

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2007 and 2006 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of September 30, 2007 and 2006, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

October 9, 2007

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

| ASSETS | 2007 | | 2006 | | LIABILITIES AND SHAREHOLDERS' EQUITY | 2007 | | 2006 | |
|--|-----------------------|------------|-----------------------|------------|---|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 98,327,915 | 17 | \$ 92,903,268 | 17 | Short-term bank loans (Note 14) | \$ 97,860 | - | \$ - | - |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 6) | 2,288,638 | - | 1,261,042 | - | Financial liabilities at fair value through profit or loss (Notes 2, 3 and 6) | 130,830 | - | 458,808 | - |
| Available-for-sale financial assets (Notes 2, 3 and 7) | 63,607,633 | 11 | 63,709,790 | 11 | Accounts payable | 10,926,705 | 2 | 8,444,268 | 1 |
| Held-to-maturity financial assets (Notes 2 and 8) | 12,168,201 | 2 | 6,220,737 | 1 | Payables to related parties (Note 26) | 1,565,379 | - | 2,142,691 | - |
| Receivables from related parties (Note 26) | 4,261 | - | 225,783 | - | Income tax payable (Notes 2 and 19) | 7,492,944 | 1 | 6,624,885 | 1 |
| Notes and accounts receivable | 47,056,841 | 8 | 43,707,167 | 8 | Accrued expenses and other current liabilities (Notes 17 and 29) | 14,153,434 | 3 | 9,801,155 | 2 |
| Allowance for doubtful receivables (Notes 2 and 5) | (704,629) | - | (992,329) | - | Payables to contractors and equipment suppliers | 11,744,553 | 2 | 15,589,277 | 3 |
| Allowance for sales returns and others (Notes 2 and 5) | (3,999,155) | (1) | (5,214,981) | (1) | Current portion of long-term liabilities (Notes 15, 16 and 27) | 4,781,509 | 1 | 2,504,813 | - |
| Other receivables from related parties (Note 26) | 313,101 | - | 274,275 | - | | | | | |
| Other financial assets | 1,670,332 | 1 | 1,762,324 | - | Total current liabilities | 50,893,214 | 9 | 45,565,897 | 7 |
| Inventories, net (Notes 2 and 9) | 24,532,167 | 4 | 20,337,674 | 4 | | | | | |
| Deferred income tax assets (Notes 2 and 19) | 3,271,052 | 1 | 2,805,056 | 1 | LONG-TERM LIABILITIES | | | | |
| Prepaid expenses and other current assets | 1,519,648 | - | 1,308,401 | - | Bonds payable (Note 15) | 12,500,000 | 2 | 17,000,000 | 3 |
| | | | | | Long-term bank loans (Notes 16 and 27) | 1,539,001 | - | 664,901 | - |
| Total current assets | 250,056,005 | 43 | 228,308,207 | 41 | Other long-term payables (Notes 17 and 29) | 8,766,544 | 2 | 8,744,219 | 2 |
| | | | | | Other payables to related parties (Notes 26 and 29) | - | - | 409,588 | - |
| LONG-TERM INVESTMENTS (Notes 2, 3, 7, 8, 10 and 11) | | | | | Obligations under capital leases (Note 2) | 638,786 | - | 614,703 | - |
| Investments accounted for using equity method | 21,770,013 | 3 | 12,003,356 | 2 | | | | | |
| Available-for-sale financial assets | 4,138,197 | 1 | 4,925,722 | 1 | Total long-term liabilities | 23,444,331 | 4 | 27,433,411 | 5 |
| Held-to-maturity financial assets | 16,167,443 | 3 | 30,747,122 | 5 | | | | | |
| Financial assets carried at cost | 3,914,954 | 1 | 3,383,747 | 1 | OTHER LIABILITIES | | | | |
| | | | | | Accrued pension cost (Notes 2 and 18) | 3,630,090 | 1 | 3,513,030 | 1 |
| Total long-term investments | 45,990,607 | 8 | 51,059,947 | 9 | Guarantee deposits (Note 29) | 2,564,396 | - | 3,684,627 | 1 |
| | | | | | Deferred credits (Notes 2 and 26) | 1,190,936 | - | 1,200,024 | - |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 27) | | | | | Others | 65,711 | - | 87,437 | - |
| Cost | | | | | | | | | |
| Land and land improvements | 948,001 | - | 857,652 | - | Total other liabilities | 7,451,133 | 1 | 8,485,118 | 2 |
| Buildings | 117,323,692 | 20 | 111,274,689 | 20 | | | | | |
| Machinery and equipment | 634,312,621 | 108 | 560,941,572 | 99 | Total liabilities | 81,788,678 | 14 | 81,484,426 | 14 |
| Office equipment | 11,661,473 | 2 | 10,345,048 | 2 | | | | | |
| Leased assets | 638,786 | - | 614,703 | - | EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | |
| | 764,884,573 | 130 | 684,033,664 | 121 | Capital stock - \$10 par value | | | | |
| Accumulated depreciation | (521,613,239) | (89) | (445,525,725) | (79) | Authorized: 28,050,000 thousand shares in 2007 | | | | |
| Advance payments and construction in progress | 21,965,009 | 4 | 22,157,624 | 4 | 27,050,000 thousand shares in 2006 | | | | |
| | | | | | Issued: 26,426,202 thousand shares in 2007 | 264,262,018 | 45 | 258,258,398 | 46 |
| Net property, plant and equipment | 265,236,343 | 45 | 260,665,563 | 46 | 25,825,840 thousand shares in 2006 | 53,713,165 | 9 | 53,857,667 | 10 |
| | | | | | Capital surplus (Notes 2 and 21) | | | | |
| INTANGIBLE ASSETS | | | | | Retained earnings: (Note 21) | | | | |
| Goodwill (Note 2) | 6,005,297 | 1 | 6,050,938 | 1 | Appropriated as legal capital reserve | 56,406,684 | 9 | 43,705,711 | 8 |
| Deferred charges, net (Notes 2 and 13) | 5,802,760 | 1 | 6,001,704 | 1 | Appropriated as special capital reserve | 629,550 | - | 640,742 | - |
| | | | | | Unappropriated earnings | 127,343,560 | 22 | 124,866,387 | 22 |
| Total intangible assets | 11,808,057 | 2 | 12,052,642 | 2 | | 184,379,794 | 31 | 169,212,840 | 30 |
| | | | | | Others (Notes 2, 3, 23 and 25) | | | | |
| OTHER ASSETS | | | | | Cumulative translation adjustments | (690,056) | - | 223,105 | - |
| Deferred income tax assets (Notes 2 and 19) | 10,489,658 | 2 | 11,018,152 | 2 | Unrealized gain on financial instruments | 528,024 | - | 502,192 | - |
| Refundable deposits | 2,729,259 | - | 109,443 | - | Treasury stock: 34,096 thousand shares in 2007 | | | | |
| Assets leased to others, net (Note 2) | 63,038 | - | 96,230 | - | 33,926 thousand shares in 2006 | (918,075) | - | (918,075) | - |
| Others | 34,296 | - | 37,665 | - | | (1,080,107) | - | (192,778) | - |
| | | | | | Equity attributable to shareholders of the parent | 501,274,870 | 85 | 481,136,127 | 86 |
| Total other assets | 13,316,251 | 2 | 11,261,490 | 2 | | | | | |
| | | | | | MINORITY INTEREST (Note 2) | | | | |
| TOTAL | \$ 586,407,263 | 100 | \$ 563,347,849 | 100 | | 3,343,715 | 1 | 727,296 | - |
| | | | | | Total shareholders' equity | 504,618,585 | 86 | 481,863,423 | 86 |
| | | | | | TOTAL | \$ 586,407,263 | 100 | \$ 563,347,849 | 100 |

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | 2007 | | 2006 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 26) | \$ 232,680,424 | | \$ 247,771,550 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | <u>3,909,616</u> | | <u>5,327,605</u> | |
| NET SALES | 228,770,808 | 100 | 242,443,945 | 100 |
| COST OF SALES (Notes 20 and 26) | <u>131,256,118</u> | <u>57</u> | <u>121,087,113</u> | <u>50</u> |
| GROSS PROFIT | <u>97,514,690</u> | <u>43</u> | <u>121,356,832</u> | <u>50</u> |
| OPERATING EXPENSES (Notes 20 and 26) | | | | |
| Research and development | 12,934,026 | 6 | 12,245,363 | 5 |
| General and administrative | 6,925,391 | 3 | 6,296,487 | 3 |
| Marketing | <u>2,691,098</u> | <u>1</u> | <u>2,958,025</u> | <u>1</u> |
| Total operating expenses | <u>22,550,515</u> | <u>10</u> | <u>21,499,875</u> | <u>9</u> |
| INCOME FROM OPERATIONS | <u>74,964,175</u> | <u>33</u> | <u>99,856,957</u> | <u>41</u> |
| NON-OPERATING INCOMES AND GAINS | | | | |
| Interest income (Note 2) | 4,235,773 | 2 | 3,279,474 | 2 |
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 1,631,288 | 1 | 1,959,093 | 1 |
| Valuation gain on financial instruments, net (Notes 2, 6 and 25) | 1,045,074 | 1 | - | - |
| Settlement income (Note 29) | 491,385 | - | 486,315 | - |
| Technical service income (Notes 26 and 29) | 438,523 | - | 443,590 | - |
| Subsidy income (Note 2) | 360,843 | - | 331,854 | - |
| Rental income (Note 26) | 292,672 | - | 153,786 | - |
| Foreign exchange gain, net (Notes 2) | 235,449 | - | 41,047 | - |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26) | 54,629 | - | 359,035 | - |
| Others (Note 26) | <u>382,389</u> | <u>-</u> | <u>270,257</u> | <u>-</u> |
| Total non-operating incomes and gains | <u>9,168,025</u> | <u>4</u> | <u>7,324,451</u> | <u>3</u> |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Provision for litigation loss (Note 29k) | 1,008,635 | 1 | - | - |
| Interest expense | 639,870 | - | 657,465 | - |
| Loss on impairment of financial assets (Note 2) | 56,647 | - | 237,357 | - |
| Loss on disposal of financial instruments, net (Notes 2, 6, and 25) | 30,902 | - | 663,329 | - |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | 2007 | | 2006 | |
|---|---------------|---------|---------------|---------|
| | Amount | % | Amount | % |
| Loss on disposal of property, plant and equipment (Note 2) | \$ 6,115 | - | \$ 225,997 | - |
| Valuation loss on financial instruments, net (Notes 2, 6 and 25) | - | - | 1,346,298 | 1 |
| Others (Note 2) | 79,584 | - | 197,067 | - |
| Total non-operating expenses and losses | 1,821,753 | 1 | 3,327,513 | 1 |
| INCOME BEFORE INCOME TAX | 82,310,447 | 36 | 103,853,895 | 43 |
| INCOME TAX EXPENSE (Notes 2 and 19) | 7,101,660 | 3 | 6,279,735 | 3 |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 75,208,787 | 33 | 97,574,160 | 40 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF \$82,062 THOUSAND (Note 3) | - | - | 1,606,749 | 1 |
| NET INCOME | \$ 75,208,787 | 33 | \$ 99,180,909 | 41 |
| ATTRIBUTABLE TO: | | | | |
| Shareholders of the parent | \$ 74,692,316 | 33 | \$ 99,098,039 | 41 |
| Minority interest | 516,471 | - | 82,870 | - |
| | \$ 75,208,787 | 33 | \$ 99,180,909 | 41 |
| | | | 2007 | 2006 |
| | Before | After | Before | After |
| | Income | Income | Income | Income |
| | Tax | Tax | Tax | Tax |
| CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 24) | | | | |
| Basic earnings per share | \$ 3.10 | \$ 2.83 | \$ 3.99 | \$ 3.76 |
| Diluted earnings per share | \$ 3.10 | \$ 2.83 | \$ 3.99 | \$ 3.75 |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2007 | 2006 |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income attributable to shareholders of the parent | \$ 74,692,316 | \$ 99,098,039 |
| Net income attributable to minority interest | 516,471 | 82,870 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 59,723,935 | 54,033,042 |
| Amortization of premium/discount of financial assets | (90,347) | 16,004 |
| Loss on impairment of financial assets | 56,647 | 237,357 |
| Gain on disposal of available-for-sale financial assets, net | (345,542) | (46,458) |
| Equity in earnings of equity method investees, net | (1,631,288) | (1,959,093) |
| Dividends received from equity method investees | 625,130 | 614,567 |
| Gain on disposal of financial assets carried at cost, net | (141,974) | (15,948) |
| Gain on disposal of property, plant and equipment and other assets, net | (48,514) | (133,038) |
| Deferred income taxes | 66,761 | 114,516 |
| Loss on idle assets | - | 37,283 |
| Net changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | (961,818) | 733,932 |
| Receivables from related parties | 636,091 | 467,483 |
| Notes and accounts receivable | (11,986,891) | (624,892) |
| Allowance for doubtful receivables | (45,304) | 11,735 |
| Allowance for sales returns and others | 1,115,397 | 897,568 |
| Other receivables from related parties | (56,238) | 323,635 |
| Other financial assets | 687,183 | (144,527) |
| Inventories | (2,896,013) | (2,609,371) |
| Prepaid expenses and other current assets | 141,293 | 112,040 |
| Increase (decrease) in: | | |
| Accounts payable | 2,570,108 | (895,398) |
| Payables to related parties | (313,728) | 399,622 |
| Income tax payable | (453,529) | 2,609,434 |
| Accrued expenses and other current liabilities | 1,992,633 | (1,349,872) |
| Accrued pension cost | 90,030 | 38,646 |
| Deferred credits | 64,618 | (66,110) |
| Net cash provided by operating activities | <u>124,007,427</u> | <u>151,983,066</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (55,071,877) | (83,494,302) |
| Held-to-maturity financial assets | - | (16,141,019) |
| Investments accounted for using equity method | (5,809,874) | (180,304) |
| Financial assets carried at cost | (807,998) | (495,432) |
| Property, plant and equipment | (64,220,124) | (61,157,094) |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2007 | 2006 |
|---|-----------------------------|-----------------------------|
| Proceeds from disposal or redemption of: | | |
| Available-for-sale financial assets | \$ 62,353,374 | \$ 61,979,598 |
| Held-to-maturity financial assets | 9,200,400 | 8,512,000 |
| Financial assets carried at cost | 269,109 | 105,100 |
| Property, plant and equipment and other assets | 26,409 | 464,293 |
| Increase in deferred charges | (2,223,176) | (884,194) |
| Increase in refundable deposits | (1,386,385) | (2,641) |
| Net cash paid for acquisition of subsidiaries | (386,932) | - |
| Decrease (increase) in other assets | <u>29,487</u> | <u>(54,261)</u> |
| Net cash used in investing activities | <u>(58,027,587)</u> | <u>(91,348,256)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term bank loans | 8,140 | (328,500) |
| Increase in long-term bank loans | 363,000 | - |
| Repayments of: | | |
| Long-term bank loans | (93,171) | (4,417) |
| Bonds payable | (2,500,000) | - |
| Increase (decrease) in guarantee deposits | (1,252,744) | 788,197 |
| Cash dividends | (77,387,302) | (61,742,741) |
| Cash bonus paid to employees | (4,572,798) | (3,432,129) |
| Bonus to directors and supervisors | (285,800) | (257,410) |
| Proceeds from exercise of employee stock options | 401,786 | 422,927 |
| Increase in minority interest | <u>17,353</u> | <u>5,958</u> |
| Net cash used in financing activities | <u>(85,301,536)</u> | <u>(64,548,115)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (19,321,696) | (3,913,305) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (187,581) | 332,866 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>117,837,192</u> | <u>96,483,707</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 98,327,915</u> | <u>\$ 92,903,268</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ 635,416</u> | <u>\$ 663,296</u> |
| Income taxes paid | <u>\$ 7,534,342</u> | <u>\$ 3,562,934</u> |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2007 | 2006 |
|--|----------------------|----------------------|
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 64,888,968 | \$ 67,812,911 |
| Increase in payables to contractors and equipment suppliers | (668,844) | (6,441,455) |
| Increase in other long-term payables | - | (214,362) |
| Cash paid | <u>\$ 64,220,124</u> | <u>\$ 61,157,094</u> |
| NONCASH FINANCING ACTIVITIES | | |
| Current portion of long-term liabilities | <u>\$ 4,781,509</u> | <u>\$ 2,504,813</u> |
| Current portion of other payables to related parties (under payables to related parties) | <u>\$ -</u> | <u>\$ 699,195</u> |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | <u>\$ 1,488,860</u> | <u>\$ 971,596</u> |

The Company acquired controlling interests in Xintec Inc. (Xintec) and in Mutual-Pak Technology Co., Ltd. (Mutual-Pak) in March 2007 and July 2007, respectively, and consolidated the revenue/income and expenses/losses of these two subsidiaries from the respective acquisition dates. Fair values of assets acquired and liabilities assumed at acquisition were as follows:

| | | |
|--|--|---------------------|
| Current assets | | \$ 3,104,664 |
| Property, plant and equipment | | 2,338,317 |
| Other assets | | 434,932 |
| Current liabilities | | (1,937,079) |
| Long-term liabilities | | (701,855) |
| Net amount | | <u>\$ 3,238,979</u> |
| Purchase price for Xintec and Mutual-Pak | | \$ 1,398,741 |
| Less: Cash balance of Xintec and Mutual-Pak at acquisition | | <u>(1,011,809)</u> |
| Net cash paid for acquisition of Xintec and Mutual-Pak | | <u>\$ 386,932</u> |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated 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).

TSMC is 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 September 30, 2007 and 2006, TSMC and its subsidiaries had 25,007 and 23,037 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

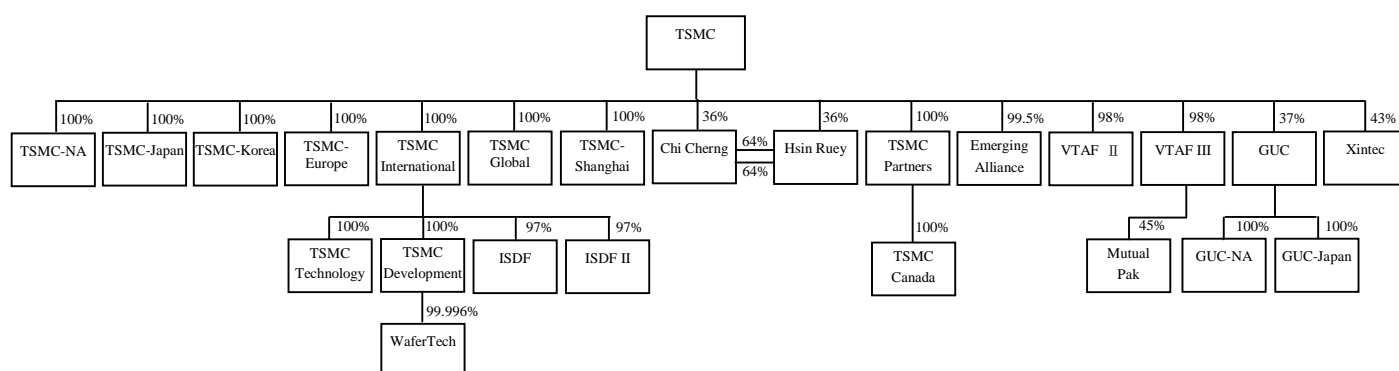
| <u>Name of Investor</u> | <u>Name of Investee</u> | <u>Percentage of</u> | <u>Percentage of</u> | <u>Remark</u> |
|-------------------------|--|----------------------|---|--|
| | | <u>Ownership at</u> | <u>Ownership at</u> | |
| | | <u>September 30,</u> | <u>September 30,</u> | |
| | | <u>2007</u> | <u>2006</u> | |
| TSMC | TSMC North America (TSMC-NA) | 100% | 100% | - |
| | TSMC Japan Limited (TSMC-Japan) | 100% | 100% | - |
| | TSMC Korea Limited (TSMC-Korea) | 100% | 100% | - |
| | Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe) | 100% | 100% | - |
| | TSMC International Investment Ltd. (TSMC International) | 100% | 100% | - |
| | TSMC Global, Ltd. (TSMC Global) | 100% | 100% | - |
| | TSMC (Shanghai) Company Limited (TSMC-Shanghai) | 100% | 100% | - |
| | Chi Cherng Investment Co., Ltd. (Chi Cherng) | 36% | 36% | TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of September 30, 2007, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.06% of outstanding common shares). |
| | Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 36% | 36% | TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey. As of September 30, 2007, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately 0.06% of outstanding common shares). |
| | TSMC Partners, Ltd. (TSMC Partners) | 100% | 100% | - |
| | Emerging Alliance Fund, L.P. (Emerging Alliance) | 99.5% | 99.5% | - |
| | VentureTech Alliance Fund II, L.P. (VTAF II) | 98% | 98% | - |
| | VentureTech Alliance Fund III, L.P. (VTAF III) | 98% | 98% | - |
| | Global Unichip Corporation (GUC) | 37% | 44% | GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of GUC. |
| Xintec Inc. (Xintec) | 43% | - | TSMC obtained three out of five director positions in March 2007. Also Xintec's Chairman was assigned by TSMC and TSMC has control over Xintec. | |
| TSMC International | TSMC Technology, Inc. (TSMC Technology) | 100% | 100% | - |
| | TSMC Development, Inc. (TSMC Development) | 100% | 100% | - |
| | InveStar Semiconductor Development Fund, Inc. (ISDF) | 97% | 97% | - |
| | InveStar Semiconductor Development Fund, Inc. (II) LDC (ISDF II) | 97% | 97% | - |
| TSMC Development | WaferTech, LLC (WaferTech) | 99.996% | 99.996% | - |

(Continued)

| <u>Name of Investor</u> | <u>Name of Investee</u> | <u>Percentage of Ownership at</u> | | <u>Remark</u> |
|-------------------------|---|-----------------------------------|---------------------------|--|
| | | <u>September 30, 2007</u> | <u>September 30, 2006</u> | |
| TSMC Partners | TSMC Design Technology Canada, Inc. (TSMC Canada) | 100% | - | Newly established. |
| VTAF III | Mutual-Pak Technology Co., Ltd. (Mutual-Pak) | 45% | - | VTAF III acquired a controlling interest in Mutual-Pak in July 2007. |
| GUC | Global Unichip Corp.-North America (GUC-NA) | 100% | 100% | - |
| | Global Unichip Japan Co., Ltd. (GUC-Japan) | 100% | 100% | - |

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its subsidiaries as of September 30, 2007:



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

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

Minority interest in the aforementioned subsidiaries is presented as a separate component of shareholders’ equity.

