

**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2008 and 2007 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2008, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

By

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**MORRIS CHANG**  
Chairman

January 17, 2009

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2008 and 2007, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted Interpretation 2007-052, “Accounting for Bonuses to Employees, Directors and Supervisors” issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

January 17, 2009

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 194,613,752	35	\$ 94,986,488	16	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 85,187	-	\$ 249,313	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	55,730	-	1,632,387	-	Accounts payable	5,553,151	1	11,574,882	2
Available-for-sale financial assets (Notes 2, 6 and 24)	10,898,715	2	66,688,368	12	Payables to related parties (Note 25)	489,857	-	1,503,376	1
Held-to-maturity financial assets (Notes 2, 7 and 24)	5,881,999	1	11,526,946	2	Income tax payable (Notes 2 and 18)	9,331,825	2	11,126,128	2
Receivables from related parties (Note 25)	407	-	10,885	-	Bonuses payable to employees, directors and supervisors (Notes 3 and 20)	15,369,730	3	-	-
Notes and accounts receivable	25,023,321	4	47,204,126	8	Payables to contractors and equipment suppliers	7,998,773	1	6,256,732	1
Allowance for doubtful receivables (Notes 2 and 8)	(455,751)	-	(701,807)	-	Accrued expenses and other current liabilities (Notes 16 and 28)	9,755,835	2	17,714,763	3
Allowance for sales returns and others (Notes 2 and 8)	(6,071,026)	(1)	(4,089,035)	(1)	Current portion of bonds payable and bank loans (Notes 14, 15 and 26)	8,222,398	1	280,813	-
Other receivables from related parties (Note 25)	99,918	-	243,620	-					
Other financial assets (Note 26)	1,911,699	-	1,515,527	-	Total current liabilities	56,806,756	10	48,706,007	9
Inventories, net (Notes 2 and 9)	14,876,645	3	23,862,260	4					
Deferred income tax assets, net (Notes 2 and 18)	3,969,330	1	5,572,334	1	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	1,813,692	-	1,370,230	-	Bonds payable (Note 14)	4,500,000	1	12,500,000	2
					Long-term bank loans (Notes 15 and 26)	1,420,476	-	1,722,196	-
Total current assets	252,618,431	45	249,822,329	42	Other long-term payables (Notes 16 and 28)	9,548,226	2	9,409,978	2
					Obligations under capital leases (Note 2)	722,339	-	652,296	-
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>					Total long-term liabilities	16,191,041	3	24,284,470	4
Investments accounted for using equity method	18,907,158	3	22,517,289	4					
Available-for-sale financial assets	2,032,658	-	1,400,691	-	<b>OTHER LIABILITIES</b>				
Held-to-maturity financial assets	15,426,252	3	8,697,726	2	Accrued pension cost (Notes 2 and 17)	3,701,584	1	3,665,522	1
Financial assets carried at cost	3,615,447	1	3,845,619	1	Guarantee deposits (Note 28)	1,484,495	-	2,243,009	-
					Deferred credits (Notes 2 and 25)	316,537	-	1,236,873	-
Total long-term investments	39,981,515	7	36,461,325	7	Others	43,709	-	43,774	-
					Total other liabilities	5,546,325	1	7,189,178	1
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>					Total liabilities	78,544,122	14	80,179,655	14
Cost									
Land and land improvements	953,857	-	942,197	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Buildings	132,249,996	24	118,640,027	21	Capital stock - \$10 par value (Notes 20 and 22)				
Machinery and equipment	697,498,743	125	646,419,427	113	Authorized: 28,050,000 thousand shares				
Office equipment	12,430,800	2	11,829,640	2	Issued: 25,625,437 thousand shares in 2008				
Leased assets	722,339	-	652,296	-	26,427,104 thousand shares in 2007	256,254,373	46	264,271,037	46
	843,855,735	151	778,483,587	136	Capital surplus (Notes 2 and 20)	49,875,255	9	53,732,682	9
Accumulated depreciation	(618,816,267)	(110)	(540,099,567)	(94)					
Advance payments and construction in progress	18,605,882	3	21,868,167	4	Retained earnings (Note 20)				
					Appropriated as legal capital reserve	67,324,393	12	56,406,684	10
Net property, plant and equipment	243,645,350	44	260,252,187	46	Appropriated as special capital reserve	391,857	-	629,550	-
					Unappropriated earnings	102,337,417	18	161,828,337	28
<b>INTANGIBLE ASSETS</b>						170,053,667	30	218,864,571	38
Goodwill (Note 2)	6,044,392	1	5,987,582	1	Others (Notes 2, 22 and 24)				
Deferred charges, net (Notes 2 and 13)	7,125,828	1	7,923,601	2	Cumulative translation adjustments	481,158	-	(1,072,853)	-
					Unrealized gain/loss on financial instruments	(287,342)	-	680,997	-
Total intangible assets	13,170,220	2	13,911,183	3	Treasury stock: 834,096 thousand shares	-	-	(49,385,032)	(8)
						193,816	-	(49,776,888)	(8)
<b>OTHER ASSETS</b>					Equity attributable to shareholders of the parent	476,377,111	85	487,091,402	85
Deferred income tax assets, net (Notes 2 and 18)	6,636,873	1	7,313,283	1					
Refundable deposits	2,767,199	1	2,777,769	1	<b>MINORITY INTERESTS (Note 2)</b>				
Others (Note 2)	97,001	-	327,150	-		3,995,356	1	3,594,169	1
					Total shareholders' equity	480,372,467	86	490,685,571	86
Total other assets	9,501,073	2	10,418,202	2					
					<b>TOTAL</b>	<b>\$ 558,916,589</b>	<b>100</b>	<b>\$ 570,865,226</b>	<b>100</b>
<b>TOTAL</b>	<b>\$ 558,916,589</b>	<b>100</b>	<b>\$ 570,865,226</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 558,916,589</b>	<b>100</b>	<b>\$ 570,865,226</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated January 17, 2009)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 341,983,355		\$ 328,336,172	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>8,825,695</u>		<u>5,705,576</u>	
NET SALES	333,157,660	100	322,630,596	100
COST OF SALES (Notes 19 and 25)	<u>191,408,099</u>	<u>58</u>	<u>180,280,385</u>	<u>56</u>
GROSS PROFIT	<u>141,749,561</u>	<u>42</u>	<u>142,350,211</u>	<u>44</u>
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	21,480,937	7	17,946,322	5
General and administrative	11,096,599	3	8,963,836	3
Marketing	<u>4,736,657</u>	<u>1</u>	<u>3,718,146</u>	<u>1</u>
Total operating expenses	<u>37,314,193</u>	<u>11</u>	<u>30,628,304</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>104,435,368</u>	<u>31</u>	<u>111,721,907</u>	<u>35</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	5,373,823	2	5,651,700	2
Foreign exchange gain, net (Note 2)	1,227,653	1	80,922	-
Technical service income (Notes 25 and 28)	1,181,966	-	590,391	-
Settlement income (Note 28)	951,180	-	985,114	1
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	721,050	-	874,670	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	701,533	-	2,507,869	1
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 25)	100,874	-	91,210	-
Subsidy income (Note 2)	8,029	-	364,321	-
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	-	-	63,017	-
Others (Note 25)	<u>555,341</u>	<u>-</u>	<u>724,589</u>	<u>-</u>
Total non-operating income and gains	<u>10,821,449</u>	<u>3</u>	<u>11,933,803</u>	<u>4</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2008</u>		<u>2007</u>	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on impairment of financial assets (Notes 2, 6, 11 and 24)	\$ 1,560,055	1	\$ 54,208	-
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	1,081,019	-	-	-
Interest expense	614,988	-	842,242	-
Loss on impairment of idle assets (Note 2)	210,477	-	-	-
Provision for litigation loss (Note 28h)	99,126	-	1,008,635	1
Others (Note 2)	218,906	-	108,599	-
Total non-operating expenses and losses	<u>3,784,571</u>	<u>1</u>	<u>2,013,684</u>	<u>1</u>
INCOME BEFORE INCOME TAX	111,472,246	33	121,642,026	38
INCOME TAX EXPENSE (Notes 2 and 18)	<u>(10,949,009)</u>	<u>(3)</u>	<u>(11,709,626)</u>	<u>(4)</u>
NET INCOME	<u>\$ 100,523,237</u>	<u>30</u>	<u>\$ 109,932,400</u>	<u>34</u>
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 99,933,168	30	\$ 109,177,093	34
Minority interests	<u>590,069</u>	<u>-</u>	<u>755,307</u>	<u>-</u>
	<u>\$ 100,523,237</u>	<u>30</u>	<u>\$ 109,932,400</u>	<u>34</u>
	<u>2008</u>		<u>2007</u>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE (NT\$, Note 23)</b>				
Basic earnings per share	<u>\$ 4.28</u>	<u>\$ 3.86</u>	<u>\$ 4.50</u>	<u>\$ 4.06</u>
Diluted earnings per share	<u>\$ 4.25</u>	<u>\$ 3.83</u>	<u>\$ 4.50</u>	<u>\$ 4.06</u>

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

(With Deloitte & Touche audit report dated January 17, 2009)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Equity Attributable to Shareholders of the Parent													
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Others					Minority Interests	Total Shareholders' Equity
	Shares (in Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Others Total	Total		
BALANCE, JANUARY 1, 2007	25,829,688	\$ 258,296,879	\$ 54,107,498	\$ 43,705,711	\$ 640,742	\$ 152,778,079	\$ 197,124,532	\$ (1,191,165)	\$ 561,615	\$ (918,075)	\$ (1,547,625)	\$ 507,981,284	\$ 1,156,832	\$ 509,138,116
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	12,700,973	-	(12,700,973)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(11,192)	11,192	-	-	-	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-	(4,572,798)	-	(4,572,798)
Bonus to employees - in stock	457,280	4,572,798	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,489,064)	(77,489,064)	-	-	-	-	(77,489,064)	-	(77,489,064)
Stock dividends to shareholders - NT\$0.02 per share	51,659	516,594	-	-	-	(516,594)	(516,594)	-	-	-	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(285,800)	(285,800)	-	-	-	-	(285,800)	-	(285,800)
Capital surplus transferred to capital stock	77,489	774,891	(774,891)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2007	-	-	-	-	-	109,177,093	109,177,093	-	-	-	-	109,177,093	755,307	109,932,400
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(28,639)	-	-	-	-	-	-	-	(28,639)	-	31,862	3,223
Translation adjustments	-	-	-	-	-	-	-	118,312	-	-	118,312	-	(99,318)	18,994
Issuance of stock from exercising employee stock options	10,988	109,875	326,952	-	-	-	-	-	-	-	-	436,827	-	436,827
Cash dividends received by subsidiaries from parent company	-	-	101,762	-	-	-	-	-	-	-	-	101,762	-	101,762
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	241,821	-	241,821	241,821	19,487	261,308
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	(122,439)	-	(122,439)	(122,439)	-	(122,439)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(48,466,957)	(48,466,957)	(48,466,957)	-	(48,466,957)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	1,729,999	1,729,999
BALANCE, DECEMBER 31, 2007	26,427,104	264,271,037	53,732,682	56,406,684	629,550	161,828,337	218,864,571	(1,072,853)	680,997	(49,385,032)	(49,776,888)	487,091,402	3,594,169	490,685,571
Appropriations of prior year's earnings														
Legal capital reserve	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(237,693)	237,693	-	-	-	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	(3,939,883)	-	(3,939,883)
Bonus to employees - in stock	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	-	(76,881,311)	-	(76,881,311)
Stock dividends to shareholders - NT\$0.02 per share	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-	-	-	-
Bonus to directors	-	-	-	-	-	(176,890)	(176,890)	-	-	-	-	(176,890)	-	(176,890)
Capital surplus transferred to capital stock	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	99,933,168	99,933,168	-	-	-	-	99,933,168	590,069	100,523,237
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	(137,063)	-	11,700	(125,363)
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011	1,554,011	(68,792)	1,485,219
Issuance of stock from exercising employee stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	-	227,150	-	227,150
Cash dividends received by subsidiaries from parent company	-	-	102,279	-	-	-	-	-	-	-	-	102,279	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(826,251)	-	(826,251)	(826,251)	(17,048)	(843,299)
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	(142,088)	-	(142,088)	(142,088)	-	(142,088)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)	(30,427,413)	-	(30,427,413)
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	79,812,445	-	-	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(114,742)	(114,742)
BALANCE, DECEMBER 31, 2008	25,625,437	256,254,373	49,875,255	67,324,393	391,857	102,337,417	170,053,667	481,158	(287,342)	-	193,816	476,377,111	3,995,356	480,372,467

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

(With Deloitte & Touche audit report dated January 17, 2009)



# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 99,933,168	\$ 109,177,093
Net income attributable to minority interests	590,069	755,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81,512,191	80,005,395
Amortization of premium/discount of financial assets	(93,393)	(117,159)
Loss on impairment of financial assets	1,560,055	54,208
Gain on disposal of available-for-sale financial assets, net	(637,219)	(610,167)
Gain on disposal of financial assets carried at cost, net	(83,831)	(264,503)
Equity in earnings of equity method investees, net	(701,533)	(2,507,869)
Dividends received from equity method investees	1,661,134	625,130
Gain on disposal of property, plant and equipment and other assets, net	(100,285)	(85,020)
Loss on impairment of idle assets	210,477	-
Deferred income tax	2,279,414	943,797
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	1,412,531	(187,084)
Receivables from related parties	10,478	629,467
Notes and accounts receivable	22,180,805	(12,134,176)
Allowance for doubtful receivables	(246,056)	(48,126)
Allowance for sales returns and others	1,981,991	1,205,277
Other receivables from related parties	143,702	13,243
Other financial assets	(425,937)	842,136
Inventories	8,985,615	(2,226,106)
Prepaid expenses and other current assets	(443,462)	290,434
Increase (decrease) in:		
Accounts payable	(6,021,731)	3,218,255
Payables to related parties	(1,013,519)	(375,731)
Income tax payable	(1,794,303)	3,179,655
Bonuses payable to employees, directors and supervisors	15,369,730	-
Accrued expenses and other current liabilities	(3,954,427)	913,872
Accrued pension cost	36,062	125,462
Deferred credits	(858,161)	343,878
Net cash provided by operating activities	<u>221,493,565</u>	<u>183,766,668</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(59,222,654)	(84,000,985)
Available-for-sale financial assets	(85,273,867)	(87,550,197)
Held-to-maturity financial assets	(16,523,275)	-
Investments accounted for using equity method	(55,871)	(5,803,826)
Financial assets carried at cost	(463,211)	(911,323)

