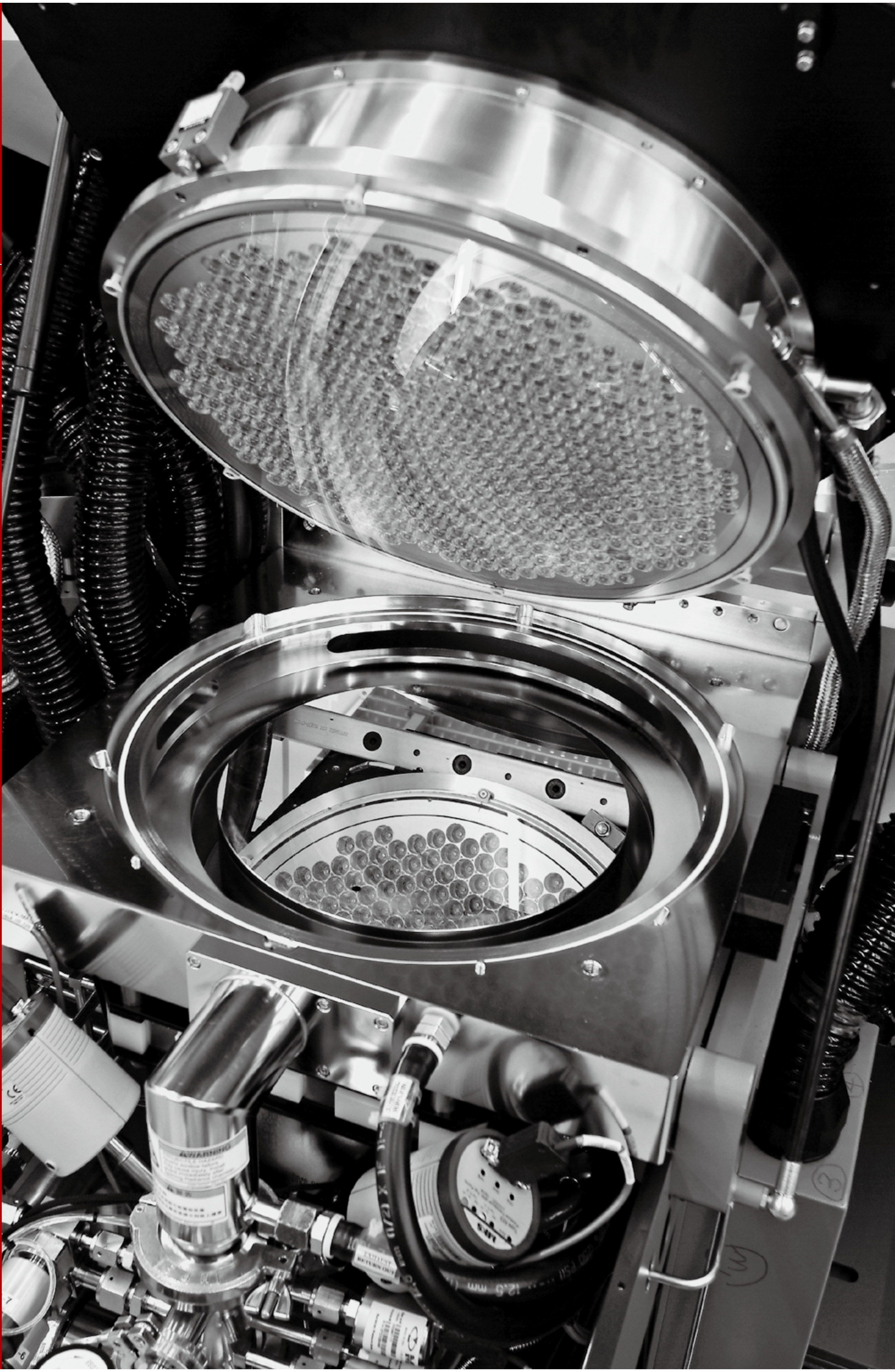
Typhoon Morakot Disaster Relief Project

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

1) Distributed NT$50 million in relief funds to more than 1,000 employees affected by the floods. As TSMC employees come from all over Taiwan, many colleagues and their families live in areas severely affected by this disaster. We therefore asked managers at all levels to inquire whether their staff was affected by the flooding and whether they need assistance.

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

3) Pledged NT$100 million to assist in the government's overall relief efforts, with guidance from the cabinet's Morakot Post-Disaster Reconstruction Council. TSMC will focus on Aborigine villages in Alishan Township.



5. CORPORATE GOVERNANCE

TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors established an Audit Committee in 2002 and a Compensation Committee in 2003. TSMC's corporate governance won international recognition in 2009: Corporate Governance Asia honored TSMC with its "Corporate Governance Asia Recognition in Taiwan". *FinanceAsia Magazine* ranked TSMC's corporate governance as the best among all companies in Taiwan with its "Best at Corporate Governance" for the Taiwan region.

Board of Directors

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

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

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

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

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

Audit Committee and Compensation Committee

The Audit Committee assists the Board in carrying out its financial oversight responsibilities and other duties as set forth in the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. Matters required to be reviewed by the Audit Committee include the Company's: financial reports; auditing and accounting policies and procedures; internal control systems; material asset or derivatives transactions; offering or issuance of any equity-type securities; hiring or dismissal of an attesting CPA, or the compensation given thereto; and appointment or discharge of financial, accounting, or internal auditing officers. TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate.

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

The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's executives. As of February 2010, the Compensation Committee was comprised of four members. All three independent directors served as voting members of the Committee; the Chairman of the Board, Dr. Morris Chang, was a non-voting member. The Compensation Committee Charter is available on TSMC's corporate website.