Use of Estimates

The preparation of consolidated 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, asset-backed commercial papers, agency notes and corporate notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes revenue when evidence of an arrangement exists, shipment is made, price is fixed or determinable, and collectibility is reasonably assured. Revenues from the design and manufacturing of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. Provisions for estimated sales returns and others are generally 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 stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the balance sheet date. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods. The Company assesses the impact of changing technology on its inventories on hand and writes off inventories that are considered obsolete. Period-end inventories are evaluated for estimated excess quantities and obsolescence based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

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. Prior to January 1, 2006, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was amortized by the straight-line method over five years, with the amortization recorded in the "equity in earnings/losses of equity method investees, net" account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method" (SFAS No. 5), 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 and instead shall be tested for impairment annually. 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 percentage 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 are deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are recorded until they are realized through transactions with third parties.

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

Financial Assets Carried at Cost

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

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

Property, Plant and Equipment and Assets Leased to Others

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

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

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.

Intangible Assets

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised Statement of Financial Accounting Standards No. 25, "Business Combinations - Accounting Treatment under Purchase Method" (SFAS No. 25), 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 - 2 to 5 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Effective January 1, 2007, the Company adopted the newly released Statement of Financial Accounting Standards No. 37, "Accounting for Intangible Assets". The Company had reassessed the useful lives and the amortization method of its recognized intangible assets at the effective date. Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense 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.

Government Subsidies

Income-related subsidies from governments are recognized in earnings when the requirements for subsidies are met.

Income Tax

The Company applies intra-period and inter-period allocations for its income tax whereby (1) a portion of current period's income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, net operating loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

The R.O.C. government enacted the Alternative Minimum Tax Act (the AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the tax-exempt income under various laws and statutes. TSMC and subsidiaries domiciled in the R.O.C. have considered the impact of the AMT Act in the determination of their tax liabilities.

Stock-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 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.

Treasury Stock

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

Foreign-currency Transactions

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

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

Translation of Foreign-currency Financial Statements

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

Recent Accounting Pronouncements

In March 2007, the Accounting Research and Development Foundation of the Republic of China issued an interpretation that requires companies to record the bonus paid to directors, supervisors and employees as an expense rather than an appropriation of earnings. This interpretation should be applied to financial statements for the fiscal year beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the Republic of China also issued Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment" (SFAS No.39) in August 2007, which requires companies to record share-based payment transactions in the financial statements at fair value. SFAS No.39 should be applied to financial statements for the fiscal year beginning on or after January 1, 2008.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the nine months ended September 30, 2006 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the nine months ended September 30, 2007.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement" (SFAS No. 34) and No. 36, "Financial Instruments: Disclosure and Presentation".

The Company had categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effect of adopting the newly released SFASs is summarized as follows:

| | Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax) | Recognized as a Separate Component of Shareholders' Equity |
|--|---|---|
| Financial assets or liabilities at fair value through profit or loss | \$ 1,606,749 | \$ - |
| Available-for-sale financial assets | <u>-</u> | <u>306,531</u> |
| | <u>\$ 1,606,749</u> | <u>\$ 306,531</u> |

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$1,569,448 thousand, an increase in net income of NT\$37,301 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.001, for the nine months ended September 30, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's consolidated financial statements as of and for the nine months ended September 30, 2006.

4. CASH AND CASH EQUIVALENTS

| | September 30 | |
|--|----------------------|----------------------|
| | 2007 | 2006 |
| Cash and deposits in bank | \$ 65,910,081 | \$ 71,206,233 |
| Repurchase agreements collateralized by government bonds | 31,354,207 | 21,200,915 |
| Asset-backed commercial papers | 596,823 | - |
| Agency notes | 466,804 | 363,611 |
| Corporate notes | - | 132,509 |
| | <u>\$ 98,327,915</u> | <u>\$ 92,903,268</u> |

5. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

| | Nine Months Ended September 30 | |
|--|---|-------------------|
| | 2007 | 2006 |
| Balance, beginning of period | \$ 749,888 | \$ 980,594 |
| Effect of inclusion of a newly consolidated subsidiary, Xintec | 45 | - |
| Provision | 2,941 | 12,368 |
| Write-off | (48,245) | (633) |
| Balance, end of period | <u>\$ 704,629</u> | <u>\$ 992,329</u> |

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

| | Nine Months Ended September 30 | |
|------------------------------|---|---------------------|
| | 2007 | 2006 |
| Balance, beginning of period | \$ 2,870,802 | \$ 4,317,413 |
| Provision | 3,972,492 | 5,450,315 |
| Write-off | (2,844,139) | (4,552,747) |
| Balance, end of period | <u>\$ 3,999,155</u> | <u>\$ 5,214,981</u> |

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

| | <u>September 30</u> | |
|-------------------------------|---------------------|---------------------|
| | 2007 | 2006 |
| Trading financial assets | | |
| Publicly-traded stocks | \$ 1,921,437 | \$ 1,140,629 |
| Forward exchange contracts | 756 | 45,295 |
| Cross currency swap contracts | 366,445 | - |
| Open-end mutual funds | <u>-</u> | <u>75,118</u> |
| | <u>\$ 2,288,638</u> | <u>\$ 1,261,042</u> |
| Trading financial liabilities | | |
| Forward exchange contracts | \$ 127,590 | \$ - |
| Cross currency swap contracts | <u>3,240</u> | <u>458,808</u> |
| | <u>\$ 130,830</u> | <u>\$ 458,808</u> |

The Company entered into derivative contracts during the nine months ended September 30, 2007 and 2006 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 prescribed by SFAS No. 34. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward contracts as of September 30, 2007 and 2006:

| | Maturity Date | Contract Amount (in Thousands) | |
|---------------------------|-------------------------------|---|---------|
| <u>September 30, 2007</u> | | | |
| Sell EUR/Buy NT\$ | October 2007 to July 2008 | EUR | 70,040 |
| Sell US\$/Buy NT\$ | October 2007 | US\$ | 2,000 |
| Sell US\$/Buy JPY | October 2007 | JPY | 12,000 |
| <u>September 30, 2006</u> | | | |
| Sell NT\$/Buy US\$ | October 2006 to November 2006 | US\$ | 145,000 |

Outstanding cross currency swap contracts as of September 30, 2007 and 2006:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|---|-------------------------------------|---|
| <u>September 30, 2007</u> | | | |
| October 2007 to November 2007 | US\$ 930,000 | 3.76%-5.80% | 1.60%-3.69% |
| <u>September 30, 2006</u> | | | |
| October 2006 to November 2006 | US\$ 1,550,000 | 3.34%-5.50% | 0.60%-2.72% |

For the nine months ended September 30, 2007 and 2006, net losses arising from derivative financial instruments were NT\$775,421 thousand (including realized settlement losses of NT\$978,058 thousand and valuation gains of NT\$202,637 thousand) and NT\$1,795,246 thousand (including realized settlement losses of NT\$1,381,732 thousand and valuation losses of NT\$413,514 thousand), respectively.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | <u>September 30</u> | |
|--|---------------------|---------------------|
| | <u>2007</u> | <u>2006</u> |
| Open-end mutual funds | \$ 15,403,622 | \$ 21,781,496 |
| Corporate bonds | 15,086,321 | 15,756,217 |
| Agency bonds | 13,479,113 | 14,606,181 |
| Government bonds | 12,769,875 | 5,111,420 |
| Corporate issued asset-backed securities | 8,957,212 | 10,405,350 |
| Money market funds | 1,066,088 | 211,701 |
| Structured time deposits | 498,587 | 499,549 |
| Corporate issued notes | 326,670 | - |
| Publicly-traded stocks | <u>158,342</u> | <u>263,598</u> |
| | 67,745,830 | 68,635,512 |
| Current portion | <u>(63,607,633)</u> | <u>(63,709,790)</u> |
| | <u>\$ 4,138,197</u> | <u>\$ 4,925,722</u> |

In 2004, the Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. The investment portfolios included securities such as corporate bonds, agency bonds, government bonds, asset-backed securities and others. Securities acquired with maturities of less than three months from the date of purchase were classified as cash equivalents.

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

| | Principal Amount | Carrying Amount | Interest Rate | Maturity Date |
|---------------------------|-----------------------------|----------------------------|----------------------|----------------------|
| <u>September 30, 2007</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | <u>\$ 500,000</u> | <u>\$ 498,587</u> | 1.76% | March 2008 |
| <u>September 30, 2006</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | <u>\$ 500,000</u> | <u>\$ 499,549</u> | 1.76% | March 2008 |

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

8. HELD-TO-MATURITY FINANCIAL ASSETS

| | <u>September 30</u> | |
|--------------------------|----------------------|----------------------|
| | <u>2007</u> | <u>2006</u> |
| Corporate bonds | \$ 11,540,506 | \$ 14,670,013 |
| Structured time deposits | 8,726,720 | 11,281,560 |
| Government bonds | <u>8,068,418</u> | <u>11,016,286</u> |
| | 28,335,644 | 36,967,859 |
| Current portion | <u>(12,168,201)</u> | <u>(6,220,737)</u> |
| | <u>\$ 16,167,443</u> | <u>\$ 30,747,122</u> |

As of September 30, 2007 and 2006, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|---------------------------------|
| <u>September 30, 2007</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,500,000 | \$ 13,340 | 1.69%-1.83% | October 2007 to October 2008 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,266,700 | 14,265 | (See below) | October 2009 to December 2009 |
| Foreign deposits | <u>1,960,020</u> | <u>6,016</u> | (See below) | October 2009 to December 2009 |
| | <u>\$ 8,726,720</u> | <u>\$ 33,621</u> | | |
| <u>September 30, 2006</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,000,000 | \$ 35,459 | 1.40%-2.01% | June 2007 to March 2009 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,971,760 | 15,004 | (See below) | September 2009 to December 2009 |
| Foreign deposits | <u>3,309,800</u> | <u>7,585</u> | (See below) | October 2009 to January 2010 |
| | <u>\$ 11,281,560</u> | <u>\$ 58,048</u> | | |

The amount of interest earned from the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based on the terms of the contracts, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate ranging between zero and 1.5%. Under the terms of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

As of September 30, 2007 and 2006, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$40,000 thousand and US\$80,000 thousand, respectively; the principal of those resided in banks located in Singapore amounted to US\$20,000 thousand each.

9. INVENTORIES, NET

| | <u>September 30</u> | |
|--------------------------|----------------------|----------------------|
| | 2007 | 2006 |
| Finished goods | \$ 4,001,959 | \$ 4,743,202 |
| Work in process | 18,628,916 | 14,085,170 |
| Raw materials | 1,932,257 | 1,525,740 |
| Supplies and spare parts | <u>1,079,541</u> | <u>1,019,827</u> |
| | 25,642,673 | 21,373,939 |
| Allowance for losses | <u>(1,110,506)</u> | <u>(1,036,265)</u> |
| | <u>\$ 24,532,167</u> | <u>\$ 20,337,674</u> |

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | <u>September 30</u> | | | |
|---|----------------------|------------------------|----------------------|------------------------|
| | <u>2007</u> | | <u>2006</u> | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| Vanguard International Semiconductor Corporation (VIS) | \$ 10,951,250 | 36 | \$ 5,543,215 | 27 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 8,674,862 | 39 | 5,611,199 | 32 |
| VisEra Holding Company (VisEra Holding) | <u>2,143,901</u> | 49 | <u>848,942</u> | 48 |
| | <u>\$ 21,770,013</u> | | <u>\$ 12,003,356</u> | |

In November 2006, the Company acquired 81 thousand shares in SSMC for SGD115,227 thousand from EDB Investments Pte Ltd. under a Shareholders Agreement. After the acquisition, the number of SSMC shares owned by the Company increased to 463 thousand and the Company's percentage of ownership increased from 32% to 39%.

In August 2007, the Company acquired 169,600 thousand shares in VIS for NT\$4,927,865 thousand. After the acquisition, the Company's percentage of ownership in VIS increased from 27% to 36%.

For the nine months ended September 30, 2007 and 2006, net equity in earnings of NT\$1,631,288 thousand and NT\$1,959,093 thousand was recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the reviewed financial statements of the investees for the same periods as the Company.

11. FINANCIAL ASSETS CARRIED AT COST

| | <u>September 30</u> | |
|----------------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2006</u> |
| Non-publicly traded stocks | \$ 3,532,661 | \$ 3,036,836 |
| Funds | <u>382,293</u> | <u>346,911</u> |
| | <u>\$ 3,914,954</u> | <u>\$ 3,383,747</u> |

12. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

| | <u>September 30</u> | |
|-------------------------|-----------------------|-----------------------|
| | <u>2007</u> | <u>2006</u> |
| Land improvements | \$ 257,109 | \$ 230,481 |
| Buildings | 61,033,220 | 52,158,898 |
| Machinery and equipment | 451,531,020 | 385,474,184 |
| Office equipment | 8,667,484 | 7,572,907 |
| Leased assets | <u>124,406</u> | <u>89,255</u> |
| | <u>\$ 521,613,239</u> | <u>\$ 445,525,725</u> |

13. DEFERRED CHARGES, NET

| | Nine Months Ended September 30, 2007 | | | |
|--|---|---|-------------------|---------------------|
| | Technology License Fees | Software and System Design Costs | Others | Total |
| Balance, beginning of period | \$ 4,132,174 | \$ 1,669,781 | \$ 134,960 | \$ 5,936,915 |
| Effect of inclusion of newly consolidated subsidiaries | 201,942 | 2,778 | 29,961 | 234,681 |
| Addition | 915,334 | 872,676 | 435,166 | 2,223,176 |
| Amortization | (1,301,816) | (714,407) | (90,106) | (2,106,329) |
| Deduction | - | (282) | (49) | (331) |
| Reclassification | (296,451) | (500,172) | 296,451 | (500,172) |
| Effect of exchange rate changes | <u>6,388</u> | <u>1,194</u> | <u>7,238</u> | <u>14,820</u> |
| Balance, end of period | <u>\$ 3,657,571</u> | <u>\$ 1,331,568</u> | <u>\$ 813,621</u> | <u>\$ 5,802,760</u> |

| | Nine Months Ended September 30, 2006 | | | |
|---------------------------------|---|---|-------------------|---------------------|
| | Technology License Fees | Software and System Design Costs | Others | Total |
| Balance, beginning of period | \$ 5,099,227 | \$ 1,737,384 | \$ 169,639 | \$ 7,006,250 |
| Addition | 463,443 | 420,751 | - | 884,194 |
| Amortization | (1,022,883) | (838,761) | (28,478) | (1,890,122) |
| Reclassification | - | 1,138 | - | 1,138 |
| Effect of exchange rate changes | <u>(42,513)</u> | <u>40,040</u> | <u>2,717</u> | <u>244</u> |
| Balance, end of period | <u>\$ 4,497,274</u> | <u>\$ 1,360,552</u> | <u>\$ 143,878</u> | <u>\$ 6,001,704</u> |

14. SHORT-TERM BANK LOANS

| | September 30 | |
|---|---------------------|-------------|
| | 2007 | 2006 |
| Unsecured loans: | | |
| Repayable in October 2007, annual interest at 6.00%-6.22% | <u>\$ 97,860</u> | <u>\$ -</u> |

15. BONDS PAYABLE

| | September 30 | |
|---|----------------------|----------------------|
| | 2007 | 2006 |
| Domestic unsecured bonds: | | |
| Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually | \$ 4,500,000 | \$ 4,500,000 |
| Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively | <u>12,500,000</u> | <u>15,000,000</u> |
| | 17,000,000 | 19,500,000 |
| Current portion | <u>(4,500,000)</u> | <u>(2,500,000)</u> |
| | <u>\$ 12,500,000</u> | <u>\$ 17,000,000</u> |

As of September 30, 2007, future principal repayments for the bonds payable were as follows:

| Year of Repayment | Amount |
|--------------------------------|----------------------|
| 2007 (4 th quarter) | \$ 4,500,000 |
| 2009 | 8,000,000 |
| 2012 | <u>4,500,000</u> |
| | <u>\$ 17,000,000</u> |

16. LONG-TERM BANK LOANS

| | <u>September 30</u> | |
|---|---------------------|-------------------|
| | <u>2007</u> | <u>2006</u> |
| Secured loans: | | |
| US\$20,000 thousand, repayable from November 2008 in 5 semi-annual installments, annual interest at 5.88% in 2007 and 5.91% in 2006 | \$ 653,439 | \$ 662,116 |
| Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.39%-3.20% | 522,000 | - |
| Repayable from August 2009 in 17 quarterly installments, annual interest at 2.91% | 340,000 | - |
| Repayable from March 2007 in 12 quarterly installments, annual interest at 2.79%-3.09% | 140,562 | - |
| Repayable from May 2007 in 16 quarterly installments, annual interest at 2.48%-2.77% | 58,844 | - |
| Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.77% | 53,970 | - |
| Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53% | 48,910 | - |
| Unsecured loans: | | |
| Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free | 2,785 | 5,569 |
| SPA DSP loan, repayable from July 2002 in 20 quarterly installments, interest-free | <u>-</u> | <u>2,029</u> |
| | 1,820,510 | 669,714 |
| Current portion | <u>(281,509)</u> | <u>(4,813)</u> |
| | <u>\$ 1,539,001</u> | <u>\$ 664,901</u> |

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC-Shanghai as well as semi-annual and annual financial statements of Xintec must comply with certain financial covenants. As of September 30, 2007, TSMC-Shanghai and Xintec were in compliance with all such financial covenants.

As of September 30, 2007, future principal repayments for the long-term bank loans were as follows:

| Year of Repayment | Amount |
|--------------------------------|---------------------|
| 2007 (4 th quarter) | \$ 103,002 |
| 2008 | 411,501 |
| 2009 | 528,666 |
| 2010 | 490,288 |
| 2011 | <u>287,053</u> |
| | <u>\$ 1,820,510</u> |

17. OTHER LONG-TERM PAYABLES

| | <u>September 30</u> | |
|---|---------------------|---------------------|
| | <u>2007</u> | <u>2006</u> |
| Payables for acquisition of property, plant and equipment (Note 29k) | \$ 7,744,720 | \$ 7,452,735 |
| Payables for royalties | <u>2,510,684</u> | <u>2,263,080</u> |
| | 10,255,404 | 9,715,815 |
| Current portion (classified under accrued expenses and other current liabilities) | <u>(1,488,860)</u> | <u>(971,596)</u> |
| | <u>\$ 8,766,544</u> | <u>\$ 8,744,219</u> |

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

As of September 30, 2007, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|--------------------------------|----------------------|
| 2007 (4 th quarter) | \$ 459,496 |
| 2008 | 1,029,364 |
| 2009 | 422,711 |
| 2010 | 337,777 |
| 2011 | 261,336 |
| 2012 and thereafter | <u>7,744,720</u> |
| | <u>\$ 10,255,404</u> |

18. PENSION PLANS

The Labor Pension Act (the Act) became effective on July 1, 2005. The employees of TSMC, GUC and Xintec who were subject to the Labor Standards Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act with their seniority as of July 1, 2005 retained or continue to be subject to the pension mechanism under the Labor Standards Law. Employees who joined TSMC, GUC, Xintec and Mutual-Pak after July 1, 2005 can only be subject to the pension mechanism under the Act.

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005. Furthermore, TSMC-NA, TSMC-Shanghai, TSMC-Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$539,196 thousand and NT\$516,916 thousand for the nine months ended September 30, 2007 and 2006, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. TSMC, GUC and Xintec contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the pension fund monitoring committees and deposited in the name of the committees in Bank of Taiwan (originally the Central Trust of China, which was dissolved after the merger with Bank of Taiwan on July 1, 2007). The Company recognized pension costs of NT\$243,711 thousand and NT\$229,046 thousand for the nine months ended September 30, 2007 and 2006, respectively.

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

| | Nine Months Ended September 30 | |
|------------------------------|---|---------------------|
| | 2007 | 2006 |
| The Funds | | |
| Balance, beginning of period | \$ 1,942,850 | \$ 1,669,102 |
| Contributions | 161,854 | 185,732 |
| Interest | 46,911 | 34,469 |
| Payments | <u>-</u> | <u>(7,407)</u> |
| Balance, end of period | <u>\$ 2,151,615</u> | <u>\$ 1,881,896</u> |
| Accrued pension cost | | |
| Balance, beginning of period | \$ 3,540,060 | \$ 3,473,941 |
| Accruals | <u>90,030</u> | <u>39,089</u> |
| Balance, end of period | <u>\$ 3,630,090</u> | <u>\$ 3,513,030</u> |

19. INCOME TAX

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

| | Nine Months Ended September 30 | |
|---|---|---------------------|
| | 2007 | 2006 |
| Income tax expense based on “income before income tax” at statutory rates | \$ 20,871,095 | \$ 27,208,186 |
| Tax-exempt income | (5,212,564) | (8,877,263) |
| Temporary and permanent differences | 5,014 | (2,055,807) |
| Additional tax at 10% on unappropriated earnings | 2,710,909 | 1,170,108 |
| Cumulative effect of changes in accounting principles | - | (82,062) |
| Net operating loss carryforwards used | (579,796) | (27,317) |
| Investment tax credits used | <u>(10,395,262)</u> | <u>(10,799,971)</u> |
| Income tax currently payable | <u>\$ 7,399,396</u> | <u>\$ 6,535,874</u> |

- b. Income tax expense consisted of the following:

| | | |
|--|---------------------|---------------------|
| Income tax currently payable | \$ 7,399,396 | \$ 6,535,874 |
| Other income tax adjustments | (367,176) | (376,825) |
| Net change in deferred income tax assets | | |
| Investment tax credits | 2,733,510 | 4,463,885 |
| Net operating loss carryforwards | 596,776 | 27,317 |
| Temporary differences | (1,569,350) | (1,807,781) |
| Adjustments in valuation allowance | <u>(1,691,496)</u> | <u>(2,562,735)</u> |
| Income tax expense | <u>\$ 7,101,660</u> | <u>\$ 6,279,735</u> |

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

| | September 30 | |
|--|----------------------|----------------------|
| | 2007 | 2006 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 3,143,476 | \$ 2,703,957 |
| Net operating loss carryforwards | - | 11,119 |
| Temporary differences | 557,348 | 555,959 |
| Valuation allowance | <u>(429,772)</u> | <u>(465,979)</u> |
| | <u>\$ 3,271,052</u> | <u>\$ 2,805,056</u> |
| Non-current deferred income tax assets | | |
| Investment tax credits | \$ 14,503,678 | \$ 16,837,713 |
| Net operating loss carryforwards | 4,236,345 | 5,117,512 |
| Temporary differences | (1,985,402) | (3,466,480) |
| Valuation allowance | <u>(6,264,963)</u> | <u>(7,470,593)</u> |
| | <u>\$ 10,489,658</u> | <u>\$ 11,018,152</u> |

As of September 30, 2007, the net operating loss carryforwards were generated by WaferTech, TSMC Development and TSMC Technology and would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of September 30, 2007 and 2006 was NT\$2,784,514 thousand and NT\$746,437 thousand, respectively.

