

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2008 and 2007 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

October 9, 2008

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

| ASSETS | 2008 | | 2007 | |
|---|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 112,445,510 | 20 | \$ 98,327,915 | 17 |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 25) | 30,385 | - | 2,288,638 | - |
| Available-for-sale financial assets (Notes 2, 6 and 25) | 40,630,326 | 7 | 63,607,633 | 11 |
| Held-to-maturity financial assets (Notes 2.7 and 25) | 5,063,096 | 1 | 12,168,201 | 2 |
| Receivables from related parties (Note 26) | 1,498 | - | 4,261 | - |
| Notes and accounts receivable | 51,704,847 | 10 | 47,056,841 | 8 |
| Allowance for doubtful receivables (Notes 2 and 8) | (695,474) | - | (704,629) | - |
| Allowance for sales returns and others (Notes 2 and 8) | (5,677,508) | (1) | (3,999,155) | (1) |
| Other receivables from related parties (Note 26) | 150,408 | - | 313,101 | - |
| Other financial assets (Note 27) | 1,738,559 | - | 1,670,332 | 1 |
| Inventories, net (Notes 2 and 9) | 21,817,238 | 4 | 24,532,167 | 4 |
| Deferred income tax assets (Notes 2 and 19) | 3,198,007 | 1 | 3,271,052 | 1 |
| Prepaid expenses and other current assets | 1,942,267 | - | 1,519,648 | - |
| Total current assets | 232,349,159 | 42 | 250,056,005 | 43 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 25) | | | | |
| Investments accounted for using equity method | 19,200,105 | 3 | 21,770,013 | 3 |
| Available-for-sale financial assets | 4,645,724 | 1 | 4,138,197 | 1 |
| Held-to-maturity financial assets | 14,039,087 | 3 | 16,167,443 | 3 |
| Financial assets carried at cost | 3,988,976 | 1 | 3,914,954 | 1 |
| Total long-term investments | 41,873,892 | 8 | 45,990,607 | 8 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 27) | | | | |
| Cost | | | | |
| Land and land improvements | 934,922 | - | 948,001 | - |
| Buildings | 130,965,521 | 24 | 117,323,692 | 20 |
| Machinery and equipment | 693,125,037 | 126 | 634,312,621 | 108 |
| Office equipment | 12,208,581 | 2 | 11,661,473 | 2 |
| Leased assets | 706,900 | - | 638,786 | - |
| | 837,940,961 | 152 | 764,884,573 | 130 |
| Accumulated depreciation | (597,523,587) | (108) | (521,613,239) | (89) |
| Advance payments and construction in progress | 11,877,532 | 2 | 21,965,009 | 4 |
| Net property, plant and equipment | 252,294,906 | 46 | 265,236,343 | 45 |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 5,944,941 | 1 | 6,005,297 | 1 |
| Deferred charges, net (Notes 2 and 13) | 7,169,827 | 1 | 5,802,760 | 1 |
| Total intangible assets | 13,114,768 | 2 | 11,808,057 | 2 |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 19) | 7,562,573 | 1 | 10,489,658 | 2 |
| Refundable deposits | 2,712,441 | 1 | 2,729,259 | - |
| Others (Note 2) | 91,402 | - | 97,334 | - |
| Total other assets | 10,366,416 | 2 | 13,316,251 | 2 |
| TOTAL | \$ 549,999,141 | 100 | \$ 586,407,263 | 100 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2008 | | 2007 | |
|--|------------------------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT LIABILITIES | | | | |
| Short-term bank loans (Note 14) | \$ - | - | \$ 97,860 | - |
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 25) | 319,604 | - | 130,830 | - |
| Accounts payable | 8,407,378 | 2 | 10,926,705 | 2 |
| Payables to related parties (Note 26) | 1,263,512 | - | 1,565,379 | - |
| Income tax payable (Notes 2 and 19) | 9,137,982 | 2 | 7,492,944 | 1 |
| Bonuses payable to employees, directors and supervisors (Notes 3 and 21) | 13,457,491 | 2 | - | - |
| Payables to contractors and equipment suppliers | 8,081,877 | 1 | 11,744,553 | 2 |
| Accrued expenses and other current liabilities (Notes 17 and 29) | 13,208,823 | 2 | 14,153,434 | 3 |
| Current portion of long-term liabilities (Notes 15, 16 and 27) | 8,257,933 | 2 | 4,781,509 | 1 |
| Total current liabilities | 62,134,600 | 11 | 50,893,214 | 9 |
| LONG-TERM LIABILITIES | | | | |
| Bonds payable (Note 15) | 4,500,000 | 1 | 12,500,000 | 2 |
| Long-term bank loans (Notes 16 and 27) | 1,547,240 | - | 1,539,001 | - |
| Other long-term payables (Notes 17 and 29) | 9,467,559 | 2 | 8,766,544 | 2 |
| Obligations under capital leases (Note 2) | 706,900 | - | 638,786 | - |
| Total long-term liabilities | 16,221,699 | 3 | 23,444,331 | 4 |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 18) | 3,702,144 | 1 | 3,630,090 | 1 |
| Guarantee deposits (Note 29) | 1,624,231 | - | 2,564,396 | - |
| Deferred credits (Notes 2 and 26) | 432,134 | - | 1,190,936 | - |
| Others | 61,065 | - | 65,711 | - |
| Total other liabilities | 5,819,574 | 1 | 7,451,133 | 1 |
| Total liabilities | 84,175,873 | 15 | 81,788,678 | 14 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | |
| Capital stock - \$10 par value (Notes 21 and 23) | | | | |
| Authorized: | 28,050,000 thousand shares | | | |
| Issued: | 25,904,166 thousand shares in 2008 | | | |
| | 26,426,202 thousand shares in 2007 | | | |
| | 259,041,660 | 47 | 264,262,018 | 45 |
| Capital surplus (Notes 2 and 21) | 50,463,438 | 9 | 53,713,165 | 9 |
| Retained earning (Note 21) | | | | |
| Appropriated as legal capital reserve | 67,324,393 | 12 | 56,406,684 | 9 |
| Appropriated as special capital reserve | 391,857 | - | 629,550 | - |
| Unappropriated earnings | 103,062,463 | 19 | 127,343,560 | 22 |
| | 170,778,713 | 31 | 184,379,794 | 31 |
| Others (Notes 2, 23 and 25) | | | | |
| Cumulative translation adjustments | (1,584,029) | - | (690,056) | - |
| Unrealized gain/loss on financial instruments | (124,039) | - | 528,024 | - |
| Treasury stock: 278,875 thousand shares in 2008 | (16,499,990) | (3) | (918,075) | - |
| | (18,208,058) | (3) | (1,080,107) | - |
| | 34,096 thousand shares in 2007 | | | |
| Equity attributable to shareholders of the parent | 462,075,753 | 84 | 501,274,870 | 85 |
| MINORITY INTEREST (Note 2) | 3,747,515 | 1 | 3,343,715 | 1 |
| Total shareholders' equity | 465,823,268 | 85 | 504,618,585 | 86 |
| TOTAL | \$ 549,999,141 | 100 | \$ 586,407,263 | 100 |

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

(With Deloitte & Touche review report dated October 9, 2008)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | 2008 | | 2007 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 26) | \$ 274,538,509 | | \$ 232,680,424 | |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8) | <u>5,943,249</u> | | <u>3,909,616</u> | |
| NET SALES | 268,595,260 | 100 | 228,770,808 | 100 |
| COST OF SALES (Notes 20 and 26) | <u>147,041,060</u> | <u>55</u> | <u>131,256,118</u> | <u>57</u> |
| GROSS PROFIT | <u>121,554,200</u> | <u>45</u> | <u>97,514,690</u> | <u>43</u> |
| OPERATING EXPENSES (Notes 20 and 26) | | | | |
| Research and development | 16,654,551 | 6 | 12,934,026 | 6 |
| General and administrative | 8,811,573 | 3 | 6,925,391 | 3 |
| Marketing | <u>3,674,339</u> | <u>1</u> | <u>2,691,098</u> | <u>1</u> |
| Total operating expenses | <u>29,140,463</u> | <u>10</u> | <u>22,550,515</u> | <u>10</u> |
| INCOME FROM OPERATIONS | <u>92,413,737</u> | <u>35</u> | <u>74,964,175</u> | <u>33</u> |
| NON-OPERATING INCOMES AND GAINS | | | | |
| Interest income | 4,042,397 | 2 | 4,235,773 | 2 |
| Technical service income (Notes 26 and 29) | 1,091,366 | 1 | 438,523 | - |
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 1,042,002 | - | 1,631,288 | 1 |
| Gain on settlement and disposal of financial assets, net (Notes 2 and 25) | 688,186 | - | 487,587 | - |
| Settlement income (Note 29) | 456,195 | - | 491,385 | - |
| Foreign exchange gain, net (Note 2) | 235,547 | - | 235,449 | - |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26) | 85,059 | - | 54,629 | - |
| Subsidy income (Note 2) | 6,828 | - | 360,843 | - |
| Valuation gain on financial instruments, net (Notes 2, 5 and 25) | - | - | 526,585 | - |
| Others (Note 26) | <u>465,849</u> | <u>-</u> | <u>675,061</u> | <u>1</u> |
| Total non-operating incomes and gains | <u>8,113,429</u> | <u>3</u> | <u>9,137,123</u> | <u>4</u> |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | 2008 | | 2007 | |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Amount | % | Amount | % |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on impairment of financial assets (Notes 2 and 25) | \$ 1,048,063 | 1 | \$ 56,647 | - |
| Interest expense | 460,024 | - | 639,870 | - |
| Loss on idle assets (Note 2) | 210,477 | - | - | - |
| Valuation loss on financial instruments, net (Notes 2, 5 and 25) | 139,202 | - | - | - |
| Provision for litigation loss (Note 29h) | 99,126 | - | 1,008,635 | 1 |
| Loss on disposal of property, plant and equipment (Note 2) | - | - | 6,115 | - |
| Others | <u>191,665</u> | - | <u>79,584</u> | - |
| Total non-operating expenses and losses | <u>2,148,557</u> | <u>1</u> | <u>1,790,851</u> | <u>1</u> |
| INCOME BEFORE INCOME TAX | 98,378,609 | 37 | 82,310,447 | 36 |
| INCOME TAX EXPENSE (Notes 2 and 19) | <u>10,496,985</u> | <u>4</u> | <u>7,101,660</u> | <u>3</u> |
| NET INCOME | <u>\$ 87,881,624</u> | <u>33</u> | <u>\$ 75,208,787</u> | <u>33</u> |
| ATTRIBUTABLE TO: | | | | |
| Shareholders of the parent | \$ 87,487,392 | 33 | \$ 74,692,316 | 33 |
| Minority interest | <u>394,232</u> | - | <u>516,471</u> | - |
| | <u>\$ 87,881,624</u> | <u>33</u> | <u>\$ 75,208,787</u> | <u>33</u> |
| | 2008 | | 2007 | |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 24) | | | | |
| Basic earnings per share | <u>\$ 3.77</u> | <u>\$ 3.36</u> | <u>\$ 3.04</u> | <u>\$ 2.78</u> |
| Diluted earnings per share | <u>\$ 3.75</u> | <u>\$ 3.34</u> | <u>\$ 3.04</u> | <u>\$ 2.77</u> |

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

(With Deloitte & Touche review report dated October 9, 2008)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2008 | 2007 |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income attributable to shareholders of the parent | \$ 87,487,392 | \$ 74,692,316 |
| Net income attributable to minority interest | 394,232 | 516,471 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 60,551,367 | 59,723,935 |
| Amortization of premium/discount of financial assets | (74,497) | (90,347) |
| Loss on impairment of financial assets | 1,048,063 | 56,647 |
| Gain on disposal of available-for-sale financial assets, net | (647,722) | (345,542) |
| Gain on disposal of financial assets carried at cost, net | (40,464) | (141,974) |
| Equity in earnings of equity method investees, net | (1,042,002) | (1,631,288) |
| Dividends received from equity method investees | 1,646,123 | 625,130 |
| Gain on disposal of property, plant and equipment and other assets, net | (85,059) | (48,514) |
| Loss on idle assets | 210,477 | - |
| Deferred income tax | 2,125,037 | 66,761 |
| Net changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | 1,672,293 | (961,818) |
| Receivables from related parties | 9,387 | 636,091 |
| Notes and accounts receivable | (4,500,721) | (11,986,891) |
| Allowance for doubtful receivables | (6,333) | (45,304) |
| Allowance for sales returns and others | 1,588,473 | 1,115,397 |
| Other receivables from related parties | 93,212 | (56,238) |
| Other financial assets | (223,032) | 687,183 |
| Inventories | 2,045,022 | (2,896,013) |
| Prepaid expenses and other current assets | (596,334) | 141,293 |
| Increase (decrease) in: | | |
| Accounts payable | (3,167,504) | 2,570,108 |
| Payables to related parties | (239,864) | (313,728) |
| Income tax payable | (1,988,146) | (453,529) |
| Bonuses payable to employees, directors and supervisors | 13,457,491 | - |
| Accrued expenses and other current liabilities | (745,785) | 1,992,633 |
| Accrued pension cost | 36,622 | 90,030 |
| Deferred credits | (758,108) | 64,618 |
| Net cash provided by operating activities | <u>158,249,620</u> | <u>124,007,427</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (60,210,961) | (55,071,877) |
| Held-to-maturity financial assets | (8,527,196) | - |
| Investments accounted for using equity method | (55,220) | (5,809,874) |
| Financial assets carried at cost | (389,722) | (807,998) |
| Property, plant and equipment | (47,965,009) | (64,220,124) |

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2008 | 2007 |
|---|------------------------------|-----------------------------|
| Proceeds from disposal or redemption of: | | |
| Available-for-sale financial assets | \$ 81,009,121 | \$ 62,353,374 |
| Held-to-maturity financial assets | 9,773,000 | 9,200,400 |
| Financial assets carried at cost | 126,400 | 269,109 |
| Property, plant and equipment and other assets | 171,190 | 26,409 |
| Increase in deferred charges | (2,396,280) | (2,223,176) |
| Decrease (increase) in refundable deposits | 65,328 | (1,386,385) |
| Net cash paid for acquisition of subsidiaries | - | (386,932) |
| Decrease (increase) in other assets | (1,130) | 29,487 |
| Capital distribution from equity method investees | <u>2,345,867</u> | <u>-</u> |
| Net cash used in investing activities | <u>(26,054,612)</u> | <u>(58,027,587)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term bank loans | - | 8,140 |
| Proceeds from long-term bank loans | 96,510 | 363,000 |
| Repayments of: | | |
| Long-term bank loans | (288,507) | (93,171) |
| Bonds payable | - | (2,500,000) |
| Decrease in guarantee deposits | (618,778) | (1,252,744) |
| 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 | 222,552 | 401,786 |
| Increase (decrease) in minority interest | (130,326) | 17,353 |
| Repurchase of treasury stock | <u>(33,480,997)</u> | <u>-</u> |
| Net cash used in financing activities | <u>(115,095,351)</u> | <u>(85,301,536)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 17,099,657 | (19,321,696) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 359,365 | (187,581) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>94,986,488</u> | <u>117,837,192</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 112,445,510</u> | <u>\$ 98,327,915</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ 604,599</u> | <u>\$ 635,416</u> |
| Income tax paid | <u>\$ 10,400,208</u> | <u>\$ 7,534,342</u> |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2008 | 2007 |
|--|----------------------|----------------------|
| INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 49,803,703 | \$ 64,888,968 |
| Increase in payables to contractors and equipment suppliers | (1,825,145) | (668,844) |
| Increase in obligations under capital leases | (13,549) | - |
| Cash paid | <u>\$ 47,965,009</u> | <u>\$ 64,220,124</u> |
| Repurchase of treasury stock | \$ 30,427,413 | \$ - |
| Decrease in accrued expenses and other current liabilities | 3,053,584 | - |
| Cash paid | <u>\$ 33,480,997</u> | <u>\$ -</u> |
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of long-term liabilities | <u>\$ 8,257,933</u> | <u>\$ 4,781,509</u> |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | <u>\$ 1,901,323</u> | <u>\$ 1,488,860</u> |

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

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

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

(With Deloitte & Touche review report dated October 9, 2008)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company, Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated 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 September 30, 2008 and 2007, TSMC and its subsidiaries had 25,318 and 25,007 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:

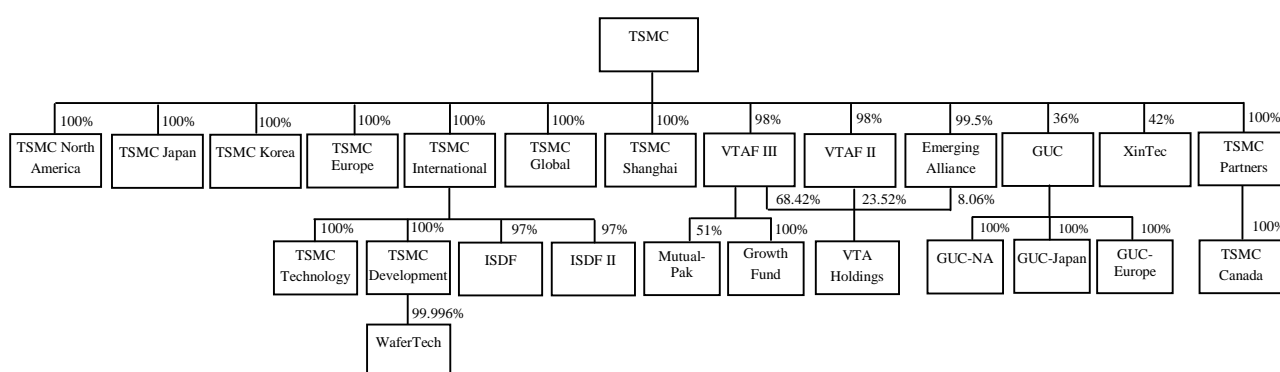
| Name of Investor | Name of Investee | Percentage of Ownership September 30 | | Remark |
|---|--|---|---------|---|
| | | 2008 | 2007 | |
| TSMC | TSMC North America | 100% | 100% | - |
| | TSMC Japan Limited (TSMC Japan) | 100% | 100% | - |
| | TSMC Korea Limited (TSMC Korea) | 100% | 100% | - |
| | 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 September 30, 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 September 30, 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% | 45% | - |
| | Growth Fund Limited (Growth Fund) | 100% | - | Newly established. |
| VTAF III, VTAF II and Emerging Alliance | VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | 100% | - | Newly established. |

(Continued)

| Name of Investor | Name of Investee | Percentage of Ownership September 30 | | 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 September 30, 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 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 agency notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

Fair value is determined as follows: Publicly traded stocks - closing prices at the end of the period; 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 period; publicly traded stocks - closing prices at the end of the period; and other debt securities - average of bid and asked prices at the end of the period.

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the balance sheet date. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods. The Company assesses the impact of changing technology on its inventories on hand and writes off inventories that are considered obsolete. Period-end inventories are evaluated for estimated excess quantities and obsolescence based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the "equity in earnings/losses of equity method investees, net" account. 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). When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

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

Financial Assets Carried at Cost

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

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

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

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

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements - 20 years; buildings - 10 to 20 years; machinery and equipment - 3 to 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 period's tax provision.

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

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

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

Translation of Foreign-currency Financial Statements

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

Recent Accounting Pronouncements

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. Early adoption is permitted.

Reclassification

Certain accounts in the consolidated financial statements as of and for the nine months ended September 30, 2007 have been reclassified to be consistent with the consolidated financial statements as of and for the nine months ended September 30, 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 (after income tax) of NT\$11,199,865 thousand and NT\$0.43, respectively, for the nine months ended September 30, 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 nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

| | <u>September 30</u> | |
|--|-----------------------|----------------------|
| | <u>2008</u> | <u>2007</u> |
| Cash and deposits in bank | \$ 105,455,122 | \$ 65,910,081 |
| Repurchase agreements collateralized by government bonds | 6,990,388 | 31,354,207 |
| Asset-backed commercial papers | - | 596,823 |
| Agency notes | - | 466,804 |
| | <u>\$ 112,445,510</u> | <u>\$ 98,327,915</u> |

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

| | <u>September 30</u> | |
|--------------------------------------|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> |
| <u>Trading financial assets</u> | | |
| Publicly traded stocks | \$ 17,153 | \$ 1,921,437 |
| Forward exchange contracts | 13,232 | 756 |
| Cross currency swap contracts | - | 366,445 |
| | <u>\$ 30,385</u> | <u>\$ 2,288,638</u> |
| <u>Trading financial liabilities</u> | | |
| Forward exchange contracts | \$ 141,024 | \$ 127,590 |
| Cross currency swap contracts | 178,580 | 3,240 |
| | <u>\$ 319,604</u> | <u>\$ 130,830</u> |

The Company entered into derivative contracts during the nine months ended September 30, 2008 and 2007 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward contracts consisted of the following:

| | Maturity Date | Contract Amount (in Thousands) |
|---------------------------|-------------------------------|---|
| <u>September 30, 2008</u> | | |
| Sell EUR/buy NT\$ | October 2008 | EUR15,000/NT\$691,465 |
| Sell EUR/buy US\$ | October 2008 | EUR7,000/US\$10,175 |
| Sell US\$/buy NT\$ | October 2008 to December 2008 | US\$576,000/NT\$18,401,729 |
| Sell US\$/buy JPY | October 2008 | US\$109/JPY12,000 |
| Sell RMB/buy US\$ | October 2008 to December 2008 | RMB99,059/US\$14,500 |
| <u>September 30, 2007</u> | | |
| Sell EUR/buy NT\$ | October 2007 to July 2008 | EUR70,040/NT\$3,085,475 |
| Sell US\$/buy NT\$ | October 2007 | US\$2,000/NT\$65,836 |
| Sell US\$/buy JPY | October 2007 | US\$104/JPY12,000 |

Outstanding cross currency swap contracts consisted of the following:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|---|---|---|
| <u>September 30, 2008</u> | | | |
| October 2008 to November 2008 | US\$536,000/NT\$17,080,480 | 2.48%-14.00% | 0.00%-2.40% |
| <u>September 30, 2007</u> | | | |
| October 2007 to November 2007 | US\$930,000/NT\$30,728,500 | 3.76%-5.80% | 1.60%-3.69% |

For the nine months ended September 30, 2008 and 2007, net losses and gains arising from financial assets/liabilities at fair value through profit or loss were NT\$139,202 thousand and NT\$526,585 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | <u>September 30</u> | |
|--|---------------------|---------------|
| | 2008 | 2007 |
| Open-end mutual funds | \$ 14,146,296 | \$ 15,403,622 |
| Agency bonds | 8,995,524 | 13,479,113 |
| Corporate bonds | 8,860,920 | 15,086,321 |
| Structured time deposits | 4,645,724 | 498,587 |
| Corporate issued asset-backed securities | 3,864,931 | 8,957,212 |
| Government bonds | 3,631,519 | 12,769,875 |

(Continued)

| | <u>September 30</u> | |
|------------------------|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> |
| Money market funds | \$ 758,253 | \$ 1,066,088 |
| Publicly traded stocks | 372,883 | 158,342 |
| Corporate issued notes | <u>-</u> | <u>326,670</u> |
| | 45,276,050 | 67,745,830 |
| Current portion | <u>(40,630,326)</u> | <u>(63,607,633)</u> |
| | <u>\$ 4,645,724</u> | <u>\$ 4,138,197</u> |
| | | (Concluded) |

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

| | Principal Amount | Carrying Amount | Interest Rate | Maturity Date |
|---------------------------|-----------------------------|----------------------------|----------------------|----------------------|
| <u>September 30, 2008</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,000,000 | \$ 4,003,970 | 2.71%-2.80% | September 2011 |
| Foreign deposits | <u>642,600</u> | <u>641,754</u> | 4.20% | August 2011 |
| | <u>\$ 4,642,600</u> | <u>\$ 4,645,724</u> | | |

September 30, 2007

| | | | | |
|---------------------------|-------------------|-------------------|-------|------------|
| Step-up callable deposits | | | | |
| Domestic deposits | <u>\$ 500,000</u> | <u>\$ 498,587</u> | 1.76% | March 2008 |

As of September 30, 2008, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$20,000 thousand. As of September 30, 2007, no structured time deposit resided in banks located in foreign countries.

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | <u>September 30</u> | |
|--------------------------|----------------------|----------------------|
| | <u>2008</u> | <u>2007</u> |
| Corporate bonds | \$ 12,758,843 | \$ 11,540,506 |
| Structured time deposits | 4,142,600 | 8,726,720 |
| Government bonds | <u>2,200,740</u> | <u>8,068,418</u> |
| | 19,102,183 | 28,335,644 |
| Current portion | <u>(5,063,096)</u> | <u>(12,168,201)</u> |
| | <u>\$ 14,039,087</u> | <u>\$ 16,167,443</u> |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|--------------------------------|
| <u>September 30, 2008</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,500,000 | \$ 12,287 | 1.83%-2.90% | October 2008 to September 2011 |
| Foreign deposits | <u>642,600</u> | <u>1,954</u> | 4.21% | September 2011 |
| | <u>\$ 4,142,600</u> | <u>\$ 14,241</u> | | |
| <u>September 30, 2007</u> | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,500,000 | \$ 13,340 | 1.69%-1.83% | October 2007 to October 2008 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,266,700 | 14,265 | (See below) | October 2009 to December 2009 |
| Foreign deposits | <u>1,960,020</u> | <u>6,016</u> | (See below) | October 2009 to December 2009 |
| | <u>\$ 8,726,720</u> | <u>\$ 33,621</u> | | |

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

As of September 30, 2008, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$20,000 thousand. As of September 30, 2007, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$40,000 thousand and US\$20,000 thousand, respectively.

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

| | Nine Months Ended September 30 | |
|--|---|-------------------|
| | 2008 | 2007 |
| Balance, beginning of period | \$ 701,807 | \$ 749,888 |
| Provision | 5,135 | 2,941 |
| Write-off | (11,468) | (48,245) |
| Effect of inclusion of newly consolidated subsidiaries | <u>-</u> | <u>45</u> |
| Balance, end of period | <u>\$ 695,474</u> | <u>\$ 704,629</u> |

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

| | Nine Months Ended September 30 | |
|------------------------------|---|---------------------|
| | 2008 | 2007 |
| Balance, beginning of period | \$ 4,089,035 | \$ 2,870,802 |
| Provision | 5,943,249 | 3,909,616 |
| Write-off | <u>(4,354,776)</u> | <u>(2,781,263)</u> |
| Balance, end of period | <u>\$ 5,677,508</u> | <u>\$ 3,999,155</u> |

9. INVENTORIES

| | <u>September 30</u> | |
|--------------------------|----------------------|----------------------|
| | <u>2008</u> | <u>2007</u> |
| Finished goods | \$ 5,132,112 | \$ 4,001,959 |
| Work in process | 15,684,218 | 18,628,916 |
| Raw materials | 1,231,880 | 1,932,257 |
| Supplies and spare parts | <u>1,158,930</u> | <u>1,079,541</u> |
| | 23,207,140 | 25,642,673 |
| Allowance for losses | <u>(1,389,902)</u> | <u>(1,110,506)</u> |
| | <u>\$ 21,817,238</u> | <u>\$ 24,532,167</u> |

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | <u>September 30</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) | \$ 10,151,846 | 37 | \$ 10,951,250 | 37 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 6,761,630 | 39 | 8,674,862 | 39 |
| VisEra Holding Company (VisEra Holding) | 2,247,897 | 49 | 2,143,901 | 49 |
| Aiconn Technology Corporation (Aiconn) | <u>38,732</u> | 48 | <u>-</u> | - |
| | <u>\$ 19,200,105</u> | | <u>\$ 21,770,013</u> | |

In August 2007, the Company acquired additional 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 nine months ended September 30, 2008 and 2007, net equity in earnings of NT\$1,042,002 thousand and NT\$1,631,288 thousand was recognized, respectively. The related equity in earnings of equity method was determined based on the reviewed financial statements of the investees for the same periods as the Company.

As of September 30, 2008 and 2007, fair values of publicly traded stocks in investments accounted for using equity method (VIS) was NT\$7,318,803 thousand and NT\$18,283,297 thousand, respectively.

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

| | <u>Nine Months Ended September 30</u> | |
|------------------------------|---|---------------------|
| | <u>2008</u> | <u>2007</u> |
| Balance, beginning of period | \$ 2,589,742 | \$ 952,159 |
| Additions | - | 2,743,000 |
| Amortization | <u>(449,341)</u> | <u>(193,466)</u> |
| Balance, end of period | <u>\$ 2,140,401</u> | <u>\$ 3,501,693</u> |

As of September 30, 2008 and 2007, the ending balances of the aforementioned difference allocated to goodwill were NT\$1,061,885 thousand and NT\$213,984 thousand, respectively.

11. FINANCIAL ASSETS CARRIED AT COST

| | <u>September 30</u> | |
|----------------------------|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> |
| Non-publicly traded stocks | \$ 3,605,626 | \$ 3,532,661 |
| Funds | <u>383,350</u> | <u>382,293</u> |
| | <u>\$ 3,988,976</u> | <u>\$ 3,914,954</u> |

12. PROPERTY, PLANT AND EQUIPMENT

| | <u>Nine Months Ended September 30, 2008</u> | | | | | |
|---|---|-----------------------------------|-----------------------|-------------------------|--|-----------------------------------|
| | <u>Balance, Beginning of Period</u> | <u>Additions (Deductions)</u> | <u>Disposals</u> | <u>Reclassification</u> | <u>Effect of Exchange Rate Changes</u> | <u>Balance, End of Period</u> |
| Cost | | | | | | |
| Land and land improvements | \$ 942,197 | \$ - | \$ - | \$ 809 | \$ (8,084) | \$ 934,922 |
| Buildings | 118,640,027 | 11,837,497 | (8,524) | (1,150) | 497,671 | 130,965,521 |
| Machinery and equipment | 646,419,427 | 46,431,989 | (1,078,214) | 117,941 | 1,233,894 | 693,125,037 |
| Office equipment | 11,829,640 | 795,917 | (267,009) | (168,692) | 18,725 | 12,208,581 |
| Leased asset | <u>652,296</u> | <u>13,549</u> | <u>-</u> | <u>-</u> | <u>41,055</u> | <u>706,900</u> |
| | <u>778,483,587</u> | <u>\$ 59,078,952</u> | <u>\$ (1,353,747)</u> | <u>\$ (51,092)</u> | <u>\$ 1,783,261</u> | <u>837,940,961</u> |
| Accumulated depreciation | | | | | | |
| Land and land improvements | 262,703 | \$ 21,140 | \$ - | \$ - | \$ (1,815) | 282,028 |
| Buildings | 63,239,922 | 6,711,544 | (8,524) | 394 | 179,083 | 70,122,419 |
| Machinery and equipment | 467,665,072 | 50,820,528 | (945,851) | (35,055) | 74,618 | 517,579,312 |
| Office equipment | 8,796,752 | 913,963 | (266,610) | (84,662) | 10,521 | 9,369,964 |
| Leased asset | <u>135,118</u> | <u>24,905</u> | <u>-</u> | <u>-</u> | <u>9,841</u> | <u>169,864</u> |
| | <u>540,099,567</u> | <u>\$ 58,492,080</u> | <u>\$ (1,220,985)</u> | <u>\$ (119,323)</u> | <u>\$ 272,248</u> | <u>597,523,587</u> |
| Advance payments and construction in progress | <u>21,868,167</u> | <u>\$ (9,275,249)</u> | <u>\$ -</u> | <u>\$ (83,336)</u> | <u>\$ (632,050)</u> | <u>11,877,532</u> |
| Net | | <u>\$ 260,252,187</u> | | | | <u>\$ 252,294,906</u> |

| | <u>Nine Months Ended September 30, 2007</u> | | | | | | |
|---|---|---|----------------------|---------------------|-------------------------|--|-----------------------------------|
| | <u>Balance, Beginning of Period</u> | <u>Effect of Inclusion of Newly Consolidated Subsidiaries</u> | <u>Additions</u> | <u>Disposals</u> | <u>Reclassification</u> | <u>Effect of Exchange Rate Changes</u> | <u>Balance, End of Period</u> |
| Cost | | | | | | | |
| Land and land improvements | \$ 844,644 | \$ 101,518 | \$ - | \$ - | \$ - | \$ 1,839 | \$ 948,001 |
| Buildings | 112,595,124 | 71,053 | 4,298,384 | (31,835) | 10,097 | 380,869 | 117,323,692 |
| Machinery and equipment | 579,825,289 | 2,430,073 | 51,138,885 | (348,212) | 761,940 | 504,646 | 634,312,621 |
| Office equipment | 10,646,725 | 547,188 | 843,841 | (193,284) | 4,964 | (187,961) | 11,661,473 |
| Leased asset | <u>612,941</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,845</u> | <u>638,786</u> |
| | <u>704,524,723</u> | <u>\$ 3,149,832</u> | <u>\$ 56,281,110</u> | <u>\$ (573,331)</u> | <u>\$ 777,001</u> | <u>\$ 725,238</u> | <u>764,884,573</u> |
| Accumulated depreciation | | | | | | | |
| Land and land improvements | 234,377 | \$ - | \$ 22,444 | \$ - | \$ - | \$ 288 | 257,109 |
| Buildings | 54,288,225 | 1,111 | 6,706,090 | (30,958) | 1,036 | 67,716 | 61,033,220 |
| Machinery and equipment | 400,579,587 | 584,582 | 49,961,974 | (325,295) | 520,161 | 210,011 | 451,531,020 |
| Office equipment | 7,839,303 | 76,216 | 905,661 | (193,030) | (2,368) | 41,702 | 8,667,484 |
| Leased asset | <u>96,592</u> | <u>-</u> | <u>23,468</u> | <u>-</u> | <u>-</u> | <u>4,346</u> | <u>124,406</u> |
| | <u>463,038,084</u> | <u>\$ 661,909</u> | <u>\$ 57,619,637</u> | <u>\$ (549,283)</u> | <u>\$ 518,829</u> | <u>\$ 324,063</u> | <u>521,613,239</u> |
| Advance payments and construction in progress | <u>12,607,551</u> | <u>\$ 480,130</u> | <u>\$ 8,607,858</u> | <u>\$ -</u> | <u>\$ 242,000</u> | <u>\$ 27,470</u> | <u>21,965,009</u> |
| Net | | <u>\$ 254,094,190</u> | | | | | <u>\$ 265,236,343</u> |

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of September 30, 2008 is NT\$786,427 thousand.