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 138,515,023	\$ 94,908,666
Held-to-maturity financial assets	15,634,620	17,325,120
Financial assets carried at cost	199,424	410,465
Property, plant and equipment and other assets	194,940	60,535
Proceeds from return of capital by investees	2,345,867	-
Increase in deferred charges	(3,395,287)	(3,059,155)
Decrease (increase) in refundable deposits	10,570	(1,434,895)
Net cash paid for acquisition of subsidiaries	-	(404,445)
Increase in other assets	<u>(8,163)</u>	<u>(228,747)</u>
Net cash used in investing activities	<u>(8,041,884)</u>	<u>(70,688,787)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	-	(89,720)
Proceeds from long-term bank loans	98,400	653,000
Repayments of:		
Long-term bank loans	(468,313)	(196,173)
Bonds payable	-	(7,000,000)
Decrease in guarantee deposits	(758,514)	(1,574,131)
Cash dividends	(76,779,032)	(77,387,302)
Cash bonus paid to employees	(3,939,883)	(4,572,798)
Bonus to directors and supervisors	(176,890)	(285,800)
Proceeds from exercise of employee stock options	227,150	436,827
Repurchase of treasury stock	(33,480,997)	(45,413,373)
Increase (decrease) in minority interests	<u>(114,742)</u>	<u>19,004</u>
Net cash used in financing activities	<u>(115,392,821)</u>	<u>(135,410,466)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>98,058,860</b>	<b>(22,332,585)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>1,568,404</b>	<b>(518,119)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>94,986,488</u></b>	<b><u>117,837,192</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 194,613,752</u></b>	<b><u>\$ 94,986,488</u></b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 676,318</u>	<u>\$ 922,079</u>
Income tax paid	<u>\$ 10,477,018</u>	<u>\$ 7,585,727</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 60,978,527	\$ 78,889,954
Decrease (increase) in payables to contractors and equipment suppliers	(1,742,041)	5,111,031
Increase in obligations under capital leases	(13,832)	-
Cash paid	<u>\$ 59,222,654</u>	<u>\$ 84,000,985</u>
Repurchase of treasury stock	\$ 30,427,413	\$ 48,466,957
Decrease (increase) in accrued expenses and other current liabilities	3,053,584	(3,053,584)
Cash paid	<u>\$ 33,480,997</u>	<u>\$ 45,413,373</u>
NONCASH FINANCING ACTIVITIES		
Current portion of bonds payable and long-term liabilities	<u>\$ 8,222,398</u>	<u>\$ 280,813</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,126,546</u>	<u>\$ 3,735,875</u>

The Company acquired controlling interests in XinTec Inc. (XinTec) and 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	\$ 3,101,718
Property, plant and equipment	2,339,546
Other assets	436,692
Current liabilities	(1,937,407)
Long-term liabilities	<u>(701,855)</u>
Net amount	<u>\$ 3,238,694</u>
Purchase price for XinTec and Mutual-Pak	\$ 1,413,585
Less: Cash balance of XinTec and Mutual-Pak at acquisition	<u>(1,009,140)</u>
Net cash paid for acquisition of XinTec and Mutual-Pak	<u>\$ 404,445</u>

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

(With Deloitte & Touche audit report dated January 17, 2009)

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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#### 1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987 as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

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

As of December 31, 2008 and 2007, TSMC and its subsidiaries had 24,834 and 25,258 employees, respectively.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

##### **Principles of Consolidation**

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

The consolidated entities were as follows:

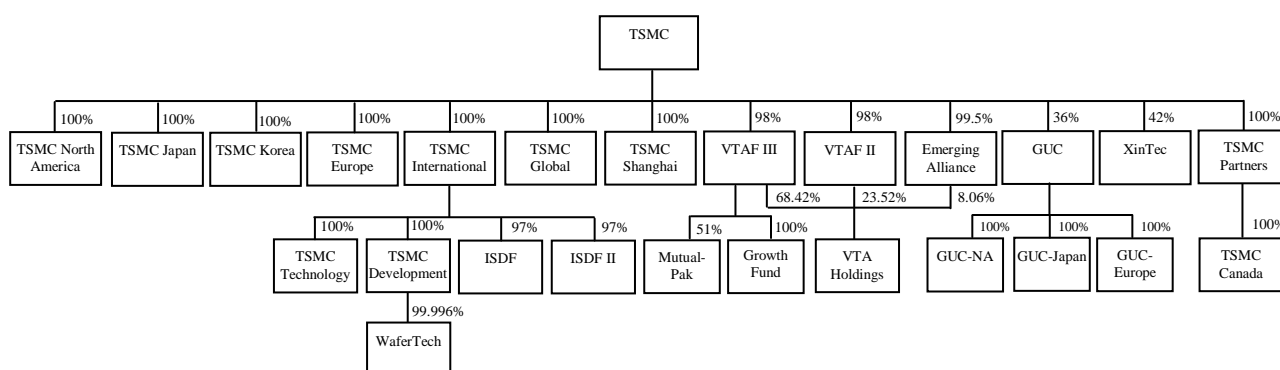
Name of Investor	Name of Investee	Percentage of Ownership December 31		Remark
		2008	2007	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC 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%	TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng as of December 31, 2007. In July 2008, Chi Cherng was merged by Hsin Ruey.
	Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	-	36%	TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey as of December 31, 2007. In August 2008, Hsin Ruey was merged by TSMC.
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	36%	37%	GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	XinTec Inc. (XinTec)	42%	43%	TSMC obtained three out of five director positions in March 2007 and TSMC has a controlling interest in XinTec.
TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-	
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%	-
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	51%	51%	-
	Growth Fund Limited (Growth Fund)	100%	-	Newly established.
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	100%	100%	-

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership December 31		Remark
		2008	2007	
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	-	Newly established.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	100%	-

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of December 31, 2008:



TSMC North America is engaged in selling and marketing of integrated circuits and semiconductor devices. TSMC Japan, TSMC Korea and TSMC Europe are engaged mainly in marketing or customer service and technical supporting 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 and TSMC Development 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, VTA Holdings, ISDF, ISDF II, and Growth Fund are engaged in investing in new start-up technology companies. TSMC Canada and TSMC Technology are engaged mainly in engineering support activities. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in researching, developing, manufacturing, testing and marketing of integrated circuits. GUC-NA, GUC-Japan, and GUC-Europe are engaged in providing products consulting in North America, Japan, and Europe, respectively. 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.

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

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

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

## **Use of Estimates**

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

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

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

## **Cash Equivalents**

Repurchase agreements collateralized by government bonds, asset-backed commercial papers 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 year; derivatives - using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

Inventories are 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. Year-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. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method", the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). If there is objective evidence which indicates that a investment is impaired, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

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

## **Financial Assets Carried at Cost**

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

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

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

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

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

### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. 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", 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.

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

### **Pension Costs**

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

### **Government Subsidies**

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

## **Income Tax**

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

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

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

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

## **Stock-based Compensation**

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

## **Treasury Stock**

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

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

## **Foreign-currency Transactions**

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

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

## Translation of Foreign-currency Financial Statements

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

## Recent Accounting Pronouncements

The Accounting Research and Development Foundation (ARDF) of the R.O.C. revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories" (SFAS No. 10) in November 2007, which requires inventories to be stated at the lower of cost or net realizable value item by item. Inventories are recorded by the specific identification method, first-in, first-out method or weighted average method. The last-in, first-out method is no longer permitted. The revised SFAS No. 10 should be applied to financial statements for the fiscal years beginning on or after January 1, 2009.

## Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2007 have been reclassified to be consistent with the consolidated financial statements as of and for the year ended December 31, 2008.

## 3. ACCOUNTING CHANGES

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share of NT\$12,827,595 thousand and NT\$0.50, respectively, for the year ended December 31, 2008.

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

## 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cash and deposits in banks	\$ 185,943,439	\$ 84,105,377
Repurchase agreements collateralized by government bonds	8,670,313	10,067,843
Asset-backed commercial papers	-	522,116
Corporate notes	-	291,152
	<u>\$ 194,613,752</u>	<u>\$ 94,986,488</u>

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

	<u>December 31</u>	
	<b>2008</b>	<b>2007</b>
Trading financial assets		
Publicly traded stocks	\$ 13,258	\$ 1,590,188
Forward exchange contracts	28,423	6,632
Cross currency swap contracts	<u>14,049</u>	<u>35,567</u>
	<u>\$ 55,730</u>	<u>\$ 1,632,387</u>
Trading financial liabilities		
Forward exchange contracts	\$ 35,812	\$ 185,583
Cross currency swap contracts	<u>49,375</u>	<u>63,730</u>
	<u>\$ 85,187</u>	<u>\$ 249,313</u>

The Company entered into derivative contracts during the years ended December 31, 2008 and 2007 to manage exposures due to the fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<u>December 31, 2008</u>		
Sell US\$/buy NT\$	January 2009 to February 2009	US\$138,900/NT\$4,558,672
Sell EUR/buy NT\$	January 2009	EUR1,500/NT\$63,150
Sell RMB/buy US\$	January 2009 to April 2009	RMB55,010/US\$8,000
Sell US\$/buy JPY	January 2009 to February 2009	US\$131/JPY11,800
<u>December 31, 2007</u>		
Sell US\$/buy NT\$	January 2008	US\$111,000/NT\$3,605,846
Sell EUR\$/buy NT\$	February 2008 to July 2008	EUR48,000/NT\$2,090,589

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>December 31, 2008</u>			
January 2009	US\$307,000/NT\$10,061,232	0.54%-5.00%	0.00%-3.83%
<u>December 31, 2007</u>			
January 2008 to February 2008	US\$975,000/NT\$31,630,180	3.53%-5.60%	0.02%-3.01%

For the years ended December 31, 2008 and 2007, net losses and gains arising from financial assets/liabilities at fair value through profit or loss were NT\$1,081,019 thousand and NT\$63,017 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Agency bonds	\$ 5,696,511	\$ 8,635,796
Corporate bonds	3,279,073	10,745,145
Corporate issued asset-backed securities	2,334,873	5,357,032
Money market funds	1,000,086	19,212,110
Government bonds	340,893	7,767,637
Publicly traded stocks	279,937	905,254
Structured time deposits	-	499,410
Open-end mutual funds	-	<u>14,966,675</u>
	<u>12,931,373</u>	<u>68,089,059</u>
Current portion	<u>(10,898,715)</u>	<u>(66,688,368)</u>
	<u>\$ 2,032,658</u>	<u>\$ 1,400,691</u>

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

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
<u>December 31, 2007</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 500,000</u>	<u>\$ 499,410</u>	1.76%	March 2008

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

For the years ended December 31, 2008 and 2007, the loss on impairment of available-for-sale financial assets was recognized NT\$934,584 thousand and nil, respectively.

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Corporate bonds	\$ 18,158,679	\$ 10,900,247
Government bonds	1,506,572	7,824,425
Structured time deposits	<u>1,643,000</u>	<u>1,500,000</u>
	<u>21,308,251</u>	<u>20,224,672</u>
Current portion	<u>(5,881,999)</u>	<u>(11,526,946)</u>
	<u>\$ 15,426,252</u>	<u>\$ 8,697,726</u>

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>December 31, 2008</u>				
Step-up callable deposits				
Foreign deposits	<u>\$ 1,643,000</u>	<u>\$ 660</u>	4.82%	December 2011
<u>December 31, 2007</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 1,500,000</u>	<u>\$ 5,585</u>	1.77%-1.83%	April 2008 to October 2008

As of December 31, 2008, the principal of the structured time deposits that resided in banks located in Hong Kong amounted to US\$50,000 thousand.

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

Movements of the allowance for doubtful receivables were as follows:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 701,807	\$ 749,888
Effect of inclusion of newly consolidated subsidiaries	-	45
Provision	14,880	2,964
Write-off	<u>(260,936)</u>	<u>(51,090)</u>
Balance, end of year	<u>\$ 455,751</u>	<u>\$ 701,807</u>

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

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 4,089,035	\$ 2,870,802
Effect of inclusion of newly consolidated subsidiaries	-	12,956
Provision	8,825,695	5,705,576
Write-off	<u>(6,843,704)</u>	<u>(4,500,299)</u>
Balance, end of year	<u>\$ 6,071,026</u>	<u>\$ 4,089,035</u>

## 9. INVENTORIES

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Finished goods	\$ 5,863,614	\$ 4,321,870
Work in process	9,078,716	17,346,862
Raw materials	1,082,700	1,862,543
Supplies and spare parts	<u>1,152,971</u>	<u>1,261,715</u>
	17,178,001	24,792,990
Allowance for losses	<u>(2,301,356)</u>	<u>(930,730)</u>
	<u>\$ 14,876,645</u>	<u>\$ 23,862,260</u>

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Carrying Amount</u>	<u>% of Owner- ship</u>	<u>Carrying Amount</u>	<u>% of Owner- ship</u>
Vanguard International Semiconductor Corporation (VIS)	\$ 9,787,275	37	\$ 11,220,101	37
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,808,192	39	9,092,741	39
VisEra Holding Company (VisEra Holding)	2,277,126	49	2,204,447	49
Aiconn Technology Corporation (Aiconn)	<u>34,565</u>	44	<u>-</u>	-
	<u>\$ 18,907,158</u>		<u>\$ 22,517,289</u>	

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 37%.

For the years ended December 31, 2008 and 2007, net equity in earnings of equity method investees of NT\$701,533 thousand and NT\$2,507,869 thousand was recognized, respectively. The related equity in earnings of equity method investees was determined based on the audited financial statements of the investees for the same periods as the Company.

As of December 31, 2008 and 2007, fair values of publicly traded stocks in investments accounted for using equity method (VIS) was NT\$4,680,264 thousand and NT\$15,189,200 thousand, respectively.

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

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 2,589,742	\$ 952,159
Addition	-	1,968,622
Amortization	<u>(599,121)</u>	<u>(331,039)</u>
Balance, end of year	<u>\$ 1,990,621</u>	<u>\$ 2,589,742</u>



As of December 31, 2008 and 2007, the ending balances of the aforementioned difference allocated to goodwill were both NT\$1,061,885 thousand.