The creditable ratio for distribution of TSMC's earnings of 2006 and 2005 was 5.23% (estimate) and 2.88%, respectively.

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

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

f. As of September 30, 2007, investment tax credits of TSMC, GUC and Xintec consisted of the following:

| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-------------------------------------|--|--|--|------------------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 306,118 | \$ 4,822 | 2007 |
| | | 3,202,375 | 24,849 | 2008 |
| | | 6,043,810 | 3,017,479 | 2009 |
| | | 6,578,624 | 6,578,624 | 2010 |
| | | <u>3,039,849</u> | <u>3,039,849</u> | 2011 |
| | | <u>\$ 19,170,776</u> | <u>\$ 12,665,623</u> | |

(Continued)

| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---|--------------------------------|------------------------------------|---------------------|
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,295,681 | \$ 11,921 | 2007 |
| | | 2,599,538 | 22,302 | 2008 |
| | | 1,546,606 | 1,546,606 | 2009 |
| | | 1,887,404 | 1,887,404 | 2010 |
| | | <u>1,344,432</u> | <u>1,344,432</u> | 2011 |
| | | <u>\$ 8,673,661</u> | <u>\$ 4,812,665</u> | |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 16,379 | \$ - | 2007 |
| | | 16,218 | 63 | 2008 |
| | | 46,353 | 46,353 | 2009 |
| | | 42,271 | 42,271 | 2010 |
| | | <u>375</u> | <u>375</u> | 2011 |
| | | <u>\$ 121,596</u> | <u>\$ 89,062</u> | |
| Statute for Upgrading Industries | Investments in important technology-based enterprises | <u>\$ 79,804</u> | <u>\$ 79,804</u> | 2010 (Concluded) |

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

Tax-Exemption Periods

| | |
|-----------------------------------|--------------|
| Construction of Fab 12 - Module A | 2004 to 2007 |
| Construction of Fab 14 - Module A | 2006 to 2010 |
| 2003 plant expansion of GUC | 2007 to 2011 |
| 2003 plant expansion of Xintec | 2007 to 2011 |

- h. The tax authorities have examined income tax returns of TSMC through 2004.

20. LABOR COST, DEPRECIATION AND AMORTIZATION

| | <u>Nine Months Ended September 30, 2007</u> | | |
|----------------------------|--|---|----------------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 8,541,308 | \$ 5,606,590 | \$ 14,147,898 |
| Labor and health insurance | 499,800 | 298,303 | 798,103 |
| Pension | 481,581 | 301,326 | 782,907 |
| Meal | 343,741 | 132,075 | 475,816 |
| Welfare | 206,130 | 210,129 | 416,259 |
| Other | <u>117,124</u> | <u>139,014</u> | <u>256,138</u> |
| | <u>\$ 10,189,684</u> | <u>\$ 6,687,437</u> | <u>\$ 16,877,121</u> |
| Depreciation | <u>\$ 54,567,779</u> | <u>\$ 3,021,798</u> | <u>\$ 57,589,577</u> |
| Amortization | <u>\$ 1,389,319</u> | <u>\$ 716,113</u> | <u>\$ 2,105,432</u> |

| | Nine Months Ended September 30, 2006 | | |
|----------------------------|---|---|----------------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 8,782,106 | \$ 4,952,038 | \$ 13,734,144 |
| Labor and health insurance | 534,791 | 300,472 | 835,263 |
| Pension | 474,633 | 254,938 | 729,571 |
| Meal | 342,969 | 128,154 | 471,123 |
| Welfare | 179,512 | 134,807 | 314,319 |
| Other | <u>167,513</u> | <u>197,024</u> | <u>364,537</u> |
| | <u>\$ 10,481,524</u> | <u>\$ 5,967,433</u> | <u>\$ 16,448,957</u> |
| Depreciation | <u>\$ 49,513,288</u> | <u>\$ 2,626,393</u> | <u>\$ 52,139,681</u> |
| Amortization | <u>\$ 1,080,890</u> | <u>\$ 797,563</u> | <u>\$ 1,878,453</u> |

21. SHAREHOLDERS' EQUITY

As of September 30, 2007, 1,134,382 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,671,912 thousand (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of TSMC's paid-in capital.

Capital surplus consisted of the following:

| | September 30 | |
|----------------------------------|----------------------|----------------------|
| | 2007 | 2006 |
| From merger | \$ 24,003,546 | \$ 24,003,546 |
| Additional paid-in capital | 19,500,470 | 19,860,644 |
| From convertible bonds | 9,360,424 | 9,360,424 |
| From treasury stock transactions | 490,950 | 389,188 |
| From long-term investments | 357,720 | 243,810 |
| Donations | <u>55</u> | <u>55</u> |
| | <u>\$ 53,713,165</u> | <u>\$ 53,857,667</u> |

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

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

- c. Bonus to directors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

Any appropriations of the profits are recorded in the year of shareholder approval and given effect to in the financial statements of that year.

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

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

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

The appropriations of earnings for 2006 and 2005 had been approved in TSMC's shareholders' meetings held on May 7, 2007 and May 16, 2006, respectively. The appropriations and dividends per share were as follows:

| | <u>Appropriation of Earnings</u> | | <u>Dividends Per Share</u> (NT\$) | |
|------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | <u>For Fiscal</u> <u>Year 2006</u> | <u>For Fiscal</u> <u>Year 2005</u> | <u>For Fiscal</u> <u>Year 2006</u> | <u>For Fiscal</u> <u>Year 2005</u> |
| Legal capital reserve | \$ 12,700,973 | \$ 9,357,503 | | |
| Special capital reserve | (11,192) | (1,585,685) | | |
| Bonus to employees - in cash | 4,572,798 | 3,432,129 | | |
| Bonus to employees - in stock | 4,572,798 | 3,432,129 | | |
| Cash dividends to shareholders | 77,489,064 | 61,825,061 | \$ 3.00 | \$ 2.50 |
| Stock dividends to shareholders | 516,594 | 3,709,504 | 0.02 | 0.15 |
| Bonus to directors and supervisors | <u>285,800</u> | <u>257,410</u> | | |
| | <u>\$ 100,126,835</u> | <u>\$ 80,428,051</u> | | |

The shareholders' meeting held on May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$774,891 thousand.

The amounts of the appropriations of earnings for 2006 and 2005 were consistent with the resolutions of the meetings of the Board of Directors held on February 6, 2007 and February 14, 2006, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic earnings per share (after income tax) for the years ended December 31, 2006 and 2005 shown in the respective financial statements would have decreased from NT\$4.93 to NT\$4.56 and NT\$3.79 to NT\$3.50, respectively. The shares distributed as a bonus to employees represented 1.77% and 1.39% of TSMC's total outstanding common shares as of December 31, 2006 and 2005, respectively.

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

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

22. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of September 30, 2007.

Information about TSMC's outstanding stock options for the nine months ended September 30, 2007 and 2006 was as follows:

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|---|--|---|
| <u>Nine months ended September 30, 2007</u> | | |
| Balance, beginning of period | 52,814 | \$ 37.9 |
| Options granted | 1,094 | 37.9 |
| Options exercised | (10,086) | 39.8 |
| Options canceled | <u>(781)</u> | 45.4 |
| Balance, end of period | <u>43,041</u> | 37.5 |
| <u>Nine months ended September 30, 2006</u> | | |
| Balance, beginning of period | 67,758 | \$ 39.4 |
| Options granted | 2,758 | 40.1 |
| Options exercised | (10,701) | 39.5 |
| Options canceled | <u>(3,020)</u> | 44.0 |
| Balance, end of period | <u>56,795</u> | 39.6 |

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

As of September 30, 2007, information about TSMC's outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|--------------------------------|----------------------------------|---|--|----------------------------------|--|
| | Number of Options (in Thousands) | Weighted-average Remaining Contractual Life (Years) | Weighted-average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted-average Exercise Price (NT\$) |
| \$25.9 - \$36.4 | 29,146 | 3.41 | \$ 33.1 | 29,146 | \$ 33.1 |
| 38.9 - 51.3 | <u>13,895</u> | 5.15 | 46.6 | <u>8,537</u> | 46.2 |
| | <u>43,041</u> | | 37.5 | <u>37,683</u> | 36.1 |

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

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

Information about GUC's outstanding stock options for the nine months ended September 30, 2007 and 2006 was as follows:

| | Number of Options | Weighted-average Exercise Prices (NT\$) |
|---|-------------------|---|
| <u>Nine months ended September 30, 2007</u> | | |
| Balance, beginning of period | 7,342 | \$14.0 |
| Options granted | 120 | 15.7 |
| Options exercised | (1,430) | 10.2 |
| Options canceled | <u>(91)</u> | 14.4 |
| Balance, end of period | <u>5,941</u> | 14.5 |
| <u>Nine months ended September 30, 2006</u> | | |
| Balance, beginning of period | 7,132 | \$10.7 |
| Options granted | 3,659 | 19.5 |
| Options exercised | (2,668) | 10.5 |
| Options canceled | <u>(263)</u> | 11.8 |
| Balance, end of period | <u>7,860</u> | 13.9 |

The number of outstanding options and exercise prices have been adjusted to reflect the distribution of dividends in accordance with the plans. The options granted in the nine months ended September 30, 2007 were the result of the aforementioned adjustment.

As of September 30, 2007, information about GUC's outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|--------------------------------|---------------------|---|--|---------------------|--|
| | Number of Options | Weighted-average Remaining Contractual Life (Years) | Weighted-average Exercise Price (NT\$) | Number of Options | Weighted-average Exercise Price (NT\$) |
| \$9.6-\$17.7 | 5,941 | 0.83-4.00 | \$14.5 | 881 | \$10.3 |

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

Information about Xintec's outstanding stock options for the nine months ended September 30, 2007 was as follows:

| | Number of Options (in Thousands) | Weighted-average Exercise Price (NT\$) |
|---|----------------------------------|--|
| <u>Nine months ended September 30, 2007</u> | | |
| Balance, beginning of period | 4,968 | \$13.0 |
| Options exercised | 3,555 | 15.7 |
| Options canceled | <u>(733)</u> | 14.2 |
| Balance, end of period | <u>7,790</u> | 13.9 |

As of September 30, 2007, information about Xintec's outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|--------------------------------|----------------------------------|---|--|----------------------------------|--|
| | Number of Options (in Thousands) | Weighted-average Remaining Contractual Life (Years) | Weighted-average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted-average Exercise Price (NT\$) |
| \$12.8-\$15.8 | 7,790 | 9.00-9.75 | \$14.0 | - | \$ - |

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 2007 and 2006. Had the Company used the fair value based method to evaluate the options granted after January 1, 2004 using the Black-Scholes model, the assumptions and pro forma results of the Company would have been as follows:

| | | <u>Nine Months Ended September 30</u> | |
|--|-------------------------|--|---------------|
| | | 2007 | 2006 |
| Assumptions: | | | |
| TSMC | Expected dividend yield | 1.00%-3.44% | 1.00%-3.44% |
| | Expected volatility | 43.77%-46.15% | 43.77%-46.15% |
| | Risk free interest rate | 3.07%-3.85% | 3.07%-3.85% |
| | Expected life | 5 years | 5 years |
| GUC | Expected dividend yield | - | - |
| | Expected volatility | 22.65%-41.74% | 22.65%-41.74% |
| | Risk free interest rate | 2.23%-2.56% | 2.23%-2.56% |
| | Expected life | 3-6 years | 3-6 years |
| Xintec | Expected dividend yield | - | - |
| | Expected volatility | 37.73%-47.42% | - |
| | Risk free interest rate | 1.88%-1.94% | - |
| | Expected life | 3 years | - |
| Net income attributable to shareholders of the parent: | | | |
| As reported | | \$ 74,692,316 | \$ 99,098,039 |
| Pro forma | | 74,650,615 | 99,009,237 |
| Earnings per share (EPS) - after income tax (NT\$): | | | |
| Basic EPS as reported | | \$2.83 | \$3.76 |
| Pro forma basic EPS | | 2.83 | 3.75 |
| Diluted EPS as reported | | 2.83 | 3.75 |
| Pro forma diluted EPS | | 2.83 | 3.75 |

23. TREASURY STOCK

(Shares in Thousands)

| | Beginning Shares | Stock Dividends | Disposal | Ending Shares |
|---|-----------------------------|----------------------------|-----------------|--------------------------|
| <u>Nine months ended September 30, 2007</u> | | | | |
| Parent company stock held by subsidiaries | <u>33,926</u> | <u>170</u> | <u>-</u> | <u>34,096</u> |
| <u>Nine months ended September 30, 2006</u> | | | | |
| Parent company stock held by subsidiaries | <u>32,938</u> | <u>988</u> | <u>-</u> | <u>33,926</u> |

As of September 30, 2007 and 2006, the book value of the treasury stock was NT\$918,075 thousand each; the market value was NT\$2,158,271 thousand and NT\$2,025,401 thousand, respectively. TSMC's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting right.

24. EARNINGS PER SHARE

| | <u>Nine Months Ended September 30</u> | | | |
|--|---------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | <u>2007</u> | | <u>2006</u> | |
| | <u>Before Income Tax</u> | <u>After Income Tax</u> | <u>Before Income Tax</u> | <u>After Income Tax</u> |
| Basic EPS (NT\$) | | | | |
| Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent | \$ 3.10 | \$ 2.83 | \$ 4.00 | \$ 3.77 |
| Cumulative effect of changes in accounting principles attributable to shareholders of the parent | <u>-</u> | <u>-</u> | <u>(0.01)</u> | <u>(0.01)</u> |
| Income attributable to shareholders of the parent | <u>\$ 3.10</u> | <u>\$ 2.83</u> | <u>\$ 3.99</u> | <u>\$ 3.76</u> |
| Diluted EPS (NT\$) | | | | |
| Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent | \$ 3.10 | \$ 2.83 | \$ 4.00 | \$ 3.76 |
| Cumulative effect of changes in accounting principles attributable to shareholders of the parent | <u>-</u> | <u>-</u> | <u>(0.01)</u> | <u>(0.01)</u> |
| Income attributable to shareholders of the parent | <u>\$ 3.10</u> | <u>\$ 2.83</u> | <u>\$ 3.99</u> | <u>\$ 3.75</u> |

EPS for the nine months ended September 30, 2007 and 2006 is computed as follows:

| | <u>Amounts (Numerator)</u> | | <u>Number of Shares (Denominator) (in Thousands)</u> | <u>EPS (NT\$)</u> | |
|---|------------------------------|-----------------------------|--|----------------------------------|---------------------------------|
| | <u>Before Income Tax</u> | <u>After Income Tax</u> | | <u>Before Income Tax</u> | <u>After Income Tax</u> |
| <u>Nine months ended September 30, 2007</u> | | | | | |
| Basic EPS | | | | | |
| Income attributable to shareholders of the parent | \$ 81,788,951 | \$ 74,692,316 | 26,387,270 | <u>\$ 3.10</u> | <u>\$ 2.83</u> |
| Effect of dilutive potential common shares - stock options | <u>-</u> | <u>-</u> | <u>22,882</u> | | |
| Diluted EPS | | | | | |
| Income attributable to shareholders of the parent (including effect of dilutive potential common shares) | <u>\$ 81,788,951</u> | <u>\$ 74,692,316</u> | <u>26,410,152</u> | <u>\$ 3.10</u> | <u>\$ 2.83</u> |
| <u>Nine months ended September 30, 2006</u> | | | | | |
| Basic EPS | | | | | |
| Income attributable to shareholders of the parent | \$ 105,295,567 | \$ 99,098,039 | 26,372,979 | <u>\$ 3.99</u> | <u>\$ 3.76</u> |
| Effect of dilutive potential common shares - stock options | <u>-</u> | <u>-</u> | <u>22,289</u> | | |
| Diluted EPS | | | | | |
| Income attributable to shareholders of the parent (including effect of dilutive potential common shares) | <u>\$ 105,295,567</u> | <u>\$ 99,098,039</u> | <u>26,395,268</u> | <u>\$ 3.99</u> | <u>\$ 3.75</u> |

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

| | September 30 | | | |
|--|--------------------|--------------|--------------------|--------------|
| | 2007 | | 2006 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit or loss | \$ 2,288,638 | \$ 2,288,638 | \$ 1,261,042 | \$ 1,261,042 |
| Available-for-sale financial assets | 67,745,830 | 67,745,830 | 68,635,512 | 68,635,512 |
| Held-to-maturity financial assets | 28,335,644 | 28,218,688 | 36,967,859 | 36,799,837 |
| Investments accounted for using equity method (with market price) | 10,951,250 | 18,283,297 | 5,543,215 | 9,561,301 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss | 130,830 | 130,830 | 458,808 | 458,808 |
| Bonds payable (including current portion) | 17,000,000 | 17,202,682 | 19,500,000 | 19,851,716 |
| Long-term bank loans (including current portion) | 1,820,510 | 1,820,510 | 669,714 | 669,714 |
| Other long-term payables (including current portion) | 10,255,404 | 10,255,404 | 10,824,598 | 10,824,598 |
| Obligations under capital leases | 638,786 | 638,786 | 614,703 | 614,703 |

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, short-term bank loans, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
 - 2) Fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices.
 - 3) Fair values of derivatives and structured time deposits were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 4) Fair value of bonds payable was based on their quoted market price.
 - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present values of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value during the nine months ended September 30, 2007 and 2006 of financial assets/liabilities at fair value through profit or loss, including derivatives estimated using valuation techniques and publicly-traded stocks, were recognized as gains of NT\$1,054,074 thousand and losses of NT\$1,346,298 thousand, respectively.
- d. As of September 30, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$96,290,333 thousand and NT\$105,460,186 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$130,830 thousand and NT\$458,808 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$5,226,720 thousand and NT\$7,281,560 thousand, respectively.

- e. Movements of the unrealized gain/loss on financial instruments for the nine months ended September 30, 2007 and 2006 were as follows:

| | <u>Nine Months Ended September 30, 2007</u> | | |
|--|--|--|-------------------|
| | Valuation Gain on Available-for-sale Financial Assets | Equity in Valuation Gain on Available-for-sale Financial Assets Held by Investees | Total |
| Balance, beginning of period | \$ 386,017 | \$ 175,598 | \$ 561,615 |
| Recognized directly in shareholders' equity | 345,035 | (34,417) | 310,618 |
| Removed from shareholders' equity and recognized in earnings | <u>(344,209)</u> | <u>-</u> | <u>(344,209)</u> |
| Balance, end of period | <u>\$ 386,843</u> | <u>\$ 141,181</u> | <u>\$ 528,024</u> |

| | <u>Nine Months Ended September 30, 2006</u> | | |
|--|--|--|-------------------|
| | Valuation Gain on Available-for-sale Financial Assets | Equity in Valuation Gain on Available-for-sale Financial Assets Held by Investees | Total |
| Balance, beginning of period | \$ 302,376 | \$ - | \$ 302,376 |
| Recognized directly in shareholders' equity | 167,441 | 78,579 | 246,020 |
| Removed from shareholders' equity and recognized in earnings | <u>(46,204)</u> | <u>-</u> | <u>(46,204)</u> |
| Balance, end of period | <u>\$ 423,613</u> | <u>\$ 78,579</u> | <u>\$ 502,192</u> |

f. Information about financial risk

- 1) Market risk. The publicly-traded stocks categorized as financial assets at fair value through profit or loss are exposed to the market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency-denominated assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred 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. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations and government agencies. Management believes that the Company's exposure to default by those parties is low.

- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

26. RELATED PARTY TRANSACTIONS

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

- a. Philips, a major shareholder of TSMC, which has become a non-related party since March, 2007.
- b. Investees of TSMC
 - VIS (accounted for using equity method)
 - SSMC (accounted for using equity method)
- c. VisEra Technology Company, Ltd. (VisEra), an indirect equity method investee
- d. Others: Related parties over which the Company exercises significant influence but with which the Company had no material transactions

| | <u>2007</u> | | <u>2006</u> | |
|---------------------------------------|---------------------|----------|---------------------|----------|
| | Amount | % | Amount | % |
| <u>Nine months ended September 30</u> | | | | |
| Sales | | | | |
| VisEra | \$ 719,507 | - | \$ 40,741 | - |
| VIS | 22,927 | - | 10,420 | - |
| SSMC | 667 | - | 6,514 | - |
| Philips | - | - | 3,225,151 | 1 |
| Others | - | - | <u>13,955</u> | - |
| | <u>\$ 743,101</u> | <u>-</u> | <u>\$ 3,296,781</u> | <u>1</u> |
| Purchases | | | | |
| SSMC | \$ 3,971,517 | 3 | \$ 5,555,044 | 5 |
| VIS | 2,971,604 | 2 | 2,823,034 | 2 |
| VisEra | <u>128</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 6,943,249</u> | <u>5</u> | <u>\$ 8,378,078</u> | <u>7</u> |
| Research and development expenses | | | | |
| VisEra | <u>\$ 36,044</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> |
| Manufacturing expenses | | | | |
| VisEra | \$ 37,832 | - | \$ - | - |
| VIS | 366 | - | - | - |
| Philips | - | - | <u>566,928</u> | - |
| | <u>\$ 38,198</u> | <u>-</u> | <u>\$ 566,928</u> | <u>-</u> |

| | <u>2007</u> | | <u>2006</u> | |
|---|---------------------|------------|---------------------|------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Non-operating incomes and gains | | | | |
| VIS (primarily technical service income; see Note 29h) | \$ 270,794 | 3 | \$ 176,084 | 2 |
| VisEra | 257,684 | 3 | 187,189 | 3 |
| SSMC (primarily technical service income; see Note 29e) | <u>180,692</u> | <u>2</u> | <u>268,298</u> | <u>4</u> |
| | <u>\$ 709,170</u> | <u>8</u> | <u>\$ 631,571</u> | <u>9</u> |
| <u>As of September 30</u> | | | | |
| Receivables | | | | |
| VisEra | \$ 4,114 | 97 | \$ 240 | - |
| VIS | 147 | 3 | - | - |
| Philips | - | - | 224,516 | 99 |
| Others | <u>-</u> | <u>-</u> | <u>1,027</u> | <u>1</u> |
| | <u>\$ 4,261</u> | <u>100</u> | <u>\$ 225,783</u> | <u>100</u> |
| Other receivables | | | | |
| VIS | \$ 126,319 | 40 | \$ 88,717 | 32 |
| VisEra | 98,410 | 32 | 43,037 | 16 |
| SSMC | <u>88,372</u> | <u>28</u> | <u>142,521</u> | <u>52</u> |
| | <u>\$ 313,101</u> | <u>100</u> | <u>\$ 274,275</u> | <u>100</u> |
| Payables | | | | |
| VIS | \$ 905,516 | 58 | \$ 807,315 | 37 |
| SSMC | 639,524 | 41 | 636,181 | 30 |
| VisEra | 20,339 | 1 | - | - |
| Philips | <u>-</u> | <u>-</u> | <u>699,195</u> | <u>33</u> |
| | <u>\$ 1,565,379</u> | <u>100</u> | <u>\$ 2,142,691</u> | <u>100</u> |
| Other long-term payables | | | | |
| Philips (see Note 29a) | <u>\$ -</u> | <u>-</u> | <u>\$ 409,588</u> | <u>100</u> |
| Deferred credits | | | | |
| VisEra | <u>\$ 77,718</u> | <u>7</u> | <u>\$ 139,894</u> | <u>12</u> |

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

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

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

27. PLEDGED OR MORTGAGED ASSETS

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

| | <u>September 30</u> | |
|------------------------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2006</u> |
| Other financial assets | \$ 60,166 | \$ 48,287 |
| Property, plant and equipment, net | <u>5,032,576</u> | <u>4,646,589</u> |
| | <u>\$ 5,092,742</u> | <u>\$ 4,694,876</u> |

28. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from December 2007 to December 2026 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in North America, Japan, Shanghai and Taiwan. These operating leases expire between 2007 and 2026 and can be renewed upon expiration.

As of September 30, 2007, future lease payments were as follows:

| Year | Amount |
|--------------------------------|---------------------|
| 2007 (4 th quarter) | \$ 124,156 |
| 2008 | 458,110 |
| 2009 | 450,436 |
| 2010 | 374,432 |
| 2011 | 266,803 |
| 2012 and thereafter | <u>1,870,644</u> |
| | <u>\$ 3,544,581</u> |

29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of September 30, 2007, except those disclosed in other notes, were as follows:

- a. On June 20, 2004, TSMC and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between TSMC and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, TSMC will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of TSMC's annual net sales. TSMC and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. TSMC also obtained through Philips (now NXP B.V.) a number of cross patent licenses.

- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992, 1997, 2002 and on January 1, 2007.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of September 30, 2007, TSMC had a total of US\$76,933 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. TSMC and Philips (now NXP B.V.) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, TSMC entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.

- i. Effective January 1, 2006, The Company entered into the Joint Technology Cooperation Agreement with Philips (now NXP B.V.), Freescale Semiconductor, Inc. and STMicroelectronics to jointly develop 45-nm and beyond advanced CMOS Logic and e-DRAM technologies. The Company will contribute process technologies and share a portion of the costs associated with this joint development project. This agreement will expire on December 31, 2008.
- j. TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC-North America and WaferTech patents and misappropriated TSMC, TSMC-North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC-North America and WaferTech's claims. As of September 30, 2007, SMIC had paid US\$75 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. The result of the above-mentioned litigation cannot be determined at this time.
- k. In April 2004, UniRAM Technology, Inc. filed an action with the US District Court in the Northern District of California against TSMC and TSMC North America, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. A jury in the District Court made a verdict in September 2007, awarding US\$30.5 million to the plaintiff. TSMC intends to pursue remedies against this verdict.
- l. TSMC-Shanghai entered into an agreement with a certain foreign company. In accordance with the agreement, TSMC-Shanghai is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC-Shanghai is obligated to compensate the counterparty for the loss incurred.
- m. Amounts available under unused letters of credit as of September 30, 2007 were NT\$139,986 thousand.

30. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC 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 and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;
- j. Information on investment in Mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Table 7 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2007