13. DEFERRED CHARGES, NET

| | Nine Months Ended September 30, 2008 | | | | | | |
|----------------------------------|--------------------------------------|---------------------|-----------------------|--------------------|------------------|---------------------------------|------------------------|
| | Balance, Beginning of Period | Additions | Amortization | Disposals | Reclassification | Effect of Exchange Rate Changes | Balance, End of Period |
| Technology license fee | \$ 5,819,148 | \$ 8,756 | \$ (1,266,268) | \$ - | \$ - | \$ (5,393) | \$ 4,556,243 |
| Software and system design costs | 1,449,603 | 805,168 | (598,082) | (14,279) | 59 | 756 | 1,643,225 |
| Others | 654,850 | 462,828 | (153,491) | - | - | 6,172 | 970,359 |
| | <u>\$ 7,923,601</u> | <u>\$ 1,276,752</u> | <u>\$ (2,017,841)</u> | <u>\$ (14,279)</u> | <u>\$ 59</u> | <u>\$ 1,535</u> | <u>\$ 7,169,827</u> |

| | Nine Months Ended September 30, 2007 | | | | | | | |
|----------------------------------|--------------------------------------|--|---------------------|-----------------------|-----------------|---------------------|---------------------------------|------------------------|
| | Balance, Beginning of Period | Effect of Inclusion of Newly Consolidated Subsidiaries | Additions | Amortization | Disposals | Reclassification | Effect of Exchange Rate Changes | Balance, End of Period |
| Technology license fee | \$ 4,132,174 | \$ 201,942 | \$ 915,334 | \$ (1,301,816) | \$ - | \$ (296,451) | \$ 6,388 | \$ 3,657,571 |
| Software and system design costs | 1,669,781 | 2,778 | 872,676 | (714,407) | (282) | (500,172) | 1,194 | 1,331,568 |
| Others | 134,960 | 29,961 | 435,166 | (90,106) | (49) | 296,451 | 7,238 | 813,621 |
| | <u>\$ 5,936,915</u> | <u>\$ 234,681</u> | <u>\$ 2,223,176</u> | <u>\$ (2,106,329)</u> | <u>\$ (331)</u> | <u>\$ (500,172)</u> | <u>\$ 14,820</u> | <u>\$ 5,802,760</u> |

14. SHORT-TERM BANK LOANS

| | September 30 | |
|---|--------------|-----------|
| | 2008 | 2007 |
| Unsecured loans: | | |
| Repayable in October 2007, annual interest at 6.00%-6.22% | \$ - | \$ 97,860 |

15. BONDS PAYABLE

| | September 30 | |
|--|---------------------|----------------------|
| | 2008 | 2007 |
| Domestic unsecured bonds: | | |
| Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually | \$ - | \$ 4,500,000 |
| Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively | <u>12,500,000</u> | <u>12,500,000</u> |
| | 12,500,000 | 17,000,000 |
| Current portion | <u>(8,000,000)</u> | <u>(4,500,000)</u> |
| | <u>\$ 4,500,000</u> | <u>\$ 12,500,000</u> |

As of September 30, 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> |

16. LONG-TERM BANK LOANS

| | <u>September 30</u> | |
|---|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> |
| Secured loans: | | |
| Repayable from August 2009 in 17 quarterly installments, annual interest at 2.94%-3.67% in 2008 and 2.91% in 2007 | \$ 726,510 | \$ 340,000 |
| 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 | 643,102 | 653,439 |
| Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.95%-3.23% in 2008 and 2.39%-3.20% in 2007 | 311,500 | 522,000 |
| Repayable from March 2007 in 12 quarterly installments, annual interest at 3.06%-3.21% in 2008 and 2.79%-3.09% in 2007 | 48,090 | 140,562 |
| Repayable from May 2007 in 16 quarterly installments, annual interest at 2.85%-3.00% in 2008 and 2.48%-2.77% in 2007 | 42,031 | 58,844 |
| Repayable from April 2005 in 16 quarterly installments, annual interest at 2.85%-3.00% in 2008 and 2.51%-2.77% in 2007 | 17,990 | 53,970 |
| Repayable from February 2005 in 17 quarterly installments, annual interest at 3.06%-3.15% in 2008 and 2.65%-4.53% in 2007 | 15,950 | 48,910 |
| Unsecured loans: | | |
| Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free | <u>-</u> | <u>2,785</u> |
| | 1,805,173 | 1,820,510 |
| Current portion | <u>(257,933)</u> | <u>(281,509)</u> |
| | <u>\$ 1,547,240</u> | <u>\$ 1,539,001</u> |

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC Shanghai as well as semi-annual and annual financial statements of XinTec must comply with predetermined financial covenants. As of September 30, 2008, TSMC Shanghai and XinTec were in compliance with all such financial covenants.

As of September 30, 2008, future principal repayments for the long-term bank loans were as follows:

| Year of Repayment | Amount |
|--------------------------------|---------------------|
| 2008 (4 th quarter) | \$ 98,556 |
| 2009 | 261,171 |
| 2010 | 936,527 |
| 2011 | 218,315 |
| 2012 | 174,362 |
| 2013 and thereafter | <u>116,242</u> |
| | <u>\$ 1,805,173</u> |

17. OTHER LONG-TERM PAYABLES

| | <u>September 30</u> | |
|---|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> |
| Payables for acquisition of property, plant and equipment (Note 29i) | \$ 8,396,345 | \$ 7,744,720 |
| Payables for royalties | <u>2,972,537</u> | <u>2,510,684</u> |
| | 11,368,882 | 10,255,404 |
| Current portion (classified under accrued expenses and other current liabilities) | <u>(1,901,323)</u> | <u>(1,488,860)</u> |
| | <u>\$ 9,467,559</u> | <u>\$ 8,766,544</u> |

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

As of September 30, 2008, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|--------------------------------|----------------------|
| 2008 (4 th quarter) | \$ 1,485,561 |
| 2009 | 576,412 |
| 2010 | 492,874 |
| 2011 | 417,690 |
| 2012 | - |
| 2013 and thereafter | <u>8,396,345</u> |
| | <u>\$ 11,368,882</u> |

18. 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 percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$589,229 thousand and NT\$539,196 thousand for the nine months ended September 30, 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. TSMC, GUC and XinTec contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committees and deposited in the name of the committees 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). The Company recognized pension costs of NT\$202,308 thousand and NT\$243,711 thousand for the nine months ended September 30, 2008 and 2007, respectively.

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

| | Nine Months Ended September 30 | |
|------------------------------|---|---------------------|
| | 2008 | 2007 |
| The Funds | | |
| Balance, beginning of period | \$ 2,184,435 | \$ 1,942,850 |
| Contributions | 160,868 | 161,854 |
| Interest | 72,210 | 46,911 |
| Payments | <u>(28,990)</u> | <u>-</u> |
| Balance, end of period | <u>\$ 2,388,523</u> | <u>\$ 2,151,615</u> |
| Accrued pension cost | | |
| Balance, beginning of period | \$ 3,665,522 | \$ 3,540,060 |
| Accruals | <u>36,622</u> | <u>90,030</u> |
| Balance, end of period | <u>\$ 3,702,144</u> | <u>\$ 3,630,090</u> |

19. INCOME TAX

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

| | Nine Months Ended September 30 | |
|---|---|---------------------|
| | 2008 | 2007 |
| Income tax expense based on “income before income tax” at statutory rates | \$ 24,926,428 | \$ 20,871,095 |
| Tax effect of the following: | | |
| Tax-exempt income | (7,458,478) | (5,212,564) |
| Temporary and permanent differences | 1,041,525 | 5,014 |
| Others | 43,792 | - |
| Additional tax at 10% on unappropriated earnings | 13,926 | 2,710,909 |
| Net operating loss carryforwards used | (509,943) | (579,796) |
| Income tax credits used | <u>(9,050,487)</u> | <u>(10,395,262)</u> |
| Income tax currently payable | <u>\$ 9,006,763</u> | <u>\$ 7,399,396</u> |

- b. Income tax expense consisted of the following:

| | | |
|--|----------------------|---------------------|
| Income tax currently payable | \$ 9,006,763 | \$ 7,399,396 |
| Other income tax adjustments | (634,901) | (367,176) |
| Net change in deferred income tax assets | | |
| Investment tax credits | 3,106,458 | 2,733,510 |
| Net operating loss carryforwards | 445,137 | 596,776 |
| Temporary differences | (549,286) | (1,569,350) |
| Valuation allowance | <u>(877,186)</u> | <u>(1,691,496)</u> |
| Income tax expense | <u>\$ 10,496,985</u> | <u>\$ 7,101,660</u> |

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

| | September 30 | |
|---------------------------------------|---------------------|----------------------|
| | 2008 | 2007 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 3,081,710 | \$ 3,143,476 |
| Temporary differences | 629,787 | 557,348 |
| Valuation allowance | <u>(513,490)</u> | <u>(429,772)</u> |
| | <u>\$ 3,198,007</u> | <u>\$ 3,271,052</u> |
| Noncurrent deferred income tax assets | | |
| Investment tax credits | \$ 9,070,045 | \$ 14,503,678 |
| Net operating loss carryforwards | 3,464,579 | 4,236,345 |
| Temporary differences | (2,214,854) | (1,985,402) |
| Valuation allowance | <u>(2,757,197)</u> | <u>(6,264,963)</u> |
| | <u>\$ 7,562,573</u> | <u>\$ 10,489,658</u> |

As of September 30, 2008, the net operating loss carryforwards were generated by WaferTech, TSMC Development and TSMC Technology and would expire on various dates through 2026.

- d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of September 30, 2008 and 2007 was NT\$1,602,560 thousand and NT\$2,784,514 thousand, respectively.

The creditable ratio for distribution of TSMC's earnings of 2007 and 2006 was 9.83% (expected) and 5.23%, respectively.

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

- e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of September 30, 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 | \$ 22,338 | \$ - | 2008 |
| | | 14,328 | 4,327 | 2009 |
| | | 6,179,012 | 115,053 | 2010 |
| | | 4,664,760 | 4,664,760 | 2011 |
| | | <u>2,398,743</u> | <u>2,398,743</u> | 2012 |
| | | <u>\$ 13,279,181</u> | <u>\$ 7,182,883</u> | |

(Continued)

| Law/Statute | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-------------------------------------|--|--|--|------------------------|
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,009,834 | \$ - | 2008 |
| | | 1,173,395 | 19,340 | 2009 |
| | | 1,887,857 | 1,119,535 | 2010 |
| | | 1,971,389 | 1,971,389 | 2011 |
| | | <u>1,778,275</u> | <u>1,778,275</u> | 2012 |
| | | <u>\$ 7,820,750</u> | <u>\$ 4,888,539</u> | |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 21,998 | \$ 20 | 2009 |
| | | 47,025 | 47,025 | 2010 |
| | | 32,426 | 32,426 | 2011 |
| | | <u>862</u> | <u>862</u> | 2012 |
| | | <u>\$ 102,311</u> | <u>\$ 80,333</u> | |

(Concluded)

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

Tax-Exemption Periods

| | |
|--|--------------|
| Construction of Fab 14 - Module A | 2006 to 2010 |
| Construction of Fab 12 - Module B and expansion of Fab 14 - Module A | 2007 to 2011 |
| 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 2005.

20. LABOR COST, DEPRECIATION AND AMORTIZATION

| | <u>Nine Months Ended September 30, 2008</u> | | |
|----------------------------|--|---|----------------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 15,880,633 | \$ 12,677,172 | \$ 28,557,805 |
| Labor and health insurance | 579,886 | 366,343 | 946,229 |
| Pension | 481,586 | 309,951 | 791,537 |
| Meal | 359,989 | 144,638 | 504,627 |
| Welfare | 519,771 | 214,654 | 734,425 |
| Other | <u>199,905</u> | <u>210,405</u> | <u>410,310</u> |
| | <u>\$ 18,021,770</u> | <u>\$ 13,923,163</u> | <u>\$ 31,944,933</u> |
| Depreciation | <u>\$ 55,411,297</u> | <u>\$ 3,068,389</u> | <u>\$ 58,479,686</u> |
| Amortization | <u>\$ 1,378,460</u> | <u>\$ 639,381</u> | <u>\$ 2,017,841</u> |

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

21. SHAREHOLDERS' EQUITY

As of September 30, 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 investments may not be used for any purpose.

Capital surplus consisted of the following:

| | September 30 | |
|----------------------------------|----------------------|----------------------|
| | 2008 | 2007 |
| From merger | \$ 23,053,576 | \$ 24,003,546 |
| Additional paid-in capital | 18,154,782 | 19,500,470 |
| From convertible bonds | 8,989,973 | 9,360,424 |
| From long-term investments | 265,052 | 357,720 |
| Donations | 55 | 55 |
| From treasury stock transactions | <u>-</u> | <u>490,950</u> |
| | <u>\$ 50,463,438</u> | <u>\$ 53,713,165</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 nine months ended September 30, 2008, TSMC has recorded bonuses to employees and directors with a charge to earnings of approximately 15% of net income. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequent to the end of the fiscal year are adjusted for in the earnings of the current year. 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</u> <u>(NT\$)</u> | |
|------------------------------------|---------------------------------------|---------------------------------------|---|---------------------------------------|
| | <u>For Fiscal</u> <u>Year 2007</u> | <u>For Fiscal</u> <u>Year 2006</u> | <u>For Fiscal</u> <u>Year 2007</u> | <u>For Fiscal</u> <u>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.

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

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

22. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans, under 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 September 30, 2008.