6. FINANCIAL STATEMENTS

Taiwan Semiconductor Manufacturing Company Limited

Balance Sheets (Unconsolidated)

December 31, 2009~2005 (In Thousands of New Taiwan Dollars)

	2009	2008	2007	2006	2005[1]
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 117,043,543	$ 138,208,360	$ 72,422,102	$ 100,139,709	$ 85,383,583
Financial assets at fair value through profit or loss	181,743	42,460	42,083	44,601	1,380,905
Available-for-sale financial assets	-	-	22,267,223	25,967,061	46,452,838
Held-to-maturity financial assets	9,944,843	5,881,999	11,526,946	8,510,823	602,509
Receivables from related parties	22,541,773	11,728,204	26,701,648	16,869,509	21,050,604
Note and accounts receivable	19,884,520	11,441,176	17,911,328	16,278,164	20,591,818
Allowance for doubtful receivables	(431,000)	(436,746)	(688,972)	(690,931)	(976,344)
Allowance for sales returns and others	(8,583,632)	(5,868,582)	(3,856,685)	(2,751,065)	(4,269,969)
Other receivables from related parties	246,003	489,742	525,308	449,266	1,797,714
Other financial assets	1,104,072	711,755	331,698	653,460	1,106,030
Inventories, net	18,830,216	12,807,936	20,987,142	19,152,214	16,257,955
Deferred income tax assets	4,063,410	3,650,700	5,268,000	7,832,000	7,013,000
Prepaid expenses and other current assets	1,006,046	1,192,475	861,465	1,221,199	1,171,773
Total current assets	185,831,537	179,849,479	174,299,286	193,676,010	197,562,416
LONG-TERM INVESTMENTS					
Investments accounted for using equity method	104,660,098	109,871,178	113,048,081	101,044,356	51,076,803
Available-for-sale financial assets	1,046,672	2,032,658	1,397,186	6,647,511	-
Held-to-maturity financial assets	12,219,055	11,761,325	8,697,726	28,973,495	28,775,308
Financial assets carried at cost	501,988	519,502	748,160	712,843	807,490
Total long-term investments	118,427,813	124,184,663	123,891,153	137,378,205	80,659,601
PROPERTY, PLANT AND EQUIPMENT					
Cost					
Buildings	124,522,047	114,014,588	101,907,892	96,961,851	90,769,622
Machinery and equipment	713,426,126	635,008,261	589,131,625	527,850,728	459,850,773
Office equipment	10,781,099	9,748,869	9,167,107	8,659,225	7,850,035
	848,729,272	758,771,718	700,206,624	633,471,804	558,470,430
Accumulated depreciation	(627,764,323)	(557,247,254)	(486,725,019)	(417,467,250)	(359,191,829)
Advance payments and construction in progress	33,786,577	17,758,038	21,082,953	12,230,805	14,867,032
Net property, plant and equipment	254,751,526	219,282,502	234,564,558	228,235,359	214,145,633
INTANGIBLE ASSETS					
Goodwill	1,567,756	1,567,756	1,567,756	1,567,756	1,567,756
Deferred charges, net	5,891,685	6,401,461	7,172,413	5,593,068	6,681,144
Total intangible assets	7,459,441	7,969,217	8,740,169	7,160,824	8,248,900
OTHER ASSETS					
Deferred income tax assets	7,763,643	6,497,972	7,241,933	5,761,127	6,759,955
Refundable deposits	2,698,116	2,719,737	2,741,538	1,306,234	83,642
Others	494,546	55,677	293,986	67,145	79,668
Total other assets	10,956,305	9,273,386	10,277,457	7,134,506	6,923,265
TOTAL	$ 577,426,622	$ 540,559,247	$ 551,772,623	$ 573,584,904	$ 507,539,815

(Continued)

	2009	2008	2007	2006	2005[1]
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Financial liabilities at fair value through profit or loss	$ -	$ 83,618	$ 247,646	$ 10,751	$ 234,279
Accounts payable	9,678,849	4,314,265	9,485,818	6,143,679	8,052,106
Payables to related parties	2,039,342	1,202,350	2,999,630	3,326,916	3,242,197
Income tax payable	8,761,120	9,222,811	10,977,963	7,850,418	3,815,888
Salary and bonus payable	8,677,299	1,601,897	1,632,177	1,535,384	1,820,788
Accrued profit sharing to employees and bonus to directors	6,771,338	15,148,057	-	-	-
Payables to contractors and equipment suppliers	28,756,884	7,574,891	5,389,740	10,669,523	8,859,230
Accrued expenses and other current liabilities	7,886,263	5,951,578	13,067,836	6,368,483	6,159,927
Current portion of long-term bonds payable	-	8,000,000	-	7,000,000	-
Total current liabilities	72,571,095	53,099,467	43,800,810	42,905,154	32,184,415
LONG-TERM LIABILITIES					
Bonds payable	4,500,000	4,500,000	12,500,000	12,500,000	19,500,000
Other long-term payables	416,390	931,252	1,501,462	1,271,896	1,511,100
Other payables to related parties	-	-	-	403,375	1,100,475
Total long-term liabilities	4,916,390	5,431,252	14,001,462	14,175,271	22,111,575
OTHER LIABILITIES					
Accrued pension cost	3,807,176	3,710,009	3,657,679	3,530,116	3,461,392
Guarantee deposits	1,001,376	1,479,152	2,240,677	3,809,961	2,892,945
Deferred credits	47,873	462,256	980,593	1,183,118	1,259,139
Total other liabilities	4,856,425	5,651,417	6,878,949	8,523,195	7,613,476
Total liabilities	82,343,910	64,182,136	64,681,221	65,603,620	61,909,466
SHAREHOLDERS' EQUITY					
Capital stock - $10 par value					
Common stock	259,027,066	256,254,373	264,271,037	258,296,879	247,300,246
Capital surplus	55,486,010	49,875,255	53,732,682	54,107,498	57,117,886
Retained earnings					
Appropriated as legal capital reserve	77,317,710	67,324,393	56,406,684	43,705,711	34,348,208
Appropriated as special capital reserve	-	391,857	629,550	640,742	2,226,427
Unappropriated earnings	104,564,972	102,337,417	161,828,337	152,778,079	106,196,399
	181,882,682	170,053,667	218,864,571	197,124,532	142,771,034
Others					
Cumulative translation adjustments	(1,766,667)	481,158	(1,072,853)	(1,191,165)	(640,742)
Unrealized gain (loss) on financial instruments	453,621	(287,342)	680,997	561,615	-
Treasury stock	-	-	(49,385,032)	(918,075)	(918,075)
	(1,313,046)	193,816	(49,776,888)	(1,547,625)	(1,558,817)
Total shareholders' equity	495,082,712	476,377,111	487,091,402	507,981,284	445,630,349
TOTAL	$ 577,426,622	$ 540,559,247	$ 551,772,623	$ 573,584,904	$ 507,539,815