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

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|--|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| The Company | <u>Open-end mutual funds</u> | | | | | | | |
| | NITC Bond Fund | - | Available-for-sale financial assets | 12,239 | \$ 2,037,514 | N/A | \$ 2,037,514 | |
| | Fuh Hwa Bond | - | " | 144,073 | 1,943,446 | N/A | 1,943,446 | |
| | NITC Taiwan Bond | - | " | 103,016 | 1,468,675 | N/A | 1,468,675 | |
| | ING Taiwan Bond Fund | - | " | 85,581 | 1,304,561 | N/A | 1,304,561 | |
| | Prudential Financial Bond Fund | - | " | 83,306 | 1,231,721 | N/A | 1,231,721 | |
| | President James Bond | - | " | 77,128 | 1,203,732 | N/A | 1,203,732 | |
| | ING Taiwan Income Fund | - | " | 63,947 | 1,024,476 | N/A | 1,024,476 | |
| | JF Taiwan Bond Fund | - | " | 59,049 | 911,461 | N/A | 911,461 | |
| | Dresdner Bond DAM Fund | - | " | 71,368 | 836,828 | N/A | 836,828 | |
| | Taishin Lucky Fund | - | " | 68,945 | 715,509 | N/A | 715,509 | |
| | AIG Taiwan Bond Fund | - | " | 54,469 | 702,353 | N/A | 702,353 | |
| | Cathay Bond | - | " | 60,126 | 701,010 | N/A | 701,010 | |
| | JF Taiwan First Bond Fund | - | " | 35,324 | 502,101 | N/A | 502,101 | |
| | HSBC Taiwan Money Management | - | " | 27,416 | 411,812 | N/A | 411,812 | |
| | INVESCO Bond Fund | - | " | 27,176 | 408,423 | N/A | 408,423 | |
| | <u>Government bond</u> | | | | | | | |
| | 2003 Government Bond Series B | - | Available-for-sale financial assets | - | 2,346,950 | N/A | 2,346,950 | |
| | 2004 Government Bond Series B | - | " | - | 1,194,550 | N/A | 1,194,550 | |
| | 2006 Government Bond Series D | - | " | - | 399,200 | N/A | 399,200 | |
| | 2004 Government Bond Series G | - | " | - | 198,854 | N/A | 198,854 | |
| | 2006 Government Bond Series D | - | Held-to-maturity financial assets | - | 3,653,229 | N/A | 3,642,704 | |
| | 2003 Government Bond Series B | - | " | - | 1,647,923 | N/A | 1,645,861 | |
| | 2003 Asian Development Bank Govt. Bond | - | " | - | 850,276 | N/A | 875,103 | |
| | 2003 Government Bond Series F | - | " | - | 798,605 | N/A | 795,194 | |
| | 2003 Government Bond Series H | - | " | - | 400,927 | N/A | 399,782 | |
| | European Investment Bank Bonds | - | " | - | 377,938 | N/A | 400,000 | |
| | 2004 Kaohsiung Municipal Series B | - | " | - | 249,998 | N/A | 250,004 | |
| | 2003 European Bank for Reconstruction and Development Govt. Bond Series A | - | " | - | 89,522 | N/A | 90,000 | |
| | <u>Corporate bond</u> | | | | | | | |
| | Hua Nan Bank | - | Available-for-sale financial assets | - | 1,566,347 | N/A | 1,566,347 | |
| | Cathay Bank | - | " | - | 1,175,130 | N/A | 1,175,130 | |
| | Taiwan Power Company | - | " | - | 898,630 | N/A | 898,630 | |
| | Formosa Petrochemical Corporation | - | " | - | 398,934 | N/A | 398,934 | |
| | Formosa Petrochemical Corporation | - | Held-to-maturity financial assets | - | 3,577,937 | N/A | 3,542,148 | |
| | Taiwan Power Company | - | " | - | 3,078,978 | N/A | 3,078,790 | |
| | Nan Ya Plastics Corporation | - | " | - | 2,003,029 | N/A | 1,994,730 | |
| | CPC Corporation, Taiwan | - | " | - | 1,200,368 | N/A | 1,199,372 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|--|--|--------------------------------|---------------------------------------|----------------------------|---|--|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | China Steel Corporation | - | Held-to-maturity financial assets | - | \$ 1,000,000 | N/A | \$ 986,583 | |
| | Formosa Plastic Corporation | - | " | - | 389,056 | N/A | 388,927 | |
| | Shanghai commercial & Saving Bank | - | " | - | 291,138 | N/A | 291,067 | |
| | <u>Stocks</u> | | | | | | | |
| | TSMC Global | Subsidiary | Investment accounted for using equity method | 1 | 44,234,333 | 100 | 44,234,333 | |
| | TSMC International | Subsidiary | " | 987,968 | 27,553,919 | 100 | 27,553,919 | |
| | SSMC | Investee accounted for using equity method | " | 463 | 8,674,862 | 39 | 7,656,468 | |
| | VIS | Investee accounted for using equity method | " | 616,240 | 10,760,885 | 36 | 18,025,034 | |
| | TSMC Partners | Subsidiary | " | 300 | 4,667,437 | 100 | 4,667,437 | |
| | TSMC-North America | Subsidiary | " | 11,000 | 2,227,896 | 100 | 2,227,896 | |
| | Xintec | Investee with a controlling financial interest | " | 91,703 | 1,429,804 | 43 | 1,339,493 | |
| | GUC | Investee with a controlling financial interest | " | 42,572 | 750,200 | 37 | 11,132,670 | |
| | TSMC-Japan | Subsidiary | " | 6 | 102,257 | 100 | 102,257 | |
| | TSMC-Europe | Subsidiary | " | - | 74,994 | 100 | 74,994 | |
| | TSMC-Korea | Subsidiary | " | 80 | 16,014 | 100 | 16,014 | |
| | United Industrial Gases Co., Ltd. | - | Financial assets carried at cost | 16,783 | 193,584 | 10 | 282,525 | |
| | Shin-Etsu Handotai Taiwan Co., Ltd. | - | " | 10,500 | 105,000 | 7 | 292,174 | |
| | W.K. Technology Fund IV | - | " | 4,000 | 40,000 | 2 | 56,641 | |
| | Hontung Venture Capital Co., Ltd. | - | " | 2,633 | 26,329 | 10 | 24,196 | |
| | <u>Fund</u> | | | | | | | |
| | Horizon Ventures Fund | - | Financial assets carried at cost | - | 312,950 | 12 | 312,950 | |
| | Crimson Asia Capital | - | " | - | 69,344 | 1 | 69,344 | |
| | <u>Capital</u> | | | | | | | |
| | TSMC-Shanghai | Subsidiary | Investment accounted for using equity method | - | 8,567,668 | 100 | 8,565,232 | |
| | VTAF II | Subsidiary | " | - | 1,026,700 | 98 | 1,022,244 | |
| | VTAF III | Subsidiary | " | - | 786,064 | 98 | 777,625 | |
| | Emerging Alliance | Subsidiary | " | - | 683,002 | 99 | 683,002 | |
| | Chi Cheng | Subsidiary | " | - | 170,542 | 36 | 629,106 | Treasury stock of NT\$458,564 thousand is deducted from the carrying value |
| | Hsin Ruey | Subsidiary | " | - | 168,918 | 36 | 628,429 | Treasury stock of NT\$459,511 thousand is deducted from the carrying value |
| Chi Cherng | <u>Stocks</u> | | | | | | | |
| | TSMC | Parent Company | Available-for-sale financial assets | 17,032 | 1,078,125 | - | 1,078,125 | |
| | VIS | Investments accounted for using equity method | Investee accounted for using equity method | 5,082 | 106,841 | - | 148,646 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note | |
|---------------------|--|---|--|--|---------------------------------------|----------------------------|---|------|--------------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | | |
| Hsin Ruey | <u>Stocks</u> | Parent Company | Available-for-sale financial assets | 17,064 | \$ 1,080,146 | - | \$ 1,080,146 | | |
| | TSMC VIS | | Investee accounted for using equity method | Investments accounted for using equity method | 3,748 | 83,524 | - | | 109,617 |
| TSMC International | <u>Stocks</u> | Subsidiary | Investments accounted for using equity method | 9,207 | US\$ 46,802 | 97 | US\$ 46,802 | | |
| | InveStar | | Investments accounted for using equity method | 51,300 | US\$ 60,456 | 97 | US\$ 60,456 | | |
| | InveStar II | | Subsidiary | " | 1 | US\$ 668,997 | 100 | | US\$ 668,997 |
| | TSMC Development TSMC Technology | | Subsidiary Subsidiary | " " | 1 1 | US\$ 6,444 | 100 | | US\$ 6,444 |
| TSMC Development | WaferTech | Subsidiary | Investments accounted for using equity method | - | US\$ 264,777 | 100 | US\$ 264,777 | | |
| TSMC Partners | <u>Common stock</u> | Investee accounted for using equity method | Investments accounted for using equity method | 43,000 | US\$ 65,629 | 49 | US\$ 65,629 | | |
| | VisEra Holding Company TSMC Canada | | Investee accounted for using equity method | " | 2,300 | US\$ 2,622 | 100 | | US\$ 2,622 |
| Emerging Alliance | <u>Common stock</u> | - | Financial assets at fair value through profit or loss | 18 | US\$ 650 | - | US\$ 650 | | |
| | NetLogic Microsystems, Inc. | | Available-for-sale financial assets | 280 | US\$ 1,568 | 1 | US\$ 1,568 | | |
| | Ikanos Communication, Inc. | | Financial assets carried at cost | 10,800 | \$ 100,000 | 6 | \$ 100,000 | | |
| | Global Investment Holding, Inc. | | " | 4,247 | US\$ 1,648 | 13 | US\$ 1,648 | | |
| | RichWave Technology Corp. | | " | 1,036 | US\$ 275 | - | US\$ 275 | | |
| | Pixim, Inc. | | " | 93 | US\$ 1,743 | 3 | US\$ 1,743 | | |
| | SiRF Technology Holdings | | " | 3,606 | US\$ 862 | 2 | US\$ 862 | | |
| | <u>Preferred stock</u> | | Financial assets carried at cost | 2,481 | US\$ 12 | 6 | US\$ 12 | | |
| | Pixim, Inc. | | " | 3,040 | US\$ 1,000 | 3 | US\$ 1,000 | | |
| | Mosaic Systems, Inc. | | " | 1,000 | US\$ 1,000 | 1 | US\$ 1,000 | | |
| | Miradia, Inc. | | " | 714 | US\$ 1,000 | 4 | US\$ 1,000 | | |
| | Axiom Microdevices, Inc. | | " | 2,254 | US\$ 1,388 | 2 | US\$ 1,388 | | |
| | Optichron, Inc. | | " | 800 | US\$ 500 | 2 | US\$ 500 | | |
| | NuCORE Technology Inc. | | " | 1,654 | US\$ 250 | 1 | US\$ 250 | | |
| | Next IO, Inc. | | " | 6,977 | US\$ 1,327 | 3 | US\$ 1,327 | | |
| | Audience, Inc. | | " | 583 | US\$ 600 | 4 | US\$ 600 | | |
| | Teknovus, Inc. | | " | 1,415 | US\$ 750 | 1 | US\$ 750 | | |
| Optimal Corporation | " | | | | | | | | |
| Mobilygen | " | | | | | | | | |
| VTAF II | <u>Common stock</u> | - | Financial assets carried at cost | 1,875 | US\$ 919 | 13 | US\$ 919 | | |
| | Yobon | | " | 1,200 | US\$ 2,040 | 15 | US\$ 2,040 | | |
| | Sentelic | | " | 1,265 | US\$ 660 | 5 | US\$ 660 | | |
| | Leadtrend RichWave Technology Corp. | | " " | 500 | US\$ 231 | 2 | US\$ 231 | | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note | |
|-------------------|---|----------------------------------|---|--|---------------------------------------|----------------------------|---|------------|--|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | | |
| VTAF III | <u>Preferred stock</u> | | | | | | | | |
| | Powerprecise Solutions, Inc. | - | Financial assets carried at cost | 1,445 | US\$ 1,400 | 11 | US\$ 1,400 | | |
| | Tzero Technologies, Inc. | - | " | 730 | US\$ 1,500 | 2 | US\$ 1,500 | | |
| | Miradia, Inc. | - | " | 3,416 | US\$ 3,106 | 3 | US\$ 3,106 | | |
| | Axiom Microdevices, Inc. | - | " | 5,044 | US\$ 2,088 | 4 | US\$ 2,088 | | |
| | Next IO, Inc. | - | " | 216 | US\$ 182 | - | US\$ 182 | | |
| | Ageia Technologies, Inc. | - | " | 2,030 | US\$ 2,074 | 2 | US\$ 2,074 | | |
| | Audience, Inc. | - | " | 2,988 | US\$ 664 | 1 | US\$ 664 | | |
| | GemFire Corporation | - | " | 600 | US\$ 68 | 1 | US\$ 68 | | |
| | Optichron, Inc. | - | " | 1,050 | US\$ 1,844 | 2 | US\$ 1,844 | | |
| | Xceive | - | " | 714 | US\$ 1,000 | 2 | US\$ 1,000 | | |
| | 5V Technologies, Inc. | - | " | 2,357 | US\$ 1,768 | 11 | US\$ 1,768 | | |
| | Power Analog Microelectronics | - | " | 3,039 | US\$ 2,409 | 13 | US\$ 2,409 | | |
| | Impinj, Inc. | - | " | 475 | US\$ 1,000 | - | US\$ 1,000 | | |
| | Beceem Communications | - | " | 650 | US\$ 1,600 | 1 | US\$ 1,600 | | |
| | Teknovus, Inc. | - | " | 1,599 | US\$ 454 | - | US\$ 454 | | |
| | Aquantia Corporation | - | " | 1,786 | US\$ 2,273 | 5 | US\$ 2,273 | | |
| | Pixim, Inc. | - | " | 3,279 | US\$ 641 | 2 | US\$ 641 | | |
| | | <u>Common stock</u> | | | | | | | |
| | | Mutual-Pak, Technology Co., Ltd. | - | Investment accounted for using equity method | 4,090 | US\$ 1,240 | 45 | US\$ 1,240 | |
| | <u>Preferred stock</u> | | | | | | | | |
| | Quellan, Inc. | - | Financial assets carried at cost | 2,991 | US\$ 3,498 | 7 | US\$ 3,498 | | |
| | M2000, Inc. | - | " | 1,500 | US\$ 1,500 | 4 | US\$ 1,500 | | |
| | Exclara, Inc. (Formerly SynDiTec, Inc.) | - | " | 14,477 | US\$ 2,412 | 19 | US\$ 2,412 | | |
| | Validity Sensors, Inc. | - | " | 5,333 | US\$ 2,000 | 7 | US\$ 2,000 | | |
| | Silicon Technical Services, LLC. | - | " | 915 | US\$ 1,000 | 2 | US\$ 1,000 | | |
| | Neonix, Inc. | - | " | 2,458 | US\$ 4,000 | 6 | US\$ 4,000 | | |
| | Advasense Sensors, Inc. | - | " | 1,624 | US\$ 1,500 | 6 | US\$ 1,500 | | |
| | Tilera, Inc. | - | " | 1,698 | US\$ 2,360 | 3 | US\$ 2,360 | | |
| | Auramicro, Inc. | - | " | 2,500 | US\$ 750 | 17 | US\$ 750 | | |
| | <u>Convertible bond</u> | | | | | | | | |
| | GTBF, Inc. | - | Financial assets carried at cost | - | US\$ 1,500 | N/A | US\$ 1,500 | | |
| InveStar | <u>Common stock</u> | | | | | | | | |
| | Monolithic Power Systems, Inc. | - | Financial assets at fair value through profit or loss | 1,352 | US\$ 34,337 | 4 | US\$ 34,337 | | |
| | Advanced Power Electronics Corp. | - | Available-for-sale financial assets | 58 | US\$ 19 | - | US\$ 19 | | |
| | Capella Microsystems (Taiwan), Inc. | - | Financial assets carried at cost | 530 | US\$ 154 | 2 | US\$ 154 | | |
| | <u>Preferred stock</u> | | | | | | | | |
| | Integrated Memory Logic, Inc. | - | Financial assets carried at cost | 2,872 | US\$ 1,221 | 9 | US\$ 1,221 | | |
| | IP Unity, Inc. | - | " | 1,008 | US\$ 494 | 1 | US\$ 494 | | |
| | Sonics, Inc. | - | " | 1,843 | US\$ 3,530 | 2 | US\$ 3,530 | | |
| | NanoAmp Solutions, Inc. | - | " | 541 | US\$ 853 | 2 | US\$ 853 | | |
| | Memsic, Inc. | - | " | 2,727 | US\$ 1,500 | 9 | US\$ 1,500 | | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|--------------------------|-------------------------------------|-------------------------------|---|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| InveStar II | <u>Common stock</u> | | | | | | | |
| | Monolithic Power Systems, Inc. | - | Financial assets at fair value through profit or loss | 864 | US\$ 21,958 | 3 | US\$ 21,958 | |
| | Geo Vision, Inc. | - | " | 6 | US\$ 55 | - | US\$ 55 | |
| | Rich Tek Technology Corp. | - | " | 152 | US\$ 1,819 | - | US\$ 1,819 | |
| | Geo Vision, Inc. | - | Available-for-sale financial assets | 15 | US\$ 127 | - | US\$ 127 | |
| | Rich Tek Technology Corp. | - | " | 261 | US\$ 3,133 | - | US\$ 3,133 | |
| | Ralink Technology (Taiwan), Inc. | - | Financial assets carried at cost | 2,383 | US\$ 791 | 3 | US\$ 791 | |
| | Capella Microsystems (Taiwan), Inc. | - | " | 534 | US\$ 210 | 2 | US\$ 210 | |
| | Auden Technology MFG. Co., Ltd. | - | " | 1,049 | US\$ 223 | 4 | US\$ 223 | |
| | EoNEX Technologies, Inc. | - | " | 55 | US\$ 3,048 | 5 | US\$ 3,048 | |
| | Goyatek Technology, Corp. | - | " | 2,088 | US\$ 545 | 7 | US\$ 545 | |
| | Trendchip Technologics Corp. | - | " | 1,000 | US\$ 574 | 4 | US\$ 574 | |
| | EON Technology, Corp. | - | " | 4,243 | US\$ 1,175 | 6 | US\$ 1,175 | |
| | eLCOS Microdisplay Technology, Ltd. | - | " | 270 | US\$ 27 | 1 | US\$ 27 | |
| | Epic Communication, Inc. | - | " | 191 | US\$ 37 | 1 | US\$ 37 | |
| | Sonics, Inc. | - | " | 2,220 | US\$ 32 | 3 | US\$ 32 | |
| | <u>Preferred stock</u> | | | | | | | |
| | Memsic, Inc. | - | Financial assets carried at cost | 2,289 | US\$ 1,560 | 7 | US\$ 1,560 | |
| | NanoAmp Solutions, Inc. | - | " | 375 | US\$ 1,500 | 1 | US\$ 1,500 | |
| | Kilopass Technology, Inc. | - | " | 3,887 | US\$ 2,000 | 6 | US\$ 2,000 | |
| | FangTek, Inc. | - | " | 6,931 | US\$ 3,250 | 16 | US\$ 3,250 | |
| | Sonics, Inc. | - | " | 2,115 | US\$ 3,082 | 3 | US\$ 3,082 | |
| | eLCOS Microdisplay Technology, Ltd. | - | " | 3,500 | US\$ 3,500 | 8 | US\$ 3,500 | |
| | Alchip Technologies Limited | - | " | 6,128 | US\$ 2,950 | 15 | US\$ 2,950 | |
| | <u>Convertible bond</u> | | | | | | | |
| | eLCOS Microdisplay Technology, Ltd. | - | Financial assets carried at cost | - | US\$ 200 | N/A | US\$ 200 | |
| | TSMC Global | <u>Agency bonds</u> | | | | | | |
| Fed Hm Ln Pc Pool 1b1107 | | - | Available-for-sale financial assets | - | US\$ 558 | N/A | US\$ 558 | |
| Fed Hm Ln Pc Pool 1b1150 | | - | " | - | US\$ 1,043 | N/A | US\$ 1,043 | |
| Fed Hm Ln Pc Pool 1b1225 | | - | " | - | US\$ 145 | N/A | US\$ 145 | |
| Fed Hm Ln Pc Pool 1b2566 | | - | " | - | US\$ 170 | N/A | US\$ 170 | |
| Fed Hm Ln Pc Pool 1b2632 | | - | " | - | US\$ 185 | N/A | US\$ 185 | |
| Fed Hm Ln Pc Pool 1b2642 | | - | " | - | US\$ 249 | N/A | US\$ 249 | |
| Fed Hm Ln Pc Pool 1b2776 | | - | " | - | US\$ 347 | N/A | US\$ 347 | |
| Fed Hm Ln Pc Pool 1b2792 | | - | " | - | US\$ 234 | N/A | US\$ 234 | |
| Fed Hm Ln Pc Pool 1b2810 | | - | " | - | US\$ 305 | N/A | US\$ 305 | |
| Fed Hm Ln Pc Pool 1g0038 | | - | " | - | US\$ 306 | N/A | US\$ 306 | |
| Fed Hm Ln Pc Pool 1g0053 | | - | " | - | US\$ 381 | N/A | US\$ 381 | |
| Fed Hm Ln Pc Pool 1g0104 | | - | " | - | US\$ 148 | N/A | US\$ 148 | |
| Fed Hm Ln Pc Pool 1g1282 | | - | " | - | US\$ 4,199 | N/A | US\$ 4,199 | |
| Fed Hm Ln Pc Pool 1g1411 | | - | " | - | US\$ 3,829 | N/A | US\$ 3,829 | |
| Fed Hm Ln Pc Pool 1g1616 | | - | " | - | US\$ 4,451 | N/A | US\$ 4,451 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Fed Hm Ln Pc Pool 1g1921 | - | Available-for-sale financial assets | - | US\$ 4,353 | N/A | US\$ 4,353 | |
| | Fed Hm Ln Pc Pool 1g2162 | - | " | - | US\$ 5,787 | N/A | US\$ 5,787 | |
| | Fed Hm Ln Pc Pool 1g2593 | - | " | - | US\$ 5,595 | N/A | US\$ 5,595 | |
| | Fed Hm Ln Pc Pool 1h2520 | - | " | - | US\$ 2,753 | N/A | US\$ 2,753 | |
| | Fed Hm Ln Pc Pool 1h2524 | - | " | - | US\$ 2,062 | N/A | US\$ 2,062 | |
| | Fed Hm Ln Pc Pool 1j0410 | - | " | - | US\$ 5,881 | N/A | US\$ 5,881 | |
| | Fed Hm Ln Pc Pool 780870 | - | " | - | US\$ 765 | N/A | US\$ 765 | |
| | Fed Hm Ln Pc Pool 781959 | - | " | - | US\$ 4,264 | N/A | US\$ 4,264 | |
| | Fed Hm Ln Pc Pool 782785 | - | " | - | US\$ 264 | N/A | US\$ 264 | |
| | Fed Hm Ln Pc Pool 782837 | - | " | - | US\$ 518 | N/A | US\$ 518 | |
| | Fed Hm Ln Pc Pool 782968 | - | " | - | US\$ 1,182 | N/A | US\$ 1,182 | |
| | Fed Hm Ln Pc Pool 783022 | - | " | - | US\$ 551 | N/A | US\$ 551 | |
| | Fed Hm Ln Pc Pool 783026 | - | " | - | US\$ 315 | N/A | US\$ 315 | |
| | Fed Hm Ln Pc Pool 847628 | - | " | - | US\$ 3,299 | N/A | US\$ 3,299 | |
| | Fed Hm Ln Pc Pool B19205 | - | " | - | US\$ 7,288 | N/A | US\$ 7,288 | |
| | Fed Hm Ln Pc Pool E89857 | - | " | - | US\$ 1,361 | N/A | US\$ 1,361 | |
| | Fed Hm Ln Pc Pool G11295 | - | " | - | US\$ 1,167 | N/A | US\$ 1,167 | |
| | Fed Hm Ln Pc Pool G12009 | - | " | - | US\$ 3,760 | N/A | US\$ 3,760 | |
| | Fed Hm Ln Pc Pool M80855 | - | " | - | US\$ 3,037 | N/A | US\$ 3,037 | |
| | Fed Home Ln Bank | - | " | - | US\$ 5,081 | N/A | US\$ 5,081 | |
| | Federal Farm Cr Bks | - | " | - | US\$ 3,446 | N/A | US\$ 3,446 | |
| | Federal Home Ln Bks | - | " | - | US\$ 8,928 | N/A | US\$ 8,928 | |
| | Federal Home Ln Bks | - | " | - | US\$ 8,891 | N/A | US\$ 8,891 | |
| | Federal Home Ln Bks | - | " | - | US\$ 4,938 | N/A | US\$ 4,938 | |
| | Federal Home Ln Bks | - | " | - | US\$ 5,939 | N/A | US\$ 5,939 | |
| | Federal Home Ln Bks | - | " | - | US\$ 4,956 | N/A | US\$ 4,956 | |
| | Federal Home Ln Bks | - | " | - | US\$ 3,029 | N/A | US\$ 3,029 | |
| | Federal Home Ln Bks | - | " | - | US\$ 6,183 | N/A | US\$ 6,183 | |
| | Federal Home Ln Bks | - | " | - | US\$ 5,450 | N/A | US\$ 5,450 | |
| | Federal Home Ln Bks | - | " | - | US\$ 5,982 | N/A | US\$ 5,982 | |
| | Federal Home Ln Bks | - | " | - | US\$ 4,552 | N/A | US\$ 4,552 | |
| | Federal Home Ln Bks | - | " | - | US\$ 9,008 | N/A | US\$ 9,008 | |
| | Federal Home Ln Bks | - | " | - | US\$ 8,205 | N/A | US\$ 8,205 | |
| | Federal Home Ln Mtg | - | " | - | US\$ 5,671 | N/A | US\$ 5,671 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 1,380 | N/A | US\$ 1,380 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,531 | N/A | US\$ 3,531 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,234 | N/A | US\$ 2,234 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 856 | N/A | US\$ 856 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,532 | N/A | US\$ 3,532 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 76 | N/A | US\$ 76 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,574 | N/A | US\$ 2,574 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,992 | N/A | US\$ 2,992 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,414 | N/A | US\$ 2,414 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 1,183 | N/A | US\$ 1,183 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 7,278 | N/A | US\$ 7,278 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Federal Home Ln Mtg Corp. | - | Available-for-sale financial assets | - | US\$ 2,296 | N/A | US\$ 2,296 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,953 | N/A | US\$ 3,953 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,332 | N/A | US\$ 2,332 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,589 | N/A | US\$ 3,589 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,588 | N/A | US\$ 3,588 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,500 | N/A | US\$ 3,500 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,354 | N/A | US\$ 3,354 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,900 | N/A | US\$ 3,900 | |
| | Federal Home Ln Mtg Disc Nts | - | " | - | US\$ 22,161 | N/A | US\$ 22,161 | |
| | Federal Home Loan Bank | - | " | - | US\$ 4,556 | N/A | US\$ 4,556 | |
| | Federal Home Loan Bank | - | " | - | US\$ 3,460 | N/A | US\$ 3,460 | |
| | Federal Home Loan Bank | - | " | - | US\$ 8,121 | N/A | US\$ 8,121 | |
| | Federal National Mort Assoc | - | " | - | US\$ 3,035 | N/A | US\$ 3,035 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 4,439 | N/A | US\$ 4,439 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 2,230 | N/A | US\$ 2,230 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 2,400 | N/A | US\$ 2,400 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 1,298 | N/A | US\$ 1,298 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 5,011 | N/A | US\$ 5,011 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 6,515 | N/A | US\$ 6,515 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 8,550 | N/A | US\$ 8,550 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 5,019 | N/A | US\$ 5,019 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 5,027 | N/A | US\$ 5,027 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 3,349 | N/A | US\$ 3,349 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 2,006 | N/A | US\$ 2,006 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 3,703 | N/A | US\$ 3,703 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 4,503 | N/A | US\$ 4,503 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 48 | N/A | US\$ 48 | |
| | Federal Natl Mtg Assn Gtd | - | " | - | US\$ 1,844 | N/A | US\$ 1,844 | |
| | Federal Natl Mtg Assn Medium | - | " | - | US\$ 3,473 | N/A | US\$ 3,473 | |
| | Federal Natl Mtg Assn Mtn | - | " | - | US\$ 2,962 | N/A | US\$ 2,962 | |
| | Federal Natl Mtg Assn Mtn | - | " | - | US\$ 3,152 | N/A | US\$ 3,152 | |
| | Federal Natl Mtg Assn Mtn | - | " | - | US\$ 5,383 | N/A | US\$ 5,383 | |
| | Federal Natl Mtg Assn Mtn | - | " | - | US\$ 3,766 | N/A | US\$ 3,766 | |
| | Federal Natl Mtg Assn Mtn | - | " | - | US\$ 3,027 | N/A | US\$ 3,027 | |
| | Fnma Pool 254507 | - | " | - | US\$ 1,254 | N/A | US\$ 1,254 | |
| | Fnma Pool 254834 | - | " | - | US\$ 1,236 | N/A | US\$ 1,236 | |
| | Fnma Pool 255883 | - | " | - | US\$ 3,189 | N/A | US\$ 3,189 | |
| | Fnma Pool 555549 | - | " | - | US\$ 1,409 | N/A | US\$ 1,409 | |
| | Fnma Pool 555715 | - | " | - | US\$ 176 | N/A | US\$ 176 | |
| | Fnma Pool 632399 | - | " | - | US\$ 391 | N/A | US\$ 391 | |
| | Fnma Pool 662401 | - | " | - | US\$ 586 | N/A | US\$ 586 | |
| | Fnma Pool 667766 | - | " | - | US\$ 1,332 | N/A | US\$ 1,332 | |
| | Fnma Pool 680932 | - | " | - | US\$ 1,142 | N/A | US\$ 1,142 | |
| | Fnma Pool 681393 | - | " | - | US\$ 2,431 | N/A | US\$ 2,431 | |
| | Fnma Pool 685116 | - | " | - | US\$ 600 | N/A | US\$ 600 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Fnma Pool 691283 | - | Available-for-sale financial assets | - | US\$ 3,512 | N/A | US\$ 3,512 | |
| | Fnma Pool 694287 | - | " | - | US\$ 22 | N/A | US\$ 22 | |
| | Fnma Pool 703711 | - | " | - | US\$ 476 | N/A | US\$ 476 | |
| | Fnma Pool 725095 | - | " | - | US\$ 1,043 | N/A | US\$ 1,043 | |
| | Fnma Pool 730033 | - | " | - | US\$ 1,245 | N/A | US\$ 1,245 | |
| | Fnma Pool 740934 | - | " | - | US\$ 1,160 | N/A | US\$ 1,160 | |
| | Fnma Pool 742232 | - | " | - | US\$ 24 | N/A | US\$ 24 | |
| | Fnma Pool 750798 | - | " | - | US\$ 22 | N/A | US\$ 22 | |
| | Fnma Pool 773246 | - | " | - | US\$ 235 | N/A | US\$ 235 | |
| | Fnma Pool 790828 | - | " | - | US\$ 2,120 | N/A | US\$ 2,120 | |
| | Fnma Pool 793025 | - | " | - | US\$ 2,006 | N/A | US\$ 2,006 | |
| | Fnma Pool 793932 | - | " | - | US\$ 485 | N/A | US\$ 485 | |
| | Fnma Pool 794040 | - | " | - | US\$ 678 | N/A | US\$ 678 | |
| | Fnma Pool 795548 | - | " | - | US\$ 275 | N/A | US\$ 275 | |
| | Fnma Pool 799664 | - | " | - | US\$ 101 | N/A | US\$ 101 | |
| | Fnma Pool 799868 | - | " | - | US\$ 32 | N/A | US\$ 32 | |
| | Fnma Pool 804764 | - | " | - | US\$ 408 | N/A | US\$ 408 | |
| | Fnma Pool 804852 | - | " | - | US\$ 346 | N/A | US\$ 346 | |
| | Fnma Pool 804962 | - | " | - | US\$ 401 | N/A | US\$ 401 | |
| | Fnma Pool 805163 | - | " | - | US\$ 419 | N/A | US\$ 419 | |
| | Fnma Pool 806642 | - | " | - | US\$ 1,025 | N/A | US\$ 1,025 | |
| | Fnma Pool 806721 | - | " | - | US\$ 652 | N/A | US\$ 652 | |
| | Fnma Pool 813641 | - | " | - | US\$ 3,134 | N/A | US\$ 3,134 | |
| | Fnma Pool 814418 | - | " | - | US\$ 347 | N/A | US\$ 347 | |
| | Fnma Pool 815626 | - | " | - | US\$ 2,408 | N/A | US\$ 2,408 | |
| | Fnma Pool 816594 | - | " | - | US\$ 1,888 | N/A | US\$ 1,888 | |
| | Fnma Pool 819423 | - | " | - | US\$ 556 | N/A | US\$ 556 | |
| | Fnma Pool 821129 | - | " | - | US\$ 530 | N/A | US\$ 530 | |
| | Fnma Pool 825395 | - | " | - | US\$ 2,542 | N/A | US\$ 2,542 | |
| | Fnma Pool 825398 | - | " | - | US\$ 3,756 | N/A | US\$ 3,756 | |
| | Fnma Pool 841069 | - | " | - | US\$ 2,425 | N/A | US\$ 2,425 | |
| | Fnma Pool 879906 | - | " | - | US\$ 1,378 | N/A | US\$ 1,378 | |
| | Fnma Pool 888249 | - | " | - | US\$ 4,543 | N/A | US\$ 4,543 | |
| | Fnma Pool 888388 | - | " | - | US\$ 6,367 | N/A | US\$ 6,367 | |
| | Fnma Pool 888499 | - | " | - | US\$ 2,688 | N/A | US\$ 2,688 | |
| | Fnma Pool 888502 | - | " | - | US\$ 244 | N/A | US\$ 244 | |
| | Fnma Pool 888507 | - | " | - | US\$ 934 | N/A | US\$ 934 | |
| | Fnma Pool 888515 | - | " | - | US\$ 2,109 | N/A | US\$ 2,109 | |
| | Fnma Pool 888519 | - | " | - | US\$ 128 | N/A | US\$ 128 | |
| | Fnma Pool 888527 | - | " | - | US\$ 71 | N/A | US\$ 71 | |
| | Fnma Pool 900296 | - | " | - | US\$ 3,366 | N/A | US\$ 3,366 | |
| | Gnma Ii Pool 081150 | - | " | - | US\$ 500 | N/A | US\$ 500 | |
| | Gnma Ii Pool 081153 | - | " | - | US\$ 1,602 | N/A | US\$ 1,602 | |
| | Tennessee Valley Auth | - | " | - | US\$ 6,062 | N/A | US\$ 6,062 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | <u>Corporate bonds</u> | | | | | | | |
| | Abbott Labs | - | Available-for-sale financial assets | - | US\$ 1,508 | N/A | US\$ 1,508 | |
| | Abbott Labs | - | " | - | US\$ 2,541 | N/A | US\$ 2,541 | |
| | Allstate Life Global Fdg Secd | - | " | - | US\$ 2,994 | N/A | US\$ 2,994 | |
| | American Gen Fin Corp. | - | " | - | US\$ 3,190 | N/A | US\$ 3,190 | |
| | American Gen Fin Corp. | - | " | - | US\$ 3,475 | N/A | US\$ 3,475 | |
| | American Gen Fin Corp. | - | " | - | US\$ 1,980 | N/A | US\$ 1,980 | |
| | American Honda Fin Corp. Mtn | - | " | - | US\$ 9,371 | N/A | US\$ 9,371 | |
| | Ameritech Capital Funding Co. | - | " | - | US\$ 2,820 | N/A | US\$ 2,820 | |
| | Amgen Inc. | - | " | - | US\$ 2,938 | N/A | US\$ 2,938 | |
| | Anz Cap Tr I | - | " | - | US\$ 973 | N/A | US\$ 973 | |
| | Associates Corp. North Amer | - | " | - | US\$ 2,549 | N/A | US\$ 2,549 | |
| | Atlantic Richfield Co. | - | " | - | US\$ 2,206 | N/A | US\$ 2,206 | |
| | Axa Finl Inc. | - | " | - | US\$ 2,132 | N/A | US\$ 2,132 | |
| | Bank One Corp. | - | " | - | US\$ 1,474 | N/A | US\$ 1,474 | |
| | Bank One Corp. | - | " | - | US\$ 2,015 | N/A | US\$ 2,015 | |
| | Bank Utd Houston Tx Mtn | - | " | - | US\$ 519 | N/A | US\$ 519 | |
| | Beneficial Corp. Mtn Bk Entry | - | " | - | US\$ 2,279 | N/A | US\$ 2,279 | |
| | Bp Cap Mkts Plc | - | " | - | US\$ 4,515 | N/A | US\$ 4,515 | |
| | Burlington Res Inc. | - | " | - | US\$ 3,642 | N/A | US\$ 3,642 | |
| | Chase Manhattan Corp. New | - | " | - | US\$ 5,068 | N/A | US\$ 5,068 | |
| | Chase Manhattan Corp. New | - | " | - | US\$ 2,103 | N/A | US\$ 2,103 | |
| | Chubb Corp. | - | " | - | US\$ 2,127 | N/A | US\$ 2,127 | |
| | Citi Group Hldgs Inc. | - | " | - | US\$ 2,973 | N/A | US\$ 2,973 | |
| | Citi Group Inc. New | - | " | - | US\$ 2,436 | N/A | US\$ 2,436 | |
| | Citigroup Fdg Inc. | - | " | - | US\$ 4,589 | N/A | US\$ 4,589 | |
| | Cogentrix Energy Inc. | - | " | - | US\$ 3,710 | N/A | US\$ 3,710 | |
| | Consolidated Edison Inc. | - | " | - | US\$ 2,974 | N/A | US\$ 2,974 | |
| | Countrywide Fdg Corp. Mtn | - | " | - | US\$ 1,899 | N/A | US\$ 1,899 | |
| | Credit Suisse First Boston USA | - | " | - | US\$ 2,209 | N/A | US\$ 2,209 | |
| | Daimlerchrysler North Amer | - | " | - | US\$ 994 | N/A | US\$ 994 | |
| | Dayton Hudson Corp. | - | " | - | US\$ 2,021 | N/A | US\$ 2,021 | |
| | Deere John Cap Corp. | - | " | - | US\$ 5,975 | N/A | US\$ 5,975 | |
| | Deere John Cap Corp. Mtn Bk Ent | - | " | - | US\$ 2,187 | N/A | US\$ 2,187 | |
| | Dell Computer Corp. | - | " | - | US\$ 2,812 | N/A | US\$ 2,812 | |
| | Diageo Plc | - | " | - | US\$ 3,498 | N/A | US\$ 3,498 | |
| | Emerson Elec Co. | - | " | - | US\$ 3,225 | N/A | US\$ 3,225 | |
| | European Invt Bk | - | " | - | US\$ 6,219 | N/A | US\$ 6,219 | |
| | Fifth Third Bk Cincinnati Oh | - | " | - | US\$ 2,470 | N/A | US\$ 2,470 | |
| | Fleet Boston Corp. | - | " | - | US\$ 2,633 | N/A | US\$ 2,633 | |
| | Ge Global Ins Hldg Corp. | - | " | - | US\$ 1,900 | N/A | US\$ 1,900 | |
| | General Dynamics Corp. | - | " | - | US\$ 2,084 | N/A | US\$ 2,084 | |
| | General Elec Cap Corp. Mtn | - | " | - | US\$ 3,946 | N/A | US\$ 3,946 | |
| | General Elec Cap Corp. Mtn | - | " | - | US\$ 11,365 | N/A | US\$ 11,365 | |
| | General Elec Cap Corp. Mtn | - | " | - | US\$ 4,820 | N/A | US\$ 4,820 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | General Elec Cap Corp. Mtn | - | Available-for-sale financial assets | - | US\$ 2,108 | N/A | US\$ 2,108 | |
| | General Re Corp. | - | " | - | US\$ 3,262 | N/A | US\$ 3,262 | |
| | Genworth Finl Inc. | - | " | - | US\$ 3,265 | N/A | US\$ 3,265 | |
| | Greenpoint Finl Corp. | - | " | - | US\$ 991 | N/A | US\$ 991 | |
| | Hancock John Global Fdg II Mtn | - | " | - | US\$ 2,968 | N/A | US\$ 2,968 | |
| | Hancock John Global Fdg II Mtn | - | " | - | US\$ 5,159 | N/A | US\$ 5,159 | |
| | Hancock John Global Fdg Mtn | - | " | - | US\$ 995 | N/A | US\$ 995 | |
| | Hartford Finl Svcs Group Inc. | - | " | - | US\$ 5,018 | N/A | US\$ 5,018 | |
| | Hartford Finl Svcs Group Inc. | - | " | - | US\$ 1,334 | N/A | US\$ 1,334 | |
| | Hbos Plc Medium Term Sr Nts | - | " | - | US\$ 2,997 | N/A | US\$ 2,997 | |
| | Heller Finl Inc. | - | " | - | US\$ 1,934 | N/A | US\$ 1,934 | |
| | Hewlett Packard Co. | - | " | - | US\$ 1,864 | N/A | US\$ 1,864 | |
| | Household Fin Corp. | - | " | - | US\$ 2,929 | N/A | US\$ 2,929 | |
| | Household Fin Corp. | - | " | - | US\$ 3,071 | N/A | US\$ 3,071 | |
| | HSBC Fin Corp. | - | " | - | US\$ 4,466 | N/A | US\$ 4,466 | |
| | Huntington National Bank | - | " | - | US\$ 1,853 | N/A | US\$ 1,853 | |
| | Ing Sec Life Instl Fdg | - | " | - | US\$ 2,527 | N/A | US\$ 2,527 | |
| | International Business Machs | - | " | - | US\$ 3,502 | N/A | US\$ 3,502 | |
| | Intl Lease Fin Corp. Mtn | - | " | - | US\$ 2,952 | N/A | US\$ 2,952 | |
| | Intl Lease Fin Corp. Mtn | - | " | - | US\$ 4,164 | N/A | US\$ 4,164 | |
| | J P Morgan Chase + Co. | - | " | - | US\$ 3,289 | N/A | US\$ 3,289 | |
| | Key Bk Na Med Term Nts Bk Entr | - | " | - | US\$ 4,440 | N/A | US\$ 4,440 | |
| | Keycorp Mtn Book Entry | - | " | - | US\$ 3,036 | N/A | US\$ 3,036 | |
| | Lehman Brothers Hldgs Inc. | - | " | - | US\$ 1,167 | N/A | US\$ 1,167 | |
| | Lehman Brothers Hldgs Inc. | - | " | - | US\$ 1,634 | N/A | US\$ 1,634 | |
| | Lehman Brothers Hldgs Inc. | - | " | - | US\$ 487 | N/A | US\$ 487 | |
| | Lehman Brothers Hldgs Inc. | - | " | - | US\$ 984 | N/A | US\$ 984 | |
| | Lehman Brothers Hldgs Inc. | - | " | - | US\$ 3,074 | N/A | US\$ 3,074 | |
| | Lehman Brothers Hldgs Inc. | - | " | - | US\$ 1,063 | N/A | US\$ 1,063 | |
| | Marshall + Ilsley Corp. | - | " | - | US\$ 8,488 | N/A | US\$ 8,488 | |
| | Massmutual Global Fdg II Mtn | - | " | - | US\$ 3,673 | N/A | US\$ 3,673 | |
| | Mbna America Bank Na Y | - | " | - | US\$ 6,498 | N/A | US\$ 6,498 | |
| | Metropolitan Life Global Mtn | - | " | - | US\$ 3,455 | N/A | US\$ 3,455 | |
| | Metropolitan Life Global Mtn | - | " | - | US\$ 3,376 | N/A | US\$ 3,376 | |
| | Mgic Invt Corp. | - | " | - | US\$ 1,164 | N/A | US\$ 1,164 | |
| | Mizuho Fin(Cayman) | - | " | - | US\$ 2,170 | N/A | US\$ 2,170 | |
| | Monumental Global Fdg II | - | " | - | US\$ 1,488 | N/A | US\$ 1,488 | |
| | Monunmetal Global Fdg II | - | " | - | US\$ 1,987 | N/A | US\$ 1,987 | |
| | Mony Group Inc. | - | " | - | US\$ 2,142 | N/A | US\$ 2,142 | |
| | Morgan Stanley | - | " | - | US\$ 1,955 | N/A | US\$ 1,955 | |
| | Morgan Stanley | - | " | - | US\$ 5,534 | N/A | US\$ 5,534 | |
| | National City Corp. | - | " | - | US\$ 3,465 | N/A | US\$ 3,465 | |
| | National Westminster Bk Plc | - | " | - | US\$ 1,300 | N/A | US\$ 1,300 | |
| | Nationwide Life Global Fdg I | - | " | - | US\$ 3,573 | N/A | US\$ 3,573 | |
| | Oracle Corp/Ozark Hldg Inc. | - | " | - | US\$ 1,999 | N/A | US\$ 1,999 | |
| | Pepsico Inc Mtn Book Entry | - | " | - | US\$ 3,623 | N/A | US\$ 3,623 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|---|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Popular North Amer Inc. | - | Available-for-sale financial assets | - | US\$ 2,910 | N/A | US\$ 2,910 | |
| | Praxair Inc. | - | " | - | US\$ 3,125 | N/A | US\$ 3,125 | |
| | Premark Intl Inc. | - | " | - | US\$ 2,636 | N/A | US\$ 2,636 | |
| | Pricoa Global Fdg I Mtn | - | " | - | US\$ 3,443 | N/A | US\$ 3,443 | |
| | Principal Finl Group Australia | - | " | - | US\$ 1,010 | N/A | US\$ 1,010 | |
| | Principal Life Global Fdg I Gl | - | " | - | US\$ 1,179 | N/A | US\$ 1,179 | |
| | Protective Life Secd Trs | - | " | - | US\$ 2,956 | N/A | US\$ 2,956 | |
| | Protective Life Secd Trs Mtn | - | " | - | US\$ 3,436 | N/A | US\$ 3,436 | |
| | Public Svc Elec Gas Co. | - | " | - | US\$ 3,744 | N/A | US\$ 3,744 | |
| | Regions Finl Corp. New | - | " | - | US\$ 2,391 | N/A | US\$ 2,391 | |
| | Sbc Communications Inc. | - | " | - | US\$ 3,353 | N/A | US\$ 3,353 | |
| | Sbc Communications Inc. | - | " | - | US\$ 706 | N/A | US\$ 706 | |
| | Simon Ppty Group LP | - | " | - | US\$ 2,185 | N/A | US\$ 2,185 | |
| | Simon Ppty Group LP | - | " | - | US\$ 999 | N/A | US\$ 999 | |
| | Sp Powerassests Ltd. Global | - | " | - | US\$ 994 | N/A | US\$ 994 | |
| | St Paul Cos Inc. Mtn Bk Ent | - | " | - | US\$ 2,543 | N/A | US\$ 2,543 | |
| | Suntrust Bk Atlanta Ga Medium | - | " | - | US\$ 3,477 | N/A | US\$ 3,477 | |
| | Us Bk Natl Assn Cincinnati Oh | - | " | - | US\$ 2,960 | N/A | US\$ 2,960 | |
| | Vodafone Airtouch Plc | - | " | - | US\$ 1,670 | N/A | US\$ 1,670 | |
| | Wachovia Corp. New | - | " | - | US\$ 3,152 | N/A | US\$ 3,152 | |
| | Wachovia Corp. New | - | " | - | US\$ 3,479 | N/A | US\$ 3,479 | |
| | Washington Mut Inc. | - | " | - | US\$ 1,701 | N/A | US\$ 1,701 | |
| | Washington Post Co. | - | " | - | US\$ 3,025 | N/A | US\$ 3,025 | |
| | Wells Fargo + Co. New | - | " | - | US\$ 2,979 | N/A | US\$ 2,979 | |
| | Wells Fargo + Co. New Med Trm | - | " | - | US\$ 4,344 | N/A | US\$ 4,344 | |
| | Westfield Cap Corp. Ltd. | - | " | - | US\$ 2,001 | N/A | US\$ 2,001 | |
| | <u>Corporate issued asset-backed securities</u> | | | | | | | |
| | Adjustable Rate Mortgage Trust | - | Available-for-sale financial assets | - | US\$ 44 | N/A | US\$ 44 | |
| | American Home Mtg Invt Tr | - | " | - | US\$ 39 | N/A | US\$ 39 | |
| | Americredit Auto Rec Tr | - | " | - | US\$ 1,004 | N/A | US\$ 1,004 | |
| | Americredit Automobile Rec Tr | - | " | - | US\$ 1,527 | N/A | US\$ 1,527 | |
| | Americredit Automobile Rec Tr | - | " | - | US\$ 3,257 | N/A | US\$ 3,257 | |
| | Americredit Automobile Receiva | - | " | - | US\$ 1,910 | N/A | US\$ 1,910 | |
| | Atlantic City Elc Trns Fdglc | - | " | - | US\$ 241 | N/A | US\$ 241 | |
| | Banc Amer Coml Mtg Inc. | - | " | - | US\$ 4,605 | N/A | US\$ 4,605 | |
| | Banc Amer Fdg 2006 I Tr | - | " | - | US\$ 3,885 | N/A | US\$ 3,885 | |
| | Bear Stearns Adjustable Rate | - | " | - | US\$ 113 | N/A | US\$ 113 | |
| | Bear Stearns Alt A Tr | - | " | - | US\$ 486 | N/A | US\$ 486 | |
| | Bear Stearns Arm Tr | - | " | - | US\$ 3,148 | N/A | US\$ 3,148 | |
| | Bear Stearns Arm Tr | - | " | - | US\$ 1,954 | N/A | US\$ 1,954 | |
| | Bear Stearns Arm Tr | - | " | - | US\$ 252 | N/A | US\$ 252 | |
| | Bear Stearns Coml Mtg Secs Inc. | - | " | - | US\$ 3,440 | N/A | US\$ 3,440 | |
| | Bear Stearns Coml Mtg Secs Inc. | - | " | - | US\$ 5,259 | N/A | US\$ 5,259 | |
| | Capital Auto Receivables Asset | - | " | - | US\$ 2,250 | N/A | US\$ 2,250 | |
| | Capital Auto Receivables Asset | - | " | - | US\$ 3,249 | N/A | US\$ 3,249 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Capital One Auto Fin Tr | - | Available-for-sale financial assets | - | US\$ 2,637 | N/A | US\$ 2,637 | |
| | Capital One Auto Fin Tr | - | " | - | US\$ 1,927 | N/A | US\$ 1,927 | |
| | Capital One Auto Fin Tr | - | " | - | US\$ 4,620 | N/A | US\$ 4,620 | |
| | Capital One Multi Asset Execut | - | " | - | US\$ 3,974 | N/A | US\$ 3,974 | |
| | Capital One Multi Asset Execut | - | " | - | US\$ 2,980 | N/A | US\$ 2,980 | |
| | Capital One Prime Auto Rec | - | " | - | US\$ 3,995 | N/A | US\$ 3,995 | |
| | Capital One Prime Auto Receive | - | " | - | US\$ 3,500 | N/A | US\$ 3,500 | |
| | Capital One Prime Auto Receiv | - | " | - | US\$ 906 | N/A | US\$ 906 | |
| | Caterpillar Finl Asset Tr | - | " | - | US\$ 3,278 | N/A | US\$ 3,278 | |
| | Cbass Tr | - | " | - | US\$ 3,458 | N/A | US\$ 3,458 | |
| | Cendant Rent Car Fdg Aesop Llc | - | " | - | US\$ 9,399 | N/A | US\$ 9,399 | |
| | Chase Mtg Fin Tr | - | " | - | US\$ 902 | N/A | US\$ 902 | |
| | Chase Mtg Fin Tr | - | " | - | US\$ 1,825 | N/A | US\$ 1,825 | |
| | Chase Mtg Fin Tr | - | " | - | US\$ 2,684 | N/A | US\$ 2,684 | |
| | Chase Mtge Finance Corp. | - | " | - | US\$ 2,629 | N/A | US\$ 2,629 | |
| | Chase Mtge Finance Corp. | - | " | - | US\$ 1,732 | N/A | US\$ 1,732 | |
| | Citi Equip Coll Tr | - | " | - | US\$ 462 | N/A | US\$ 462 | |
| | Citi Equip Coll Tr | - | " | - | US\$ 4,018 | N/A | US\$ 4,018 | |
| | Citicorp Mtg Secs | - | " | - | US\$ 309 | N/A | US\$ 309 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 3,235 | N/A | US\$ 3,235 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 7,206 | N/A | US\$ 7,206 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 237 | N/A | US\$ 237 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 6,879 | N/A | US\$ 6,879 | |
| | Cwabs | - | " | - | US\$ 3,113 | N/A | US\$ 3,113 | |
| | Cwabs Inc. | - | " | - | US\$ 116 | N/A | US\$ 116 | |
| | Cwalt Inc. | - | " | - | US\$ 396 | N/A | US\$ 396 | |
| | Cwabs Inc. | - | " | - | US\$ 310 | N/A | US\$ 310 | |
| | Cwabs Inc. | - | " | - | US\$ 69 | N/A | US\$ 69 | |
| | Cwabs Inc. | - | " | - | US\$ 358 | N/A | US\$ 358 | |
| | Cwabs Inc. | - | " | - | US\$ 744 | N/A | US\$ 744 | |
| | Daimlerchrysler Auto Tr | - | " | - | US\$ 4,323 | N/A | US\$ 4,323 | |
| | Daimlerchrysler Auto Tr | - | " | - | US\$ 1,698 | N/A | US\$ 1,698 | |
| | Deere John Owner Tr | - | " | - | US\$ 2,469 | N/A | US\$ 2,469 | |
| | Drive Auto Receivables Tr | - | " | - | US\$ 1,778 | N/A | US\$ 1,778 | |
| | First Franklin Mtg Ln Tr | - | " | - | US\$ 3,694 | N/A | US\$ 3,694 | |
| | First Horizon | - | " | - | US\$ 47 | N/A | US\$ 47 | |
| | First Horizon Abs Tr | - | " | - | US\$ 402 | N/A | US\$ 402 | |
| | First Un Natl Bk Coml Mtg Tr | - | " | - | US\$ 2,790 | N/A | US\$ 2,790 | |
| | First Un Natl Bk Coml Mtg Tr | - | " | - | US\$ 5,225 | N/A | US\$ 5,225 | |
| | First Un Natl Bk Coml Mtg Tr | - | " | - | US\$ 2,199 | N/A | US\$ 2,199 | |
| | First Union Lehman Bros Mtg Tr | - | " | - | US\$ 161 | N/A | US\$ 161 | |
| | Ford Credit Auto Owner Trust | - | " | - | US\$ 4,328 | N/A | US\$ 4,328 | |
| | Ge Cap Cr Card Master Nt Tr | - | " | - | US\$ 2,853 | N/A | US\$ 2,853 | |
| | Gs Mtg Secs Corp. | - | " | - | US\$ 3,402 | N/A | US\$ 3,402 | |
| | Harley Davidson Motorcycle Tr | - | " | - | US\$ 4,337 | N/A | US\$ 4,337 | |
| | Hertz Veh Fing Llc | - | " | - | US\$ 5,342 | N/A | US\$ 5,342 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Home Equity Mortgage Trust | - | Available-for-sale financial assets | - | US\$ 3,390 | N/A | US\$ 3,390 | |
| | Home Equity Mtg Tr 2006 4 | - | " | - | US\$ 2,656 | N/A | US\$ 2,656 | |
| | Honda Auto Receivables | - | " | - | US\$ 3,379 | N/A | US\$ 3,379 | |
| | Hsbc Automotive Tr | - | " | - | US\$ 2,188 | N/A | US\$ 2,188 | |
| | Hyundai Auto Receivables Tr | - | " | - | US\$ 3,413 | N/A | US\$ 3,413 | |
| | Hyundai Auto Receivables Tr | - | " | - | US\$ 3,824 | N/A | US\$ 3,824 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 908 | N/A | US\$ 908 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 919 | N/A | US\$ 919 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 882 | N/A | US\$ 882 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 884 | N/A | US\$ 884 | |
| | Lb Ubs Coml Mtg Tr | - | " | - | US\$ 3,237 | N/A | US\$ 3,237 | |
| | Luminent Mtg Tr | - | " | - | US\$ 707 | N/A | US\$ 707 | |
| | Mastr Asset Backed | - | " | - | US\$ 3,152 | N/A | US\$ 3,152 | |
| | Merrill Lynch Mtg Invs Inc. | - | " | - | US\$ 5,094 | N/A | US\$ 5,094 | |
| | Morgan Stanley Ixis Estate Tr | - | " | - | US\$ 2,741 | N/A | US\$ 2,741 | |
| | Nomura Asset Accep Corp. | - | " | - | US\$ 3,669 | N/A | US\$ 3,669 | |
| | Onyx Accep Owner Tr | - | " | - | US\$ 2,011 | N/A | US\$ 2,011 | |
| | Pg+E Energy Recovery Fdg Llc | - | " | - | US\$ 2,797 | N/A | US\$ 2,797 | |
| | Residential Accredi Lns Inc. | - | " | - | US\$ 1,814 | N/A | US\$ 1,814 | |
| | Residential Asset Mtg Prods | - | " | - | US\$ 2,289 | N/A | US\$ 2,289 | |
| | Residential Asset Sec Mtg Pass | - | " | - | US\$ 712 | N/A | US\$ 712 | |
| | Residential Fdg Mtg Secs I Inc. | - | " | - | US\$ 1,670 | N/A | US\$ 1,670 | |
| | Residential Fdg Mtg Secs I Inc. | - | " | - | US\$ 3,573 | N/A | US\$ 3,573 | |
| | Sequoia Mtg Tr | - | " | - | US\$ 389 | N/A | US\$ 389 | |
| | Sequoia Mtg Tr | - | " | - | US\$ 312 | N/A | US\$ 312 | |
| | Sequoia Mtg Tr | - | " | - | US\$ 512 | N/A | US\$ 512 | |
| | Structured Adj Rate Mtg Ln Tr | - | " | - | US\$ 1,036 | N/A | US\$ 1,036 | |
| | Structured Adj Rate Mtg Ln Tr | - | " | - | US\$ 349 | N/A | US\$ 349 | |
| | Structured Adj Rate Mtg Ln Tr | - | " | - | US\$ 36 | N/A | US\$ 36 | |
| | Structured Adj Rate Mtg Ln Tr | - | " | - | US\$ 221 | N/A | US\$ 221 | |
| | Structured Asset Secs Corp. | - | " | - | US\$ 120 | N/A | US\$ 120 | |
| | Terwin Mtg Tr | - | " | - | US\$ 3,847 | N/A | US\$ 3,847 | |
| | Tiaa Seasoned Coml Mtg Tr | - | " | - | US\$ 4,055 | N/A | US\$ 4,055 | |
| | Txu Elec Delivery Transition | - | " | - | US\$ 1,863 | N/A | US\$ 1,863 | |
| | Usaa Auto Owner Tr | - | " | - | US\$ 4,249 | N/A | US\$ 4,249 | |
| | Usaa Auto Owner Tr | - | " | - | US\$ 4,999 | N/A | US\$ 4,999 | |
| | Wamu Mtg | - | " | - | US\$ 3,439 | N/A | US\$ 3,439 | |
| | Wamu Mtg | - | " | - | US\$ 848 | N/A | US\$ 848 | |
| | Wamu Mtg Pass Through Ctfs | - | " | - | US\$ 170 | N/A | US\$ 170 | |
| | Wamu Mtg Pass Thru Ctfs Tr | - | " | - | US\$ 4,143 | N/A | US\$ 4,143 | |
| | Washington Mut Mtg Secs Corp. | - | " | - | US\$ 2,537 | N/A | US\$ 2,537 | |
| | Wells Fargo Finl Auto Owner Tr | - | " | - | US\$ 4,953 | N/A | US\$ 4,953 | |
| | Wells Fargo Mtg Backed Secs | - | " | - | US\$ 3,940 | N/A | US\$ 3,940 | |
| | Wells Fargo Mtg Backed Secs | - | " | - | US\$ 3,948 | N/A | US\$ 3,948 | |
| | Wells Fargo Mtg Bkd Secs | - | " | - | US\$ 2,231 | N/A | US\$ 2,231 | |
| | Wells Fargo Mtg Bkd Secs | - | " | - | US\$ 3,085 | N/A | US\$ 3,085 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2007 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Wells Fargo Mtg Bkd Secs Tr | - | Available-for-sale financial assets | - | US\$ 2,244 | N/A | US\$ 2,244 | |
| | Wfs Finl 2004 4 Owner Tr | - | " | - | US\$ 114 | N/A | US\$ 114 | |
| | Wfs Finl 2005 2 Oner Tr | - | " | - | US\$ 2,233 | N/A | US\$ 2,233 | |
| | Whole Auto Ln Tr | - | " | - | US\$ 386 | N/A | US\$ 386 | |
| | Whole Auto Ln Tr | - | " | - | US\$ 2,420 | N/A | US\$ 2,420 | |
| | <u>Government bonds</u> | | | | | | | |
| | United States Treas Nts | - | Available-for-sale financial assets | - | US\$ 26,447 | N/A | US\$ 26,447 | |
| | United States Treas Nts | - | " | - | US\$ 6,919 | N/A | US\$ 6,919 | |
| | United States Treas Nts | - | " | - | US\$ 13,841 | N/A | US\$ 13,841 | |
| | United States Treas Nts | - | " | - | US\$ 13,038 | N/A | US\$ 13,038 | |
| | United States Treas Nts | - | " | - | US\$ 6,969 | N/A | US\$ 6,969 | |
| | United States Treas Nts | - | " | - | US\$ 100,944 | N/A | US\$ 100,944 | |
| | United States Treas Nts | - | " | - | US\$ 11,288 | N/A | US\$ 11,288 | |
| | United States Treas Nts | - | " | - | US\$ 20,919 | N/A | US\$ 20,919 | |
| | United States Treas Nts | - | " | - | US\$ 12,740 | N/A | US\$ 12,740 | |
| | United States Treas Nts | - | " | - | US\$ 22,415 | N/A | US\$ 22,415 | |
| | United States Treas Nts | - | " | - | US\$ 1,758 | N/A | US\$ 1,758 | |
| | United States Treas Nts | - | " | - | US\$ 9,637 | N/A | US\$ 9,637 | |
| | United States Treas Nts | - | " | - | US\$ 9,810 | N/A | US\$ 9,810 | |
| | United States Treas Nts | - | " | - | US\$ 4,949 | N/A | US\$ 4,949 | |
| | United States Treas Nts | - | " | - | US\$ 2,517 | N/A | US\$ 2,517 | |
| | <u>Corporate issued notes</u> | | | | | | | |
| | Barclays London | - | Available-for-sale financial assets | - | US\$ 5,000 | N/A | US\$ 5,000 | |
| | Royal Bk Scotland Plc Ny | - | " | - | US\$ 5,000 | N/A | US\$ 5,000 | |
| | <u>Money market funds</u> | | | | | | | |
| | Ssga Cash Mgmt Global Offshore | - | Available-for-sale financial assets | - | US\$ 32,635 | N/A | US\$ 32,635 | |