Information about TSMC's outstanding stock options for the nine months ended September 30, 2008 and 2007 was as follows:

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|---|---|--|
| <u>Nine months ended September 30, 2008</u> | | |
| Balance, beginning of period | 41,875 | \$35.6 |
| Options granted | 767 | 35.2 |
| Options exercised | (5,880) | 37.8 |
| Options canceled | <u>(302)</u> | 46.3 |
| Balance, end of period | <u>36,460</u> | 35.3 |
| <u>Nine months ended September 30, 2007</u> | | |
| Balance, beginning of period | 52,814 | 37.9 |
| Options granted | 1,094 | 37.9 |
| Options exercised | (10,086) | 39.8 |
| Options canceled | <u>(781)</u> | 45.4 |
| Balance, end of period | <u>43,041</u> | 37.5 |

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 September 30, 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 | 25,780 | 4.41 | \$ 31.0 | 25,780 | \$ 31.0 |
| 38.2- 50.4 | <u>10,680</u> | 6.15 | 45.8 | <u>8,636</u> | 45.5 |
| | <u>36,460</u> | | 35.3 | <u>34,416</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 were 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 stock options for the nine months ended September 30, 2008 and 2007 was as follows:

| | Number of Options | Weighted- average Exercise Prices (NT\$) |
|---|------------------------------|---|
| <u>Nine months ended September 30, 2008</u> | | |
| Balance, beginning of period | 7,598 | \$ 60.3 |
| Options granted | 284 | 14.8 |
| Options exercised | (1,681) | 14.3 |
| Options canceled | <u>(168)</u> | 169.1 |
| Balance, end of period | <u><u>6,033</u></u> | 63.4 |
| <u>Nine months ended September 30, 2007</u> | | |
| Balance, beginning of period | 7,342 | 14.0 |
| Options granted | 120 | 15.7 |
| Options exercised | (1,430) | 10.2 |
| Options canceled | <u>(91)</u> | 14.4 |
| Balance, end of period | <u><u>5,941</u></u> | 14.5 |

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 September 30, 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 | 1,721 | 3.00 | \$ 9.4 | 610 | \$10.2 |
| 16.4 | 2,528 | 2.92 | 16.4 | 695 | 16.4 |
| 182.0 | <u>1,784</u> | 5.25 | 182.0 | <u>-</u> | - |
| | <u><u>6,033</u></u> | | 63.4 | <u><u>1,305</u></u> | 13.5 |

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

Information about XinTec's outstanding stock options for the nine months ended September 30, 2008 and 2007 was as follows:

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|---|---|--|
| <u>Nine months ended September 30, 2008</u> | | |
| Balance, beginning of period | 9,642 | \$15.1 |
| Options exercised | (89) | 12.4 |
| Options canceled | <u>(1,260)</u> | 15.8 |
| Balance, end of period | <u>8,293</u> | 14.6 |
| <u>Nine months ended September 30, 2007</u> | | |
| Balance, beginning of period | 4,968 | 13.0 |
| Options granted | 3,555 | 15.7 |
| Options canceled | <u>(733)</u> | 14.2 |
| Balance, end of period | <u>7,790</u> | 13.9 |

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

As of September 30, 2008, information about XinTec's outstanding 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 | Weighted- average Exercise Price (NT\$) |
| \$12.4-\$14.3 | 4,901 | 8.00-8.29 | \$12.7 | 2,064 | \$12.4 |
| 15.4- 19.4 | <u>3,392</u> | 8.75-9.21 | 17.4 | <u>-</u> | - |
| | <u>8,293</u> | | 14.6 | <u>2,064</u> | 12.4 |

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 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 nine months ended September 30, 2008 and 2007 would have been as follows:

| | | Nine Months Ended September 30 | |
|---|-------------------------|---|---------------|
| | | 2008 | 2007 |
| Assumptions: | | | |
| TSMC | Expected dividend yield | 1.00%-3.44% | 1.00%-3.44% |
| | Expected volatility | 43.77%-46.15% | 43.77%-46.15% |
| | Risk free interest rate | 3.07%-3.85% | 3.07%-3.85% |
| | Expected life | 5 years | 5 years |
| GUC | Expected dividend yield | 0.00%-0.60% | - |
| | Expected volatility | 22.65%-45.47% | 22.65%-41.74% |
| | Risk free interest rate | 2.12%-2.56% | 2.23%-2.56% |
| | Expected life | 3-6 years | 3-6 years |
| XinTec | Expected dividend yield | 0.80% | - |
| | Expected volatility | 31.79%-47.42% | 37.73%-47.42% |
| | Risk free interest rate | 1.88%-2.45% | 1.88%-1.94% |
| | Expected life | 3 years | 3 years |
| Net income attributable to shareholders of the parent: | | | |
| As reported | | \$ 87,487,392 | \$ 74,692,316 |
| Pro forma | | 87,482,618 | 74,569,123 |
| Earnings per share (EPS) - after income tax (NT\$): | | | |
| Basic EPS as reported | | \$3.36 | \$2.78 |
| Pro forma basic EPS | | 3.36 | 2.77 |
| Diluted EPS as reported | | 3.34 | 2.77 |
| Pro forma diluted EPS | | 3.34 | 2.77 |

23. TREASURY STOCK

(Shares in Thousands)

| | Beginning Shares | Addition | Stock Dividends | Retirement | Ending Shares |
|---|-----------------------------|-----------------|----------------------------|-------------------|--------------------------|
| <u>Nine months ended September 30, 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>1,016,674</u> | <u>278,875</u> |
| | <u>834,096</u> | <u>495,549</u> | <u>171</u> | <u>1,050,941</u> | <u>278,875</u> |
| <u>Nine months ended September 30, 2007</u> | | | | | |
| Parent company stock held by subsidiaries | <u>33,926</u> | <u>-</u> | <u>170</u> | <u>-</u> | <u>34,096</u> |

As of September 30, 2008 and 2007, the book value of the treasury stock was NT\$16,499,990 thousand and NT\$918,075 thousand each; the market value was NT\$14,640,938 thousand and NT\$2,158,271 thousand, respectively. TSMC's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting 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 thousand shares listed on the TSE during the period from November 14, 2007 to January 13, 2008 for the buyback price in the range from NT\$43.2 to NT\$94.2. TSMC had repurchased 800,000 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired on February 27, 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 on August 20, 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. As of September 30, 2008, TSMC had repurchased 278,875 thousand common shares for a total cost of NT\$16,499,990 thousand. All of these treasury stocks will be retired in the fourth quarter of 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 21, 2008.

24. 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>Nine months ended September 30, 2008</u> | | | | | |
| Basic EPS | | | | | |
| Earnings attributable to shareholders of the parent | \$ 97,959,164 | \$ 87,487,392 | 26,005,093 | <u>\$ 3.77</u> | <u>\$ 3.36</u> |
| Effect of dilutive potential common shares | | | | | |
| Bonus to employees | - | - | 133,359 | | |
| Stock options | - | - | <u>17,379</u> | | |
| Diluted EPS | | | | | |
| Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares) | <u>\$ 97,959,164</u> | <u>\$ 87,487,392</u> | <u>26,155,831</u> | <u>\$ 3.75</u> | <u>\$ 3.34</u> |
| <u>Nine months ended September 30, 2007</u> | | | | | |
| Basic EPS | | | | | |
| Earnings attributable to shareholders of the parent | \$ 81,788,951 | \$ 74,692,316 | 26,909,173 | <u>\$ 3.04</u> | <u>\$ 2.78</u> |
| Effect of dilutive potential common shares | | | | | |
| Stock options | - | - | <u>22,885</u> | | |
| Diluted EPS | | | | | |
| Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares) | <u>\$ 81,788,951</u> | <u>\$ 74,692,316</u> | <u>26,932,058</u> | <u>\$ 3.04</u> | <u>\$ 2.77</u> |

Potential shares from bonus to employees which will be settled in shares will 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 of the common shares on the balance sheet date. The dilutive effect of the potential shares needs to be considered until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the nine months ended September 30, 2007 to decrease from NT\$2.83 to NT\$2.78 and NT\$2.83 to NT\$2.77, respectively.

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | September 30 | | | |
|--|--------------------|------------|--------------------|--------------|
| | 2008 | | 2007 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit or loss | \$ 30,385 | \$ 30,385 | \$ 2,288,638 | \$ 2,288,638 |
| Available-for-sale financial assets | 45,276,050 | 45,276,050 | 67,745,830 | 67,745,830 |
| Held-to-maturity financial assets | 19,102,183 | 19,088,629 | 28,335,644 | 28,218,688 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss | 319,604 | 319,604 | 130,830 | 130,830 |
| Bonds payable (including current portion) | 12,500,000 | 12,630,945 | 17,000,000 | 17,202,682 |
| Long-term bank loans (including current portion) | 1,805,173 | 1,805,173 | 1,820,510 | 1,820,510 |
| Other long-term payables (including current portion) | 11,368,882 | 11,368,882 | 10,255,404 | 10,255,404 |
| Obligations under capital leases | 706,900 | 706,900 | 638,786 | 638,786 |

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, short-term bank loans, payables, and payables to contractors, 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 values of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value during the nine months ended September 30, 2008 and 2007 of derivatives estimated using valuation techniques were recognized as valuation losses of NT\$306,372 thousand and valuation gains of NT\$236,371 thousand, respectively.
- d. As of September 30, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$64,018,582 thousand and NT\$96,290,333 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$12,819,604 thousand and NT\$17,130,830 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$5,226,720 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,805,173 thousand and NT\$1,817,725 thousand, respectively.

- e. Movements of the unrealized gain/loss on financial instruments for the nine months ended September 30, 2008 and 2007 were as follows:

| | <u>Nine Months Ended September 30, 2008</u> | | |
|--|--|--|---------------------|
| | From Available- for-sale Financial Assets | From Available- for-sale Financial Assets Held by Investees | Total |
| Balance, beginning of period | \$ 627,838 | \$ 53,159 | \$ 680,997 |
| Recognized directly in shareholders' equity | (54,799) | (108,925) | (163,724) |
| Removed from shareholders' equity and recognized in earnings | <u>(641,312)</u> | <u>-</u> | <u>(641,312)</u> |
| Balance, end of period | <u>\$ (68,273)</u> | <u>\$ (55,766)</u> | <u>\$ (124,039)</u> |

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

- f. Information about financial risks

- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to the market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency 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 turmoils in the global financial market, the Company evaluated its financial assets and determined that the 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 turmoils 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.

26. RELATED PARTY TRANSACTIONS

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

a. 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.

| | <u>2008</u> | | <u>2007</u> | |
|---------------------------------------|---------------------|----------|---------------------|----------|
| <u>Nine months ended September 30</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Sales | | | | |
| VIS | \$ 72,394 | - | \$ 22,927 | - |
| VisEra | 30,940 | - | 719,507 | - |
| SSMC | <u>1,858</u> | <u>-</u> | <u>667</u> | <u>-</u> |
| | <u>\$ 105,192</u> | <u>-</u> | <u>\$ 743,101</u> | <u>-</u> |
| Purchases | | | | |
| SSMC | \$ 3,624,887 | 2 | \$ 3,971,517 | 3 |
| VIS | 2,629,175 | 2 | 2,971,604 | 2 |
| VisEra | <u>594</u> | <u>-</u> | <u>128</u> | <u>-</u> |
| | <u>\$ 6,254,656</u> | <u>4</u> | <u>\$ 6,943,249</u> | <u>5</u> |
| Manufacturing expenses | | | | |
| VisEra | \$ 110,400 | - | \$ 37,832 | - |
| VIS | <u>-</u> | <u>-</u> | <u>366</u> | <u>-</u> |
| | <u>\$ 110,400</u> | <u>-</u> | <u>\$ 38,198</u> | <u>-</u> |

| | <u>2008</u> | | <u>2007</u> | |
|---|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| Research and development expenses | | | | |
| VisEra | \$ 221 | - | \$ 36,044 | - |
| Non-operating incomes and gains | | | | |
| VIS (primarily technical service income; see Note 29f) | \$ 262,132 | 3 | \$ 270,794 | 3 |
| SSMC (primarily technical service income; see Note 29e) | 193,039 | 3 | 180,692 | 2 |
| VisEra | <u>86,061</u> | <u>1</u> | <u>257,684</u> | <u>3</u> |
| | <u>\$ 541,232</u> | <u>7</u> | <u>\$ 709,170</u> | <u>8</u> |
| <u>As of September 30</u> | | | | |
| Receivables | | | | |
| VisEra | \$ 1,498 | 100 | \$ 4,114 | 97 |
| VIS | <u>-</u> | <u>-</u> | <u>147</u> | <u>3</u> |
| | <u>\$ 1,498</u> | <u>100</u> | <u>\$ 4,261</u> | <u>100</u> |
| Other receivables | | | | |
| VIS | \$ 86,918 | 58 | \$ 126,319 | 40 |
| SSMC | 63,490 | 42 | 88,372 | 28 |
| VisEra | <u>-</u> | <u>-</u> | <u>98,410</u> | <u>32</u> |
| | <u>\$ 150,408</u> | <u>100</u> | <u>\$ 313,101</u> | <u>100</u> |
| Payables | | | | |
| VIS | \$ 676,817 | 54 | \$ 905,516 | 58 |
| SSMC | 574,010 | 45 | 639,524 | 41 |
| VisEra | <u>12,685</u> | <u>1</u> | <u>20,339</u> | <u>1</u> |
| | <u>\$ 1,263,512</u> | <u>100</u> | <u>\$ 1,565,379</u> | <u>100</u> |
| Deferred credits | | | | |
| VisEra | <u>\$ 15,544</u> | <u>4</u> | <u>\$ 77,718</u> | <u>7</u> |

The sales prices and payment term 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.

27. PLEDGED OR MORTGAGED ASSETS

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

| | <u>September 30</u> | |
|------------------------------------|---------------------|---------------------|
| | <u>2008</u> | <u>2007</u> |
| Other financial assets | \$ 27,956 | \$ 60,166 |
| Property, plant and equipment, net | <u>4,477,678</u> | <u>5,032,576</u> |
| | <u>\$ 4,505,634</u> | <u>\$ 5,092,742</u> |

28. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from December 2008 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 State, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2008 and 2016 and can be renewed upon expiration.

As of September 30, 2008, future lease payments were as follows:

| Year | Amount |
|--------------------------------|---------------------|
| 2008 (4 th quarter) | \$ 146,053 |
| 2009 | 567,071 |
| 2010 | 482,265 |
| 2011 | 332,293 |
| 2012 | 317,440 |
| 2013 and thereafter | <u>2,380,662</u> |
| | <u>\$ 4,225,784</u> |

29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of September 30, 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 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 September 30, 2008, TSMC had a total of US\$48,811 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) 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 September 30, 2008, SMIC had paid US\$105 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 will be vacated and the claims asserted by UniRAM are fully and finally settled. As of September 30, 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\$8,396,345 thousand as of September 30, 2008 is included in other long-term payables on the Company's consolidated balance sheets.