## 11. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Non-publicly traded stocks	\$ 3,453,454	\$ 3,462,372
Mutual funds	<u>161,993</u>	<u>383,247</u>
	<u>\$ 3,615,447</u>	<u>\$ 3,845,619</u>

For the years ended December 31, 2008 and 2007, the loss on impairment of financial assets carried at cost was recognized NT\$625,471 thousand and NT\$54,208 thousand, respectively.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>Year Ended December 31, 2008</u>					
	<u>Balance, Beginning of Year</u>	<u>Addition (Deductions)</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, End of Year</u>
Cost						
Land and land improvements	\$ 942,197	\$ -	\$ -	\$ 821	\$ 10,839	\$ 953,857
Buildings	118,640,027	12,750,078	(8,524)	(706)	869,121	132,249,996
Machinery and equipment	646,419,427	50,423,075	(1,320,975)	131,067	1,846,149	697,498,743
Office equipment	11,829,640	997,253	(294,526)	(167,598)	66,031	12,430,800
Leased asset	652,296	13,832	-	-	56,211	722,339
	<u>778,483,587</u>	<u>\$ 64,184,238</u>	<u>\$ (1,624,025)</u>	<u>\$ (36,416)</u>	<u>\$ 2,848,351</u>	<u>843,855,735</u>
Accumulated depreciation						
Land and land improvements	262,703	\$ 28,613	\$ -	\$ -	\$ 4,582	295,898
Buildings	63,239,922	9,117,602	(8,524)	393	332,306	72,681,699
Machinery and equipment	467,665,072	68,349,425	(1,179,517)	(35,055)	1,162,366	535,962,291
Office equipment	8,796,752	1,223,475	(293,433)	(84,663)	51,678	9,693,809
Leased asset	135,118	33,901	-	-	13,551	182,570
	<u>540,099,567</u>	<u>\$ 78,753,016</u>	<u>\$ (1,481,474)</u>	<u>\$ (119,325)</u>	<u>\$ 1,564,483</u>	<u>618,816,267</u>
Advance payments and construction in progress	21,868,167	<u>\$ (3,205,711)</u>	<u>\$ -</u>	<u>\$ (98,013)</u>	<u>\$ 41,439</u>	<u>18,605,882</u>
Net	<u>\$ 260,252,187</u>					<u>\$ 243,645,350</u>

	<u>Year Ended December 31, 2007</u>						
	<u>Balance, Beginning of Year</u>	<u>Effect of Inclusion of Newly Consolidated Subsidiaries</u>	<u>Addition</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Effect of Exchange Rate Changes</u>	<u>Balance, Ending of Year</u>
Cost							
Land and land improvements	\$ 844,644	\$ 101,518	\$ -	\$ -	\$ -	\$ (3,965)	\$ 942,197
Buildings	112,595,124	71,053	5,522,828	(31,836)	(11,518)	494,376	118,640,027
Machinery and equipment	579,825,289	2,430,982	63,828,487	(504,132)	241,750	597,051	646,419,427
Office equipment	10,646,725	547,188	1,064,259	(350,611)	(78,898)	977	11,829,640
Leased asset	612,941	-	-	-	-	39,355	652,296
	<u>704,524,723</u>	<u>\$ 3,150,741</u>	<u>\$ 70,415,574</u>	<u>\$ (886,579)</u>	<u>\$ 151,334</u>	<u>\$ 1,127,794</u>	<u>778,483,587</u>
Accumulated depreciation							
Land and land improvements	234,377	\$ -	\$ 29,798	\$ -	\$ -	\$ (1,472)	262,703
Buildings	54,288,225	1,111	8,901,910	(30,957)	2,709	76,924	63,239,922
Machinery and equipment	400,579,587	584,690	67,018,215	(255,143)	(156,839)	(105,438)	467,665,072
Office equipment	7,839,303	76,238	1,232,781	(350,147)	(2,362)	939	8,796,752
Leased asset	96,592	-	31,429	-	-	7,097	135,118
	<u>463,038,084</u>	<u>\$ 662,039</u>	<u>\$ 77,214,133</u>	<u>\$ (636,247)</u>	<u>\$ (156,492)</u>	<u>\$ (21,950)</u>	<u>540,099,567</u>
Advance payments and construction in progress	12,607,551	<u>\$ 480,580</u>	<u>\$ 8,474,380</u>	<u>\$ -</u>	<u>\$ 288,805</u>	<u>\$ 16,851</u>	<u>21,868,167</u>
Net	<u>\$ 254,094,190</u>						<u>\$ 260,252,187</u>

The Company entered into agreements to lease buildings that qualify as capital leases. The terms of the leases ranged from December 2003 to December 2013. The future minimum lease payments as of December 31, 2008 is NT\$803,603 thousand.

### 13. DEFERRED CHARGES, NET

	Year Ended December 31, 2008							Balance, Ending of Year
	Balance, Beginning of Year	Addition	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes		
Technology license fee	\$ 5,819,148	\$ 9,256	\$ (1,691,242)	\$ -	\$ -	\$ (11,950)	\$ 4,125,212	
Software and system design costs	1,449,603	1,171,163	(806,096)	(14,279)	59	1,381	1,801,831	
Patent and others	654,850	754,402	(218,957)	-	-	8,490	1,198,785	
	<u>\$ 7,923,601</u>	<u>\$ 1,934,821</u>	<u>\$ (2,716,295)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ (2,079)</u>	<u>\$ 7,125,828</u>	

	Year Ended December 31, 2007							Balance, Ending of Year
	Balance, Beginning of Year	Effect of Inclusion of Newly Consolidated Subsidiaries	Addition	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	
Technology license fee	\$ 4,132,174	\$ 201,941	\$ 3,515,908	\$ (1,739,949)	\$ -	\$ (296,423)	\$ 5,497	\$ 5,819,148
Software and system design costs	1,669,781	2,778	1,275,329	(929,920)	(321)	(569,648)	1,604	1,449,603
Patent and others	134,960	29,779	311,827	(124,209)	(134)	296,423	6,204	654,850
	<u>\$ 5,936,915</u>	<u>\$ 234,498</u>	<u>\$ 5,103,064</u>	<u>\$ (2,794,078)</u>	<u>\$ (455)</u>	<u>\$ (569,648)</u>	<u>\$ 13,305</u>	<u>\$ 7,923,601</u>

### 14. BONDS PAYABLE

	December 31	
	2008	2007
Domestic unsecured bonds:		
Issued in January 2002 and repayable in 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	\$ 12,500,000	\$ 12,500,000
Current portion	<u>(8,000,000)</u>	<u>-</u>
	<u>\$ 4,500,000</u>	<u>\$ 12,500,000</u>

As of December 31, 2008, future principal repayments for the bonds payable were as follows:

Year of Repayment	Amount
2009	\$ 8,000,000
2012	<u>4,500,000</u>
	<u>\$ 12,500,000</u>

### 15. LONG-TERM BANK LOANS

	December 31	
	2008	2007
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 2.56%-3.67% in 2008 and 2.91%-2.99% in 2007	\$ 728,400	\$ 630,000
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 3.62% in 2008 and 5.88% in 2007	658,719	648,941

(Continued)

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.42%-3.23% in 2008 and 2.39%-3.20% in 2007	\$ 168,750	\$ 456,750
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.42%-3.00% in 2008 and 2.48%-2.85% in 2007	37,828	54,641
Repayable from March 2007 in 12 quarterly installments, annual interest at 2.53%-3.21% in 2008 and 2.79%-3.16% in 2007	32,472	124,944
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.42%-3.00% in 2008 and 2.51%-2.85% in 2007	8,995	44,975
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.56%-3.15% in 2008 and 2.65%-4.53% in 2007	7,710	40,670
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	<u>-</u>	<u>2,088</u>
	1,642,874	2,003,009
Current portion	<u>(222,398)</u>	<u>(280,813)</u>
	<u>\$ 1,420,476</u>	<u>\$ 1,722,196</u> (Concluded)

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 predetermined financial covenants. As of December 31, 2008, TSMC Shanghai and XinTec were in compliance with all such financial covenants.

As of December 31, 2008, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2009	\$ 222,398
2010	916,847
2011	212,269
2012	174,816
2013 and thereafter	<u>116,544</u>
	<u>\$ 1,642,874</u>

## 16. OTHER LONG-TERM PAYABLES

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Payables for acquisition of property, plant and equipment (Note 28i)	\$ 8,579,726	\$ 7,908,516
Payables for royalties	<u>2,095,046</u>	<u>5,174,644</u>
	10,674,772	13,083,160
Current portion (classified under accrued expenses and other current liabilities)	<u>(1,126,546)</u>	<u>(3,673,182)</u>
	<u>\$ 9,548,226</u>	<u>\$ 9,409,978</u>

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

As of December 31, 2008, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2009	\$ 1,126,546
2010	541,320
2011	427,180
2012	-
2013 and thereafter	<u>8,579,726</u>
	<u>\$ 10,674,772</u>

## 17. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, XinTec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC Shanghai, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$779,612 thousand and NT\$725,789 thousand for the years ended December 31, 2008 and 2007, respectively.

TSMC, GUC and XinTec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was dissolved after merger with the Bank of Taiwan on July 1, 2007).

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

a. Components of net periodic pension cost for the year

	<b>2008</b>	<b>2007</b>
Service cost	\$ 151,656	\$ 184,275
Interest cost	171,345	156,391
Projected return on plan assets	(68,373)	(51,309)
Amortization	<u>4,461</u>	<u>35,853</u>
Net periodic pension cost	<u>\$ 259,089</u>	<u>\$ 325,210</u>

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2008 and 2007

	<b>2008</b>	<b>2007</b>
Benefit obligation		
Vested benefit obligation	\$ 114,930	\$ 120,146
Nonvested benefit obligation	<u>4,182,434</u>	<u>3,479,132</u>
Accumulated benefit obligation	4,297,364	3,599,278
Additional benefits based on future salaries	<u>3,263,413</u>	<u>2,444,451</u>
Projected benefit obligation	7,560,777	6,043,729
Fair value of plan assets	<u>(2,487,577)</u>	<u>(2,238,997)</u>
Funded status	5,073,200	3,804,732
Unrecognized net transition obligation	(101,326)	(109,873)
Prior service cost	169,216	-
Unrecognized net loss	<u>(1,439,506)</u>	<u>(41,995)</u>
 Accrued pension cost	 <u>\$ 3,701,584</u>	 <u>\$ 3,652,864</u>
 Vested benefit	 <u>\$ 126,259</u>	 <u>\$ 120,146</u>

c. Actuarial assumptions at December 31, 2008 and 2007

Discount rate used in determining present values	2.00%-2.50%	2.75%-3.00%
Future salary increase rate	2.00%-3.00%	2.00%-3.00%
Expected rate of return on plan assets	2.25%-2.50%	2.50%-3.00%

d. Contributions to the Funds for the year \$ 206,873 \$ 209,423

e. Payments from the Funds for the year \$ 28,990 \$ 15,003

## 18. INCOME TAX

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

	<u>Years Ended December 31</u>	
	<b>2008</b>	<b>2007</b>
Income tax expense based on "income before income tax" at statutory rates	\$ 27,970,388	\$ 30,829,431
The effect of the following:		
Tax-exempt income	(9,670,500)	(7,668,367)
Temporary and permanent differences	2,122,899	(150,946)
Others	44,073	-
Additional tax at 10% on unappropriated earnings	13,926	2,710,909
Net operating loss carryforwards used	(205,234)	(814,120)
Income tax credits used	<u>(11,109,313)</u>	<u>(13,899,628)</u>
 Income tax currently payable	 <u>\$ 9,166,239</u>	 <u>\$ 11,007,279</u>

b. Income tax expense consisted of the following:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Income tax currently payable	\$ 9,166,239	\$ 11,007,279
Other income tax adjustments	(502,668)	(240,779)
Net change in deferred income tax assets		
Investment tax credits	1,060,599	5,122,450
Temporary differences	(2,129,121)	(800,374)
Net operating loss carryforwards	411,368	841,502
Valuation allowance	<u>2,942,592</u>	<u>(4,220,452)</u>
Income tax expense	<u>\$ 10,949,009</u>	<u>\$ 11,709,626</u>

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

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Current deferred income tax assets		
Investment tax credits	\$ 2,885,762	\$ 5,372,761
Temporary differences	1,556,474	674,154
Valuation allowance	<u>(472,906)</u>	<u>(474,581)</u>
	<u>\$ 3,969,330</u>	<u>\$ 5,572,334</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 11,311,852	\$ 9,885,452
Temporary differences	(1,628,279)	(2,848,052)
Net operating loss carryforwards	3,588,968	3,963,123
Valuation allowance	<u>(6,635,668)</u>	<u>(3,687,240)</u>
	<u>\$ 6,636,873</u>	<u>\$ 7,313,283</u>

As of December 31, 2008, the net operating loss carryforwards generated by WaferTech, TSMC Development, TSMC Technology and Mutual-Pak would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of December 31, 2008 and 2007 was NT\$521,634 thousand and NT\$3,012,848 thousand, respectively.

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

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

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

- f. As of December 31, 2008, investment tax credits of TSMC, GUC, XinTec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 22,242	\$ -	2008
		233,915	5,921	2009
		6,178,371	114,761	2010
		4,664,206	4,664,206	2011
		<u>2,664,162</u>	<u>2,664,162</u>	2012
		<u>\$ 13,762,896</u>	<u>\$ 7,449,050</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,009,834	\$ -	2008
		1,173,395	-	2009
		3,263,421	673,789	2010
		2,825,115	2,825,115	2011
		<u>3,188,670</u>	<u>3,188,670</u>	2012
		<u>\$ 11,460,435</u>	<u>\$ 6,687,574</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 21,998	\$ -	2009
		23,791	23,183	2010
		37,021	37,021	2011
		<u>786</u>	<u>786</u>	2012
		<u>\$ 83,596</u>	<u>\$ 60,990</u>	

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

	Tax-Exemption Period
Construction of Fab 14 - Module A	2006 to 2010
Construction of Fab 12 - Module B and expansion of Fab 14 - Module A	2007 to 2011
Construction of Fab 14 - Module B and expansion of Fab 12 and others	2008 to 2012
2003 plant expansion of GUC	2007 to 2011
2003 plant expansion of XinTec	2007 to 2011

- h. The tax authorities have examined income tax returns of TSMC through 2006.

## 19. LABOR COST, DEPRECIATION AND AMORTIZATION

	<u>Year Ended December 31, 2008</u>		
	<u>Classified as Cost of Sales</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
Labor cost			
Salary and bonus	\$ 19,574,249	\$ 15,654,567	\$ 35,228,816
Labor and health insurance	766,952	489,601	1,256,553
Pension	634,730	403,962	1,038,692
Meal	474,048	188,407	662,455
Welfare	640,817	273,055	913,872
Others	<u>262,144</u>	<u>171,631</u>	<u>433,775</u>
	<u>\$ 22,352,940</u>	<u>\$ 17,181,223</u>	<u>\$ 39,534,163</u>
Depreciation	<u>\$ 74,703,223</u>	<u>\$ 4,033,588</u>	<u>\$ 78,736,811</u>
Amortization	<u>\$ 1,837,540</u>	<u>\$ 878,755</u>	<u>\$ 2,716,295</u>
	<u>Year Ended December 31, 2007</u>		
	<u>Classified as Cost of Sales</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
Labor cost			
Salary	\$ 11,990,153	\$ 7,562,966	\$ 19,553,119
Labor and health insurance	685,922	416,131	1,102,053
Pension	646,999	404,128	1,051,127
Meal	463,453	180,474	643,927
Welfare	249,133	266,412	515,545
Others	<u>176,192</u>	<u>226,747</u>	<u>402,939</u>
	<u>\$ 14,211,852</u>	<u>\$ 9,056,858</u>	<u>\$ 23,268,710</u>
Depreciation	<u>\$ 73,070,781</u>	<u>\$ 4,100,533</u>	<u>\$ 77,171,314</u>
Amortization	<u>\$ 1,849,917</u>	<u>\$ 943,064</u>	<u>\$ 2,792,981</u>

## 20. SHAREHOLDERS' EQUITY

As of December 31, 2008, 1,092,053 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,460,265 thousand (one ADS represents five common shares).

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



Capital surplus consisted of the following:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
From merger	\$ 22,805,390	\$ 24,003,546
Additional paid-in capital	17,962,468	19,526,492
From convertible bonds	8,893,190	9,360,424
From long-term investments	214,152	351,215
Donations	55	55
From treasury stock transactions	<u>-</u>	<u>490,950</u>
	<u>\$ 49,875,255</u>	<u>\$ 53,732,682</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 equals TSMC's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- c. Bonus to directors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

For the year ended December 31, 2008, TSMC has recorded bonuses to employees and directors with a charge to earnings of approximately 15% of net income. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts by the Board of Directors, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting.

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 2007 and 2006 had been approved in TSMC's shareholders' meetings held on June 13, 2008 and May 7, 2007, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2007</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2007</u>	<u>For Fiscal Year 2006</u>
Legal capital reserve	\$ 10,917,709	\$ 12,700,973		
Special capital reserve	(237,693)	(11,192)		
Bonus to employees - in cash	3,939,883	4,572,798		
Bonus to employees - in stock	3,939,883	4,572,798		
Cash dividends to shareholders	76,881,311	77,489,064	\$3.00	\$3.00
Stock dividends to shareholders	512,542	516,594	0.02	0.02
Bonus to directors and supervisors	<u>176,890</u>	<u>285,800</u>		
	<u>\$ 96,130,525</u>	<u>\$ 100,126,835</u>		

TSMC's shareholders meetings held on June 13, 2008 and May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$768,813 thousand and NT\$774,891 thousand, respectively.