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal (Note2) | | | | Ending Balance | | | | |
|-----------------------------------|-------------------------------------|--|-------------------------------------|------------------------|-----------------------------|---|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|---|-----------------------------|-------------------------------------|--------|---------|-----------|
| | | | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) | Gain (Loss) or Disposal (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) (Note 3) | | | |
| The Company | Open-end mutual fund | Available-for-sale financial assets | National Investment Trust Co., Ltd. | - | 22,219 | \$ 3,655,939 | - | \$ - | 9,980 | \$ 1,650,000 | \$ 1,621,826 | \$ 28,174 | 12,239 | \$ 2,037,514 | | | |
| | NTIC Bond Fund | | | | 175,156 | 2,639,459 | 85,581 | 1,300,000 | 175,156 | 2,656,012 | 2,604,862 | 51,150 | 85,581 | 1,304,561 | | | |
| | ING Taiwan Bond Fund | | | | " | Fuh Hwa Investment Trust Co., Ltd. | - | 125,122 | 1,667,908 | 41,290 | 556,000 | 22,339 | 300,000 | 295,611 | 4,389 | 144,073 | 1,943,446 |
| | Fuh Hwa Bond | | | | " | Prudential Financial Securities Investment Trust Enterprise | - | 103,751 | 1,516,294 | - | - | 20,445 | 300,000 | 295,582 | 4,418 | 83,306 | 1,231,721 |
| | Prudential Financial Bond Fund | | | | " | Cathay Securities Investment Trust Co., Ltd. | - | 109,720 | 1,265,092 | 60,126 | 700,000 | 109,720 | 1,271,995 | 1,251,264 | 20,731 | 60,126 | 701,010 |
| | Cathay Bond | | | | " | National Investment Trust Co., Ltd. | - | 93,312 | 1,314,669 | 23,884 | 340,000 | 14,180 | 200,000 | 197,557 | 2,443 | 103,016 | 1,468,675 |
| | NTIC Taiwan Bond | | | | " | JF Asset Management (Taiwan) Ltd. | - | 85,145 | 1,299,088 | 32,507 | 500,000 | 58,603 | 900,000 | 883,347 | 16,653 | 59,049 | 911,461 |
| | JF Taiwan Bond Fund | | | | " | Allianz Global Investors Taiwan Ltd. | - | 95,553 | 1,107,206 | 17,082 | 200,000 | 41,267 | 480,000 | 472,022 | 7,978 | 71,368 | 836,828 |
| | Dresdner Bond DAM Fund | | | | " | JF Asset Management (Taiwan) Limited | - | 66,826 | 939,082 | 42,360 | 600,000 | 73,862 | 1,044,083 | 1,026,603 | 17,480 | 35,324 | 502,101 |
| | JF Taiwan First Bond Fund | | | | " | ING Securities Investment Trust Co., Ltd. | - | 76,593 | 868,076 | - | - | 76,593 | 872,639 | 857,682 | 14,957 | - | - |
| | ING Taiwan Select Bond Fund | | | | " | Shinkong Investment Trust Co., Ltd. | - | 62,183 | 890,660 | - | - | 62,183 | 896,299 | 879,940 | 16,359 | - | - |
| | Shinkong Chi-Shin Fund | | | | " | Uni-President Assets Management Corp. | - | 65,496 | 1,010,426 | 77,128 | 1,200,000 | 65,496 | 1,016,917 | 1,000,599 | 16,318 | 77,128 | 1,203,732 |
| | President James Bond | | | | " | Taishin Investment Trust Co., Ltd. | - | 78,624 | 806,386 | - | - | 9,679 | 100,000 | 98,476 | 1,524 | 68,945 | 715,509 |
| | Taishin Lucky Fund | | | | " | HSBC Asset Management (Taiwan) Ltd. | - | 34,093 | 506,250 | - | - | 6,677 | 100,000 | 98,059 | 1,941 | 27,416 | 411,812 |
| | HSBC Taiwan Money Management | | | | " | Taiwan International Investment management | - | 44,685 | 554,863 | - | - | 44,685 | 557,263 | 550,724 | 6,539 | - | - |
| | TIIM High Yield Fund | | | | " | AIG Global Asset management Corporation (Taiwan) Ltd. | - | 78,629 | 1,002,595 | 54,469 | 700,000 | 78,629 | 1,008,733 | 1,000,000 | 8,733 | 54,469 | 702,353 |
| | AIG Taiwan Bond Fund | | | | " | JIH SUN Securities Investment Trust Co., Ltd. | - | 88,165 | 1,202,901 | - | - | 88,165 | 1,209,618 | 1,200,000 | 9,618 | - | - |
| | JIH SUN Bond Fund | | | | " | Mega Investment Trust Co., Ltd. | - | 139,333 | 1,602,947 | 94,744 | 1,100,000 | 234,077 | 2,721,023 | 2,700,000 | 21,023 | - | - |
| | Mega Diamond Bond Fund | | | | " | Polaris International Securities Investment Trust Co., Ltd. | - | 63,273 | 701,069 | 17,862 | 200,000 | 81,135 | 909,936 | 900,000 | 9,936 | - | - |
| | Polaris De-Bao Fund | | | | " | | | | | | | | | | | | |
| Government bond | | | | | | | | | | | | | | | | | |
| 2004 Government Bond Series B | Available-for-sale financial assets | Chung Shing Bills Finance Corp. and several financial institutions | - | - | 999,779 | - | 200,280 | - | - | - | - | - | - | 1,194,550 | | | |
| 2005 Government Bond Series B | " | " | - | - | 998,288 | - | 1,348,634 | - | - | - | - | - | - | 2,346,950 | | | |
| 2004 Government Bond Series G | " | " | - | - | - | - | 201,561 | - | - | - | - | - | - | 198,854 | | | |
| 2006 Government Bond Series D | " | " | - | - | - | - | 400,778 | - | - | - | - | - | - | 399,200 | | | |
| 2005 Government Bond Series A | Held-to-maturity financial assets | " | - | - | 3,049,919 | - | - | - | 3,050,000 | 3,050,000 | - | - | - | - | | | |
| 2002 Government Bond Series B | " | " | - | - | 350,399 | - | - | - | 350,000 | 350,000 | - | - | - | - | | | |
| 2004 Kaohsiung Municipal Series B | " | " | - | - | 620,000 | - | - | - | 620,000 | 620,000 | - | - | - | - | | | |