30. 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 investment: Please see Table 7 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 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 | September 30, 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>Open-end mutual funds</u> | | | | | | | |
| | Capital Income Fund | - | Available-for-sale financial assets | 162,637 | \$ 2,491,020 | N/A | \$ 2,491,020 | |
| | PCA Well Pool Fund | - | " | 187,050 | 2,410,791 | N/A | 2,410,791 | |
| | Fuh Hwa Bond Fund | - | " | 129,864 | 1,781,715 | N/A | 1,781,715 | |
| | ING Taiwan Bond Fund | - | " | 114,594 | 1,776,565 | N/A | 1,776,565 | |
| | President James Bond Fund | - | " | 107,505 | 1,706,364 | N/A | 1,706,364 | |
| | NITC Taiwan Bond | - | " | 83,975 | 1,217,309 | N/A | 1,217,309 | |
| | NITC Bond Fund | - | " | 6,257 | 1,058,682 | N/A | 1,058,682 | |
| | ING Taiwan Income Fund | - | " | 60,839 | 991,182 | N/A | 991,182 | |
| | JF Taiwan Bond Fund | - | " | 45,425 | 712,668 | N/A | 712,668 | |
| | <u>Corporate bond</u> | | | | | | | |
| | Hua Nan Bank | - | Available-for-sale financial assets | - | 1,594,112 | N/A | 1,594,112 | |
| | Cathay Bank | - | " | - | 1,196,225 | N/A | 1,196,225 | |
| | Taiwan Power Company | - | Held-to-maturity financial assets | - | 2,850,523 | N/A | 2,979,644 | |
| | Formosa Petrochemical Corporation | - | " | - | 2,592,029 | N/A | 2,573,347 | |
| | Formosa Plastic Corporation | - | " | - | 1,432,661 | N/A | 1,432,433 | |
| | Nan Ya Plastics Corporation | - | " | - | 1,405,548 | N/A | 1,404,291 | |
| | CPC Corporation, Taiwan | - | " | - | 1,200,168 | N/A | 1,199,658 | |
| | China Steel Corporation | - | " | - | 1,000,000 | N/A | 990,034 | |
| | Shanghai Commercial & Saving Bank | - | " | - | 297,477 | N/A | 297,390 | |
| | <u>Government bond</u> | | | | | | | |
| | 2003 Asian Development Bank Govt. Bond | - | Held-to-maturity financial assets | - | 868,298 | N/A | 875,103 | |
| | 2003 Government Bond Series H | - | " | - | 700,018 | N/A | 700,029 | |
| | European Investment Bank Bonds | - | " | - | 382,617 | N/A | 400,000 | |
| | 2004 Government Bond Series B | - | " | - | 249,807 | N/A | 249,968 | |
| | <u>Stocks</u> | | | | | | | |
| | TSMC Global | Subsidiary | Investment accounted for using equity method | 1 | 44,368,847 | 100 | 44,368,847 | |
| | TSMC International | Subsidiary | " | 987,968 | 29,252,586 | 100 | 29,252,586 | |
| | VIS | Investee accounted for using equity method | " | 628,223 | 10,151,846 | 37 | 7,318,803 | |
| | SSMC | Investee accounted for using equity method | " | 463 | 6,761,630 | 39 | 5,940,235 | |
| | TSMC Partners | Subsidiary | " | 300 | 3,667,050 | 100 | 3,667,050 | |
| | TSMC North America | Subsidiary | " | 11,000 | 2,390,713 | 100 | 2,390,713 | |
| | XinTec | Investee with a controlling financial interest | " | 92,620 | 1,445,512 | 42 | 1,376,626 | |
| | GUC | Investee with a controlling financial interest | " | 44,904 | 891,783 | 36 | 8,127,590 | |
| TSMC Japan | Subsidiary | " | 6 | 116,484 | 100 | 116,484 | | |
| TSMC Europe | Subsidiary | " | - | 116,122 | 100 | 116,122 | | |
| TSMC Korea | Subsidiary | " | 80 | 14,940 | 100 | 14,940 | | |
| United Industrial Gases Co., Ltd. | - | Financial assets carried at cost | 16,783 | 193,584 | 10 | 279,786 | | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 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 | Shin-Etsu Handotai Taiwan Co., Ltd. | - | Financial assets carried at cost | 10,500 | \$ 105,000 | 7 | \$ 369,173 | |
| | W.K. Technology Fund IV | - | " | 4,000 | 40,000 | 2 | 43,322 | |
| | Hontung Venture Capital Co., Ltd. | - | " | 2,633 | 26,329 | 10 | 19,548 | |
| | <u>Fund</u> | | | | | | | |
| | Horizon Ventures Fund | - | Financial assets carried at cost | - | 312,950 | 12 | 312,950 | |
| | Crimson Asia Capital | - | " | - | 70,400 | 1 | 70,400 | |
| | <u>Capital</u> | | | | | | | |
| | TSMC Shanghai | Subsidiary | Investment accounted for using equity method | - | 7,308,098 | 100 | 7,305,258 | |
| | VTAF III | Subsidiary | " | - | 1,208,584 | 98 | 1,195,113 | |
| | VTAF II | Subsidiary | " | - | 1,016,435 | 98 | 1,011,979 | |
| Emerging Alliance | Subsidiary | " | - | 418,709 | 99 | 418,709 | | |
| TSMC International | <u>Preferred stock</u> | | | | | | | |
| | NeXen, Inc. | - | Financial assets carried at cost | 328 | US\$ 656 | 1 | US\$ 1,912 | |
| | <u>Corporate bond</u> | | | | | | | |
| | General Elec Cap Corp Mtn | - | Held-to-maturity financial assets | - | US\$ 20,851 | N/A | US\$ 19,428 | |
| | General Elec Cap Corp Mtn | - | " | - | US\$ 20,312 | N/A | US\$ 18,785 | |
| | <u>Stocks</u> | | | | | | | |
| | TSMC Development, Inc. (TSMC Development) | Subsidiary | Investments accounted for using equity method | - | US\$ 692,372 | 100 | US\$ 692,372 | |
| | InveStar Semiconductor Development Fund, Inc.(II) LDC. (ISDF II) | Subsidiary | " | 42,320 | US\$ 36,681 | 97 | US\$ 36,681 | |
| | InveStar Semiconductor Development Fund, Inc. (ISDF) | Subsidiary | " | 7,598 | US\$ 8,937 | 97 | US\$ 8,937 | |
| | TSMC Technology | Subsidiary | " | - | US\$ 8,265 | 100 | US\$ 8,265 | |
| TSMC Development | <u>Corporate bond</u> | | | | | | | |
| | GE Capital Corp | - | Held-to-maturity financial assets | - | US\$ 20,475 | N/A | US\$ 18,785 | |
| | <u>Stocks</u> | | | | | | | |
| | WaferTech | Subsidiary | Investments accounted for using equity method | - | US\$ 208,925 | 100 | US\$ 208,925 | |
| TSMC Partners | <u>Common stock</u> | | | | | | | |
| | VisEra Holding Company | Investee accounted for using equity method | Investments accounted for using equity method | 43,000 | US\$ 69,963 | 49 | US\$ 69,963 | |
| | TSMC Canada | Subsidiary | " | 2,300 | US\$ 2,849 | 100 | US\$ 2,849 | |
| Emerging Alliance | <u>Common stock</u> | | | | | | | |
| | Pixim, Inc. | - | Financial assets carried at cost | 1,036 | US\$ 275 | - | US\$ 275 | |
| | RichWave Technology Corp. | - | " | 4,247 | US\$ 1,648 | 10 | US\$ 1,648 | |
| | Global Investment Holding Inc. | - | " | 10,800 | US\$ 3,065 | 6 | US\$ 3,065 | |
| | <u>Preferred stock</u> | | | | | | | |
| | Audience, Inc. | - | Financial assets carried at cost | 1,654 | US\$ 250 | 1 | US\$ 250 | |
| | Axiom Microdevices, Inc. | - | " | 1,000 | US\$ 1,000 | 1 | US\$ 1,000 | |
| | GemFire Corporation | - | " | - | US\$ 31 | - | US\$ 31 | |
| | Miradia, Inc. | - | " | 3,040 | US\$ 1,000 | 2 | US\$ 1,000 | |
| | Mobilygen | - | " | 1,415 | US\$ 750 | 1 | US\$ 750 | |
| | Mosaic Systems, Inc. | - | " | 2,481 | US\$ 12 | 6 | US\$ 12 | |
| | Next IO, Inc. | - | " | 800 | US\$ 500 | 1 | US\$ 500 | |
| | Optichron, Inc. | - | " | 714 | US\$ 1,000 | 2 | US\$ 1,000 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | | | | Note |
|---|--|---|---|--------------------------------|---------------------------------------|--------------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | Market Value or Net Asset Value (US\$ in Thousands) | |
| VTAF II | Optimal Corporation | - | Financial assets carried at cost | - | US\$ 229 | - | US\$ 229 | |
| | Pixim, Inc. | - | " | 3,606 | US\$ 862 | 2 | US\$ 862 | |
| | QST Holding, LLC | - | " | - | US\$ 131 | 4 | US\$ 131 | |
| | Teknovus, Inc. | - | " | 6,977 | US\$ 1,327 | 2 | US\$ 1,327 | |
| | <u>Capital</u> | | | | | | | |
| | VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | Subsidiary | Investments accounted for using equity method | - | - | 8 | - | |
| | <u>Common stock</u> | | | | | | | |
| | Yobon | - | Financial assets carried at cost | 1,875 | US\$ 919 | 13 | US\$ 919 | |
| | Sentelic | - | " | 1,200 | US\$ 2,040 | 15 | US\$ 2,040 | |
| | Aquantia | - | " | 2,108 | US\$ 2,573 | 5 | US\$ 2,573 | |
| | Leadtrend | - | " | 1,265 | US\$ 660 | 5 | US\$ 660 | |
| | <u>Preferred stock</u> | | | | | | | |
| | 5V Technologies, Inc. | - | Financial assets carried at cost | 2,890 | US\$ 2,168 | 15 | US\$ 2,168 | |
| | Audience, Inc. | - | " | 5,335 | US\$ 1,390 | 2 | US\$ 1,390 | |
| | Axiom Microdevices, Inc. | - | " | 6,326 | US\$ 2,481 | 5 | US\$ 2,481 | |
| | Beceem Communications | - | " | 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 | |
| | Mobilygen | - | " | 569 | US\$ 149 | - | US\$ 149 | |
| | 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 | 17 | 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\$ 2,007 | 2 | US\$ 2,007 | | |
| Xceive | - | " | 870 | US\$ 1,177 | 2 | US\$ 1,177 | | |
| <u>Capital</u> | | | | | | | | |
| VTA Holdings | Subsidiary | Investments accounted for using equity method | - | - | 24 | - | | |
| VTAF III | <u>Common stock</u> | | | | | | | |
| | Mutual-pak Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 4,590 | US\$ 1,492 | 51 | US\$ 1,492 | |
| | Acionn Technology Corporation | Subsidiary | " | 4,500 | US\$ 1,205 | 48 | US\$ 1,205 | |
| | Auramicro, Inc. | - | Financial assets carried at cost | 2,500 | US\$ 750 | 17 | US\$ 750 | |
| | InvenSense, Inc. | - | " | 816 | US\$ 1,000 | 1 | US\$ 1,000 | |
| | <u>Capital</u> | | | | | | | |
| | Growth Fund Limited (Growth Fund) | Subsidiary | Investments accounted for using equity method | - | US\$ 538 | 100 | US\$ 538 | |
| | VTA Holdings | Subsidiary | " | - | - | 68 | - | |
| | <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.) | - | " | 21,109 | US\$ 4,388 | 18 | US\$ 4,388 | | |
| GTBF, Inc. | - | " | 1,154 | US\$ 1,500 | N/A | US\$ 1,500 | | |
| M2000, Inc. | - | " | 3,000 | US\$ 3,000 | 5 | US\$ 3,000 | | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|---|--------------------------------|---------------------------------------|--------------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Neoconix, Inc. | - | Financial assets carried at cost | 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 | |
| Growth Fund | <u>Common stock</u> | | | | | | | |
| | Staccato | - | Financial assets carried at cost | 425 | US\$ 495 | 1 | US\$ 495 | |
| ISDF | <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\$ 2,986 | 6 | US\$ 2,986 | |
| | Integrated Memory Logic, Inc. | - | Financial assets carried at cost | 2,872 | US\$ 1,221 | 9 | US\$ 1,221 | |
| | IP Unity, Inc. | - | " | 1,008 | US\$ 494 | 1 | US\$ 494 | |
| | NanoAmp Solutions, Inc. | - | " | 541 | US\$ 853 | 2 | US\$ 853 | |
| | Sonics, Inc. | - | " | 230 | US\$ 3,530 | 2 | US\$ 3,530 | |
| ISDF II | <u>Common stock</u> | | | | | | | |
| | Rich Tek Technology Corp. | - | Financial assets at fair value through profit or loss | 101 | US\$ 534 | - | US\$ 534 | |
| | Rich Tek Technology Corp. | - | Available-for-sale financial assets | 288 | US\$ 1,519 | - | US\$ 1,519 | |
| | Ralink Technology (Taiwan), Inc. | - | " | 1,512 | US\$ 4,593 | 1 | US\$ 4,593 | |
| | eLCOS Microdisplay Technology, Ltd. | - | Financial assets carried at cost | 270 | US\$ 27 | 1 | US\$ 27 | |
| | EoNEX Technologies, Inc. | - | " | 55 | US\$ 1,006 | 5 | US\$ 1,006 | |
| | Sonics, Inc. | - | " | 278 | US\$ 1,597 | 3 | US\$ 1,597 | |
| | Epic Communication, Inc. | - | " | 191 | US\$ 37 | 1 | US\$ 37 | |
| | EON Technology, Corp. | - | " | 2,494 | US\$ 691 | 3 | US\$ 691 | |
| | Goyatek Technology, Corp. | - | " | 2,088 | US\$ 545 | 7 | 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\$ 2,506 | 7 | US\$ 2,506 | |
| | Alchip Technologies Limited | - | Financial assets carried at cost | 6,979 | US\$ 3,664 | 20 | US\$ 3,664 | |
| | eLCOS Microdisplay Technology, Ltd. | - | " | 3,500 | US\$ 1,055 | 8 | US\$ 1,055 | |
| | FangTek, Inc. | - | " | 6,806 | US\$ 3,250 | 15 | US\$ 3,250 | |
| | Kilopass Technology, Inc. | - | " | 3,887 | US\$ 2,000 | 5 | US\$ 2,000 | |
| | NanoAmp Solutions, Inc. | - | " | 375 | US\$ 1,500 | 1 | US\$ 1,500 | |
| | Sonics, Inc. | - | " | 264 | US\$ 1,517 | 3 | US\$ 1,517 | |
| GUC | <u>Common stock</u> | | | | | | | |
| | GUC-NA | Subsidiary | Investments accounted for using equity method | 500 | \$ 22,645 | 100 | \$ 22,645 | |
| | GUC-Japan | Subsidiary | " | 1 | 10,568 | 100 | 10,568 | |
| | GUC-Europe | Subsidiary | " | - | 2,403 | 100 | 2,403 | |
| 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\$ 87 | N/A | US\$ 87 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 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 1b2566 | - | Available-for-sale financial assets | - | US\$ 130 | N/A | US\$ 130 | |
| | Fed Hm Ln Pc Pool 1b2632 | - | " | - | US\$ 150 | N/A | US\$ 150 | |
| | Fed Hm Ln Pc Pool 1b2642 | - | " | - | US\$ 203 | N/A | US\$ 203 | |
| | Fed Hm Ln Pc Pool 1b2776 | - | " | - | US\$ 296 | N/A | US\$ 296 | |
| | Fed Hm Ln Pc Pool 1b2792 | - | " | - | US\$ 203 | N/A | US\$ 203 | |
| | Fed Hm Ln Pc Pool 1b2810 | - | " | - | US\$ 258 | N/A | US\$ 258 | |
| | Fed Hm Ln Pc Pool 1b7453 | - | " | - | US\$ 2,278 | N/A | US\$ 2,278 | |
| | Fed Hm Ln Pc Pool 1g0038 | - | " | - | US\$ 256 | N/A | US\$ 256 | |
| | Fed Hm Ln Pc Pool 1g0053 | - | " | - | US\$ 307 | N/A | US\$ 307 | |
| | Fed Hm Ln Pc Pool 1g0104 | - | " | - | US\$ 123 | N/A | US\$ 123 | |
| | Fed Hm Ln Pc Pool 1g1282 | - | " | - | US\$ 3,360 | N/A | US\$ 3,360 | |
| | Fed Hm Ln Pc Pool 1g1411 | - | " | - | US\$ 3,019 | N/A | US\$ 3,019 | |
| | Fed Hm Ln Pc Pool 1h2520 | - | " | - | US\$ 2,274 | N/A | US\$ 2,274 | |
| | Fed Hm Ln Pc Pool 1h2524 | - | " | - | US\$ 1,701 | N/A | US\$ 1,701 | |
| | Fed Hm Ln Pc Pool 780870 | - | " | - | US\$ 518 | N/A | US\$ 518 | |
| | Fed Hm Ln Pc Pool 781959 | - | " | - | US\$ 2,950 | N/A | US\$ 2,950 | |
| | Fed Hm Ln Pc Pool 782785 | - | " | - | US\$ 211 | N/A | US\$ 211 | |
| | Fed Hm Ln Pc Pool 782837 | - | " | - | US\$ 407 | N/A | US\$ 407 | |
| | Fed Hm Ln Pc Pool 783022 | - | " | - | US\$ 458 | N/A | US\$ 458 | |
| | Fed Hm Ln Pc Pool 783026 | - | " | - | US\$ 255 | N/A | US\$ 255 | |
| | Fed Hm Ln Pc Pool B19205 | - | " | - | US\$ 5,730 | N/A | US\$ 5,730 | |
| | Fed Hm Ln Pc Pool E01492 | - | " | - | US\$ 1,587 | N/A | US\$ 1,587 | |
| | Fed Hm Ln Pc Pool E89857 | - | " | - | US\$ 1,188 | N/A | US\$ 1,188 | |
| | Fed Hm Ln Pc Pool G11295 | - | " | - | US\$ 954 | N/A | US\$ 954 | |
| | Fed Hm Ln Pc Pool M80855 | - | " | - | US\$ 2,575 | N/A | US\$ 2,575 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 613 | N/A | US\$ 613 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 575 | N/A | US\$ 575 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,272 | N/A | US\$ 3,272 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 1,771 | N/A | US\$ 1,771 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 1,986 | N/A | US\$ 1,986 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 1,381 | N/A | US\$ 1,381 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,846 | N/A | US\$ 2,846 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 1,548 | N/A | US\$ 1,548 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,581 | N/A | US\$ 2,581 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 2,402 | N/A | US\$ 2,402 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,067 | N/A | US\$ 3,067 | |
| | Federal National Mort Assoc | - | " | - | US\$ 2,233 | N/A | US\$ 2,233 | |
| | Federal National Mortgage Asso | - | " | - | US\$ 2,960 | N/A | US\$ 2,960 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 1,493 | N/A | US\$ 1,493 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 1,499 | N/A | US\$ 1,499 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 1,813 | N/A | US\$ 1,813 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 3,002 | N/A | US\$ 3,002 | |
| | Federal Natl Mtg Assn Gtd | - | " | - | US\$ 1,375 | N/A | US\$ 1,375 | |
| | Fnma Pool 255883 | - | " | - | US\$ 2,757 | N/A | US\$ 2,757 | |
| | Fnma Pool 257245 | - | " | - | US\$ 3,593 | N/A | US\$ 3,593 | |
| | Fnma Pool 555549 | - | " | - | US\$ 1,197 | N/A | US\$ 1,197 | |
| | Fnma Pool 555715 | - | " | - | US\$ 145 | N/A | US\$ 145 | |
| | Fnma Pool 632399 | - | " | - | US\$ 338 | N/A | US\$ 338 | |
| | Fnma Pool 662401 | - | " | - | US\$ 469 | N/A | US\$ 469 | |
| | Fnma Pool 667766 | - | " | - | US\$ 1,096 | N/A | US\$ 1,096 | |
| | Fnma Pool 680932 | - | " | - | US\$ 960 | N/A | US\$ 960 | |
| | Fnma Pool 681393 | - | " | - | US\$ 2,074 | N/A | US\$ 2,074 | |
| | Fnma Pool 685116 | - | " | - | US\$ 520 | N/A | US\$ 520 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 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 691283 | - | Available-for-sale financial assets | - | US\$ 3,113 | N/A | US\$ 3,113 | |
| | Fnma Pool 694287 | - | " | - | US\$ 18 | N/A | US\$ 18 | |
| | Fnma Pool 703711 | - | " | - | US\$ 406 | N/A | US\$ 406 | |
| | Fnma Pool 725095 | - | " | - | US\$ 886 | N/A | US\$ 886 | |
| | Fnma Pool 730033 | - | " | - | US\$ 138 | N/A | US\$ 138 | |
| | Fnma Pool 740934 | - | " | - | US\$ 883 | N/A | US\$ 883 | |
| | Fnma Pool 742232 | - | " | - | US\$ 15 | N/A | US\$ 15 | |
| | Fnma Pool 750798 | - | " | - | US\$ 19 | N/A | US\$ 19 | |
| | Fnma Pool 773246 | - | " | - | US\$ 192 | N/A | US\$ 192 | |
| | Fnma Pool 790828 | - | " | - | US\$ 1,709 | N/A | US\$ 1,709 | |
| | Fnma Pool 793932 | - | " | - | US\$ 384 | N/A | US\$ 384 | |
| | Fnma Pool 794040 | - | " | - | US\$ 577 | N/A | US\$ 577 | |
| | Fnma Pool 795548 | - | " | - | US\$ 146 | N/A | US\$ 146 | |
| | Fnma Pool 799664 | - | " | - | US\$ 80 | N/A | US\$ 80 | |
| | Fnma Pool 799868 | - | " | - | US\$ 29 | N/A | US\$ 29 | |
| | Fnma Pool 804764 | - | " | - | US\$ 327 | N/A | US\$ 327 | |
| | Fnma Pool 804852 | - | " | - | US\$ 276 | N/A | US\$ 276 | |
| | Fnma Pool 804962 | - | " | - | US\$ 336 | N/A | US\$ 336 | |
| | Fnma Pool 805163 | - | " | - | US\$ 363 | N/A | US\$ 363 | |
| | Fnma Pool 806642 | - | " | - | US\$ 461 | N/A | US\$ 461 | |
| | Fnma Pool 806721 | - | " | - | US\$ 574 | N/A | US\$ 574 | |
| | Fnma Pool 814418 | - | " | - | US\$ 307 | N/A | US\$ 307 | |
| | Fnma Pool 815626 | - | " | - | US\$ 1,900 | N/A | US\$ 1,900 | |
| | Fnma Pool 819423 | - | " | - | US\$ 464 | N/A | US\$ 464 | |
| | Fnma Pool 821129 | - | " | - | US\$ 441 | N/A | US\$ 441 | |
| | Fnma Pool 888499 | - | " | - | US\$ 1,667 | N/A | US\$ 1,667 | |
| | Fnma Pool 888502 | - | " | - | US\$ 211 | N/A | US\$ 211 | |
| | Fnma Pool 888507 | - | " | - | US\$ 803 | N/A | US\$ 803 | |
| | Fnma Pool 888515 | - | " | - | US\$ 927 | N/A | US\$ 927 | |
| | Fnma Pool 888519 | - | " | - | US\$ 104 | N/A | US\$ 104 | |
| | Fnma Pool 888527 | - | " | - | US\$ 59 | N/A | US\$ 59 | |
| | Fnma Pool 888738 | - | " | - | US\$ 4,032 | N/A | US\$ 4,032 | |
| | Fnma Pool 888793 | - | " | - | US\$ 4,722 | N/A | US\$ 4,722 | |
| | Fnma Pool 900296 | - | " | - | US\$ 2,454 | N/A | US\$ 2,454 | |
| | Gnma li Pool 081150 | - | " | - | US\$ 363 | N/A | US\$ 363 | |
| | Gnma li Pool 081153 | - | " | - | US\$ 1,135 | N/A | US\$ 1,135 | |
| | Gnma Pool 646061 | - | " | - | US\$ 2,670 | N/A | US\$ 2,670 | |
| | Government Natl Mtg Assn Gtd | - | " | - | US\$ 1,978 | N/A | US\$ 1,978 | |
| | Fed Home Ln Bank | - | " | - | US\$ 5,174 | N/A | US\$ 5,174 | |
| | Federal Farm Cr Bks | - | " | - | US\$ 3,525 | N/A | US\$ 3,525 | |
| | Federal Farm Credit Bank | - | " | - | US\$ 7,279 | N/A | US\$ 7,279 | |
| | Federal Farm Credit Bank | - | " | - | US\$ 3,358 | N/A | US\$ 3,358 | |
| | Federal Home Ln Bks | - | " | - | US\$ 8,917 | N/A | US\$ 8,917 | |
| | Federal Home Ln Bks | - | " | - | US\$ 3,739 | N/A | US\$ 3,739 | |
| | Federal Home Ln Bks | - | " | - | US\$ 7,211 | N/A | US\$ 7,211 | |
| | Federal Home Ln Bks | - | " | - | US\$ 17,254 | N/A | US\$ 17,254 | |
| | Federal Home Ln Bks | - | " | - | US\$ 5,145 | N/A | US\$ 5,145 | |
| | Federal Home Ln Bks | - | " | - | US\$ 12,317 | N/A | US\$ 12,317 | |
| | Federal Home Ln Bks | - | " | - | US\$ 17,227 | N/A | US\$ 17,227 | |
| | Federal Home Ln Mtg | - | " | - | US\$ 5,091 | N/A | US\$ 5,091 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,293 | N/A | US\$ 3,293 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,488 | N/A | US\$ 3,488 | |
| | Federal Home Ln Mtg Corp. | - | " | - | US\$ 3,700 | N/A | US\$ 3,700 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|--------------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Federal Home Loan Bank | - | Available-for-sale financial assets | - | US\$ 4,603 | N/A | US\$ 4,603 | |
| | Federal Home Loan Banks | - | " | - | US\$ 17,270 | N/A | US\$ 17,270 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 7,207 | N/A | US\$ 7,207 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 3,694 | N/A | US\$ 3,694 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 4,097 | N/A | US\$ 4,097 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 3,651 | N/A | US\$ 3,651 | |
| | Federal Natl Mtg Assn | - | " | - | US\$ 3,996 | N/A | US\$ 3,996 | |
| | Federal Natl Mtg Assn Mtn | - | " | - | US\$ 3,054 | N/A | US\$ 3,054 | |
| | Federal Natl Mtg Assoc | - | " | - | US\$ 3,454 | N/A | US\$ 3,454 | |
| | Tennessee Valley Auth | - | " | - | US\$ 6,016 | N/A | US\$ 6,016 | |
| | <u>Corporate bonds</u> | | | | | | | |
| | Abbott Labs | - | Available-for-sale financial assets | - | US\$ 1,978 | N/A | US\$ 1,978 | |
| | American Gen Fin Corp. Mtn | - | " | - | US\$ 3,259 | N/A | US\$ 3,259 | |
| | American Gen Fin Corp. Mtn | - | " | - | US\$ 1,369 | N/A | US\$ 1,369 | |
| | American Home Prods Corp. | - | " | - | US\$ 2,810 | N/A | US\$ 2,810 | |
| | American Honda Fin Corp. Mtn | - | " | - | US\$ 3,104 | N/A | US\$ 3,104 | |
| | Ameritech Capital Funding Co. | - | " | - | US\$ 483 | N/A | US\$ 483 | |
| | Amgen Inc. | - | " | - | US\$ 3,004 | N/A | US\$ 3,004 | |
| | Anz Cap Tr I | - | " | - | US\$ 974 | N/A | US\$ 974 | |
| | Atlantic Richfield Co. | - | " | - | US\$ 2,184 | N/A | US\$ 2,184 | |
| | Axa Finl Inc. | - | " | - | US\$ 2,100 | N/A | US\$ 2,100 | |
| | Beneficial Corp. Mtn Bk Entry | - | " | - | US\$ 2,254 | N/A | US\$ 2,254 | |
| | Bp Cap Mkts P L C | - | " | - | US\$ 2,829 | N/A | US\$ 2,829 | |
| | Burlington Res Inc. | - | " | - | US\$ 3,596 | N/A | US\$ 3,596 | |
| | Chase Manhattan Corp. New | - | " | - | US\$ 1,509 | N/A | US\$ 1,509 | |
| | Chase Manhattan Corp. New | - | " | - | US\$ 2,078 | N/A | US\$ 2,078 | |
| | Chase Manhattan Corp. New | - | " | - | US\$ 3,337 | N/A | US\$ 3,337 | |
| | Colgate Palmolive Co. Mtn | - | " | - | US\$ 1,661 | N/A | US\$ 1,661 | |
| | Conoco Fdg Co. | - | " | - | US\$ 825 | N/A | US\$ 825 | |
| | Credit Suisse First Boston USA | - | " | - | US\$ 344 | N/A | US\$ 344 | |
| | Deere John Cap Corp. Mtn Bk Ent | - | " | - | US\$ 2,228 | N/A | US\$ 2,228 | |
| | Deutsche Bank Ag London | - | " | - | US\$ 3,004 | N/A | US\$ 3,004 | |
| | Du Pont E I De Nemours + Co. | - | " | - | US\$ 1,221 | N/A | US\$ 1,221 | |
| | Duke Energy Co. | - | " | - | US\$ 2,382 | N/A | US\$ 2,382 | |
| | European Invt Bk | - | " | - | US\$ 7,351 | N/A | US\$ 7,351 | |
| | European Invt Bk | - | " | - | US\$ 7,364 | N/A | US\$ 7,364 | |
| | Fleet Boston Corp. | - | " | - | US\$ 2,585 | N/A | US\$ 2,585 | |
| | France Telecom Sa | - | " | - | US\$ 1,179 | N/A | US\$ 1,179 | |
| | Ge Global Ins Hldg Corp. | - | " | - | US\$ 1,880 | N/A | US\$ 1,880 | |
| | General Dynamics Corp. | - | " | - | US\$ 2,163 | N/A | US\$ 2,163 | |
| | General Elec Cap Corp. Mtn | - | " | - | US\$ 2,773 | N/A | US\$ 2,773 | |
| | General Elec Cap Corp. Mtn | - | " | - | US\$ 656 | N/A | US\$ 656 | |
| | General Re Corp. | - | " | - | US\$ 3,167 | N/A | US\$ 3,167 | |
| | Genworth Finl Inc. | - | " | - | US\$ 1,934 | N/A | US\$ 1,934 | |
| | Goldman Sachs Group | - | " | - | US\$ 1,898 | N/A | US\$ 1,898 | |
| | Hancock John Global Fdg II Mtn | - | " | - | US\$ 5,112 | N/A | US\$ 5,112 | |
| | Hancock John Global Fdg II Mtn | - | " | - | US\$ 2,023 | N/A | US\$ 2,023 | |
| | Hartford Finl Svcs Group Inc. | - | " | - | US\$ 1,322 | N/A | US\$ 1,322 | |
| | Heller Finl Inc. | - | " | - | US\$ 1,928 | N/A | US\$ 1,928 | |
| | Hewlett Packard Co. | - | " | - | US\$ 1,817 | N/A | US\$ 1,817 | |
| | Hewlett Packard Co. | - | " | - | US\$ 1,435 | N/A | US\$ 1,435 | |