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

Statements of Income (Unconsolidated)

For the Years Ended December 31, 2009 ~ 2005 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009	2008	2007[1]	2006[1]	2005[1]
GROSS SALES	$299,471,214	$330,228,027	$319,167,299	$319,210,148	$270,315,064
SALES RETURNS AND ALLOWANCES	13,728,346	8,460,944	5,519,655	5,328,513	5,726,700
NET SALES	285,742,868	321,767,083	313,647,644	313,881,635	264,588,364
COST OF SALES	159,106,619	183,589,540	176,223,224	164,163,235	149,344,315
GROSS PROFIT	126,636,249	138,177,543	137,424,420	149,718,400	115,244,049
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES	(160,279)	72	(265,106)	-	-
REALIZED GROSS PROFIT	126,475,970	138,177,615	137,159,314	149,718,400	115,244,049
OPERATING EXPENSES					
Research and development	19,688,032	19,737,038	15,913,834	14,601,385	13,395,801
General and administrative	10,238,131	9,895,617	7,660,776	7,190,422	7,485,011
Marketing	2,027,454	2,254,728	1,332,657	1,626,734	1,349,413
Total operating expenses	31,953,617	31,887,383	24,907,267	23,418,541	22,230,225
INCOME FROM OPERATIONS	94,522,353	106,290,232	112,252,047	126,299,859	93,013,824
NON-OPERATING INCOME AND GAINS					
Settlement income	1,464,915	951,180	985,114	967,506	950,046
Interest income	1,117,374	2,728,892	2,634,636	3,382,868	2,506,769
Valuation gain on financial instruments, net	587,151	-	-	-	-
Technical service income	375,118	619,237	712,162	670,297	491,267
Gain on disposal of property, plant and equipment and other assets	196,856	298,772	305,201	596,459	494,374
Rental income	138,744	164,321	368,748	224,281	-
Gain on settlement and disposal of financial assets, net	53,364	452,159	271,094	-	-
Foreign exchange gain, net	-	1,113,406	71,128	-	2,572,560
Equity in earnings of equity method investees, net	-	72,568	5,468,230	5,526,727	-
Others	187,987	325,090	289,479	194,739	366,344
Total non-operating income and gains	4,121,509	6,725,625	11,105,792	11,562,877	7,381,360
NON-OPERATING EXPENSES AND LOSSES					
Equity in losses of equity method investees, net	2,695,720	-	-	-	1,052,045
Foreign exchange loss, net	630,455	-	-	412,726	-
Interest expense	142,026	355,056	584,736	661,200	1,180,484
Valuation loss on financial instruments, net	-	1,230,966	924,316	1,615,796	3,929,974
Impairment of financial assets	-	247,488	-	-	-
Loss on idle assets	-	210,477	-	44,072	131,849
Provision for litigation loss	-	99,126	1,008,635	-	-
Loss on settlement and disposal of financial assets, net	-	-	-	-	149,498
Others	194,639	113,926	88,746	322,443	131,911
Total non-operating expenses and losses	3,662,840	2,257,039	2,606,433	3,056,237	6,575,761
INCOME BEFORE INCOME TAX	94,981,022	110,758,818	120,751,406	134,806,499	93,819,423
INCOME TAX EXPENSES	5,763,186	10,825,650	11,574,313	7,550,582	244,388
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	89,217,836	99,933,168	109,177,093	127,255,917	93,575,035
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT$82,062 THOUSAND	-	-	-	(246,186)	-
NET INCOME	$ 89,217,836	$ 99,933,168	$109,177,093	$127,009,731	$ 93,575,035
EARNINGS PER SHARE [2]					
Basic earnings per share	$ 3.45	$ 3.84	$ 4.04	$ 4.70	$ 3.47
Diluted earnings per share	$ 3.44	$ 3.81	$ 4.04	$ 4.69	$ 3.46

Note 1: Certain accounts have been reclassified to conform to year 2008 reclassfication.

Note 2: Retroactively adjusted for stock dividends until 2008 and profit sharing to employees in stock until 2007.

Taiwan Semiconductor Manufacturing Company Limited

Statements of Cash Flows (Unconsolidated)

For the Years Ended December 31, 2009 ~ 2005 (In Thousands of New Taiwan Dollars)