(Continued)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal (Note2) | | | Ending Balance | | | |
|-------------------|-------------------------------------|--|---------------------------------|--|-----------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|---|-----------------------------|-------------------------------------|------------|
| | | | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) | Gain (Loss) or Disposal (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) (Note 3) | |
| | <u>Corporate bond</u> | | | | | | | | | | | | | | |
| | Taiwan Power Company | Available-for-sale financial assets | Chung Shing Bills Finance Corp. | - | - | \$ 1,046,799 | - | \$ - | - | \$ 150,000 | \$ 150,000 | \$ - | - | \$ 898,630 | |
| | Taiwan Power Company | Held-to-maturity financial assets | " | - | - | 4,080,391 | - | - | - | 1,010,000 | 1,010,000 | - | - | 3,078,978 | |
| | Formosa Plastic Corporation | " | " | - | - | 516,663 | - | - | - | 136,000 | 136,000 | - | - | 389,056 | |
| | Nan Ya Plastics Corporation | " | " | - | - | 2,773,810 | - | - | - | 772,000 | 772,000 | - | - | 2,003,029 | |
| | CPC Corporation, Taiwan | " | " | - | - | 1,451,378 | - | - | - | 250,000 | 250,000 | - | - | 1,200,368 | |
| | <u>Stock</u> | | | | | | | | | | | | | | |
| | Xintec | Investee accounted for using equity method | - | Investee with a controlling interest | - | - | 90,526 | 1,357,890 | - | - | - | - | - | 91,703 | 1,429,804 |
| | VIS | " | - | Investment accounted for using equity method | 442,262 | 5,741,870 | 169,600 | 4,927,865 | - | - | - | - | - | 616,240 | 10,760,885 |
| | <u>Capital</u> | | | | | | | | | | | | | | |
| | VTAF II | Investee accounted for using equity method | - | Subsidiary | - | 733,130 | - | 310,157 | - | - | - | - | - | - | 1,026,700 |
| | VTAT III | " | - | Subsidiary | - | 228,005 | - | 591,908 | - | - | - | - | - | - | 786,064 |
| Emerging Alliance | <u>Common stock</u> | | | | | | | | | | | | | | |
| | SiRF Technology Holdings | Financial assets carried at cost | - | - | 1,325 | US\$ 1,800 | 183 | US\$ 3,437 | 1,415 | US\$ 7,607 | US\$ 3,494 | US\$ 4,112 | 93 | US\$ 1,743 | |
| VTAF III | <u>Preferred stock</u> | | | | | | | | | | | | | | |
| | Neoconix, Inc. | Financial assets carried at cost | - | - | - | - | 2,458 | US\$ 4,000 | - | - | - | - | 2,458 | US\$ 4,000 | |
| TSMC Global | <u>Agency bonds</u> | | | | | | | | | | | | | | |
| | Fed Hm Ln Pc Pool 1g1282 | Available-for-sale financial assets | - | - | - | - | - | US\$ 4,378 | - | - | - | - | - | US\$ 4,199 | |
| | Fed Hm Ln Pc Pool 1g1411 | " | - | - | - | - | - | US\$ 4,424 | - | - | - | - | - | US\$ 3,829 | |
| | Fed Hm Ln Pc Pool 1g1616 | " | - | - | - | - | - | US\$ 4,436 | - | - | - | - | - | US\$ 4,451 | |
| | Fed Hm Ln Pc Pool 1g1921 | " | - | - | - | - | - | US\$ 4,404 | - | - | - | - | - | US\$ 4,353 | |
| | Fed Hm Ln Pc Pool 1g2162 | " | - | - | - | - | - | US\$ 5,757 | - | - | - | - | - | US\$ 5,787 | |
| | Fed Hm Ln Pc Pool 1g2593 | " | - | - | - | - | - | US\$ 5,600 | - | - | - | - | - | US\$ 5,595 | |
| | Fed Hm Ln Pc Pool 1j0410 | " | - | - | - | - | - | US\$ 6,024 | - | - | - | - | - | US\$ 5,881 | |
| | Fed Hm Ln Pc Pool G12009 | " | - | - | - | - | - | US\$ 3,935 | - | - | - | - | - | US\$ 3,760 | |
| | Fed Home Ln Bank | " | - | - | - | - | - | US\$ 5,035 | - | - | - | - | - | US\$ 5,081 | |
| | Federal Farm Cr Bks | " | - | - | - | - | - | US\$ 3,411 | - | - | - | - | - | US\$ 3,446 | |
| | Federal Home Ln Bks | " | - | - | - | - | - | US\$ 5,365 | - | - | - | - | - | US\$ 5,450 | |
| | Federal Home Ln Bks | " | - | - | - | US\$ 4,920 | - | - | - | US\$ 4,938 | US\$ 4,872 | US\$ 66 | - | - | |
| | Federal Home Ln Bks | " | - | - | - | US\$ 12,279 | - | - | - | US\$ 12,367 | US\$ 12,233 | US\$ 134 | - | - | |
| | Federal Home Ln Bks | " | - | - | - | US\$ 6,905 | - | - | - | US\$ 6,947 | US\$ 6,881 | US\$ 66 | - | - | |
| | Federal Home Ln Bks | " | - | - | - | - | - | US\$ 8,137 | - | - | - | - | - | US\$ 8,205 | |
| | Federal Home Ln Bks | " | - | - | - | US\$ 7,506 | - | - | - | US\$ 7,500 | US\$ 7,490 | US\$ 10 | - | - | |
| | Federal Home Ln Bks | " | - | - | - | - | - | US\$ 4,494 | - | - | - | - | - | US\$ 4,552 | |
| | Federal Home Ln Bks | " | - | - | - | - | - | US\$ 8,983 | - | - | - | - | - | US\$ 9,008 | |
| | Federal Home Ln Mtg | " | - | - | - | - | - | US\$ 6,513 | - | - | - | - | - | US\$ 5,671 | |
| | Federal Home Ln Mtg Corp. | " | - | - | - | US\$ 6,440 | - | - | - | US\$ 6,453 | US\$ 6,410 | US\$ 43 | - | - | |
| | Federal Home Ln Mtg Corp. | " | - | - | - | US\$ 5,948 | - | - | - | US\$ 5,966 | US\$ 5,930 | US\$ 36 | - | - | |
| | Federal Home Ln Mtg Corp. | " | - | - | - | - | - | US\$ 6,000 | - | US\$ 6,000 | US\$ 6,000 | - | - | - | |
| | Federal Home Ln Mtg Corp. | " | - | - | - | - | - | US\$ 3,868 | - | - | - | - | - | US\$ 3,588 | |
| | Federal Home Ln Mtg Corp. | " | - | - | - | - | - | US\$ 4,354 | - | - | - | - | - | US\$ 3,900 | |
| | Federal Home Ln Mtg Disc Nts | " | - | - | - | - | - | US\$ 21,985 | - | - | - | - | - | US\$ 22,161 | |
| | Federal Home Loan Bank | " | - | - | - | - | - | US\$ 4,518 | - | - | - | - | - | US\$ 4,556 | |
| | Federal Home Loan Bank | " | - | - | - | - | - | US\$ 5,083 | US\$ 4,981 | US\$ 5,083 | US\$ (102) | - | - | - | |
| | Federal Home Loan Bank | " | - | - | - | - | - | US\$ 3,453 | - | - | - | - | - | US\$ 3,460 | |
| | Federal National Mort Assoc | " | - | - | - | - | - | US\$ 3,250 | - | - | - | - | - | US\$ 3,035 | |

(Continued)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal (Note2) | | | | Ending Balance | |
|--------------|-------------------------------------|-------------------------------------|---------------|------------------------|-----------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|---|-----------------------------|-------------------------------------|
| | | | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) | Gain (Loss) or Disposal (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) (Note 3) |
| | Federal Natl Mtg Assn | Available-for-sale financial assets | - | - | - | US\$ - | - | US\$ 4,982 | - | US\$ - | US\$ - | US\$ - | - | US\$ 5,011 |
| | Federal Natl Mtg Assn | " | - | - | - | - | - | US\$ 6,500 | - | - | - | - | - | US\$ 6,515 |
| | Federal Natl Mtg Assn | " | - | - | - | - | - | US\$ 8,458 | - | - | - | - | - | US\$ 8,550 |
| | Federal Natl Mtg Assn | " | - | - | - | - | - | US\$ 4,997 | - | - | - | - | - | US\$ 5,019 |
| | Federal Natl Mtg Assn | " | - | - | - | - | - | US\$ 4,500 | - | - | - | - | - | US\$ 4,503 |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 14,973 | - | - | - | US\$ 14,993 | US\$ 14,931 | US\$ 62 | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | - | - | US\$ 4,368 | - | US\$ 4,319 | US\$ 4,368 | US\$ (49) | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 6,511 | - | - | - | US\$ 6,514 | US\$ 6,516 | US\$ (2) | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 5,915 | - | - | - | US\$ 5,933 | US\$ 5,885 | US\$ 48 | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 7,868 | - | - | - | US\$ 7,926 | US\$ 7,834 | US\$ 92 | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 3,943 | - | - | - | US\$ 3,957 | US\$ 3,950 | US\$ 7 | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 19,766 | - | - | - | US\$ 19,844 | US\$ 19,702 | US\$ 142 | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | US\$ 10,467 | - | - | - | US\$ 10,477 | US\$ 10,459 | US\$ 18 | - | - |
| | Federal Natl Mtg Assn | " | - | - | - | - | - | US\$ 4,994 | - | - | - | - | - | US\$ 5,027 |
| | Federal Natl Mtg Assn Mtn | " | - | - | - | - | - | US\$ 3,733 | - | - | - | - | - | US\$ 3,766 |
| | Fnma Pool 691283 | " | - | - | - | - | - | US\$ 3,486 | - | - | - | - | - | US\$ 3,512 |
| | Fnma Pool 888249 | " | - | - | - | - | - | US\$ 4,822 | - | - | - | - | - | US\$ 4,543 |
| | Fnma Pool 888388 | " | - | - | - | - | - | US\$ 6,530 | - | - | - | - | - | US\$ 6,367 |
| | Fnma Pool 900296 | " | - | - | - | - | - | US\$ 4,336 | - | - | - | - | - | US\$ 3,366 |
| | <u>Corporate bonds</u> | | | | | | | | | | | | | |
| | American Express Co. | Available-for-sale financial assets | - | - | - | US\$ 3,452 | - | - | - | US\$ 3,466 | US\$ 3,432 | US\$ 34 | - | - |
| | American Honda Fin Corp. Mtn | " | - | - | - | US\$ 3,092 | - | US\$ 6,220 | - | - | - | - | - | US\$ 9,371 |
| | Bear Stearns Cos Inc. | " | - | - | - | US\$ 3,379 | - | - | - | US\$ 3,395 | US\$ 3,340 | US\$ 55 | - | - |
| | Bp Cap Mkts Plc | " | - | - | - | - | - | US\$ 4,496 | - | - | - | - | - | US\$ 4,515 |
| | Burlington Res Inc. | " | - | - | - | - | - | US\$ 3,648 | - | - | - | - | - | US\$ 3,642 |
| | Citigroup Fdg Inc. | " | - | - | - | - | - | US\$ 4,587 | - | - | - | - | - | US\$ 4,589 |
| | Credit Suisse First Boston USA | " | - | - | - | - | - | US\$ 3,175 | - | US\$ 3,105 | US\$ 3,175 | US\$ (70) | - | - |
| | Deere John Cap Corp. | " | - | - | - | US\$ 4,928 | - | - | - | US\$ 4,945 | US\$ 4,899 | US\$ 46 | - | - |
| | Deere John Cap Corp. | " | - | - | - | - | - | US\$ 5,900 | - | - | - | - | - | US\$ 5,975 |
| | European Invst Bk | " | - | - | - | US\$ 3,970 | - | - | - | US\$ 3,973 | US\$ 3,930 | US\$ 43 | - | - |
| | Federal Home Ln Bks | " | - | - | - | US\$ 7,937 | - | - | - | US\$ 7,964 | US\$ 7,937 | US\$ 27 | - | - |
| | General Elec Cap Corp. Mtn | " | - | - | - | US\$ 8,759 | - | - | - | US\$ 8,793 | US\$ 8,716 | US\$ 77 | - | - |
| | General Elec Cap Corp. Mtn | " | - | - | - | - | - | US\$ 4,816 | - | - | - | - | - | US\$ 4,820 |
| | Genworth Finl Inc. | " | - | - | - | - | - | US\$ 3,250 | - | - | - | - | - | US\$ 3,265 |
| | Goldman Sachs Group Inc. | " | - | - | - | US\$ 3,456 | - | - | - | US\$ 3,471 | US\$ 3,453 | US\$ 18 | - | - |
| | Goldman Sachs Group Inc. | " | - | - | - | US\$ 4,989 | - | - | - | US\$ 5,011 | US\$ 4,941 | US\$ 70 | - | - |
| | Hbos Plc Medium Term Sr Nts | " | - | - | - | US\$ 3,205 | - | - | - | US\$ 3,215 | US\$ 3,182 | US\$ 33 | - | - |
| | Household Fin Corp. | " | - | - | - | - | - | US\$ 3,120 | - | - | - | - | - | US\$ 3,071 |
| | HSBC Fin Corp. | " | - | - | - | - | - | US\$ 4,468 | - | - | - | - | - | US\$ 4,466 |
| | HSBC Fin Corp. | " | - | - | - | US\$ 3,028 | - | - | - | US\$ 3,028 | US\$ 3,028 | - | - | - |
| | HSBC Fin Corp. Mtn | " | - | - | - | US\$ 5,096 | - | - | - | US\$ 5,114 | US\$ 5,066 | US\$ 48 | - | - |
| | International Business Machs | " | - | - | - | - | - | US\$ 3,496 | - | - | - | - | - | US\$ 3,502 |
| | Lehman Brothers Hldgs Inc. | " | - | - | - | - | - | US\$ 3,150 | - | - | - | - | - | US\$ 3,074 |
| | Lehman Brothers Hldgs Inc. | " | - | - | - | US\$ 3,150 | - | - | - | US\$ 3,152 | US\$ 3,150 | US\$ 2 | - | - |
| | Massmutual Global Fdg Ii Mtn | " | - | - | - | - | - | US\$ 3,647 | - | - | - | - | - | US\$ 3,673 |
| | Merrill Lynch + Co Inc. | " | - | - | - | US\$ 3,453 | - | - | - | US\$ 3,464 | US\$ 3,426 | US\$ 38 | - | - |
| | Merrill Lynch + Co Inc. | " | - | - | - | US\$ 4,865 | - | - | - | US\$ 4,880 | US\$ 4,842 | US\$ 38 | - | - |
| | Metropolitan Life Golbal Mtn | " | - | - | - | - | - | US\$ 3,325 | - | - | - | - | - | US\$ 3,376 |
| | Morgan Stanley | " | - | - | - | US\$ 2,126 | - | US\$ 3,337 | - | - | - | - | - | US\$ 5,534 |
| | Nucor Corp. | " | - | - | - | US\$ 3,797 | - | - | - | US\$ 3,790 | US\$ 3,811 | US\$ (21) | - | - |
| | Slm Corp Medium Term Nts | " | - | - | - | US\$ 8,998 | - | - | - | US\$ 9,008 | US\$ 8,949 | US\$ 59 | - | - |
| | Wachovia Corp New | " | - | - | - | - | - | US\$ 3,491 | - | - | - | - | - | US\$ 3,479 |
| | Wachovia Corp New | " | - | - | - | US\$ 2,040 | - | US\$ 1,534 | - | US\$ 3,563 | US\$ 3,582 | US\$ (19) | - | - |
| | Wachovia Corp New | " | - | - | - | - | - | US\$ 3,100 | - | - | - | - | - | US\$ 3,152 |
| | Washington Mut Bk Fa | " | - | - | - | US\$ 3,997 | - | - | - | US\$ 3,998 | US\$ 4,000 | US\$ (2) | - | - |