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| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | | | | Note |
|-------------------|---|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|--------------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | Market Value or Net Asset Value (US\$ in Thousands) | |
| | Honeywell Intl Inc. | - | Available-for-sale financial assets | - | US\$ 992 | N/A | US\$ 992 | |
| | Honeywell Intl Inc. | - | " | - | US\$ 1,058 | N/A | US\$ 1,058 | |
| | Household Fin Corp. | - | " | - | US\$ 2,889 | N/A | US\$ 2,889 | |
| | Ing Sec Life Instl Fdg | - | " | - | US\$ 2,527 | N/A | US\$ 2,527 | |
| | International Business Machs | - | " | - | US\$ 724 | N/A | US\$ 724 | |
| | International Business Machs | - | " | - | US\$ 3,518 | N/A | US\$ 3,518 | |
| | Intl Lease Fin Corp. Mtn | - | " | - | US\$ 2,111 | N/A | US\$ 2,111 | |
| | JP Morgan Chase | - | " | - | US\$ 1,945 | N/A | US\$ 1,945 | |
| | Kreditanstalt Fur Wiederaufbau | - | " | - | US\$ 8,762 | N/A | US\$ 8,762 | |
| | Massmutual Global Fdg II Mtn | - | " | - | US\$ 3,717 | N/A | US\$ 3,717 | |
| | Mellon Fdg Corp. | - | " | - | US\$ 2,659 | N/A | US\$ 2,659 | |
| | Mizuho Fin (Cayman) | - | " | - | US\$ 1,990 | N/A | US\$ 1,990 | |
| | Monumental Global Fdg II | - | " | - | US\$ 1,486 | N/A | US\$ 1,486 | |
| | Monumetal Global Fdg II | - | " | - | US\$ 1,974 | N/A | US\$ 1,974 | |
| | Mony Group Inc. | - | " | - | US\$ 2,027 | N/A | US\$ 2,027 | |
| | Morgan Stanley | - | " | - | US\$ 3,399 | N/A | US\$ 3,399 | |
| | Nationwide Life Global Fdg I | - | " | - | US\$ 3,595 | N/A | US\$ 3,595 | |
| | New York Life Global Fdg | - | " | - | US\$ 2,348 | N/A | US\$ 2,348 | |
| | Northern Tr Corp. | - | " | - | US\$ 1,039 | N/A | US\$ 1,039 | |
| | Oracle Corp. / Ozark Hldg Inc. | - | " | - | US\$ 2,035 | N/A | US\$ 2,035 | |
| | Philip Morris Intl Inc. | - | " | - | US\$ 1,793 | N/A | US\$ 1,793 | |
| | Premark Intl Inc. | - | " | - | US\$ 2,657 | N/A | US\$ 2,657 | |
| | Pricoa Global Fdg I Mtn | - | " | - | US\$ 3,485 | N/A | US\$ 3,485 | |
| | Principal Finl Group Australia | - | " | - | US\$ 971 | N/A | US\$ 971 | |
| | Protective Life Secd Trs Mtn | - | " | - | US\$ 3,507 | N/A | US\$ 3,507 | |
| | Sbc Communications Inc. | - | " | - | US\$ 3,356 | N/A | US\$ 3,356 | |
| | Sbc Communications Inc. | - | " | - | US\$ 698 | N/A | US\$ 698 | |
| | Sbc Communications Inc. | - | " | - | US\$ 2,641 | N/A | US\$ 2,641 | |
| | Simon Ppty Group L P | - | " | - | US\$ 2,508 | N/A | US\$ 2,508 | |
| | Simon Ppty Group Lp | - | " | - | US\$ 990 | N/A | US\$ 990 | |
| | Sp Powerassests Ltd. Global | - | " | - | US\$ 999 | N/A | US\$ 999 | |
| | U S Bancorp Mtn Bk Ent | - | " | - | US\$ 1,348 | N/A | US\$ 1,348 | |
| | U S Bk Natl Assn Minneapolis | - | " | - | US\$ 359 | N/A | US\$ 359 | |
| | Unitedhealth Group Inc. | - | " | - | US\$ 1,382 | N/A | US\$ 1,382 | |
| | Verizon Communications Inc. | - | " | - | US\$ 1,722 | N/A | US\$ 1,722 | |
| | Verizon Global Fdg Corp. | - | " | - | US\$ 1,476 | N/A | US\$ 1,476 | |
| | Wachovia Corp. New | - | " | - | US\$ 2,441 | N/A | US\$ 2,441 | |
| | Walgreen Co. | - | " | - | US\$ 1,905 | N/A | US\$ 1,905 | |
| | Washington Post Co. | - | " | - | US\$ 3,011 | N/A | US\$ 3,011 | |
| | Wells Fargo + Co. New Med Trm | - | " | - | US\$ 4,391 | N/A | US\$ 4,391 | |
| | Westfield Cap Corp Ltd | - | " | - | US\$ 1,383 | N/A | US\$ 1,383 | |
| | <u>Corporate issued asset-backed securities</u> | | | | | | | |
| | Banc Amer Coml Mtg Inc. | - | Available-for-sale financial assets | - | US\$ 4,965 | N/A | US\$ 4,965 | |
| | Banc Amer Fdg 2006 I Tr | - | " | - | US\$ 3,104 | N/A | US\$ 3,104 | |
| | Bear Stearns Adjustable Rate | - | " | - | US\$ 72 | N/A | US\$ 72 | |
| | Bear Stearns Arm Tr | - | " | - | US\$ 2,419 | N/A | US\$ 2,419 | |
| | Bear Stearns Arm Tr | - | " | - | US\$ 1,352 | N/A | US\$ 1,352 | |
| | Bear Stearns Arm Tr | - | " | - | US\$ 179 | N/A | US\$ 179 | |
| | Bear Stearns Coml Mtg Secs Inc. | - | " | - | US\$ 153 | N/A | US\$ 153 | |
| | Bear Stearns Coml Mtg Secs Inc. | - | " | - | US\$ 3,418 | N/A | US\$ 3,418 | |
| | Capital One Multi Asset Exec | - | " | - | US\$ 8,902 | N/A | US\$ 8,902 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | | | Market Value or Net Asset Value (US\$ in Thousands) | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|------------------------------------|-----------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | | |
| | Capital One Multi Asset Execut | - | Available-for-sale financial assets | - | US\$ 2,998 | N/A | US\$ 2,998 | |
| | Capital One Prime Auto Receiva | - | " | - | US\$ 3,461 | N/A | US\$ 3,461 | |
| | Cbass Tr | - | " | - | US\$ 957 | N/A | US\$ 957 | |
| | Chase Mtg Fin Tr | - | " | - | US\$ 721 | N/A | US\$ 721 | |
| | Chase Mtg Fin Tr | - | " | - | US\$ 1,400 | N/A | US\$ 1,400 | |
| | Chase Mtg Fin Tr | - | " | - | US\$ 2,085 | N/A | US\$ 2,085 | |
| | Chase Mtge Finance Corp. | - | " | - | US\$ 1,082 | N/A | US\$ 1,082 | |
| | Cit Equip Coll Tr | - | " | - | US\$ 3,959 | N/A | US\$ 3,959 | |
| | Citicorp Mtg Secs | - | " | - | US\$ 68 | N/A | US\$ 68 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 366 | N/A | US\$ 366 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 4,137 | N/A | US\$ 4,137 | |
| | Credit Suisse First Boston Mtg | - | " | - | US\$ 5,564 | N/A | US\$ 5,564 | |
| | Daimlerchrysler Auto Tr | - | " | - | US\$ 4,170 | N/A | US\$ 4,170 | |
| | Daimlerchrysler Auto Tr | - | " | - | US\$ 903 | N/A | US\$ 903 | |
| | Deere John Owner Tr | - | " | - | US\$ 1,621 | N/A | US\$ 1,621 | |
| | First Franklin Mtg Ln Tr | - | " | - | US\$ 590 | N/A | US\$ 590 | |
| | First Horizon | - | " | - | US\$ 37 | N/A | US\$ 37 | |
| | First Un Natl Bk Coml Mtg Tr | - | " | - | US\$ 1,275 | N/A | US\$ 1,275 | |
| | First Un Natl Bk Coml Mtg Tr | - | " | - | US\$ 4,979 | N/A | US\$ 4,979 | |
| | First Un Natl Bk Coml Mtg Tr | - | " | - | US\$ 2,063 | N/A | US\$ 2,063 | |
| | Ford Cr Auto Owner Tr | - | " | - | US\$ 2,413 | N/A | US\$ 2,413 | |
| | Gs Mtg Secs Corp. | - | " | - | US\$ 824 | N/A | US\$ 824 | |
| | Home Equity Mortgage Trust | - | " | - | US\$ 1,237 | N/A | US\$ 1,237 | |
| | Home Equity Mtg Tr 2006 4 | - | " | - | US\$ 616 | N/A | US\$ 616 | |
| | Hyundai Auto Receivables Tr | - | " | - | US\$ 720 | N/A | US\$ 720 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 751 | N/A | US\$ 751 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 793 | N/A | US\$ 793 | |
| | JP Morgan Mtg Tr | - | " | - | US\$ 685 | N/A | US\$ 685 | |
| | Lb Ubs Coml Mtg Tr | - | " | - | US\$ 3,749 | N/A | US\$ 3,749 | |
| | Nomura Asset Accep Corp. | - | " | - | US\$ 702 | N/A | US\$ 702 | |
| | Residential Asset Mtg Prods | - | " | - | US\$ 1,881 | N/A | US\$ 1,881 | |
| | Residential Fdg Mtg Secs I Inc. | - | " | - | US\$ 1,253 | N/A | US\$ 1,253 | |
| | Residential Fdg Mtg Secs I Inc. | - | " | - | US\$ 2,871 | N/A | US\$ 2,871 | |
| | Sequoia Mtg Tr | - | " | - | US\$ 197 | N/A | US\$ 197 | |
| | Sequoia Mtg Tr | - | " | - | US\$ 238 | N/A | US\$ 238 | |
| | Sequoia Mtg Tr | - | " | - | US\$ 338 | N/A | US\$ 338 | |
| | Terwin Mtg Tr | - | " | - | US\$ 1,281 | N/A | US\$ 1,281 | |
| | Tiaa Seasoned Coml Mtg Tr | - | " | - | US\$ 3,472 | N/A | US\$ 3,472 | |
| | Usaa Auto Owner Tr | - | " | - | US\$ 4,927 | N/A | US\$ 4,927 | |
| | Wamu Mtg | - | " | - | US\$ 3,187 | N/A | US\$ 3,187 | |
| | Wamu Mtg Pass Through Ctfs | - | " | - | US\$ 138 | N/A | US\$ 138 | |
| | Wamu Mtg Pass Through Ctfs | - | " | - | US\$ 1,912 | N/A | US\$ 1,912 | |
| | Washington Mut Mtg Secs Corp. | - | " | - | US\$ 1,937 | N/A | US\$ 1,937 | |
| | Wells Fargo Finl Auto Owner Tr | - | " | - | US\$ 4,058 | N/A | US\$ 4,058 | |
| | Wells Fargo Mtg Backed Secs | - | " | - | US\$ 2,823 | N/A | US\$ 2,823 | |
| | Wells Fargo Mtg Backed Secs | - | " | - | US\$ 3,360 | N/A | US\$ 3,360 | |
| | Wells Fargo Mtg Backed Secs | - | " | - | US\$ 2,956 | N/A | US\$ 2,956 | |
| | Wells Fargo Mtg Bkd Secs | - | " | - | US\$ 2,435 | N/A | US\$ 2,435 | |
| | Wells Fargo Mtg Bkd Secs | - | " | - | US\$ 1,003 | N/A | US\$ 1,003 | |
| | Whole Auto Ln Tr | - | " | - | US\$ 533 | N/A | US\$ 533 | |