	2009	2008	2007	2006	2005[1]
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 89,217,836	$ 99,933,168	$109,177,093	$127,009,731	$ 93,575,035
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	74,327,868	74,569,562	72,820,579	66,699,455	67,991,423
Unrealized (realized) gross profit from affiliates	160,279	(72)	265,106	-	-
Amortization of premium/discount of financial assets	6,322	(97,381)	(117,159)	2,399	120,872
Impairment of financial assets	-	247,488	-	36,608	-
Loss (gain) on disposal of available-for-sale financial assets, net	(37,370)	(443,404)	(271,094)	485	150,081
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-	-	-	-
Loss (gain) on disposal of financial assets carried at cost, net	97	(8,755)	-	(212)	(2,919)
Gain on disposal of investments accounted for using equity method investees, net	-	-	-	(26,031)	(583)
Equity in losses (earnings) of equity method investees, net	2,695,720	(72,568)	(5,468,230)	(5,526,727)	1,052,045
Dividends received from equity method investees	1,402,592	1,804,351	677,147	626,367	668,464
Gain on disposal of property, plant and equipment and other assets, net	(138,613)	(298,769)	(300,387)	(355,474)	(434,382)
Loss on idle assets	-	210,477	-	44,072	131,849
Donation of idle assets	-	-	-	-	7,207
Deferred income taxes	(1,678,381)	2,361,261	1,083,194	179,828	(3,278,952)
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Financial assets and liabilities at fair value through profit or loss	(222,901)	(164,405)	239,413	1,112,776	10,739
Receivables from related parties	(10,813,569)	14,973,444	(9,832,139)	4,181,095	(4,914,565)
Notes and accounts receivable	(8,443,344)	6,470,152	(1,633,164)	4,313,654	(5,264,937)
Allowance for doubtful receivables	(5,746)	(252,226)	(1,959)	(285,413)	(4,117)
Allowance for sales returns and others	2,715,050	2,011,897	1,105,620	(1,518,904)	942,055
Inventories, net	(6,022,280)	8,179,206	(1,834,928)	(2,894,259)	(2,086,010)
Prepaid expenses and other current assets	133,623	(666,886)	605,454	836,884	(1,263,179)
Increase (decrease) in:					
Accounts payable	4,925,758	(5,171,553)	3,342,139	(1,908,427)	1,563,489
Payables to related parties	836,992	(1,797,280)	(327,286)	(612,381)	(1,224,371)
Income tax payable	(461,691)	(1,766,153)	3,127,545	4,034,530	3,435,985
Salary and bonus payable	7,075,402	(30,280)	96,793	(285,404)	167,411
Accrued profit sharing to employees and bonus to directors	(881,731)	15,148,057	-	-	-
Accrued pension cost	97,167	52,330	127,563	68,724	360,196
Accrued expenses and other liabilities	1,029,057	(3,241,714)	1,235,692	346,921	(1,072,960)
Net cash provided by operating activities	155,902,046	211,949,947	174,116,992	196,080,297	150,629,876
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of :					
Property, plant and equipment	(86,970,843)	(56,766,192)	(81,303,047)	(77,215,811)	(73,659,014)
Available-for-sale financial assets	-	(23,697,000)	(9,547,253)	(98,679,832)	(99,436,242)
Held-to-maturity financial assets	(10,803,805)	(12,371,965)	-	(18,554,027)	(14,199,142)
Investments accounted for using equity method	(320,443)	(494,765)	(7,358,685)	(5,515,466)	(3,392,619)
Financial assets carried at cost	(1,411)	(20,681)	(36,333)	(12,940)	(48,536)
Cash from merger of subsidiaries	-	270,650	-	-	-
Proceeds from disposal or redemption of:					
Available-for-sale financial assets	1,037,370	45,584,934	18,844,520	73,212,019	101,609,384
Held-to-maturity financial assets	6,293,000	15,004,000	17,325,120	10,410,000	14,595,394
Financial assets carried at cost	18,828	10,606	-	71,191	16,599
Investments accounted for using equity method	-	-	-	37,946	65,076
Property, plant and equipment and other assets	71,850	2,042,899	54,509	1,277,729	2,087,236
Proceeds from return of capital by investee	27,753	2,465,293	433,551	162,354	-
Increase in deferred charges	(1,347,228)	(3,199,813)	(2,685,610)	(1,272,355)	(847,721)
Others	21,621	21,801	(1,667,879)	(1,222,592)	1,771
Net cash used in investing activities	(91,973,308)	(31,150,233)	(65,941,107)	(117,301,784)	(73,207,814)

(Continued)

	2009	2008	2007	2006	2005[1]
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bonds payable	$ (8,000,000)	$ -	$ (7,000,000)	$ -	$(10,500,000)
Increase (decrease) in guarantee deposits	(477,776)	(761,525)	(1,569,284)	917,016	2,480,552
Cash dividends	(76,876,312)	(76,881,311)	(77,489,064)	(61,825,061)	(46,504,097)
Cash bonus paid to employees	-	(3,939,883)	(4,572,798)	(3,432,129)	(3,086,215)
Bonus to directors and supervisors	-	(176,890)	(285,800)	(257,410)	(231,466)
Repurchase of treasury stock	-	(33,480,997)	(45,413,373)	-	-
Others	260,533	227,150	436,827	575,197	270,929
Net cash used in financing Activities	(85,093,555)	(115,013,456)	(135,893,492)	(64,022,387)	(57,570,297)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,164,817)	65,786,258	(27,717,607)	14,756,126	19,851,765
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	138,208,360	72,422,102	100,139,709	85,383,583	65,531,818
CASH AND CASH EQUIVALENTS, END OF YEAR	$117,043,543	$138,208,360	$ 72,422,102	$100,139,709	$ 85,383,583
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest paid	$ 351,803	$ 355,056	$ 661,200	$ 661,200	$ 1,212,449
Income tax paid	$ 7,791,196	$ 10,282,464	$ 7,330,401	$ 3,189,528	$ 87,351
INVESTING AND FINANCING ACTIVITIES AFFECTION BOTH CASH AND NON-CASH ITEMS					
Acquisitions of property, plant, and equipment	$108,592,471	$ 58,951,343	$ 76,023,264	$ 79,026,104	$ 51,363,935
Decrease (increase) in payables to contractors and equipment suppliers	(21,620,819)	(2,185,151)	5,279,783	(1,810,293)	22,295,079
Nonmonetary exchange trade-out price	(809)	-	-	-	-
Cash paid	$ 86,970,843	$ 56,766,192	$ 81,303,047	$ 77,215,811	$ 73,659,014
Disposal of property, plant and equipment	$ 64,390	$ 2,051,168	$ 54,509	$ 1,277,729	$ 2,087,236
Decrease (increase) in other receivables from related parties	8,269	(8,269)	-	-	-
Nonmonetary exchange trade-out price	(809)	-	-	-	-
Cash received	$ 71,850	$ 2,042,899	$ 54,509	$ 1,277,729	$ 2,087,236
Repurchase of treasury stock	$ -	$ 30,427,413	$ 48,466,957	$ -	$ -
Decrease (Increase) in accrued expenses and other current liabilities	-	3,053,584	(3,053,584)	-	-
Cash paid	$ -	$ 33,480,997	$ 45,413,373	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES					
Current portion of bonds payable	$ -	$ 8,000,000	$ -	$ 7,000,000	$ -
Current portion of other payables to related parties (under payables to related parties)	$ -	$ -	$ -	$ 688,591	$ 693,956
Current portion of other long-term payables (under accrued expenses and other current liabilities)	$ 769,144	$ 1,026,421	$ 3,673,182	$ 617,892	$ 869,072
Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method	$ -	$ -	$ -	$ 39,687,637	$ -

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Balance Sheets (Consolidated)

December 31, 2009 ~ 2005 (In Thousands of New Taiwan Dollars)