(Continued)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal (Note2) | | | Ending Balance | | |
|--------------|--|-------------------------------------|---------------|------------------------|-----------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|---|-----------------------------|-------------------------------------|
| | | | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) | Gain (Loss) or Disposal (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) (Note 3) |
| | Corporate issued asset-backed securities | | | | | | | | | | | | | |
| | Ba Cr Card Tr | Available-for-sale financial assets | - | - | - | US\$ 4,300 | - | US\$ - | - | US\$ 4,260 | US\$ 4,350 | US\$ (90) | - | US\$ - |
| | Banc Amer Coml Mtg Inc. | " | - | - | - | - | - | US\$ 4,591 | - | - | - | - | - | US\$ 4,605 |
| | Bear Stearns Coml Mtg Secs Inc. | " | - | - | - | - | - | US\$ 5,259 | - | - | - | - | - | US\$ 5,259 |
| | Capital One Prime Auto Receiva | " | - | - | - | - | - | US\$ 3,500 | - | - | - | - | - | US\$ 3,500 |
| | Caterpillar Finl Asset Tr | " | - | - | - | US\$ 8,142 | - | - | US\$ 4,940 | US\$ 4,904 | US\$ 36 | - | - | US\$ 3,278 |
| | Credit Suisse First Boston Mtg | " | - | - | - | - | - | US\$ 7,613 | - | - | - | - | - | US\$ 7,206 |
| | Credit Suisse First Boston Mtg | " | - | - | - | - | - | US\$ 7,637 | - | - | - | - | - | US\$ 6,879 |
| | First Un Natl Bk Coml Mtg Tr | " | - | - | - | - | - | US\$ 5,188 | - | - | - | - | - | US\$ 5,225 |
| | Gsamp Tr | " | - | - | - | US\$ 4,251 | - | - | US\$ 3,868 | US\$ 4,241 | US\$ (373) | - | - | - |
| | Honda Auto Receivables | " | - | - | - | - | - | US\$ 3,373 | - | - | - | - | - | US\$ 3,379 |
| | Mbna Cr Card Master Nt Tr | " | - | - | - | - | - | US\$ 4,500 | - | US\$ 4,449 | US\$ 4,500 | US\$ (51) | - | - |
| | Mbna Master Cr Card Tr II | " | - | - | - | US\$ 7,605 | - | - | US\$ 7,552 | US\$ 7,653 | US\$ (101) | - | - | - |
| | Nissan Auto Receivables | " | - | - | - | US\$ 3,928 | - | - | US\$ 3,928 | US\$ 3,943 | US\$ (15) | - | - | - |
| | Providian Gateway Owner Tr | " | - | - | - | US\$ 3,942 | - | - | US\$ 3,961 | US\$ 3,911 | US\$ 50 | - | - | - |
| | Tiaa Seasoned Coml Mtg Tr | " | - | - | - | - | - | US\$ 4,171 | - | - | - | - | - | US\$ 4,055 |
| | Tw Hotel Fdg 2005 Llc | " | - | - | - | US\$ 4,103 | - | - | US\$ 3,325 | US\$ 3,338 | US\$ (13) | - | - | - |
| | Usaa Auto Owner Tr | " | - | - | - | - | - | US\$ 4,999 | - | - | - | - | - | US\$ 4,999 |
| | Wamu Mtg | " | - | - | - | - | - | US\$ 3,656 | - | - | - | - | - | US\$ 3,439 |
| | Wamu Mtg Pass Thru Cdfs Tr | " | - | - | - | - | - | US\$ 4,854 | - | - | - | - | - | US\$ 4,143 |
| | Wells Fargo Finl Auto Owner Tr | " | - | - | - | US\$ 4,986 | - | - | US\$ 3,535 | US\$ 3,515 | US\$ 20 | - | - | - |
| | Wells Fargo Mtg Backed Secs | " | - | - | - | - | - | US\$ 3,935 | - | - | - | - | - | US\$ 3,940 |
| | <u>Government Bond</u> | | | | | | | | | | | | | |
| | United States Treas Nts | Available-for-sale financial assets | - | - | - | - | - | US\$ 5,059 | - | US\$ 5,007 | US\$ 5,059 | US\$ (52) | - | - |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 42,302 | - | US\$ 16,173 | US\$ 16,174 | US\$ (1) | - | US\$ 26,447 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 6,837 | - | - | - | - | - | US\$ 6,919 |
| | United States Treas Nts | " | - | - | - | US\$ 5,936 | - | - | US\$ 5,936 | US\$ 5,944 | US\$ (8) | - | - | - |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 12,876 | - | - | - | - | - | US\$ 13,038 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 18,758 | - | US\$ 4,989 | US\$ 4,962 | US\$ 27 | - | US\$ 13,841 |
| | United States Treas Nts | " | - | - | - | US\$ 12,350 | - | - | US\$ 12,363 | US\$ 12,295 | US\$ 68 | - | - | - |
| | United States Treas Nts | " | - | - | - | US\$ 4,009 | - | - | US\$ 4,019 | US\$ 3,996 | US\$ 23 | - | - | - |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 271,758 | - | US\$ 271,969 | US\$ 271,758 | US\$ 211 | - | - |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 34,573 | - | US\$ 34,574 | US\$ 34,573 | US\$ 1 | - | - |
| | United States Treas Nts | " | - | - | - | US\$ 56,526 | - | US\$ 131,185 | - | US\$ 187,636 | US\$ 187,804 | US\$ (168) | - | - |
| | United States Treas Nts | " | - | - | - | US\$ 60,929 | - | - | US\$ 60,813 | US\$ 61,165 | US\$ (352) | - | - | - |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 133,758 | - | US\$ 112,103 | US\$ 111,594 | US\$ 509 | - | US\$ 22,415 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 16,788 | - | US\$ 15,007 | US\$ 15,043 | US\$ (36) | - | US\$ 1,758 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 20,692 | - | - | - | - | - | US\$ 20,919 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 41,816 | - | US\$ 30,716 | US\$ 30,586 | US\$ 130 | - | US\$ 11,288 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 29,438 | - | US\$ 20,089 | US\$ 19,959 | US\$ 130 | - | US\$ 9,637 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 19,628 | - | US\$ 7,025 | US\$ 7,007 | US\$ 18 | - | US\$ 12,740 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 26,131 | - | US\$ 26,501 | US\$ 26,131 | US\$ 370 | - | - |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 109,310 | - | US\$ 8,496 | US\$ 8,494 | US\$ 2 | - | US\$ 100,944 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 6,957 | - | - | - | - | - | US\$ 6,969 |
| | United States Treas Nts | " | - | - | - | - | - | US\$ 14,102 | - | US\$ 4,392 | US\$ 4,400 | US\$ (8) | - | US\$ 9,810 |

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.

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets or equity of earnings of equity method investees.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Company Name | Types of Property | Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationships | Prior Transaction of Related Counter-party | | | | Price Reference | Purpose of Acquisition | Other Terms |
|--------------|-------------------|------------------|--------------------|------------------------------|------------------------|-------------------------|--|---------------|---------------|--------|-----------------|------------------------|-------------|
| | | | | | | | Owner | Relationships | Transfer Date | Amount | | | |
| The Company | Fab | January 4, 2007 | \$198,000 | By the construction progress | Lead Fu Industry Corp. | - | N/A | N/A | N/A | N/A | Public bidding | Manufacturing purpose | None |

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationships | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | | Note |
|--------------|---------------------------|--|---------------------|----------------|---------------|---|----------------------|-------------------------|--------------------------------------|---------------|------|
| | | | Purchases/ Sales | Amount | % to Total | Payment Terms | Unit Price (Note) | Payment Terms (Note) | Ending Balance | % to Total | |
| The Company | TSMC-North America GUC | Subsidiary Investee with a controlling financial interest | Sales | \$ 134,957,821 | 60 | Net 30 days after invoice date | - | - | \$ 23,713,567 | 53 | |
| | | | Sales | 631,008 | - | Net 30 days after monthly closing | - | - | 119,455 | - | |
| | WaferTech SSMC | Indirect subsidiary Investee accounted for using equity method | Purchases | 7,419,547 | 21 | Net 30 days after monthly closing | - | - | (779,480) | 6 | |
| | | | Purchases | 3,971,517 | 11 | Net 30 days after monthly closing | - | - | (639,524) | 5 | |
| | TSMC-Shanghai VIS | Subsidiary Investee accounted for using equity method | Purchases | 3,947,089 | 11 | Net 30 days after monthly closing | - | - | (733,801) | 6 | |
| | | | Purchases | 2,956,489 | 8 | Net 30 days after monthly closing | - | - | (904,635) | 8 | |
| GUC | TSMC-North America | Same parent company | Purchases | 1,277,963 | 73 | Net 30 days after invoice date/Net 45 days after monthly closing | - | - | (184,387) | 19 | |
| Xintec | VisEra OmniVision | Same president Parent company of director (represented for Xintec) | Sales | 1,040,411 | 43 | Net 45 days after shipping | - | - | 3,785 | 1 | |
| | | | Sales | 943,594 | 39 | Net 45 days after shipping | - | - | 406,555 | 73 | |

Note: The terms of sales to related parties are not significantly different from those to third parties. For purchase transactions, prices are determined in accordance with the related contractual agreements and no other similar transaction could be compared with.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SEPTEMBER 30, 2007
 (Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationships | Ending Balance | Turnover Days (Note) | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|--------------|---------------------------|---|----------------|-------------------------|--------------|---|---|----------------------------|
| | | | | | Amounts | Action Taken | | |
| The Company | TSMC-North America VIS | Subsidiary | \$ 23,804,596 | 41 | \$ 5,839,079 | - | \$ 9,238,950 | \$ - |
| | | Investee accounted for using equity method | 126,319 | - | 10,332 | Accelerate demand on account receivable | - | - |
| | GUC | Investee with a controlling financial interest | 119,455 | 60 | 341 | - | 26,883 | - |
| Xintec | VisEra OmniVision | Same president | 3,785 | 52 | 865 | Accelerate demand on account receivable | - | - |
| | | Parent company of director (represented for Xintec) | 406,555 | 59 | 114,803 | - | 156,286 | - |

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

SEPTEMBER 30, 2007

(Amounts in Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2007 | | | Net Income (Losses) of the Investee | Equity in the Earnings (Losses) (Note 2) | Note |
|------------------|----------------------------|---------------------------------|--|----------------------------|-------------------|----------------------------------|-------------------------|-------------------------|-------------------------------------|--|--|
| | | | | September 30, 2007 | December 31, 2006 | Shares (in Thousands) | Percentage of Ownership | Carrying Value (Note 1) | | | |
| The Company | TSMC Global | Tortola, British Virgin Islands | Investment activities | \$ 42,327,245 | \$ 42,327,245 | 1 | 100 | \$ 44,234,333 | \$ 1,612,188 | \$ 1,612,188 | Subsidiary |
| | TSMC International | 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 | 27,553,919 | 867,644 | 867,644 | Subsidiary |
| | TSMC-Shanghai | Shanghai, China | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367 | 12,180,367 | - | 100 | 8,567,668 | (833,730) | (831,295) | Subsidiary |
| | SSMC | Singapore | Fabrication and supply of integrated circuits | 8,840,895 | 8,840,895 | 463 | 39 | 8,674,862 | 2,205,314 | 707,645 | Investee accounted for using equity method |
| | VIS | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,047,681 | 8,119,816 | 616,240 | 36 | 10,760,885 | 3,137,149 | 752,321 | Investee accounted for using equity method |
| | TSMC Partners | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 4,667,437 | 216,716 | 216,716 | Subsidiary |
| | TSMC-North America | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,227,896 | 210,599 | 210,599 | Subsidiary |
| | Xintec | Taoyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | - | 91,703 | 43 | 1,429,804 | 312,653 | 110,548 | Investee with a controlling financial interest |
| | VTAF II | Cayman Islands | Investing in new start-up technology companies | 1,095,622 | 785,465 | - | 98 | 1,026,700 | (15,755) | (15,440) | Subsidiary |
| | VTAF III | Cayman Islands | Investing in new start-up technology companies | 835,453 | 243,545 | - | 98 | 786,064 | (28,711) | (28,136) | Subsidiary |
| | Emerging Alliance | Cayman Islands | Investing in new start-up technology companies | 1,245,420 | 1,418,717 | - | 99 | 683,002 | 116,761 | 116,178 | Subsidiary |
| | GUC | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 42,572 | 37 | 750,200 | 516,187 | 177,680 | Investee with a controlling financial interest |
| | Chi Cherng | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | - | 36 | 170,542 | 56,068 | 5,235 | Subsidiary |
| | Hsin Ruey | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | - | 36 | 168,918 | 55,588 | 4,659 | Subsidiary |
| | TSMC-Japan | Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 100 | 102,257 | 3,003 | 3,003 | Subsidiary |
| TSMC-Europe | Amsterdam, the Netherlands | Marketing activities | 15,749 | 15,749 | - | 100 | 74,994 | 20,445 | 20,445 | Subsidiary | |
| TSMC-Korea | Seoul, Korea | Marketing activities | 13,656 | 13,656 | 80 | 100 | 16,014 | 1,137 | 1,137 | Subsidiary | |

Note 1: The treasury stock is deducted from the carrying value.

Note 2: Equity in earnings/losses of investees include the effect of unrealized gross profit from affiliates.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

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

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital (RMB in Thousand) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2007 (US\$ in Thousand) | Percentage of Ownership | Equity in the Earnings (Losses) (Note 2) | Carrying Value as of September 30, 2007 | Accumulated Inward Remittance of Earnings as of September 30, 2007 |
|---------------------------------|--|---|----------------------|--|----------------------------|--------|---|-------------------------|--|---|--|
| | | | | | Outflow (US\$ in Thousand) | Inflow | | | | | |
| TSMC (Shanghai) Company Limited | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$12,180,367 (RMB3,070,623) | (Note 1) | \$12,180,367 (US\$371,000) | \$ - | \$ - | \$12,180,367 (US\$371,000) | 100% | \$(831,295) | \$8,567,668 | \$ - |

| Accumulated Investment in Mainland China as of September 30, 2007 (US\$ in Thousand) | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand) | Upper Limit on Investment (US\$ in Thousand) |
|--|---|--|
| \$12,180,367 (US\$371,000) | \$12,180,367 (US\$371,000) | \$12,180,367 (US\$371,000) |

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

A. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Intercompany Transactions | | | Percentage of Consolidated Total Gross Sales or Total Assets |
|-----------------------------|--------------------|-----------------------------------|---------------------------------|---|----------------|----------------|--|
| | | | | Financial Statements Item | Amount | Terms (Note 2) | |
| 0 | TSMC | TSMC-NA | 1 | Sales | \$ 134,957,821 | - | 58% |
| | | | | Receivables from related parties | 23,713,567 | - | 4% |
| | | | | Other receivables from related parties | 91,029 | - | - |
| | | | | Payables to related parties | 54,233 | - | - |
| | | TSMC-Shanghai | 1 | Sales | 79,684 | - | - |
| | | | | Purchases | 3,947,089 | - | 2% |
| | | | | Gain on disposal of property, plant and equipment | 162,076 | - | - |
| | | | | Technical service income | 89,345 | - | - |
| | | | | Other receivables from related parties | 81,808 | - | - |
| | | | | Payables to related parties | 733,801 | - | - |
| | | TSMC-Japan | 1 | Marketing expenses - commission | 166,971 | - | - |
| | | | | Payables to related parties | 17,348 | - | - |
| | | TSMC-Europe | 1 | Marketing expenses - commission | 216,545 | - | - |
| | | | | Payables to related parties | 28,321 | - | - |
| | | TSMC-Korea | 1 | Marketing expenses - commission | 16,251 | - | - |
| | | GUC | 1 | Sales | 631,008 | - | - |
| | | | | General and administrative expenses - rental | 6,451 | - | - |
| | | | | Research and development expenses | 49,519 | - | - |
| | | | | Receivables from related parties | 119,455 | - | - |
| | | TSMC Technology | 1 | Payables to related parties | 827 | - | - |
| Payables to related parties | 136,607 | | | - | - | | |
| WaferTech | 1 | Research and development expenses | 264,868 | - | - | | |
| | | Purchases | 7,419,547 | - | 3% | | |
| 1 | TSMC International | TSMC Technology | 3 | Payables to related parties | 779,480 | - | - |
| | | | | Deferred royalty income | 645,081 | - | - |
| 2 | TSMC Partners | TSMC International | 3 | Other receivables | 9,969,908 | - | 2% |
| | | | | Deferred income | 8,834,030 | - | 2% |
| 4 | GUC | TSMC-NA | 3 | Purchases | 1,277,963 | - | 1% |
| | | | | Manufacturing overhead | 165,097 | - | - |
| | | GUC-NA | 3 | Payables to related parties | 184,387 | - | - |
| | | | | Operating expenses | 41,010 | - | - |

Note 1: No. 1 represents the transactions from parent company to subsidiary.
No. 3 represents the transactions between subsidiaries.

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

(Continued)

B. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Intercompany Transactions | | | |
|-----------------|--------------------|--|---------------------------------|---|----------------|----------------|--|
| | | | | Financial Statements Item | Amount | Terms (Note 2) | Percentage of Consolidated Total Gross Sales or Total Assets |
| 0 | TSMC | TSMC-NA | 1 | Sales | \$ 144,616,913 | - | 59% |
| | | | | Receivables from related parties | 21,680,057 | - | 4% |
| | | | | Other receivables from related parties | 228,451 | - | - |
| | | | | Payables to related parties | 13,448 | - | - |
| | | TSMC-Shanghai | 1 | Sales | 61,710 | - | - |
| | | | | Purchases | 3,099,850 | - | - |
| | | | | Gain on disposal of property, plant and equipment | 125,995 | - | - |
| | | | | Technical service income | 71,405 | - | - |
| | | | | Proceeds from disposal of property, plant and equipment | 401,332 | - | - |
| | | | | Other receivables from related parties | 482,542 | - | - |
| | | | | Payables to related parties | 545,706 | - | - |
| | | | | Deferred credits | 776,935 | - | - |
| | | TSMC-Japan | 1 | Marketing expenses - commission | 204,592 | - | - |
| | | | | Payables to related parties | 25,017 | - | - |
| | | TSMC-Europe | 1 | Marketing expenses - commission | 184,306 | - | - |
| | | | | Payables to related parties | 24,207 | - | - |
| | | GUC | 1 | Sales | 488,818 | - | - |
| | | | | General and administrative expenses - rental | 11,133 | - | - |
| | | | | Research and development expenses | 37,142 | - | - |
| | | | | Receivables from related parties | 139,273 | - | - |
| TSMC Technology | 1 | Payables to related parties | 6,388 | - | - | | |
| | | Other receivables from related parties | 2,756 | - | - | | |
| WaferTech | 1 | Payables to related parties | 5,099 | - | - | | |
| | | Sales | 2,253 | - | - | | |
| 1 | TSMC International | TSMC Development | 3 | Purchases | 9,695,565 | - | 4% |
| | | | | Payables to related parties | 1,045,183 | - | - |
| | | | | Interest income | 8,004 | - | - |
| 2 | TSMC Partners | TSMC International | 3 | Deferred royalty income | 653,592 | - | - |
| | | | | Other receivables | 10,101,448 | - | 2% |
| 3 | TSMC Technology | WaferTech | 3 | Deferred revenue | 8,950,584 | - | 2% |
| | | | | Management service income | 6,959 | - | - |
| 4 | GUC | TSMC-NA | 3 | Purchases | 435,256 | - | - |
| | | | | Manufacturing overhead | 259,662 | - | - |
| | | GUC-NA | 3 | Payables to related parties | 92,058 | - | - |
| | | | | Operating expenses | 29,629 | - | - |

Note 1: No. 1 represents the transactions from parent company to subsidiary.
No. 3 represents the transactions between subsidiaries.

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

(Concluded)