(Continued)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2008 | | | | Note |
|-------------------|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|--------------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | Market Value or Net Asset Value (US\$ in Thousands) | |
| | <u>Government bonds</u> | | | | | | | |
| | United States Treas Nts | - | Available-for-sale financial assets | - | US\$ 37,840 | N/A | US\$ 37,840 | |
| | United States Treas Nts | - | " | - | US\$ 20,606 | N/A | US\$ 20,606 | |
| | United States Treas Nts | - | " | - | US\$ 30,570 | N/A | US\$ 30,570 | |
| | United States Treas Nts | - | " | - | US\$ 6,744 | N/A | US\$ 6,744 | |
| | United States Treas Nts | - | " | - | US\$ 3,528 | N/A | US\$ 3,528 | |
| | United States Treas Nts | - | " | - | US\$ 2,708 | N/A | US\$ 2,708 | |
| | United States Treas Nts | - | " | - | US\$ 11,030 | N/A | US\$ 11,030 | |
| | <u>Money market funds</u> | | | | | | | |
| | Ssga Cash Mgmt Global Offshore | - | Available-for-sale financial assets | - | US\$ 23,600 | N/A | US\$ 23,600 | |

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal (Note 2) | | | | Ending Balance (Note 3) | |
|--------------|-------------------------------------|-------------------------------------|--|------------------------|-----------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|---|-----------------------------|----------------------------|
| | | | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) | Gain (Loss) or Disposal (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) |
| TSMC | <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 | 12,239 | \$ 2,060,358 | \$ 1,989,038 | \$ 71,320 | 6,257 | \$ 1,058,682 |
| | ING Taiwan Bond Fund | " | ING Securities Investment Trust Co., Ltd. | - | 85,581 | 1,310,030 | 140,522 | 2,170,000 | 111,509 | 1,721,141 | 1,700,000 | 21,141 | 114,594 | 1,776,565 |
| | Fuh Hwa Bond Fund | " | Fuh Hwa Investment Trust Co., Ltd. | - | 132,997 | 1,801,674 | 129,864 | 1,775,000 | 132,997 | 1,816,597 | 1,768,862 | 47,735 | 129,864 | 1,781,715 |
| | 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 | - | - |
| | Cathay Bond Fund | " | Cathay Securities Investment Trust Co., Ltd. | - | 60,126 | 703,824 | - | - | 60,126 | 709,289 | 700,000 | 9,289 | - | - |
| | NITC Taiwan Bond | " | National Investment Trust Co., Ltd. | - | 103,016 | 1,474,856 | 153,113 | 2,214,000 | 172,154 | 2,485,597 | 2,441,164 | 44,433 | 83,975 | 1,217,309 |
| | JF Taiwan Bond Fund | " | JF Asset Management (Taiwan) Limited | - | 59,049 | 915,252 | 45,425 | 712,000 | 59,049 | 922,445 | 900,083 | 22,362 | 45,425 | 712,668 |
| | 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 | - | - |
| | ING Taiwan Income Bond Fund | " | ING Securities Investment Trust Co., Ltd. | - | 54,621 | 878,682 | 60,839 | 988,000 | 54,621 | 885,963 | 854,150 | 31,813 | 60,839 | 991,182 |
| | Uni-President James Bond Fund | " | Uni-President Assets Management Corp. | - | 77,128 | 1,208,799 | 120,183 | 1,900,000 | 89,806 | 1,419,030 | 1,400,000 | 19,030 | 107,505 | 1,706,364 |
| | Taishin Lucky Investment Trust Fund | " | Taishin Investment Trust Co., Ltd. | - | 68,945 | 718,556 | - | - | 68,945 | 724,340 | 701,524 | 22,816 | - | - |
| | 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 | - | - |
| | AIG Taiwan Bond Fund | " | AIG Global Asset Management Corporation (Taiwan) Ltd. | - | 54,469 | 705,033 | - | - | 54,469 | 708,863 | 700,000 | 8,863 | - | - |
| | 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 | 2,410,791 |
| | Capital Income Fund | " | Capital Investment Trust Corporation | - | - | - | 228,072 | 3,480,000 | 65,435 | 1,000,000 | 997,435 | 2,565 | 162,637 | 2,491,020 |
| | <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 | - | - | - | - | - | 249,807 |
| | 2003 Government Bond Series H | " | " | - | - | 400,709 | - | 299,852 | - | - | - | - | - | 700,018 |
| | <u>Corporate bond</u> | | | | | | | | | | | | | |
| | Taiwan Power Company | Held-to-maturity financial assets | Grand Cathay Securities Corp. and several financial institutions | - | - | 2,630,064 | - | 1,303,167 | - | - | - | - | - | 2,850,523 |

(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 Plastic Corporation | Held-to-maturity financial assets | Grand Cathay Securities Corp. and several financial institutions | - | - | \$ 391,134 | - | \$ 1,035,247 | - | \$ - | \$ - | \$ - | - | \$ 1,432,661 |
| | Nan Ya Plastics Corporation | " | " | - | - | 1,804,346 | - | 102,130 | - | - | - | - | - | 1,405,548 |
| | Capital VTAF III | Investee accounted for using equity method | - | Subsidiary | - | 906,536 | - | 360,169 | - | - | - | - | - | 1,208,584 |
| | Emerging Alliance | " | - | " | - | 467,873 | - | 27,982 | - | - | - | - | - | 418,709 |
| TSMC International | <u>Corporate bond</u> General Elec Cap Corp Mtn | Held-to-maturity financial assets | BNP PARIBAS, London | - | - | - | - | US\$ 20,851 | - | - | - | - | - | US\$ 20,851 |
| | General Elec Cap Corp Mtn | " | " | - | - | - | - | US\$ 20,312 | - | - | - | - | - | US\$ 20,312 |
| TSMC Development | <u>Corporate bond</u> GE Capital Corp | Held-to-maturity financial assets | BNP PARIBAS, London | - | - | - | - | US\$ 20,475 | - | - | - | - | - | US\$ 20,475 |
| GUC | <u>Open-end mutual funds</u> President James Bond | Available-for-sale financial assets | Uni-President Assets Management Corp. | - | - | - | 17,430 | 275,000 | 17,430 | 275,390 | 275,000 | 390 | - | - |
| | PCA Well Pool Fund | " | PCA Securities Investment Trust Co., Ltd. | - | - | - | 15,000 | 192,000 | 15,000 | 192,320 | 192,000 | 320 | - | - |
| | Cathay Bond Fund | " | Cathay Securities Investment Trust Co., Ltd. | - | - | - | 16,096 | 190,000 | 16,096 | 190,077 | 190,000 | 77 | - | - |
| | NITC Taiwan Bond | " | National Investment Trust Co., Ltd. | - | - | - | 12,127 | 175,000 | 12,127 | 175,156 | 175,000 | 156 | - | - |
| | Fuh Hwa Bond Fund | " | Fuh Hwa Investment Trust Co., Ltd. | - | - | - | 12,602 | 172,000 | 12,602 | 172,353 | 172,000 | 353 | - | - |
| | Prudential Financial Bond Fund | " | Prudential Financial Securities Investment Trust Enterprise | - | - | - | 11,449 | 171,000 | 11,449 | 171,193 | 171,000 | 193 | - | - |
| | IBT 1699 Bond Fund | " | IBT Asset Magement Co., Ltd. | - | - | - | 13,383 | 170,000 | 13,383 | 170,333 | 170,000 | 333 | - | - |
| | Polaris De-Li Fund | " | Polaris Securities Investment Trust Co., Ltd. | - | - | - | 10,042 | 154,000 | 10,042 | 154,298 | 154,000 | 298 | - | - |
| | Mega Diamond Bond Fund | " | Mega International Investment Trust Co., Ltd. | - | - | - | 12,484 | 147,000 | 12,484 | 147,117 | 147,000 | 117 | - | - |
| | ING Taiwan Bond Fund | " | ING Securities Investment Trust Co., Ltd | - | - | - | 6,819 | 105,000 | 6,819 | 105,207 | 105,000 | 207 | - | - |
| TSMC Global | <u>Agency bonds</u> Fnma Pool 257245 | Available-for-sale financial assets | - | - | - | - | 3,716 | US\$ 3,741 | - | - | - | - | 3,716 | US\$ 3,593 |
| | 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\$ 8,917 |
| | 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\$ 3,739 |
| | 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\$ 7,211 |
| | Federal Home Ln Bks | " | - | - | - | - | 12,100 | US\$ 12,464 | - | - | - | - | 12,100 | US\$ 12,317 |
| | Federal Home Ln Mtg | " | - | - | - | - | 5,000 | US\$ 5,186 | - | - | - | - | 5,000 | US\$ 5,091 |
| | Federal Farm Credit Bank | " | - | - | - | - | 7,200 | US\$ 7,241 | - | - | - | - | 7,200 | US\$ 7,279 |
| | Federal Farm Credit Bank | " | - | - | - | - | 3,375 | US\$ 3,370 | - | - | - | - | 3,375 | US\$ 3,358 |
| | Federal Home Ln Mtg Corp | " | - | - | - | - | 3,391 | US\$ 3,389 | - | - | - | - | 3,391 | US\$ 3,272 |