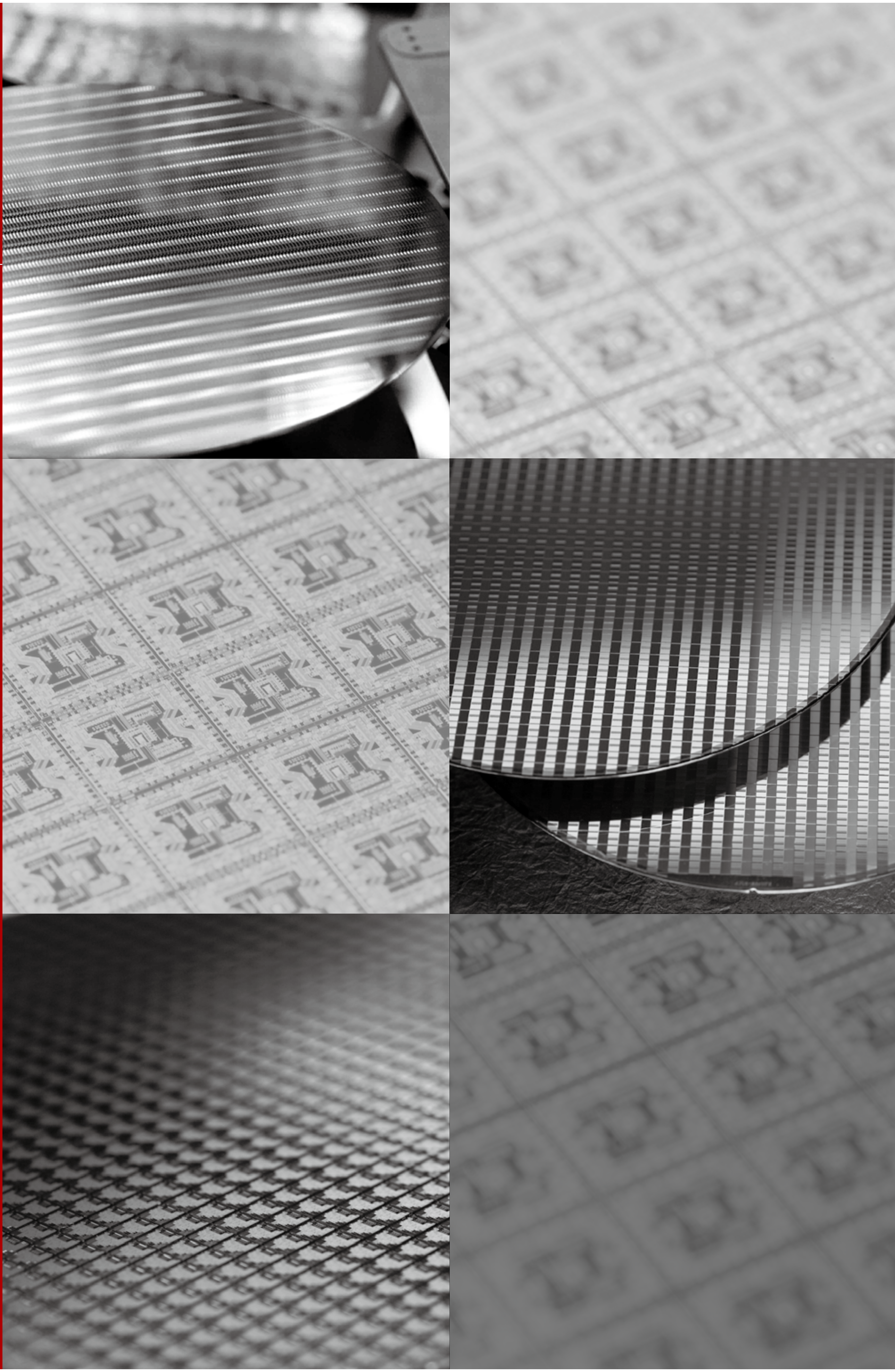
	2009	2008	2007	2006	2005[1]
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 171,276,341	$ 194,613,752	$ 94,986,488	$ 117,837,192	$ 96,483,707
Financial assets at fair value through profit or loss	186,081	55,730	1,632,387	1,206,854	1,770,445
Available-for-sales financial assets	14,389,946	10,898,715	66,688,368	67,523,858	46,452,838
Held-to-maturity financial assets	9,944,843	5,881,999	11,526,946	8,510,823	602,509
Receivable from related parties	12,524	407	10,885	252,339	693,266
Notes and accounts receivable	44,637,642	25,023,321	47,204,126	34,957,650	43,082,275
Allowance for doubtful receivables	(543,325)	(455,751)	(701,807)	(749,888)	(980,594)
Allowance for sales returns and others	(8,724,481)	(6,071,026)	(4,089,035)	(2,870,802)	(4,317,413)
Other receivables from related parties	121,292	99,918	243,620	256,863	597,910
Other financial assets	1,849,987	1,911,699	1,515,527	2,356,542	1,617,797
Inventories	20,913,751	14,876,645	23,862,260	21,430,728	17,728,303
Deferred income tax assets	4,370,309	3,969,330	5,572,334	8,013,992	7,149,306
Prepaid expenses and other current assets	1,368,838	1,813,692	1,370,230	1,591,017	1,420,441
Total current assets	259,803,748	252,618,431	249,822,329	260,317,168	212,300,790
LONG-TERM INVESTMENTS					
Investment accounted for using equity method	17,871,208	18,907,158	22,517,289	15,000,891	10,287,424
Available-for-sale financial assets	1,358,049	2,032,658	1,400,691	6,648,485	117,247
Held-to-maturity financial assets	15,553,242	15,426,252	8,697,726	28,973,495	28,775,308
Financial assets carried at cost	3,063,004	3,615,447	3,845,619	3,272,280	3,202,515
Total long-term investments	37,845,503	39,981,515	36,461,325	53,895,151	42,382,494
PROPERTY, PLANT AND EQUIPMENT					
Cost					
Land and land improvements	934,090	953,857	942,197	844,644	851,225
Buildings	142,294,558	132,249,996	118,640,027	112,595,124	105,832,028
Machinery and equipment	775,653,489	697,498,743	646,419,427	579,825,289	510,922,064
Office equipment	13,667,747	12,430,800	11,829,640	10,646,725	9,670,611
Leased assets	714,424	722,339	652,296	612,941	597,669
	933,264,308	843,855,735	778,483,587	704,524,723	627,873,597
Accumulated depreciation	(693,743,886)	(618,816,267)	(540,099,567)	(463,038,084)	(398,124,607)
Advance payments and construction in progress	34,154,365	18,605,882	21,868,167	12,607,551	15,074,302
Net property, plant and equipment	273,674,787	243,645,350	260,252,187	254,094,190	244,823,292
INTANGIBLE ASSETS					
Goodwill	5,931,318	6,044,392	5,987,582	5,984,993	6,010,601
Deferred charges, net	6,458,554	7,125,828	7,923,601	5,936,915	7,006,250
Total intangible assets	12,389,872	13,170,220	13,911,183	11,921,908	13,016,851
OTHER ASSETS					
Deferred income tax assets	7,988,303	6,636,873	7,313,283	5,802,142	6,788,418
Refundable deposits	2,733,143	2,767,199	2,777,769	1,331,245	106,802
Others	260,864	97,001	327,150	123,355	90,942
Total other assets	10,982,310	9,501,073	10,418,202	7,256,742	6,986,162
TOTAL	$ 594,696,220	$ 558,916,589	$ 570,865,226	$ 587,485,159	$ 519,509,589