The amounts of the appropriations of earnings for 2007 and 2006 were consistent with the resolutions of the meetings of the Board of Directors held on February 19, 2008 and February 6, 2007, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2007 and 2006, the basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of TSMC's total outstanding common shares as of December 31, 2007 and 2006, respectively.

As of January 17, 2009, the Board of Directors has not resolved the appropriation for earnings of 2008.

The information about the appropriations of 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, R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

## 21. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of December 31, 2008.

Information about TSMC's outstanding options for the years ended December 31, 2008 and 2007 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	41,875	\$35.6
Options granted	767	35.2
Options exercised	(6,027)	37.7
Options canceled	<u>(381)</u>	46.5
Balance, end of year	<u>36,234</u>	35.3
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	52,814	\$37.9
Options granted	1,094	37.9
Options exercised	(10,988)	39.8
Options canceled	<u>(1,045)</u>	45.9
Balance, end of year	<u>41,875</u>	37.4

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

As of December 31, 2008, 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\$)
\$24.2-\$33.9	25,633	4.15	\$ 31.0	25,633	\$ 31.0
38.2- 50.4	<u>10,601</u>	5.89	45.8	<u>8,669</u>	45.5
	<u>36,234</u>		35.3	<u>34,302</u>	34.6

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

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

Information about GUC's outstanding options for the years ended December 31, 2008 and 2007 was as follows:

	Number of Options	Weighted-average Exercise Prices (NT\$)
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	7,598	\$ 60.3
Options granted	284	14.8
Options exercised	(2,115)	14.0
Options canceled	<u>(210)</u>	168.4
Balance, end of year	<u>5,557</u>	66.6
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	7,342	\$ 14.0
Options granted	2,053	183.6
Options exercised	(1,563)	10.2
Options canceled	<u>(234)</u>	13.5
Balance, end of year	<u>7,598</u>	60.3

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

As of December 31, 2008, information about GUC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
\$8.9-\$10.5	1,450	2.75	\$ 9.2	343	\$ 9.9
16.4	2,361	2.67	16.4	528	16.4
182.0	<u>1,746</u>	5.00	182.0	-	-
	<u>5,557</u>		66.6	<u>871</u>	13.9

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

Information about XinTec's outstanding options for the years ended December 31, 2008 and 2007 was as follows:

	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
<u>Year ended December 31, 2008</u>		
Balance, beginning of year	9,642	\$15.1
Options exercised	(728)	12.4
Options canceled	<u>(1,472)</u>	15.5
Balance, end of year	<u>7,442</u>	14.8
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	4,968	\$13.0
Options granted	5,555	17.3
Options canceled	<u>(881)</u>	14.1
Balance, end of year	<u>9,642</u>	15.1

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

As of December 31, 2008, 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\$)
\$12.4-\$14.3	4,050	7.90	\$12.7	1,425	\$12.4
15.4- 19.4	<u>3,392</u>	8.73	17.4	<u>-</u>	-
	<u>7,442</u>		14.8	<u>1,425</u>	12.4

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2008 and 2007. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the years ended December 31, 2008 and 2007 would have been as follows:

Assumptions:		2008	2007
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	0.00%-0.60%
	Expected volatility	22.65%-45.47%	22.65%-45.47%
	Risk free interest rate	2.12%-2.56%	2.12%-2.56%
	Expected life	3-6 years	3-6 years
XinTec	Expected dividend yield	0.80%	0.80%
	Expected volatility	31.79%-47.42%	31.79%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-2.45%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
As reported		\$ 99,933,168	\$ 109,177,093
Pro forma		100,037,622	109,054,923
Earnings per share (EPS) - after income tax (NT\$):			
Basic EPS as reported		\$3.86	\$4.06
Pro forma basic EPS		3.86	4.06
Diluted EPS as reported		3.83	4.06
Pro forma diluted EPS		3.83	4.06

## 22. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Retirement	Ending Shares
<u>Year ended December 31, 2008</u>					
Parent company stock held by subsidiaries	34,096	-	171	34,267	-
Repurchase under share buyback plan	<u>800,000</u>	<u>495,549</u>	<u>-</u>	<u>1,295,549</u>	<u>-</u>
	<u>834,096</u>	<u>495,549</u>	<u>171</u>	<u>1,329,816</u>	<u>-</u>
<u>Year ended December 31, 2007</u>					
Parent company stock held by subsidiaries	33,926	-	170	-	34,096
Repurchase under share buyback plan	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>
	<u>33,926</u>	<u>800,000</u>	<u>170</u>	<u>-</u>	<u>834,096</u>

As of December 31, 2007, the book value of the treasury stock was NT\$49,385,032 thousand; the market value was NT\$51,713,947 thousand. TSMC's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

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

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

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

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

## 23. EARNINGS PER SHARE

EPS is computed as follows:

	<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>Year ended December 31, 2008</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 110,847,835	\$ 99,933,168	25,909,643	<u>\$ 4.28</u>	<u>\$ 3.86</u>
Effect of dilutive potential common shares					
Bonus to employees	-	-	181,943		
Stock options	-	-	<u>15,090</u>		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 110,847,835</u>	<u>\$ 99,933,168</u>	<u>26,106,676</u>	<u>\$ 4.25</u>	<u>\$ 3.83</u>
<u>Year ended December 31, 2007</u>					
Basic EPS					
Earnings attributable to shareholders of the parent	\$ 120,890,678	\$ 109,177,093	26,870,684	<u>\$ 4.50</u>	<u>\$ 4.06</u>
Effect of dilutive potential common shares					
Stock options	-	-	<u>21,652</u>		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 120,890,678</u>	<u>\$ 109,177,093</u>	<u>26,892,336</u>	<u>\$ 4.50</u>	<u>\$ 4.06</u>

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

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused both of the basic and diluted after income tax EPS for the year ended December 31, 2007 to decrease from NT\$4.14 to NT\$4.06.



## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

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

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 55,730	\$ 55,730	\$ 1,632,387	\$ 1,632,387
Available-for-sale financial assets	12,931,373	12,931,373	68,089,059	68,089,059
Held-to-maturity financial assets	21,308,251	21,457,008	20,224,672	20,192,188
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	85,187	85,187	249,313	249,313
Bonds payable (including current portion)	12,500,000	12,612,423	12,500,000	12,669,987
Long-term bank loans (including current portion)	1,642,874	1,642,874	2,003,009	2,003,009
Other long-term payables (including current portion)	10,674,772	10,674,772	13,083,160	13,083,160
Obligations under capital leases	722,339	722,339	652,296	652,296

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables, and payables to contractors and equipment suppliers and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) Except for derivatives and structured time deposits, fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets were based on their quoted market prices.
  - 3) For those derivatives and structured time deposits with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value of derivatives contracts which were outstanding as of December 31, 2008 and 2007 estimated using valuation techniques were recognized as valuation losses of NT\$42,715 thousand and NT\$207,114 thousand, respectively.
- d. As of December 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$34,002,159 thousand and NT\$87,450,676 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$12,585,187 thousand and NT\$12,749,313 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$7,171,120 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$1,642,874 thousand and NT\$2,000,921 thousand, respectively.

- e. Movements of the unrealized gain/loss on financial instruments for the years ended December 31, 2008 and 2007 were as follows:

	<b>Year Ended December 31, 2008</b>		
	<b>From Available-for-sale Financial Assets</b>	<b>From Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	738,569	(142,088)	596,481
Removed from shareholders' equity and recognized in earnings	<u>(1,564,820)</u>	<u>-</u>	<u>(1,564,820)</u>
Balance, end of year	<u>\$ (198,413)</u>	<u>\$ (88,929)</u>	<u>\$ (287,342)</u>

	<b>Year Ended December 31, 2007</b>		
	<b>From Available-for-sale Financial Assets</b>	<b>From Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 386,017	\$ 175,598	\$ 561,615
Recognized directly in shareholders' equity	849,823	(122,439)	727,384
Removed from shareholders' equity and recognized in earnings	<u>(608,002)</u>	<u>-</u>	<u>(608,002)</u>
Balance, end of year	<u>\$ 627,838</u>	<u>\$ 53,159</u>	<u>\$ 680,997</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 market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. Subject to recent turmoil in the global financial market, the Company evaluated its financial assets and determined that certain impairment for its asset-backed securities is other-than-temporary. The Company had appropriately recognized related impairment losses.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to recent turmoil in the global financial market, the Company evaluated the financial instruments for any possible counter-party or third-party default. As a result of the evaluation, the Company determined that certain financial instruments are exposed to credit risk and had appropriately recognized related impairment losses.

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

## 25. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

VIS (accounted for using equity method)  
SSMC (accounted for using equity method)

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

c. Others

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

	2008		2007	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
VIS	\$ 80,067	-	\$ 59,163	-
VisEra	30,821	-	739,879	-
SSMC	1,869	-	2,928	-
	\$ 112,757	-	\$ 801,970	-
Purchases				
SSMC	\$ 4,441,795	2	\$ 5,468,410	3
VIS	3,260,160	2	4,208,207	2
VisEra	594	-	594	-
	\$ 7,702,549	4	\$ 9,677,211	5
Manufacturing expenses				
VisEra	\$ 133,051	-	\$ 63,933	-
VIS	-	-	366	-
	\$ 133,051	-	\$ 64,299	-
Research and development expenses				
VisEra	\$ 518	-	\$ 43,056	-

	<u>2008</u>		<u>2007</u>	
	Amount	%	Amount	%
Non-operating income and gains				
VIS (primarily technical service income; see Note 28f)	\$ 296,250	3	\$ 346,260	3
SSMC (primarily technical service income; see Note 28e)	244,865	2	290,586	2
VisEra	<u>101,605</u>	<u>1</u>	<u>321,819</u>	<u>3</u>
	<u>\$ 642,720</u>	<u>6</u>	<u>\$ 958,665</u>	<u>8</u>
<u>As of December 31</u>				
Receivables				
VisEra	<u>\$ 407</u>	<u>100</u>	<u>\$ 10,885</u>	<u>100</u>
Other receivables				
SSMC	\$ 56,949	57	\$ 84,778	35
VIS	42,969	43	118,749	49
VisEra	<u>-</u>	<u>-</u>	<u>40,093</u>	<u>16</u>
	<u>\$ 99,918</u>	<u>100</u>	<u>\$ 243,620</u>	<u>100</u>
Payables				
VIS	\$ 317,890	65	\$ 839,624	56
SSMC	162,807	33	655,029	44
VisEra	<u>9,160</u>	<u>2</u>	<u>8,723</u>	<u>-</u>
	<u>\$ 489,857</u>	<u>100</u>	<u>\$ 1,503,376</u>	<u>100</u>
Deferred credits				
VisEra	<u>\$ -</u>	<u>-</u>	<u>\$ 62,175</u>	<u>5</u>

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

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

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

Compensation of directors and management personnel:

	<u>Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Salaries, incentives and special compensation	\$ 352,227	\$ 275,219
Bonus	<u>705,376</u>	<u>1,096,233</u>
	<u>\$ 1,057,603</u>	<u>\$ 1,371,452</u>

The information about the compensation of directors and management personnel is available in the annual report for the shareholders' meeting. Total compensation expense for the year ended December 31, 2008 includes estimated bonuses to employees and directors of the Company that relate to 2008 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders' meeting in 2009. The total compensation for the year ended December 31, 2007 included the bonuses appropriated from earnings of 2007 which was approved by the shareholders' meeting held in 2008.

## 26. PLEDGED OR MORTGAGED ASSETS

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

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Other financial assets	\$ 33,377	\$ 48,929
Property, plant and equipment, net	<u>4,032,571</u>	<u>5,733,263</u>
	<u>\$ 4,065,948</u>	<u>\$ 5,782,192</u>

## 27. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from December 2009 to December 2028 and can be renewed upon expiration.

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

As of December 31, 2008, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2009	\$ 556,596
2010	489,115
2011	430,132
2012	420,978
2013 and thereafter	<u>3,009,030</u>
	<u>\$ 4,905,851</u>

## 28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2008, excluding 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 the 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.
- 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 December 31, 2008, TSMC had a total of US\$43,421 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 fall 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) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions
- f. 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.

- g. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech's claims. As of December 31, 2008, SMIC had paid US\$120 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case." Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. The result of the above-mentioned litigation cannot be determined at this time.
- h. In April 2004, UniRAM Technology, Inc. ("UniRAM") filed an action against MoSys Inc., TSMC and TSMC North America in the U.S. District Court for the Northern District of California, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. TSMC appealed after the United States District Court for the Northern District of California rendered judgment in favor of UniRAM in May 2008. In the third quarter of 2008, TSMC and TSMC North America had reached agreement with UniRAM to settle the dispute. In accordance with the settlement, the judgment has been vacated and the claims asserted by UniRAM are fully and finally settled. As of December 31, 2008, TSMC had accounted for the result of the settlement in accordance with the aforementioned settlement agreement.
- i. The Company entered into an agreement with a counterparty in 2003 whereby 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. The property, plant and equipment have been in use by TSMC Shanghai since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$8,579,726 thousand and NT\$7,908,516 thousand as of December 31, 2008 and 2007, respectively, which is included in other long-term payables on the Company's consolidated balance sheets.

## 29. ADDITIONAL DISCLOSURES

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

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

## 30. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

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



b. Geographic information:

	<b>North America and Others</b>	<b>Taiwan</b>	<b>Adjustments and Elimination</b>	<b>Consolidated</b>
<u>2008</u>				
Sales to other than consolidated entities	\$ 193,727,539	\$ 139,430,121	\$ -	\$ 333,157,660
Sales among consolidated entities	<u>16,280,818</u>	<u>194,731,514</u>	<u>(211,012,332)</u>	<u>-</u>
Total sales	<u>\$ 210,008,357</u>	<u>\$ 334,161,635</u>	<u>\$ (211,012,332)</u>	<u>\$ 333,157,660</u>
Gross profit	<u>\$ 2,114,127</u>	<u>\$ 140,540,236</u>	<u>\$ (904,802)</u>	\$ 141,749,561
Operating expenses				(37,314,193)
Non-operating income and gains				10,821,449
Non-operating expenses and losses				<u>(3,784,571)</u>
Income before income tax				<u>\$ 111,472,246</u>
Identifiable assets	<u>\$ 122,781,555</u>	<u>\$ 425,545,212</u>	<u>\$ (29,391,693)</u>	\$ 518,935,074
Long-term investments				<u>39,981,515</u>
Total assets				<u>\$ 558,916,589</u>
<u>2007</u>				
Sales to other than consolidated entities	\$ 193,066,238	\$ 129,564,358	\$ -	\$ 322,630,596
Sales among consolidated entities	<u>18,084,068</u>	<u>194,035,526</u>	<u>(212,119,594)</u>	<u>-</u>
Total sales	<u>\$ 211,150,306</u>	<u>\$ 323,599,884</u>	<u>\$ (212,119,594)</u>	<u>\$ 322,630,596</u>
Gross profit	<u>\$ 3,895,144</u>	<u>\$ 139,227,508</u>	<u>\$ (772,441)</u>	\$ 142,350,211
Operating expenses				(30,628,304)
Non-operating income and gains				11,933,803
Non-operating expenses and losses				<u>(2,013,684)</u>
Income before income tax				<u>\$ 121,642,026</u>
Identifiable assets	<u>\$ 145,483,411</u>	<u>\$ 439,675,938</u>	<u>\$ (50,755,448)</u>	\$ 534,403,901
Long-term investments				<u>36,461,325</u>
Total assets				<u>\$ 570,865,226</u>

c. Export sales

<b>Area</b>	<b>Years Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Asia	\$ 55,383,901	\$ 40,609,413
Europe and others	<u>41,890,123</u>	<u>34,518,668</u>
	<u>\$ 97,274,024</u>	<u>\$ 75,128,081</u>

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

d. Major customers representing at least 10% of gross sales

	<b>Years Ended December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	<u>\$ 46,523,059</u>	14	<u>\$ 37,731,028</u>	11

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2008

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC	<u>Corporate bond</u>							
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets	-	\$ 2,032,658	N/A	\$ 2,032,658	
	Taiwan Power Company	-	Held-to-maturity financial assets	-	4,209,629	N/A	4,215,260	
	Formosa Petrochemical Corporation	-	"	-	3,554,908	N/A	3,540,418	
	Nan Ya Plastics Corporation	-	"	-	3,487,804	N/A	3,512,202	
	Formosa Plastic Corporation	-	"	-	2,385,285	N/A	2,391,955	
	CPC Corporation, Taiwan	-	"	-	1,000,124	N/A	999,740	
	China Steel Corporation	-	"	-	1,000,000	N/A	990,897	
	Shanghai Commercial & Saving Bank	-	"	-	299,092	N/A	298,988	
	Formosa Chemicals & Fiber Corporation	-	"	-	199,910	N/A	199,890	
	<u>Government bond</u>							
	2003 Asian Development Bank Govt. Bond	-	Held-to-maturity financial assets	-	873,237	N/A	875,103	
	European Investment Bank Bonds	-	"	-	383,387	N/A	400,000	
	2004 Government Bond Series B	-	"	-	249,948	N/A	250,280	
	<u>Stocks</u>							
	TSMC Global	Subsidiary	Investments accounted for using equity method	1	45,756,519	100	45,756,519	
	TSMC International	Subsidiary	"	987,968	29,637,057	100	29,637,057	
	VIS	Investee accounted for using equity method	"	628,223	9,787,275	37	4,680,265	
	SSMC	Investee accounted for using equity method	"	314	6,808,192	39	6,036,045	
	TSMC Partners	Subsidiary	"	300	3,730,913	100	3,730,913	
	TSMC North America	Subsidiary	"	11,000	2,435,666	100	2,435,666	
	XinTec	Investee with a controlling financial interest	"	92,620	1,506,384	42	1,443,752	
	GUC	Investee with a controlling financial interest	"	44,904	950,263	36	5,208,842	
	TSMC Japan	Subsidiary	"	6	137,617	100	137,617	
	TSMC Europe	Subsidiary	"	-	124,594	100	124,594	
	TSMC Korea	Subsidiary	"	80	15,117	100	15,117	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	292,902	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	384,157	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	38,479	
	Hontung Venture Capital Co., Ltd.	-	"	2,633	18,925	10	18,816	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	103,992	12	103,992	
Crimson Asia Capital	-	"	-	58,001	1	58,001		
<u>Capital</u>								
TSMC Shanghai	Subsidiary	Investments accounted for using equity method	-	6,267,128	100	6,269,794		
VTAF III	Subsidiary	"	-	1,305,605	98	1,291,057		
VTAF II	Subsidiary	"	-	975,367	98	970,912		
Emerging Alliance	Subsidiary	"	-	433,481	99	433,481		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC North America	<u>Preferred stock</u> NeXen, Inc.	-	Financial assets carried at cost	328	US\$ 656	1	US\$ 1,912	
TSMC International	<u>Corporate bond</u> General Elec Cap Corp. Mtn General Elec Cap Corp. Mtn	- -	Held-to-maturity financial assets "	- -	US\$ 20,791 US\$ 20,294	N/A N/A	US\$ 20,671 US\$ 20,050	
	<u>Stocks</u> TSMC Development, Inc. (TSMC Development)	Subsidiary	Investments accounted for using equity method	1	US\$ 690,095	100	US\$ 690,095	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	32,289	US\$ 25,586	97	US\$ 25,586	
	TSMC Technology	Subsidiary	"	1	US\$ 8,408	100	US\$ 8,408	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	"	7,680	US\$ 6,529	97	US\$ 6,529	
TSMC Development	<u>Corporate bond</u> GE Capital Corp.	-	Held-to-maturity financial assets	-	US\$ 20,447	N/A	US\$ 20,050	
	<u>Stocks</u> WaferTech	Subsidiary	Investments accounted for using equity method	293,637	US\$ 204,558	100	US\$ 204,558	
TSMC Partners	<u>Common stock</u> VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 69,298	49	US\$ 69,298	
	TSMC Canada	Subsidiary	"	2,300	US\$ 2,570	100	US\$ 2,570	
Emerging Alliance	<u>Common stock</u> Pixim, Inc. RichWave Technology Corp. Global Investment Holding Inc.	- - -	Financial assets carried at cost " "	203 4,247 10,800	US\$ 54 US\$ 1,648 US\$ 3,065	- 10 6	US\$ 54 US\$ 1,648 US\$ 3,065	
	<u>Preferred stock</u> Audience, Inc. Axiom Microdevices, Inc. GemFire Corporation Miradia, Inc. Mosaic Systems, Inc. Next IO, Inc. Optichron, Inc. Optimal Corporation Pixim, Inc. QST Holding, LLC Teknovus, Inc.	- - - - - - - - - - - -	Financial assets carried at cost " " " " " " " " " " " "	1,654 1,000 - 3,040 2,481 800 714 - 4,439 - 6,977	US\$ 250 US\$ 1,000 US\$ 31 US\$ 1,000 US\$ 12 US\$ 500 US\$ 1,000 US\$ 229 US\$ 1,083 US\$ 131 US\$ 1,327	1 1 - 2 6 1 2 - 2 4 2	US\$ 250 US\$ 1,000 US\$ 31 US\$ 1,000 US\$ 12 US\$ 500 US\$ 1,000 US\$ 229 US\$ 1,083 US\$ 131 US\$ 1,327	
	<u>Capital</u> VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	8	-	
VTAF II	<u>Common stock</u> Sentelic Aquantia Leadtrend	- - -	Financial assets carried at cost " "	1,200 2,108 1,265	US\$ 2,040 US\$ 2,573 US\$ 660	15 5 5	US\$ 2,040 US\$ 2,573 US\$ 660	
	<u>Preferred stock</u> 5V Technologies, Inc. Audience, Inc. Axiom Microdevices, Inc.	- - -	Financial assets carried at cost " "	2,890 5,335 5,046	US\$ 2,168 US\$ 1,390 US\$ 2,481	15 2 5	US\$ 2,168 US\$ 1,390 US\$ 2,481	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	Beceem Communications	-	Financial assets carried at cost	650	US\$ 1,600	1	US\$ 1,600	
	GemFire Corporation	-	"	600	US\$ 68	1	US\$ 68	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Miradia, Inc.	-	"	3,416	US\$ 3,106	3	US\$ 3,106	
	Next IO, Inc.	-	"	2,775	US\$ 756	2	US\$ 756	
	Optichron, Inc.	-	"	1,050	US\$ 1,844	4	US\$ 1,844	
	Pixim, Inc.	-	"	6,348	US\$ 1,141	2	US\$ 1,141	
	Power Analog Microelectronics	-	"	5,232	US\$ 2,790	18	US\$ 2,790	
	QST Holding, LLC	-	"	-	US\$ 415	13	US\$ 415	
	RichWave Technology Corp.	-	"	1,043	US\$ 730	1	US\$ 730	
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454	
	Tzero Technologies, Inc.	-	"	1,167	US\$ 569	2	US\$ 569	
	Xceive	-	"	870	US\$ 1,177	2	US\$ 1,177	
	<u>Capital</u>							
	VTA Holdings	Subsidiary		Investments accounted for using equity method	-	-	24	-
	<u>Common stock</u>							
	Mutual-pak Technology Co., Ltd.	Subsidiary		Investments accounted for using equity method	4,590	US\$ 1,705	51	US\$ 1,705
	Acionn Technology Corporation	Investee accounted for using equity method		"	4,500	US\$ 1,052	44	US\$ 1,052
	Auramicro, Inc.	-		Financial assets carried at cost	3,816	US\$ 1,145	20	US\$ 1,145
	InvenSense, Inc.	-		"	816	US\$ 1,000	1	US\$ 1,000
	<u>Preferred stock</u>							
	Advasense Sensors, Inc.	-		Financial assets carried at cost	1,929	US\$ 1,834	6	US\$ 1,834
	BridgeLux, Inc.	-		"	3,333	US\$ 5,000	3	US\$ 5,000
	Exclara, Inc. (Formerly SynDitec, Inc.)	-		"	21,708	US\$ 4,568	18	US\$ 4,568
	GTBF, Inc.	-		"	1,154	US\$ 1,500	N/A	US\$ 1,500
	LiquidLeds Lighting Corp.	-		"	1,600	US\$ 800	11	US\$ 800
	M2000, Inc.	-		"	3,000	US\$ 3,000	5	US\$ 3,000
	Neoconix, Inc.	-		"	2,458	US\$ 4,000	6	US\$ 4,000
	Powervation, Ltd.	-		"	191	US\$ 2,930	19	US\$ 2,930
	Quellan, Inc.	-		"	3,106	US\$ 3,500	6	US\$ 3,500
	Silicon Technical Services, LLC	-		"	1,055	US\$ 1,208	2	US\$ 1,208
	Tilera, Inc.	-		"	1,698	US\$ 2,360	3	US\$ 2,360
	Validity Sensors, Inc.	-		"	6,424	US\$ 2,545	3	US\$ 2,545
<u>Capital</u>								
Growth Fund Limited (Growth Fund)	Subsidiary		Investments accounted for using equity method	-	US\$ 100	100	US\$ 100	
VTA Holdings	Subsidiary		"	-	-	68	-	
<u>Common stock</u>								
Staccato	-		Financial assets carried at cost	10	US\$ 25	-	US\$ 25	
<u>Common stock</u>								
Capella Microsystems (Taiwan), Inc.	-		Financial assets carried at cost	530	US\$ 154	2	US\$ 154	
<u>Preferred stock</u>								
Memic, Inc.	-		Available-for-sale financial assets	1,364	US\$ 2,250	6	US\$ 2,250	
Integrated Memory Logic, Inc.	-		Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221	
IP Unity, Inc.	-		"	1,008	US\$ 290	1	US\$ 290	
NanoAmp Solutions, Inc.	-		"	541	US\$ 541	2	US\$ 541	
Sonics, Inc.	-		"	230	US\$ 1,843	2	US\$ 1,843	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
ISDF II	<u>Common stock</u>							
	Rich Tek Technology Corp.	-	Financial assets at fair value through profit or loss	101	US\$ 403	-	US\$ 403	
	Rich Tek Technology Corp.	-	Available-for-sale financial assets	288	US\$ 1,148	-	US\$ 1,148	
	Ralink Technology (Taiwan), Inc.	-	"	1,512	US\$ 3,232	1	US\$ 3,232	
	eLCOS Microdisplay Technology, Ltd.	-	Financial assets carried at cost	270	US\$ 27	1	US\$ 27	
	EoNEX Technologies, Inc.	-	"	55	US\$ 305	5	US\$ 305	
	Sonics, Inc.	-	"	278	US\$ 1,597	3	US\$ 1,597	
	Epic Communication, Inc.	-	"	191	US\$ 23	1	US\$ 23	
	EON Technology, Corp.	-	"	2,494	US\$ 691	3	US\$ 691	
	Goyatek Technology, Corp.	-	"	2,088	US\$ 545	12	US\$ 545	
	Trendchip Technologies Corp.	-	"	1,020	US\$ 574	3	US\$ 574	
	Capella Microsystems (Taiwan), Inc.	-	"	534	US\$ 210	2	US\$ 210	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u>							
	Memic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 1,888	5	US\$ 1,888	
	Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US\$ 3,664	19	US\$ 3,664	
	eLCOS Microdisplay Technology, Ltd.	-	"	3,500	US\$ 878	8	US\$ 878	
	FangTek, Inc.	-	"	7,064	US\$ 3,428	16	US\$ 3,428	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 1,746	5	US\$ 1,746	
	NanoAmp Solutions, Inc.	-	"	375	US\$ 375	1	US\$ 375	
	Sonics, Inc.	-	"	264	US\$ 1,517	3	US\$ 1,517	
GUC	<u>Common stock</u>							
	GUC-NA	Subsidiary	Investments accounted for using equity method	800	\$ 34,019	100	\$ 34,019	
	GUC-Japan	Subsidiary	"	1	11,854	100	11,854	
	GUC-Europe	Subsidiary	"	-	2,563	100	2,563	
XinTec	<u>Capital</u>							
	Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Agency bonds</u>							
	Fed Hm Ln Pc Pool 1b1225	-	Available-for-sale financial assets	-	US\$ 75	N/A	US\$ 75	
	Fed Hm Ln Pc Pool 1b2566	-	"	-	US\$ 118	N/A	US\$ 118	
	Fed Hm Ln Pc Pool 1b2632	-	"	-	US\$ 145	N/A	US\$ 145	
	Fed Hm Ln Pc Pool 1b2642	-	"	-	US\$ 195	N/A	US\$ 195	
	Fed Hm Ln Pc Pool 1b2776	-	"	-	US\$ 282	N/A	US\$ 282	
	Fed Hm Ln Pc Pool 1b2792	-	"	-	US\$ 193	N/A	US\$ 193	
	Fed Hm Ln Pc Pool 1b2810	-	"	-	US\$ 246	N/A	US\$ 246	
	Fed Hm Ln Pc Pool 1b7453	-	"	-	US\$ 2,302	N/A	US\$ 2,302	
	Fed Hm Ln Pc Pool 1g0038	-	"	-	US\$ 243	N/A	US\$ 243	
	Fed Hm Ln Pc Pool 1g0053	-	"	-	US\$ 289	N/A	US\$ 289	
	Fed Hm Ln Pc Pool 1g0104	-	"	-	US\$ 119	N/A	US\$ 119	
	Fed Hm Ln Pc Pool 1g1282	-	"	-	US\$ 3,285	N/A	US\$ 3,285	
	Fed Hm Ln Pc Pool 1g1411	-	"	-	US\$ 2,979	N/A	US\$ 2,979	
	Fed Hm Ln Pc Pool 1h2520	-	"	-	US\$ 2,152	N/A	US\$ 2,152	
	Fed Hm Ln Pc Pool 1h2524	-	"	-	US\$ 1,614	N/A	US\$ 1,614	
	Fed Hm Ln Pc Pool 780870	-	"	-	US\$ 481	N/A	US\$ 481	
	Fed Hm Ln Pc Pool 781959	-	"	-	US\$ 2,841	N/A	US\$ 2,841	
	Fed Hm Ln Pc Pool 782785	-	"	-	US\$ 198	N/A	US\$ 198	
	Fed Hm Ln Pc Pool 782837	-	"	-	US\$ 390	N/A	US\$ 390	
Fed Hm Ln Pc Pool 783022	-	"	-	US\$ 443	N/A	US\$ 443		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				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 783026	-	Available-for-sale financial assets	-	US\$ 239	N/A	US\$ 239	
	Fed Hm Ln Pc Pool B19205	-	"	-	US\$ 5,501	N/A	US\$ 5,501	
	Fed Hm Ln Pc Pool E01492	-	"	-	US\$ 1,544	N/A	US\$ 1,544	
	Fed Hm Ln Pc Pool E89857	-	"	-	US\$ 1,152	N/A	US\$ 1,152	
	Fed Hm Ln Pc Pool G11295	-	"	-	US\$ 911	N/A	US\$ 911	
	Fed Hm Ln Pc Pool M80855	-	"	-	US\$ 2,526	N/A	US\$ 2,526	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 348	N/A	US\$ 348	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 187	N/A	US\$ 187	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,108	N/A	US\$ 3,108	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,603	N/A	US\$ 1,603	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,727	N/A	US\$ 1,727	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,185	N/A	US\$ 1,185	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,782	N/A	US\$ 2,782	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,383	N/A	US\$ 1,383	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,358	N/A	US\$ 2,358	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,233	N/A	US\$ 2,233	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,880	N/A	US\$ 2,880	
	Federal National Mort Assoc	-	"	-	US\$ 2,049	N/A	US\$ 2,049	
	Federal National Mortgage Asso	-	"	-	US\$ 2,879	N/A	US\$ 2,879	
	Federal Natl Mtg Assn	-	"	-	US\$ 1,328	N/A	US\$ 1,328	
	Federal Natl Mtg Assn	-	"	-	US\$ 1,315	N/A	US\$ 1,315	
	Federal Natl Mtg Assn	-	"	-	US\$ 1,372	N/A	US\$ 1,372	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,868	N/A	US\$ 2,868	
	Federal Natl Mtg Assn Gtd	-	"	-	US\$ 1,298	N/A	US\$ 1,298	
	Fnma Pool 255883	-	"	-	US\$ 2,724	N/A	US\$ 2,724	
	Fnma Pool 257245	-	"	-	US\$ 3,513	N/A	US\$ 3,513	
	Fnma Pool 555549	-	"	-	US\$ 1,184	N/A	US\$ 1,184	
	Fnma Pool 555715	-	"	-	US\$ 142	N/A	US\$ 142	
	Fnma Pool 632399	-	"	-	US\$ 337	N/A	US\$ 337	
	Fnma Pool 662401	-	"	-	US\$ 451	N/A	US\$ 451	
	Fnma Pool 667766	-	"	-	US\$ 1,068	N/A	US\$ 1,068	
	Fnma Pool 680932	-	"	-	US\$ 952	N/A	US\$ 952	
	Fnma Pool 681393	-	"	-	US\$ 2,045	N/A	US\$ 2,045	
	Fnma Pool 685116	-	"	-	US\$ 489	N/A	US\$ 489	
	Fnma Pool 691283	-	"	-	US\$ 3,039	N/A	US\$ 3,039	
	Fnma Pool 694287	-	"	-	US\$ 17	N/A	US\$ 17	
	Fnma Pool 703711	-	"	-	US\$ 402	N/A	US\$ 402	
	Fnma Pool 725095	-	"	-	US\$ 865	N/A	US\$ 865	
	Fnma Pool 730033	-	"	-	US\$ 138	N/A	US\$ 138	
	Fnma Pool 740934	-	"	-	US\$ 889	N/A	US\$ 889	
	Fnma Pool 742232	-	"	-	US\$ 13	N/A	US\$ 13	
	Fnma Pool 750798	-	"	-	US\$ 18	N/A	US\$ 18	
	Fnma Pool 773246	-	"	-	US\$ 183	N/A	US\$ 183	
	Fnma Pool 793932	-	"	-	US\$ 367	N/A	US\$ 367	
	Fnma Pool 794040	-	"	-	US\$ 579	N/A	US\$ 579	
	Fnma Pool 795548	-	"	-	US\$ 133	N/A	US\$ 133	
	Fnma Pool 799664	-	"	-	US\$ 77	N/A	US\$ 77	
	Fnma Pool 799868	-	"	-	US\$ 26	N/A	US\$ 26	
	Fnma Pool 804764	-	"	-	US\$ 303	N/A	US\$ 303	
	Fnma Pool 804852	-	"	-	US\$ 264	N/A	US\$ 264	
	Fnma Pool 804962	-	"	-	US\$ 323	N/A	US\$ 323	
	Fnma Pool 805163	-	"	-	US\$ 347	N/A	US\$ 347	
	Fnma Pool 806642	-	"	-	US\$ 457	N/A	US\$ 457	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Fnma Pool 806721	-	Available-for-sale financial assets	-	US\$ 548	N/A	US\$ 548	
	Fnma Pool 814418	-	"	-	US\$ 297	N/A	US\$ 297	
	Fnma Pool 815626	-	"	-	US\$ 1,833	N/A	US\$ 1,833	
	Fnma Pool 819423	-	"	-	US\$ 453	N/A	US\$ 453	
	Fnma Pool 821129	-	"	-	US\$ 430	N/A	US\$ 430	
	Fnma Pool 888499	-	"	-	US\$ 1,588	N/A	US\$ 1,588	
	Fnma Pool 888502	-	"	-	US\$ 204	N/A	US\$ 204	
	Fnma Pool 888507	-	"	-	US\$ 783	N/A	US\$ 783	
	Fnma Pool 888515	-	"	-	US\$ 847	N/A	US\$ 847	
	Fnma Pool 888519	-	"	-	US\$ 99	N/A	US\$ 99	
	Fnma Pool 888527	-	"	-	US\$ 57	N/A	US\$ 57	
	Fnma Pool 888738	-	"	-	US\$ 3,776	N/A	US\$ 3,776	
	Fnma Pool 888793	-	"	-	US\$ 4,242	N/A	US\$ 4,242	
	Fnma Pool 900296	-	"	-	US\$ 2,415	N/A	US\$ 2,415	
	Gnma li Pool 081150	-	"	-	US\$ 331	N/A	US\$ 331	
	Gnma li Pool 081153	-	"	-	US\$ 1,030	N/A	US\$ 1,030	
	Gnma Pool 646061	-	"	-	US\$ 2,468	N/A	US\$ 2,468	
	Government Natl Mtg Assn Gtd	-	"	-	US\$ 1,861	N/A	US\$ 1,861	
	Fed Home Ln Bank	-	"	-	US\$ 5,305	N/A	US\$ 5,305	
	Federal Farm Cr Bks	-	"	-	US\$ 3,610	N/A	US\$ 3,610	
	Federal Farm Credit Bank	-	"	-	US\$ 3,433	N/A	US\$ 3,433	
	Federal Home Ln Bks	-	"	-	US\$ 3,854	N/A	US\$ 3,854	
	Federal Home Ln Bks	-	"	-	US\$ 5,320	N/A	US\$ 5,320	
	Federal Home Ln Bks	-	"	-	US\$ 4,148	N/A	US\$ 4,148	
	Federal Home Ln Mtg	-	"	-	US\$ 5,340	N/A	US\$ 5,340	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,428	N/A	US\$ 3,428	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,560	N/A	US\$ 3,560	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,743	N/A	US\$ 3,743	
	Federal Home Loan Bank	-	"	-	US\$ 4,710	N/A	US\$ 4,710	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,134	N/A	US\$ 4,134	
	Federal Natl Mtg Assn	-	"	-	US\$ 3,713	N/A	US\$ 3,713	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,169	N/A	US\$ 4,169	
	Federal Natl Mtg Assn	-	"	-	US\$ 3,809	N/A	US\$ 3,809	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 3,108	N/A	US\$ 3,108	
	<u>Corporate issued asset-backed securities</u>							
	Banc Amer Coml Mtg Inc.	-	Available-for-sale financial assets	-	US\$ 4,584	N/A	US\$ 4,584	
	Banc Amer Fdg 2006 I Tr	-	"	-	US\$ 2,066	N/A	US\$ 2,066	
	Bear Stearns Adjustable Rate	-	"	-	US\$ 60	N/A	US\$ 60	
	Bear Stearns Arm Tr	-	"	-	US\$ 1,909	N/A	US\$ 1,909	
	Bear Stearns Arm Tr	-	"	-	US\$ 1,160	N/A	US\$ 1,160	
	Bear Stearns Arm Tr	-	"	-	US\$ 129	N/A	US\$ 129	
	Bear Stearns Coml Mtg Secs Inc.	-	"	-	US\$ 96	N/A	US\$ 96	
	Bear Stearns Coml Mtg Secs Inc.	-	"	-	US\$ 2,690	N/A	US\$ 2,690	
	Cbass Tr	-	"	-	US\$ 709	N/A	US\$ 709	
	Chase Mtg Fin Tr	-	"	-	US\$ 576	N/A	US\$ 576	
	Chase Mtg Fin Tr	-	"	-	US\$ 1,171	N/A	US\$ 1,171	
	Chase Mtg Fin Tr	-	"	-	US\$ 1,704	N/A	US\$ 1,704	
	Chase Mtge Finance Corp.	-	"	-	US\$ 865	N/A	US\$ 865	
	Cit Equip Coll Tr	-	"	-	US\$ 3,884	N/A	US\$ 3,884	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 439	N/A	US\$ 439	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 1,513	N/A	US\$ 1,513	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 4,349	N/A	US\$ 4,349	