(Continued)

	2009	2008	2007	2006	2005[1]
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term bank loans	$ -	$ -	$ -	$ -	$ 328,500
Financial liabilities at fair value through profit or loss	25	85,187	249,313	10,864	234,279
Notes and accounts payable	10,905,884	5,553,151	11,574,882	7,934,388	9,421,452
Payable to related parties	783,007	489,857	1,503,376	1,867,728	1,743,069
Income tax payable	8,800,249	9,331,825	11,126,128	7,946,473	4,015,451
Salary and bonus payable	9,317,035	2,215,780	2,233,450	2,117,045	2,116,380
Accrued profit sharing to employees and bonus to directors and supervisors	6,818,343	15,369,730	-	-	-
Payable to contractors and equipment suppliers	28,924,265	7,998,773	6,256,732	10,768,591	9,066,036
Accrued expenses and other current liabilities	12,635,182	7,540,055	15,481,313	9,211,305	8,191,571
Current portion of bonds payable and long-term liabilities	949,298	8,222,398	280,813	7,004,137	5,489
Total current liabilities	79,133,288	56,806,756	48,706,007	46,860,531	35,122,227
LONG-TERM LIABILITIES					
Bonds payables	4,500,000	4,500,000	12,500,000	12,500,000	19,500,000
Long-term bank loans	578,560	1,420,476	1,722,196	653,959	663,140
Other long-term payables	5,602,420	9,548,226	9,409,978	8,703,267	8,548,887
Other payables to related parties	-	-	-	403,375	1,100,475
Obligations under capital leases	707,499	722,339	652,296	612,941	597,669
Total long-term liabilities	11,388,479	16,191,041	24,284,470	22,873,542	30,410,171
OTHER LIABILITIES					
Accrued pension cost	3,797,032	3,701,584	3,665,522	3,540,060	3,474,384
Guarantee deposits	1,006,023	1,484,495	2,243,009	3,817,132	2,896,430
Deferred credits	185,689	316,537	1,236,873	1,177,138	1,343,959
Others	137,161	43,709	43,774	78,640	23,710
Total other liabilities	5,125,905	5,546,325	7,189,178	8,612,970	7,738,483
Total Liabilities	95,647,672	78,544,122	80,179,655	78,347,043	73,270,881
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT					
Capital stock - $10 par value					
Common stock	259,027,066	256,254,373	264,271,037	258,296,879	247,300,246
Capital surplus	55,486,010	49,875,255	53,732,682	54,107,498	57,117,886
Retained earnings					
Appropriated as legal capital reserve	77,317,710	67,324,393	56,406,684	43,705,711	34,348,208
Appropriated as special capital reserve	-	391,857	629,550	640,742	2,226,427
Unappropriated earnings	104,564,972	102,337,417	161,828,337	152,778,079	106,196,399
	181,882,682	170,053,667	218,864,571	197,124,532	142,771,034
Others					
Cumulative translation adjustments	(1,766,667)	481,158	(1,072,853)	(1,191,165)	(640,742)
Unrealized gain/loss on financial instruments	453,621	(287,342)	680,997	561,615	-
Treasury stock	-	-	(49,385,032)	(918,075)	(918,075)
	(1,313,046)	193,816	(49,776,888)	(1,547,625)	(1,558,817)
Equity attributable to shareholders of the parent	495,082,712	476,377,111	487,091,402	507,981,284	445,630,349
MINORITY INTERESTS	3,965,836	3,995,356	3,594,169	1,156,832	608,359
Total shareholders' equity	499,048,548	480,372,467	490,685,571	509,138,116	446,238,708
TOTAL	$ 594,696,220	$ 558,916,589	$ 570,865,226	$ 587,485,159	$ 519,509,589

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

(Concluded)



Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Statements of Income (Consolidated)