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	First Franklin Mtg Ln Tr	-	Available-for-sale financial assets	-	US\$ 413	N/A	US\$ 413	
	First Horizon	-	"	-	US\$ 29	N/A	US\$ 29	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 1,051	N/A	US\$ 1,051	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 4,715	N/A	US\$ 4,715	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 2,019	N/A	US\$ 2,019	
	Gs Mtg Secs Corp.	-	"	-	US\$ 991	N/A	US\$ 991	
	Home Equity Mortgage Trust	-	"	-	US\$ 1,237	N/A	US\$ 1,237	
	Home Equity Mtg Tr 2006 4	-	"	-	US\$ 485	N/A	US\$ 485	
	JP Morgan Mtg Tr	-	"	-	US\$ 588	N/A	US\$ 588	
	JP Morgan Mtg Tr	-	"	-	US\$ 630	N/A	US\$ 630	
	JP Morgan Mtg Tr	-	"	-	US\$ 559	N/A	US\$ 559	
	Lb Ubs Coml Mtg Tr	-	"	-	US\$ 3,495	N/A	US\$ 3,495	
	Nomura Asset Accep Corp.	-	"	-	US\$ 660	N/A	US\$ 660	
	Residential Asset Mtg Prods	-	"	-	US\$ 1,515	N/A	US\$ 1,515	
	Residential Fdg Mtg Secs I Inc.	-	"	-	US\$ 1,074	N/A	US\$ 1,074	
	Residential Fdg Mtg Secs I Inc.	-	"	-	US\$ 2,331	N/A	US\$ 2,331	
	Sequoia Mtg Tr	-	"	-	US\$ 288	N/A	US\$ 288	
	Sequoia Mtg Tr	-	"	-	US\$ 158	N/A	US\$ 158	
	Sequoia Mtg Tr	-	"	-	US\$ 147	N/A	US\$ 147	
	Terwin Mtg Tr	-	"	-	US\$ 1,041	N/A	US\$ 1,041	
	Tiaa Seasoned Coml Mtg Tr	-	"	-	US\$ 3,163	N/A	US\$ 3,163	
	Wamu Mtg	-	"	-	US\$ 2,925	N/A	US\$ 2,925	
	Wamu Mtg Pass Through Ctfs	-	"	-	US\$ 114	N/A	US\$ 114	
	Wamu Mtg Pass Through Ctfs	-	"	-	US\$ 1,521	N/A	US\$ 1,521	
	Washington Mut Mtg Secs Corp.	-	"	-	US\$ 1,641	N/A	US\$ 1,641	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 2,405	N/A	US\$ 2,405	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 2,632	N/A	US\$ 2,632	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 2,391	N/A	US\$ 2,391	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 845	N/A	US\$ 845	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 2,088	N/A	US\$ 2,088	
	<u>Corporate bonds</u>							
	American Gen Fin Corp. Mtn	-	Available-for-sale financial assets	-	US\$ 1,156	N/A	US\$ 1,156	
	Chase Manhattan Corp. New	-	"	-	US\$ 1,505	N/A	US\$ 1,505	
	Chase Manhattan Corp. New	-	"	-	US\$ 2,066	N/A	US\$ 2,066	
	Chase Manhattan Corp. New	-	"	-	US\$ 3,353	N/A	US\$ 3,353	
	Credit Suisse First Boston USA	-	"	-	US\$ 347	N/A	US\$ 347	
	Deutsche Bank Ag London	-	"	-	US\$ 3,013	N/A	US\$ 3,013	
	Fleet Boston Corp.	-	"	-	US\$ 2,589	N/A	US\$ 2,589	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 2,988	N/A	US\$ 2,988	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 673	N/A	US\$ 673	
	Goldman Sachs Group	-	"	-	US\$ 2,029	N/A	US\$ 2,029	
	JP Morgan Chase	-	"	-	US\$ 1,994	N/A	US\$ 1,994	
	Mellon Fdg Corp.	-	"	-	US\$ 2,669	N/A	US\$ 2,669	
	Morgan Stanley	-	"	-	US\$ 4,552	N/A	US\$ 4,552	
	U S Bancorp Mtn Bk Ent	-	"	-	US\$ 1,369	N/A	US\$ 1,369	
	Wachovia Corp. New	-	"	-	US\$ 3,135	N/A	US\$ 3,135	
	Wells Fargo + Co. New Med Trm	-	"	-	US\$ 4,493	N/A	US\$ 4,493	
	<u>Money market funds</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	-	US\$ 30,435	N/A	US\$ 30,435	
	<u>Government bonds</u>							
	United States Treas Nts	-	Available-for-sale financial assets	-	US\$ 10,374	N/A	US\$ 10,374	

(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 YEAR ENDED DECEMBER 31, 2008

(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 (Note 2)				Ending Balance (Note 3)		
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	
TSMC	<u>Open-end mutual funds</u>														
	NITC Bond Fund	Available-for-sale financial assets	National Investment Trust Co., Ltd.	-	12,239	\$ 2,045,935	6,257	\$ 1,058,000	18,496	\$ 3,119,140	\$ 3,047,038	\$ 72,102	-	\$ -	
	Fuh Hwa Bond Fund	"	Fuh Hwa Investment Trust Co., Ltd.	-	132,997	1,801,674	129,864	1,775,000	262,861	3,598,480	3,543,862	54,618	-	-	
	NITC Taiwan Bond Fund	"	National Investment Trust Co., Ltd.	-	103,016	1,474,856	153,113	2,214,000	256,129	3,703,023	3,656,443	46,580	-	-	
	ING Taiwan Bond Fund	"	ING Securities Investment Trust Co., Ltd.	-	85,581	1,310,030	140,522	2,170,000	226,103	3,497,877	3,470,000	27,877	-	-	
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise	-	83,306	1,236,728	-	-	83,306	1,245,214	1,204,418	40,796	-	-	
	Uni-President James Bond Fund	"	Uni-President Assets Management Corp.	-	77,128	1,208,799	120,183	1,900,000	197,311	3,125,566	3,100,000	25,566	-	-	
	JF Taiwan Bond Fund	"	JF Asset Management (Taiwan) Ltd.	-	59,049	915,252	45,425	712,000	104,474	1,635,181	1,612,083	23,098	-	-	
	ING Taiwan Income Bond Fund	"	ING Securities Investment Trust Co., Ltd.	-	54,621	878,682	60,839	988,000	115,460	1,877,230	1,842,149	35,081	-	-	
	Taishin Lucky Investment Trust Fund	"	Taishin Investment Trust Co., Ltd.	-	68,945	718,556	-	-	68,945	724,340	701,524	22,816	-	-	
	AIG Taiwan Bond Fund	"	AIG Global Asset Management Corporation (Taiwan) Ltd.	-	54,469	705,033	-	-	54,469	708,863	700,000	8,863	-	-	
	Cathay Bond Fund	"	Cathay Securities Investment Trust Co., Ltd.	-	60,126	703,824	-	-	60,126	709,289	700,000	9,289	-	-	
	Dresdner Bond DAM Fund	"	Allianz Global Investors Taiwan Ltd.	-	54,319	639,542	-	-	54,319	644,310	624,828	19,482	-	-	
	JF Taiwan First Bond Fund	"	JF Asset Management (Taiwan) Ltd.	-	35,324	504,206	-	-	35,324	508,184	500,342	7,842	-	-	
	HSBC NTD Money Management Fund	"	HSBC Asset Management (Taiwan) Ltd.	-	27,416	413,504	-	-	27,416	416,788	402,614	14,174	-	-	
	INVESCO Bond Fund	"	INVESCO Taiwan Limited	-	27,176	410,054	-	-	27,176	412,892	403,727	9,165	-	-	
	IBT Ta-Chong Bond Fund	"	IBT Asset Magement Co., Ltd.	-	-	-	74,771	1,000,000	74,771	1,002,474	1,000,000	2,474	-	-	
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	187,050	2,400,000	187,050	2,411,016	2,400,000	11,016	-	-	
	Capital Income Fund	"	Capital Investment Trust Corporation	-	-	-	228,072	3,480,000	228,072	3,491,264	3,480,000	11,264	-	-	
	<u>Government bond</u>														
	2004 Government Bond Series B	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	1,197,121	-	-	-	1,203,434	1,201,660	1,774	-	-	
	2004 Government Bond Series G	"	"	-	-	200,065	-	-	-	201,301	200,841	460	-	-	
	2004 Government Bond Series B	Held-to-maturity financial assets	Sinopac Securities Corp. and several financial institutions	-	-	-	-	249,603	-	-	-	-	-	249,948	
	2003 Government Bond Series H	"	"	-	-	400,709	-	299,852	-	-	-	-	-	-	
	<u>Corporate bond</u>														
	Taiwan Mobile Co., Ltd	Available-for-sale financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	-	-	2,000,000	-	-	-	-	-	2,032,658	