For the Years Ended December 31, 2009 ~ 2005 (In Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2009	2008	2007[1]	2006[1]	2005[1]
GROSS SALES	$309,655,614	$341,983,355	$328,336,172	$322,883,499	$271,801,696
SALES RETURNS AND ALLOWANCES	13,913,375	8,825,695	5,705,576	5,476,328	5,236,626
NET SALES	295,742,239	333,157,660	322,630,596	317,407,171	266,565,070
COST OF SALES	166,413,628	191,408,099	180,280,385	161,597,081	148,362,196
GROSS PROFIT	129,328,611	141,749,561	142,350,211	155,810,090	118,202,874
OPERATING EXPENSES					
Research and development	21,593,398	21,480,937	17,946,322	16,076,432	14,016,506
General and administrative	11,285,478	11,096,599	8,963,836	8,716,653	9,085,536
Marketing	4,487,849	4,736,657	3,718,146	3,752,311	4,132,273
Total operating expenses	37,366,725	37,314,193	30,628,304	28,545,396	27,234,315
INCOME FROM OPERATIONS	91,961,886	104,435,368	111,721,907	127,264,694	90,968,559
NON-OPERATING INCOME AND GAINS					
Interest income	2,600,925	5,373,823	5,651,700	4,542,149	2,806,226
Settlement income	1,464,915	951,180	985,114	979,214	964,710
Valuation gain on financial instruments, net	594,660	-	63,017	-	-
Technical service income	367,013	1,181,966	590,391	571,500	462,624
Rental income	153,919	166,317	378,643	224,290	847
Gain on disposal of property, plant and equipment and other assets	113,963	100,874	91,210	421,051	342,756
Equity in earnings of equity method investees, net	45,994	701,533	2,507,869	2,347,153	1,433,226
Gain on settlement and disposal of financial assets, net	15,999	721,050	874,670	133,489	-
Foreign exchange gain, net	-	1,227,653	80,922	-	2,609,979
Subsidy income	-	8,029	364,321	334,478	321,850
Others	296,160	389,024	345,946	285,757	457,142
Total non-operating income and gains	5,653,548	10,821,449	11,933,803	9,839,081	9,399,360
NON-OPERATING EXPENSES AND LOSSES					
Impairment of financial assets	913,230	1,560,055	54,208	279,690	128,900
Foreign exchange loss, net	626,971	-	-	400,863	-
Interest expense	391,479	614,988	842,242	890,602	1,413,374
Loss on disposal of property, plant and equipment	68,486	589	6,190	241,397	60,109
Valuation loss on financial instruments, net	-	1,081,019	-	1,745,036	3,778,073
Loss on idle assets	-	210,477	-	44,072	131,849
Provision for litigation loss	-	99,126	1,008,635	-	-
Loss on settlement and disposal of financial assets, net	-	-	-	-	161,886
Others	152,621	218,317	102,409	139,907	430,481
Total non-operating expenses and losses	2,152,787	3,784,571	2,013,684	3,741,567	6,104,672
INCOME BEFORE INCOME TAX	95,462,647	111,472,246	121,642,026	133,362,208	94,263,247
INCOME TAX EXPENSE	5,996,424	10,949,009	11,709,626	7,773,711	630,579
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	89,466,223	100,523,237	109,932,400	125,588,497	93,632,668
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT$82,062 THOUSAND	-	-	-	1,606,749	-
NET INCOME	$ 89,466,223	$100,523,237	$109,932,400	$127,195,246	$ 93,632,668
ATTRIBUTABLE TO:					
Shareholders of the parent	$ 89,217,836	$ 99,933,168	$109,177,093	$127,009,731	$ 93,575,035
Minority interest	248,387	590,069	755,307	185,515	57,633
	$ 89,466,223	$100,523,237	$109,932,400	$127,195,246	$ 93,632,668
EARNINGS PER SHARE [2]					
Basic earnings per share	$ 3.45	$ 3.84	$ 4.04	$ 4.70	$ 3.47
Diluted earnings per share	$ 3.44	$ 3.81	$ 4.04	$ 4.69	$ 3.46

Note 1: Certain accounts have been reclassified to conform to 2008 classifications.

Note 2: Retroactively adjusted for stock dividends until 2008 and profit sharing to employees in stock until 2007.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Statements of Cash Flows (Consolidated)

For the Years Ended December 31, 2009 ~ 2005 (In Thousands of New Taiwan Dollars)

	2009	2008	2007	2006	2005[1]
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income attributable to shareholders of the parent	$ 89,217,836	$ 99,933,168	$ 109,177,093	$ 127,009,731	$ 93,575,035
Net income attributable to minority interests	248,387	590,069	755,307	185,515	57,633
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	80,814,748	81,512,191	80,005,395	73,715,242	75,649,429
Amortization of premium/discount of financial assets	21,483	(93,393)	(117,159)	2,399	120,872
Impairment of financial assets	913,230	1,560,055	54,208	279,690	128,900
Loss (gain) on disposal of available-for-sale financial assets, net	20,337	(637,219)	(610,167)	(90,826)	150,081
Gain on held-to-maturity financial assets redeemed by the issuer	(16,091)	-	-	-	-
Gain on disposal of financial assets carried at cost, net	(20,245)	(83,831)	(264,503)	(16,210)	(14,721)
Equity in earnings of equity method investees, net	(45,994)	(701,533)	(2,507,869)	(2,347,153)	(1,433,226)
Dividends received from equity method investees	1,239,490	1,661,134	625,130	614,567	668,464
Gain on disposal of investments accounted for using equity method	-	-	-	-	(583)
Gain on disposal of property, plant and equipment and other assets, net	(45,475)	(100,285)	(85,020)	(179,654)	(282,647)
Loss on idle assets	-	210,477	-	44,072	131,849
Deferred income taxes	(1,752,409)	2,279,414	943,797	121,590	(3,353,013)
Donation of idle assets	-	-	-	-	7,207
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Financial assets and liabilities at fair value through profit or loss	(215,513)	1,412,531	(187,084)	340,176	72,842
Receivable from related parties	(12,117)	10,478	629,467	440,927	(101,915)
Notes and accounts receivable	(19,614,321)	22,180,805	(12,134,176)	8,124,625	(11,572,809)
Allowance for doubtful receivables	87,574	(246,056)	(48,126)	(230,706)	(3,145)
Allowance for sales returns and others	2,653,455	1,981,991	1,205,277	(1,446,611)	974,963
Other receivables from related parties	(21,374)	143,702	13,243	341,047	(87,979)
Other financial assets	7,834	(425,937)	842,136	(738,745)	(305,881)
Inventories	(6,037,106)	8,985,615	(2,226,106)	(3,702,425)	(2,006,165)
Prepaid expenses and other current assets	585,430	(443,462)	290,434	(170,576)	119,985
Increase (decrease) in:					
Notes and accounts payables	4,916,885	(6,021,731)	3,218,255	(1,487,064)	2,088,582
Payable to related parties	293,150	(1,013,519)	(375,731)	(572,441)	(1,629,217)
Income tax payable	(531,576)	(1,794,303)	3,179,655	3,931,022	3,611,486
Salary and bonus payable	7,101,255	(17,670)	116,405	665	267,242
Accrued profit sharing to employees and bonus to directors and supervisors	(1,056,399)	15,369,730	-	-	-
Accrued expenses and other current liabilities	1,356,269	(3,936,757)	797,467	861,763	(85,494)
Accrued pension cost	95,448	36,062	125,462	65,676	360,128
Deferred credits	(237,726)	(858,161)	343,878	(99,310)	117,335
Net Cash Provided by Operating Activities	159,966,465	221,493,565	183,766,668	204,996,986	157,225,238
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of :					
Property, plant and equipment	(87,784,906)	(59,222,654)	(84,000,985)	(78,737,265)	(79,878,724)
Available-for-sale financial assets	(38,800,577)	(85,273,867)	(87,550,197)	(119,291,685)	(99,436,242)
Held-to-maturity financial assets	(12,224,353)	(16,523,275)	-	(18,554,027)	(14,199,142)
Investments accounted for using equity method	(42,947)	(55,871)	(5,803,826)	(2,613,009)	(621,883)
Financial assets carried at cost	(321,195)	(463,211)	(911,323)	(511,632)	(456,897)
Proceeds from disposal or redemption of:					
Available-for-sale financial assets	36,039,978	138,515,023	94,908,666	91,620,367	102,577,763
Held-to-maturity financial assets	7,944,800	15,634,620	17,325,120	10,410,000	14,595,394
Financial assets carried at cost	131,075	199,424	410,465	126,465	76,186
Investments accounted for using equity method	-	-	-	-	65,076
Property, plant and equipment and other assets	24,241	194,940	60,535	518,705	480,707
Proceeds from return of capital by investees	-	2,345,867	-	-	-
Increase in deferred charges	(1,469,831)	(3,395,287)	(3,059,155)	(1,414,742)	(855,967)
Decrease (increase) in refundable deposits	34,056	10,570	(1,434,895)	(1,224,443)	771
Net cash paid for acquisition of subsidiaries	-	-	(404,445)	-	-
Decrease (increase) in other assets	1,176	(8,163)	(228,747)	(52,086)	741
Net Cash Used in Investing Activities	(96,468,483)	(8,041,884)	(70,688,787)	(119,723,352)	(77,652,217)

(Continued)

	2009	2008	2007	2006	2005[1]
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in short-term bank loans	$ -	$ -	$ (89,720)	$ (328,500)	$ (54,504)
Increase in long-term bank loans	286,574	98,400	653,000	-	-
Repayments of:					
Bonds payable	(8,000,000)	-	(7,000,000)	-	(10,500,000)
Long-term bank loans	(378,673)	(468,313)	(196,173)	(5,489)	(1,337,489)
Increase (decrease) in guarantee deposits	(478,472)	(758,514)	(1,574,131)	920,702	2,483,549
Cash dividends	(76,876,312)	(76,779,032)	(77,387,302)	(61,742,741)	(46,419,812)
Cash bonus paid to employees	-	(3,939,883)	(4,572,798)	(3,432,129)	(3,086,215)
Bonus to directors and supervisors	-	(176,890)	(285,800)	(257,410)	(231,466)
Proceeds from exercise of employee stock options	260,533	227,150	436,827	575,197	270,929
Repurchase of treasury stock	-	(33,480,997)	(45,413,373)	-	-
Increase (decrease) in minority interests	(284,774)	(114,742)	19,004	487,017	6,832
Proceeds from disposal of treasury stock	-	-	-	-	899,489
Net Cash Used in Financing Activities	(85,471,124)	(115,392,821)	(135,410,466)	(63,783,353)	(57,968,687)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,973,142)	98,058,860	(22,332,585)	21,490,281	21,604,334
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,364,269)	1,568,404	(518,119)	(136,796)	348,921
EFFECT OF FIRST INCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES	-	-	-	-	228,101
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	194,613,752	94,986,488	117,837,192	96,483,707	74,302,351
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 171,276,341	$ 194,613,752	$ 94,986,488	$ 117,837,192	$ 96,483,707
SUPPLEMENTAL INFORMATION					
Interest paid	$ 580,376	$ 676,318	$ 922,079	$ 951,450	$ 1,378,610
Income tax paid	$ 8,088,124	$ 10,477,018	$ 7,585,727	$ 3,630,029	$ 341,671
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS					
Acquisition of property, plant and equipment	$ 109,151,226	$ 60,978,527	$ 78,889,954	$ 80,675,310	$ 56,166,205
Decrease (increase) in payables to contractors and equipment suppliers	(21,361,340)	(1,742,041)	5,111,031	(1,702,555)	24,361,666
Nonmonetary exchange trade-out price	(809)	-	-	-	-
Increase in other long-term payables	-	-	-	(235,490)	(649,147)
Increase in obligations under capital leases	(4,171)	(13,832)	-	-	-
Cash paid	$ 87,784,906	$ 59,222,654	$ 84,000,985	$ 78,737,265	$ 79,878,724
Disposal of property, plant and equipment and other assets	$ 25,050	$ 194,940	$ -	$ -	$ -
Nonmonetary exchange trade-out price	(809)	-	-	-	-
Cash received	$ 24,241	$ 194,940	$ -	$ -	$ -
Repurchase of treasury stock	$ -	$ 30,427,413	$ 48,466,957	$ -	$ -
Decrease (increase) in accrued expenses and other current liabilities	-	3,053,584	(3,053,584)	-	-
Cash paid	$ -	$ 33,480,997	$ 45,413,373	$ -	$ -
NONCASH FINANCING ACTIVITIES					
Current portion of long-term liabilities	$ 949,298	$ 8,222,398	$ 280,813	$ 7,004,137	$ 5,489
Current portion of other payables to related parties (under payables to related parties)	$ -	$ -	$ -	$ 688,591	$ 693,956
Current portion of other long-term payables and other liabilities (under accrued expenses and other current liabilities)	$ 4,005,307	$ 1,126,546	$ 3,735,875	$ 617,892	$ 869,072

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

(Concluded)

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TSMC's depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM. The information relating to TSM is available at http://www.nyse.com and http://newmops.tse.com.tw

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