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Formosa Chemicals & Fiber Corporation	Held-to-maturity financial assets	Grand Cathay Securities Corp. and several financial institutions	-	-	\$ -	-	\$ 198,914	-	\$ -	\$ -	\$ -	-	\$ 199,910
	Formosa Petrochemical Corporation	"	"	-	-	3,581,667	-	959,827	-	-	-	-	-	3,554,908
	Taiwan Power Company	"	"	-	-	2,630,064	-	3,192,915	-	-	-	-	-	4,209,629
	Formosa Plastic Corporation	"	"	-	-	391,134	-	1,984,471	-	-	-	-	-	2,385,285
	Nan Ya Plastics Corporation	"	"	-	-	1,804,346	-	2,486,383	-	-	-	-	-	3,487,804
	<u>Capital</u> VTAF III	Investments accounted for using equity method	-	Subsidiary	-	906,536	-	466,783	-	-	-	-	-	1,305,605
TSMC International	<u>Corporate bond</u> General Elec Cap Corp. Mtn	Held-to-maturity financial assets	BNP PARIBAS, London	-	-	-	-	US\$ 20,864	-	-	-	-	-	US\$ 20,791
	General Elec Cap Corp. Mtn	"	"	-	-	-	-	US\$ 20,316	-	-	-	-	-	US\$ 20,294
TSMC Development	<u>Corporate bond</u> GE Capital Corp.	Held-to-maturity financial assets	BNP PARIBAS, London	-	-	-	-	US\$ 20,478	-	-	-	-	-	US\$ 20,447
GUC	<u>Open-end mutual funds</u> PCA Well Pool Fund	Available-for-sale financial assets	PCA Securities Investment Trust Co., Ltd.	-	-	-	19,654	252,000	19,654	252,536	252,000	536	-	-
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise	-	-	-	18,087	271,000	18,087	271,331	271,000	331	-	-
	Uni-President James Bond Fund	"	Uni-President Assets Management Corp.	-	-	-	17,430	275,000	17,430	275,390	275,000	390	-	-
	Cathay Bond Fund	"	Cathay Securities Investment Trust Co., Ltd.	-	-	-	16,096	190,000	16,096	190,077	190,000	77	-	-
	NITC Taiwan Bond Fund	"	National Investment Trust Co., Ltd.	-	-	-	15,575	225,000	15,575	225,206	225,000	206	-	-
	IBT 1699 Bond Fund	"	IBT Asset Magement Co., Ltd.	-	-	-	13,383	170,000	13,383	170,333	170,000	333	-	-
	ING Taiwan Bond Fund	"	ING Securities Investment Trust Co., Ltd.	-	-	-	13,262	205,000	13,262	205,393	205,000	393	-	-
	IBT Ta-Chong Bond Fund	"	IBT Asset Magement Co., Ltd.	-	-	-	11,631	155,000	11,631	155,255	155,000	255	-	-
	Fuh Hwa Bond Fund	"	Fuh Hwa Investment Trust Co., Ltd.	-	-	-	12,602	172,000	12,602	172,353	172,000	353	-	-
	Mega Diamond Bond Fund	"	Mega International Investment Trust Co., Ltd.	-	-	-	12,484	147,000	12,484	147,117	147,000	117	-	-
	Polaris De-Li Fund	"	Polaris Securities Investment Trust Co., Ltd.	-	-	-	10,042	154,000	10,042	154,298	154,000	298	-	-
	NITC Bond Fund	"	National Investment Trust Co., Ltd.	-	-	-	796	135,000	796	135,133	135,000	133	-	-
TSMC Global	<u>Agency bonds</u> Fnma Pool 257245	Available-for-sale financial assets	-	-	-	-	3,716	US\$ 3,741	-	-	-	-	3,716	US\$ 3,513
	Federal Home Ln Bks	"	-	-	9,000	US\$ 8,977	-	-	9,000	US\$ 9,002	US\$ 8,716	US\$ 286	-	-
	Federal Home Ln Bks	"	-	-	-	-	9,000	US\$ 8,783	9,000	US\$ 9,162	US\$ 8,783	US\$ 379	-	-
	Federal Home Ln Bks	"	-	-	9,000	US\$ 8,939	-	-	9,000	US\$ 9,003	US\$ 8,735	US\$ 268	-	-
	Federal Home Ln Bks	"	-	-	-	-	3,725	US\$ 3,721	-	-	-	-	3,725	US\$ 3,854
	Federal Home Ln Bks	"	-	-	5,000	US\$ 4,965	-	-	5,000	US\$ 5,003	US\$ 4,850	US\$ 153	-	-
	Federal Home Ln Bks	"	-	-	5,000	US\$ 4,980	-	-	5,000	US\$ 4,999	US\$ 4,882	US\$ 117	-	-
	Federal Home Ln Bks	"	-	-	-	-	7,100	US\$ 7,204	7,100	US\$ 7,420	US\$ 7,204	US\$ 216	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	Federal Home Ln Bks	Available-for-sale financial assets	-	-	-	US\$ -	12,100	US\$ 12,464	8,100	US\$ 8,399	US\$ 8,328	US\$ 71	4,000	US\$ 4,148
	Federal Home Ln Bks	"	-	-	18,665	US\$ 19,023	-	-	18,665	US\$ 19,403	US\$ 18,951	US\$ 452	-	-
	Federal Home Ln Bks	"	-	-	21,900	US\$ 22,342	-	-	21,900	US\$ 22,473	US\$ 21,985	US\$ 488	-	-
	Federal Home Ln Mtg	"	-	-	-	-	5,000	US\$ 5,186	-	-	-	-	5,000	US\$ 5,340
	Federal Farm Credit Bank	"	-	-	-	-	7,200	US\$ 7,241	7,200	US\$ 7,475	US\$ 7,241	US\$ 234	-	-
	Federal Farm Credit Bank	"	-	-	-	-	3,375	US\$ 3,370	-	-	-	-	3,375	US\$ 3,433
	Federal Home Ln Mtg Corp.	"	-	-	-	-	6,700	US\$ 6,690	6,700	US\$ 6,841	US\$ 6,690	US\$ 151	-	-
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,340	US\$ 3,336	-	-	-	-	3,340	US\$ 3,428
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,500	US\$ 3,494	-	-	-	-	3,500	US\$ 3,560
	Federal Home Ln Mtg Corp.	"	-	-	-	-	7,000	US\$ 7,572	3,500	US\$ 3,712	US\$ 3,786	US\$ (74)	3,500	US\$ 3,743
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,391	US\$ 3,389	-	-	-	-	3,391	US\$ 3,108
	Federal Home Ln Mtg Corp.	"	-	-	-	-	3,083	US\$ 3,170	-	-	-	-	3,083	US\$ 2,880
	Federal Home Loan Banks	"	-	-	21,000	US\$ 21,500	-	-	21,000	US\$ 21,646	US\$ 21,356	US\$ 290	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	7,200	US\$ 7,248	7,200	US\$ 7,424	US\$ 7,248	US\$ 176	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	3,700	US\$ 3,700	-	-	-	-	3,700	US\$ 3,713
	Federal Natl Mtg Assn	"	-	-	-	-	10,000	US\$ 10,291	6,000	US\$ 6,138	US\$ 6,174	US\$ (36)	4,000	US\$ 4,169
	Federal Natl Mtg Assn	"	-	-	5,000	US\$ 5,169	-	-	5,000	US\$ 5,196	US\$ 5,102	US\$ 94	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	3,500	US\$ 3,645	-	-	-	-	3,500	US\$ 3,809
	Federal Natl Mtg Assn	"	-	-	-	-	3,750	US\$ 4,151	-	-	-	-	3,750	US\$ 4,134
	Federal Natl Mtg Assoc	"	-	-	-	-	3,450	US\$ 3,463	3,450	US\$ 3,450	US\$ 3,463	US\$ (13)	-	-
	Federal Natl Mtg Assn Mtn	"	-	-	3,000	US\$ 2,982	-	-	3,000	US\$ 3,006	US\$ 2,909	US\$ 97	-	-
	Federal Natl Mtg Assn Mtn	"	-	-	3,200	US\$ 3,171	-	-	3,200	US\$ 3,201	US\$ 3,090	US\$ 111	-	-
	Gnma Pool 646061	"	-	-	-	-	4,173	US\$ 4,352	-	-	-	-	4,173	US\$ 2,468
	Corporate issued asset-backed securities													
	Capital One Multi Asset Exec	Available-for-sale financial assets	-	-	9,000	US\$ 9,118	-	-	9,000	US\$ 8,710	US\$ 8,998	US\$ (288)	-	-
	Capital One Prime Auto Receiva	"	-	-	3,500	US\$ 3,498	-	-	3,500	US\$ 3,414	US\$ 3,500	US\$ (86)	-	-
	Daimlerchrysler Auto Tr	"	-	-	4,335	US\$ 4,337	-	-	4,335	US\$ 3,596	US\$ 4,333	US\$ (737)	-	-
	Usaa Auto Owner Tr	"	-	-	5,000	US\$ 4,998	-	-	5,000	US\$ 4,926	US\$ 4,999	US\$ (73)	-	-
	Wells Fargo Finl Auto Owner Tr	"	-	-	5,000	US\$ 4,956	-	-	3,658	US\$ 3,466	US\$ 3,608	US\$ (142)	1,342	-
	Corporate bonds													
	American Honda Fin Corp. Mtn	Available-for-sale financial assets	-	-	3,150	US\$ 3,107	-	-	3,150	US\$ 3,110	US\$ 3,095	US\$ 15	-	-
	Burlington Res Inc.	"	-	-	3,250	US\$ 3,653	-	-	3,250	US\$ 3,437	US\$ 3,647	US\$ (210)	-	-
	Depfa Acs Bank	"	-	-	20,000	US\$ 20,402	-	-	20,000	US\$ 20,409	US\$ 19,984	US\$ 425	-	-
	Deutsche Bank Ag London	"	-	-	-	-	2,995	US\$ 3,041	-	-	-	-	2,995	US\$ 3,013
	European Invt Bk	"	-	-	-	-	10,600	US\$ 10,577	10,600	US\$ 10,461	US\$ 10,577	US\$ (116)	-	-
	European Invt Bk	"	-	-	-	-	7,300	US\$ 7,277	7,300	US\$ 7,492	US\$ 7,276	US\$ 216	-	-
	European Invt Bk	"	-	-	-	-	10,600	US\$ 10,576	10,600	US\$ 10,676	US\$ 10,576	US\$ 100	-	-
	European Invt Bk	"	-	-	-	-	7,200	US\$ 7,182	7,200	US\$ 7,596	US\$ 7,182	US\$ 414	-	-
	General Elec Cap Corp. Mtn	"	-	-	4,000	US\$ 3,978	-	-	4,000	US\$ 4,042	US\$ 3,893	US\$ 149	-	-
	General Elec Cap Corp. Mtn	"	-	-	3,000	US\$ 3,047	-	-	3,000	US\$ 3,070	US\$ 2,994	US\$ 76	-	-
	General Re Corp.	"	-	-	3,000	US\$ 3,263	-	-	3,000	US\$ 3,060	US\$ 3,319	US\$ (259)	-	-
	Hancock John Global Fdg Ii Mtn	"	-	-	4,750	US\$ 5,111	-	-	4,750	US\$ 4,707	US\$ 5,170	US\$ (463)	-	-
	International Business Machs	"	-	-	3,500	US\$ 3,555	-	-	3,500	US\$ 3,582	US\$ 3,496	US\$ 86	-	-
	Keycorp Mtn Book Entry	"	-	-	3,050	US\$ 3,053	-	-	3,050	US\$ 3,041	US\$ 3,016	US\$ 25	-	-
	Kreditanstalt Fur Wiederaufbau	"	-	-	-	-	8,700	US\$ 8,679	8,700	US\$ 8,973	US\$ 8,679	US\$ 294	-	-
	Massmutual Global Fdg Ii Mtn	"	-	-	3,800	US\$ 3,737	-	-	3,800	US\$ 3,668	US\$ 3,647	US\$ 21	-	-
	Metropolitan Life Golbal Mtn	"	-	-	3,400	US\$ 3,366	-	-	3,400	US\$ 3,409	US\$ 3,325	US\$ 84	-	-
	Nationwide Life Global Fdg I	"	-	-	3,500	US\$ 3,631	-	-	3,500	US\$ 3,159	US\$ 3,520	US\$ (361)	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)
	Protective Life Secd Trs Mtn	Available-for-sale financial assets	-	-	3,500	US\$ 3,484	-	US\$ -	3,500	US\$ 3,274	US\$ 3,396	US\$ (122)	-	\$ -
	Sbc Communications Inc.	"	-	-	3,400	US\$ 3,372	-	-	3,400	US\$ 3,367	US\$ 3,309	US\$ 58	-	-
	<u>Money market funds</u>													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	592,180	US\$ 592,180	1,035,077	US\$ 1,035,077	1,596,822	US\$ 1,596,822	US\$ 1,596,822	US\$ -	30,435	US\$ 30,435
	<u>Government bonds</u>													
	U S Treas Bond Call	Available-for-sale financial assets	-	-	-	-	17,825	US\$ 17,813	17,825	US\$ 17,830	US\$ 17,813	US\$ 17	-	-
	US Treasury N/B	"	-	-	-	-	31,300	US\$ 31,414	31,300	US\$ 31,514	US\$ 31,413	US\$ 101	-	-
	US Treasury N/B	"	-	-	-	-	4,200	US\$ 4,259	4,200	US\$ 4,260	US\$ 4,259	US\$ 1	-	-
	United States Treas Nts	"	-	-	-	-	19,400	US\$ 19,353	19,400	US\$ 19,460	US\$ 19,353	US\$ 107	-	-
	United States Treas Nts	"	-	-	-	-	20,100	US\$ 20,057	20,100	US\$ 20,314	US\$ 20,057	US\$ 257	-	-
	United States Treas Nts	"	-	-	-	-	19,500	US\$ 19,474	19,500	US\$ 19,451	US\$ 19,474	US\$ (23)	-	-
	United States Treas Nts	"	-	-	-	-	60,100	US\$ 60,563	60,100	US\$ 60,829	US\$ 60,564	US\$ 265	-	-
	United States Treas Nts	"	-	-	-	-	20,800	US\$ 20,751	20,800	US\$ 21,292	US\$ 20,751	US\$ 541	-	-
	United States Treas Nts	"	-	-	-	-	45,300	US\$ 45,549	45,300	US\$ 45,992	US\$ 45,549	US\$ 443	-	-
	United States Treas Nts	"	-	-	-	-	17,000	US\$ 16,886	17,000	US\$ 16,917	US\$ 16,885	US\$ 32	-	-
	United States Treas Nts	"	-	-	-	-	67,600	US\$ 67,804	67,600	US\$ 68,342	US\$ 67,805	US\$ 537	-	-
	United States Treas Nts	"	-	-	-	-	7,800	US\$ 7,787	7,800	US\$ 7,757	US\$ 7,787	US\$ (30)	-	-
	United States Treas Nts	"	-	-	-	-	14,600	US\$ 14,605	14,600	US\$ 15,114	US\$ 14,605	US\$ 509	-	-
	United States Treas Nts	"	-	-	-	-	26,500	US\$ 26,636	26,500	US\$ 26,614	US\$ 26,636	US\$ (22)	-	-
	United States Treas Nts	"	-	-	-	-	6,400	US\$ 6,372	6,400	US\$ 6,282	US\$ 6,372	US\$ (90)	-	-
	United States Treas Nts	"	-	-	25,900	US\$ 25,924	-	-	25,900	US\$ 26,091	US\$ 25,941	US\$ 150	-	-
	United States Treas Nts	"	-	-	-	-	14,700	US\$ 14,887	14,700	US\$ 14,990	US\$ 14,887	US\$ 103	-	-
	United States Treas Nts	"	-	-	-	-	11,500	US\$ 11,615	11,500	US\$ 11,652	US\$ 11,615	US\$ 37	-	-
	United States Treas Nts	"	-	-	-	-	53,300	US\$ 54,114	53,300	US\$ 54,153	US\$ 54,114	US\$ 39	-	-
	United States Treas Nts	"	-	-	-	-	4,000	US\$ 4,057	4,000	US\$ 3,969	US\$ 4,057	US\$ (88)	-	-
	United States Treas Nts	"	-	-	5,000	US\$ 5,070	-	-	5,000	US\$ 5,077	US\$ 5,037	US\$ 40	-	-
	United States Treas Nts	"	-	-	-	-	3,750	US\$ 3,958	3,750	US\$ 3,861	US\$ 3,958	US\$ (97)	-	-
	United States Treas Nts	"	-	-	5,500	US\$ 5,613	-	-	5,500	US\$ 5,623	US\$ 5,584	US\$ 39	-	-
	United States Treas Nts	"	-	-	6,400	US\$ 6,500	-	-	6,400	US\$ 6,594	US\$ 6,407	US\$ 187	-	-
	United States Treas Nts	"	-	-	41,900	US\$ 42,509	-	-	41,900	US\$ 42,867	US\$ 41,870	US\$ 997	-	-
	United States Treas Nts	"	-	-	-	-	4,000	US\$ 4,200	4,000	US\$ 4,210	US\$ 4,199	US\$ 11	-	-
	United States Treas Nts	"	-	-	-	-	10,266	US\$ 11,167	-	-	-	-	10,266	US\$ 10,374
	United States Treas Nts	"	-	-	5,000	US\$ 5,160	2,000	US\$ 2,062	7,000	US\$ 7,308	US\$ 7,119	US\$ 189	-	-
	United States Treas Nts	"	-	-	-	-	10,000	US\$ 10,525	10,000	US\$ 10,489	US\$ 10,525	US\$ (36)	-	-
	United States Treas Nts	"	-	-	3,250	US\$ 3,359	-	-	3,250	US\$ 3,347	US\$ 3,298	US\$ 49	-	-
	United States Treas Nts	"	-	-	-	-	10,000	US\$ 10,866	10,000	US\$ 11,008	US\$ 10,866	US\$ 142	-	-
	United States Treas Nts	"	-	-	7,500	US\$ 7,758	-	-	7,500	US\$ 7,855	US\$ 7,742	US\$ 113	-	-
	United States Treas Nts	"	-	-	-	-	15,000	US\$ 16,162	15,000	US\$ 16,335	US\$ 16,162	US\$ 173	-	-
	United States Treas Nts	"	-	-	9,500	US\$ 9,735	-	-	9,500	US\$ 9,757	US\$ 9,479	US\$ 278	-	-
	United States Treas Nts	"	-	-	-	-	11,250	US\$ 12,259	11,250	US\$ 12,038	US\$ 12,259	US\$ (221)	-	-
	United States Treas Nts	"	-	-	-	-	19,700	US\$ 19,900	19,700	US\$ 20,045	US\$ 19,900	US\$ 145	-	-
	Wi Treasury Sec	"	-	-	-	-	13,300	US\$ 13,383	13,300	US\$ 13,430	US\$ 13,383	US\$ 47	-	-

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

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

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/ losses on financial assets, translation adjustments or equity in earnings 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 YEAR ENDED DECEMBER 31, 2008  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
TSMC	Fab	January 16, 2008 to January 19, 2008	\$4,045,220	By the construction progress	Tasa Construction Corporation, Fu Tsu Construction, and China Steel Structure Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
TSMC	TSMC North America GUC	Subsidiary	Sales	\$ 192,986,719	58	Net 30 days after invoice date	-	-	\$ 11,512,777	50	
		Investee with a controlling financial interest	Sales	1,611,058	1	Net 30 days after monthly closing	-	-	215,190	1	
	TSMC Shanghai WaferTech	Subsidiary	Sales	101,245	-	Net 30 days after monthly closing	-	-	-	-	
		Indirect subsidiary	Purchases	8,207,876	22	Net 30 days after monthly closing	-	-	(171,089)	3	
	TSMC Shanghai SSMC	Subsidiary	Purchases	4,717,676	12	Net 30 days after monthly closing	-	-	(117,417)	2	
		Investee accounted for using equity method	Purchases	4,441,795	12	Net 30 days after monthly closing	-	-	(162,807)	3	
	VIS	Investee accounted for using equity method	Purchases	3,209,028	8	Net 30 days after monthly closing	-	-	(317,491)	6	
GUC	TSMC North America	Same parent company	Purchases	1,747,488	41	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(148,680)	20	
XinTec	OmniVision	Parent company of director (represented for XinTec)	Sales	2,522,749	81	Net 30 days after monthly closing	-	-	309,133	89	
	VisEra	Same president	Sales	23,650	1	Net 45 days after monthly closing	-	-	283	-	

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

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2008**

**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
TSMC	TSMC North America GUC	Subsidiary	\$ 11,769,401	36	\$ 4,130,119	-	\$ 4,177,615	\$ -
		Investee with a controlling financial interest	215,190	33	1,869	-	103,680	-
	TSMC Shanghai	Subsidiary	112,933	(Note 2)	-	-	-	-
XinTec	OmniVision	Parent company of director (represented for XinTec)	309,133	54	-	-	-	-

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

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



TABLE 6

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

DECEMBER 31, 2008

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2008			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2008 (Foreign Currencies in Thousands)	December 31, 2007 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 45,756,519	\$ 963,052	\$ 963,052	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	29,637,057	2,082,332	2,082,332	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,232,288	13,047,681	628,223	37	9,787,275	1,041,953	(114,707)	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	5,120,028	8,840,895	314	39	6,808,192	2,460,149	757,241	Investee accounted for using equity method
	TSMC Shanghai	Shanghai, China	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	6,267,128	(2,904,565)	(2,907,231)	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,730,913	(973,153)	(973,153)	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	2,435,666	144,918	144,918	Subsidiary
	XinTec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	92,620	42	1,506,384	198,178	30,811	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,440,241	973,459	-	98	1,305,605	(92,095)	(90,253)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,036,422	1,095,622	-	98	975,367	(132,150)	(129,507)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	44,904	36	950,263	747,049	269,544	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	986,797	1,019,042	-	99	433,481	(6,643)	(6,610)	Subsidiary
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	137,617	4,943	4,943	Subsidiary
TSMC Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	124,594	38,454	38,454	Subsidiary	
TSMC Korea	Seoul, Korea	Customer service and technical support activities	13,656	13,656	80	100	15,117	3,232	3,232	Subsidiary	
TSMC International	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 690,095	US\$ 16,011	Note 2	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 32,289	US\$ 43,048	42,320	97	US\$ 25,586	US\$ 240	Note 2	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0,001	US\$ 0,001	1	100	US\$ 8,408	US\$ 1,816	Note 2	Subsidiary
	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 8,721	7,598	97	US\$ 6,529	US\$ (2,156)	Note 2	Subsidiary
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 380,000	US\$ 430,000	293,637	100	US\$ 204,558	US\$ 27,089	Note 2	Subsidiary
TSMC Partners	VisEra Holding Company	Cayman Islands	Investment in companies involved in the design, manufacture, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 69,298	US\$ 4,633	Note 2	Investee accounted for using equity method
	TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 2,570	US\$ 286	Note 2	Subsidiary
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US\$ 91,041	US\$ 91,041	253,120	89	US\$ 122,700	US\$ 4,429	Note 2	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2008			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 1) (Foreign Currencies in Thousands)	Note
				December 31, 2008 (Foreign Currencies in Thousands)	December 31, 2007 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 1,705	US\$ 1,705	4,590	51	US\$ 1,398	US\$ (544)	Note 2	Subsidiary
	Aiconn Technology Corp.	Taipei, Taiwan	Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments	-	-	4,500	44	US\$ 1,052	US\$ (1,339)	Note 2	Investee accounted for using equity method
	Growth Fund VTA Holdings	Cayman Islands Delaware, U.S.A.	Investing in new start-up technology companies Investing in new start-up technology companies	US\$ 700 -	- -	- -	100 68	US\$ 100 -	US\$ (600) -	Note 2 Note 2	Subsidiary Subsidiary
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	24	-	-	Note 2	Subsidiary
GUC	GUC-NA	U.S.A.	Consulting services in main products	US\$ 800	US\$ 100	800	100	\$ 34,019	\$ 2,774	Note 2	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 10,000	1	100	11,854	459	Note 2	Subsidiary
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 50	-	-	100	2,563	254	Note 2	Subsidiary
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	-	-	-	8	-	-	Note 2	Subsidiary

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

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2008

(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, 2008 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2008 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					Outflow (US\$ in Thousand)	Inflow (US\$ in Thousand)					
TSMC Shanghai	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%	\$(2,907,231)	\$6,267,128	\$ -

Accumulated Investment in Mainland China as of December 31, 2008 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

## A. FOR THE YEAR ENDED DECEMBER 31, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 192,986,719	-	56%
				Receivables from related parties	11,512,777	-	2%
				Other receivables from related parties	256,624	-	-
				Payables to related parties	327,250	-	-
		TSMC Shanghai	1	Sales	101,245	-	-
				Purchases	4,717,676	-	1%
				Gain on disposal of property, plant and equipment	197,681	-	-
				Technical service income	99,737	-	-
				Other receivables from related parties	112,933	-	-
				Payables to related parties	117,417	-	-
		TSMC Japan	1	Marketing expenses - commission	251,367	-	-
				Payables to related parties	20,528	-	-
		TSMC Europe	1	Marketing expenses - commission	367,846	-	-
				Payables to related parties	29,679	-	-
		TSMC Korea	1	Marketing expenses - commission	16,408	-	-
				Payables to related parties	1,313	-	-
		GUC	1	Sales	1,611,058	-	-
				General and administrative expenses - rental expense	1,050	-	-
				Research and development expenses	18,940	-	-
				Receivables from related parties	215,190	-	-
TSMC Technology	1	Payables to related parties	7,003	-	-		
		Research and development expenses	352,900	-	-		
WaferTech	1	Payables to related parties	41,904	-	-		
		Sales	12,216	-	-		
		Purchases	8,207,876	-	2%		
		Other receivables from related parties	13,813	-	-		
TSMC Canada	1	Payables to related parties	171,089	-	-		
		Research and development expenses	172,291	-	-		
Emerging Alliance Fund	1	Payables to related parties	3,297	-	-		
		Other receivables from related parties	5,149	-	-		
2	TSMC Partners	TSMC International	3	Other receivables	8,149,280	-	1%
				Deferred revenue	8,149,280	-	1%

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
3	GUC	TSMC North America	3	Purchases	1,747,488	-	-
				Manufacturing overhead	298,926	-	-
				Operating Expense	1,458	-	-
				Payables to related parties	148,680	-	-
		GUC-NA	3	Operating expenses	105,044	-	-
				Payables to related parties	11,074	-	-
		GUC-Japan	3	Operating expenses	28,480	-	-
				Payables to related parties	2,260	-	-
GUC-Europe	3	Operating expenses	5,140	-	-		

Note 1: No. 1 represents the transactions from parent company to subsidiary.  
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 and terms are determined in accordance with mutual agreements.

(Continued)

B. FOR THE YEAR ENDED DECEMBER 31, 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 North America	1	Sales	\$ 192,846,641	-	59%
				Receivables from related parties	26,626,880	-	5%
				Other receivables from related parties	98,885	-	-
				Payables to related parties	13,392	-	-
		TSMC Shanghai	1	Sales	155,799	-	-
				Purchases	5,828,541	-	2%
				Gain on disposal of property, plant and equipment	216,267	-	-
				Technical service income	121,771	-	-
				Other receivables from related parties	151,037	-	-
				Payables to related parties	596,581	-	-
		TSMC Japan	1	Marketing expenses - commission	220,858	-	-
				Payables to related parties	18,449	-	-
		TSMC Europe	1	Marketing expenses - commission	316,748	-	-
				Payables to related parties	37,046	-	-
		TSMC Korea	1	Marketing expenses - commission	26,818	-	-
		GUC	1	Sales	795,232	-	-
				General and administrative expenses - rental expense	6,139	-	-
				Research and development expenses	56,887	-	-
				Receivables from related parties	74,003	-	-
TSMC Technology	1	Payables to related parties	7,411	-	-		
		Payables to related parties	39,403	-	-		
WaferTech	1	Research and development expenses	354,423	-	-		
		Sales	10,301	-	-		
		Purchases	8,774,750	-	3%		
TSMC Canada	1	Payables to related parties	784,280	-	-		
		Research and development expenses	129,665	-	-		
1	TSMC International	TSMC Technology	3	Deferred royalty income	640,658	-	-
2	TSMC Partners	TSMC International	3	Other receivables	9,901,544	-	2%
				Deferred revenue	8,773,454	-	2%
3	GUC	TSMC North America	3	Purchases	1,766,788	-	1%
				Manufacturing overhead	189,410	-	-
				Payables to related parties	139,402	-	-
		GUC-NA	3	Operating expenses	60,010	-	-

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 and terms are determined in accordance with mutual agreements.

(Concluded)