(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) |
| | United States Treas Nts | Available-for-sale financial assets | - | - | 6,400 | US\$ 6,500 | - | US\$ - | 6,400 | US\$ 6,594 | US\$ 6,407 | US\$ 187 | - | US\$ - |
| | 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 | 1,400 | US\$ 1,454 | US\$ 1,470 | US\$ (16) | 2,600 | US\$ 2,708 |
| | United States Treas Nts | " | - | - | - | - | 10,266 | US\$ 11,167 | - | - | - | - | 10,266 | US\$ 11,030 |
| | 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 | " | - | - | 7,500 | US\$ 7,758 | - | - | 7,500 | US\$ 7,855 | US\$ 7,742 | US\$ 113 | - | - |
| | 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) | - | - |
| | <u>Money market funds</u> | | | | | | | | | | | | | |
| | Ssga Cash Mgmt Global Offshore | Available-for-sale financial assets | - | - | 592,180 | US\$ 592,180 | 524,094 | US\$ 524,094 | 1,092,674 | US\$1,092,674 | US\$1,092,674 | - | 23,600 | US\$ 23,600 |

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 NINE MONTHS ENDED SEPTEMBER 30, 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 |

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 Investee with a controlling financial interest | Sales | \$ 156,727,226 | 59 | Net 30 days after invoice date | - | - | \$ 26,903,610 | 54 | |
| | | | Sales | 1,167,490 | - | Net 30 days after monthly closing | - | - | 352,213 | 1 | |
| | WaferTech TSMC Shanghai | Indirect subsidiary Subsidiary | Purchases | 6,776,756 | 21 | Net 30 days after monthly closing | - | - | (800,324) | 8 | |
| | | | Purchases | 3,882,284 | 12 | Net 30 days after monthly closing | - | - | (370,154) | 4 | |
| | SSMC | Investee accounted for using equity method | Purchases | 3,624,887 | 11 | Net 30 days after monthly closing | - | - | (574,010) | 6 | |
| | | | Purchases | 2,584,615 | 8 | Net 30 days after monthly closing | - | - | (668,215) | 7 | |
| GUC | TSMC North America | Same parent company | Purchases | 1,408,376 | 43 | Net 30 days after invoice date/net 45 days after monthly closing | - | - | (199,333) | 21 | |
| XinTec | OmniVision | Parent company of director (represented for XinTec) | Sales | 1,656,957 | 78 | Net 45 days after shipping | - | - | 344,020 | 73 | |

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SEPTEMBER 30, 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 | \$ 26,922,595 | 47 | \$ 10,356,238 | - | \$ 11,757,118 | \$ - |
| | | Investee with a controlling financial interest | 352,213 | 50 | 26 | - | 206,535 | - |
| | TSMC Shanghai | Subsidiary | 115,766 | (Note 2) | - | - | - | - |
| XinTec | OmniVision | Parent company of director (represented for XinTec) | 344,020 | 64 | 13,312 | - | 170,553 | - |

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.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

SEPTEMBER 30, 2008

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2008 | | | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity in the Earnings (Losses) (Note) (Foreign Currencies in Thousands) | Note |
|------------------------|--|---|--|--|---|----------------------------------|-------------------------|--|---|--|--|
| | | | | September 30, 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 TSMC International | Tortola, British Virgin Islands | Investment activities | \$ 42,327,245 | \$ 42,327,245 | 1 | 100 | \$ 44,368,847 | \$ 573,758 | \$ 573,758 | Subsidiary |
| | | 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 | 29,252,586 | 2,227,902 | 2,227,902 | Subsidiary |
| | VIS | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,047,681 | 13,047,681 | 628,223 | 37 | 10,151,846 | 1,567,647 | 174,841 | Investee accounted for using equity method |
| | TSMC Shanghai | Shanghai, China | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367 | 12,180,367 | - | 100 | 7,308,098 | (1,742,301) | (1,739,461) | Subsidiary |
| | SSMC | Singapore | Fabrication and supply of integrated circuits | 5,120,028 | 8,840,895 | 463 | 39 | 6,761,630 | 2,519,704 | 829,590 | Investee accounted for using equity method |
| | TSMC Partners TSMC North America | Tortola, British Virgin Islands San Jose, California, U.S.A. | Investment activities | 10,350 | 10,350 | 300 | 100 | 3,667,050 | (991,686) | (991,686) | Subsidiary |
| | | | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,390,713 | 151,659 | 151,659 | Subsidiary |
| | XinTec | Taoyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 92,620 | 42 | 1,445,512 | 35,336 | (30,820) | Investee with a controlling financial interest |
| | VTAF III | Cayman Islands | Investing in new start-up technology companies | 1,333,628 | 973,459 | - | 98 | 1,208,584 | (55,665) | (54,552) | Subsidiary |
| | VTAF II | Cayman Islands | Investing in new start-up technology companies | 1,036,424 | 1,095,622 | - | 98 | 1,016,435 | (68,413) | (67,044) | Subsidiary |
| | GUC | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 44,904 | 36 | 891,783 | 583,637 | 211,514 | Investee with a controlling financial interest |
| | Emerging Alliance TSMC Japan TSMC Europe TSMC Korea | Cayman Islands Yokohama, Japan Amsterdam, the Netherlands Seoul, Korea | Investing in new start-up technology companies | 991,968 | 1,019,042 | - | 99 | 418,709 | (16,438) | (16,355) | Subsidiary |
| | | | Marketing activities | 83,760 | 83,760 | 6 | 100 | 116,484 | 4,064 | 4,064 | Subsidiary |
| | | | Marketing activities | 15,749 | 15,749 | - | 100 | 116,122 | 30,890 | 30,890 | Subsidiary |
| Marketing activities | | | 13,656 | 13,656 | 80 | 100 | 14,940 | 2,597 | 2,597 | Subsidiary | |
| TSMC International | ISDF ISDF II TSMC Development TSMC Technology | Cayman Islands Cayman Islands Delaware, U.S.A. Delaware, U.S.A. | Investing in new start-up technology companies | US\$ 7,680 | US\$ 8,721 | 7,598 | 97 | US\$ 8,937 | US\$ (302) | N/A | Subsidiary |
| | | | Investing in new start-up technology companies | US\$ 41,027 | US\$ 43,048 | 42,320 | 97 | US\$ 36,681 | US\$ 318 | N/A | Subsidiary |
| | | | Investment activities | US\$ 0.001 | US\$ 0.001 | - | 100 | US\$ 692,372 | US\$ 18,287 | N/A | Subsidiary |
| | | | Engineering support activities | US\$ 0.001 | US\$ 0.001 | - | 100 | US\$ 8,265 | US\$ 1,673 | N/A | 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 | - | 100 | US\$ 208,925 | US\$ 31,456 | N/A | Subsidiary |
| TSMC Partners | VisEra Holding Company TSMC Canada | Cayman Islands Ontario, Canada | Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry | US\$ 43,000 | US\$ 43,000 | 43,000 | 49 | US\$ 69,963 | US\$ 3,453 | N/A | Investee accounted for using equity method |
| | | | Engineering support activities | US\$ 2,300 | US\$ 2,300 | 2,300 | 100 | US\$ 2,849 | US\$ 163 | N/A | 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 | 90 | US\$ 124,128 | US\$ 3,263 | N/A | Subsidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2008 | | | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity in the Earnings (Losses) (Note) (Foreign Currencies in Thousands) | Note |
|-------------------|---------------------------------|---------------------------------|---|--|---|----------------------------------|-------------------------|--|---|--|------------|
| | | | | September 30, 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\$ 1,492 | US\$ (407) | N/A | Subsidiary |
| | Aiconn Technology Corp. | Taipei, Taiwan | Wholesaling telecommunication equipments, and manufacturing wired and wireless communication equipments | - | - | 4,500 | 48 | US\$ 1,205 | US\$ (1,016) | N/A | Subsidiary |
| | Growth Fund VTA Holdings | Cayman Islands Delaware, U.S.A. | Investing in new start-up technology companies | US\$ 600 | US\$ 600 | - | 100 | US\$ 538 | US\$ (62) | N/A | Subsidiary |
| VTAF II | VTA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | - | - | - | 68 | - | - | N/A | Subsidiary |
| | | | Investing in new start-up technology companies | - | - | - | 24 | - | - | N/A | Subsidiary |
| GUC | GUC-NA | U.S.A. | Consulting services in main products | US\$ 500 | US\$ 100 | 500 | 100 | \$ 22,645 | \$ 1,727 | N/A | Subsidiary |
| | GUC-Japan | Japan | Consulting services in main products | JPY 30,000 | JPY 10,000 | 1 | 100 | 10,568 | 986 | N/A | Subsidiary |
| | GUC-Europe | The Netherlands | Consulting services in main products | EUR 50 | - | - | 100 | 2,403 | 92 | N/A | Subsidiary |
| Emerging Alliance | VTA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | - | - | - | 8 | - | - | N/A | Subsidiary |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INFORMATION OF INVESTMENT IN MAINLAND CHINA
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2008 (US\$ in Thousand) | Percentage of Ownership | Equity in the Earnings (Losses) (Note 2) | Carrying Value as of September 30, 2008 | Accumulated Inward Remittance of Earnings as of September 30, 2008 |
|------------------|--|---|----------------------|--|----------------------------|--------|---|-------------------------|--|---|--|
| | | | | | Outflow (US\$ in Thousand) | Inflow | | | | | |
| 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% | \$(1,739,461) | \$7,308,098 | \$ - |

| Accumulated Investment in Mainland China as of September 30, 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 reviewed 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 NINE MONTHS ENDED SEPTEMBER 30, 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 | \$ 156,727,226 | - | 57% |
| | | | | Receivables from related parties | 26,903,610 | - | 5% |
| | | | | Other receivables from related parties | 18,985 | - | - |
| | | | | Payables to related parties | 4,731 | - | - |
| | | TSMC Shanghai | 1 | Sales | 72,013 | - | - |
| | | | | Purchases | 3,882,384 | - | 1% |
| | | | | Gain on disposal of property, plant and equipment | 150,959 | - | - |
| | | | | Technical service income | 82,802 | - | - |
| | | | | Other receivables from related parties | 115,766 | - | - |
| | | | | Payables to related parties | 370,154 | - | - |
| | | TSMC Japan | 1 | Marketing expenses - commission | 195,344 | - | - |
| | | | | Payables to related parties | 34,809 | - | - |
| | | TSMC Europe | 1 | Marketing expenses - commission | 299,045 | - | - |
| | | | | Payables to related parties | 46,406 | - | - |
| | | TSMC Korea | 1 | Marketing expenses - commission | 13,522 | - | - |
| | | | | Other receivables from related parties | 3,206 | - | - |
| | | | | Payables to related parties | 2,404 | - | - |
| | | GUC | 1 | Sales | 1,167,490 | - | - |
| | | | | Research and development expenses | 12,325 | - | - |
| | | | | Receivables from related parties | 352,213 | - | - |
| TSMC Technology | 1 | Research and development expenses | 263,287 | - | - | | |
| | | Payables to related parties | 64,799 | - | - | | |
| WaferTech | 1 | Sales | 11,674 | - | - | | |
| | | Purchases | 6,776,756 | - | 2% | | |
| | | Other receivables from related parties | 25,958 | - | - | | |
| | | Payables to related parties | 800,324 | - | - | | |
| | | TSMC Canada | 1 | Research and development expenses | 138,515 | - | - |
| 1 | TSMC Partners | TSMC International | 3 | Other receivables from related parties | 7,968,240 | - | 1% |
| | | | | Deferred revenue | 7,968,240 | - | 1% |
| 2 | GUC | TSMC North America | 3 | Purchases | 1,408,376 | - | 1% |
| | | | | Manufacturing overhead | 253,726 | - | - |
| | | | | Operating expenses | 1,458 | - | - |
| | | | | Payables to related parties | 199,333 | - | - |
| | | GUC-NA | 3 | Operating expenses | 74,002 | - | - |
| | | | | Accrued expenses | 11,556 | - | - |
| | | GUC-Japan | 3 | Operating expenses | 20,008 | - | - |
| | | | | Accrued expenses | 3,580 | - | - |
| GUC-Europe | 3 | Operating expenses | 1,954 | - | - | | |

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 NINE MONTHS ENDED SEPTEMBER 30, 2007

| 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 | \$ 134,957,821 | - | 58% |
| | | | | Receivables from related parties | 23,713,567 | - | 4% |
| | | | | Other receivables from related parties | 91,029 | - | - |
| | | | | Payables to related parties | 54,233 | - | - |
| | | TSMC Shanghai | 1 | Sales | 79,684 | - | - |
| | | | | Purchases | 3,947,089 | - | 2% |
| | | | | Gain on disposal of property, plant and equipment | 162,076 | - | - |
| | | | | Technical service income | 89,345 | - | - |
| | | | | Other receivables from related parties | 81,808 | - | - |
| | | | | Payables to related parties | 733,801 | - | - |
| | | TSMC Japan | 1 | Deferred credits | 563,839 | - | - |
| | | | | Marketing expenses - commission | 166,971 | - | - |
| | | TSMC Europe | 1 | Payables to related parties | 17,348 | - | - |
| | | | | Marketing expenses - commission | 216,545 | - | - |
| | | TSMC Korea | 1 | Payables to related parties | 28,321 | - | - |
| | | | | Marketing expenses - commission | 16,251 | - | - |
| | | GUC | 1 | Sales | 631,008 | - | - |
| General and administrative expenses - rental | 6,451 | | | - | - | | |
| Research and development expenses | 49,519 | | | - | - | | |
| Receivables from related parties | 119,455 | | | - | - | | |
| TSMC Technology | 1 | Payables to related parties | 827 | - | - | | |
| | | Research and development expenses | 136,607 | - | - | | |
| WaferTech | 1 | Research and development expenses | 264,868 | - | - | | |
| | | Purchases | 7,419,547 | - | 3% | | |
| 1 | TSMC International | TSMC Technology | 3 | Payables to related parties | 779,480 | - | - |
| | | | | Deferred royalty income | 645,081 | - | - |
| 2 | TSMC Partners | TSMC International | 3 | Other receivables | 9,969,908 | - | 2% |
| | | | | Deferred income | 8,834,030 | - | 2% |
| 4 | GUC | TSMC North America | 3 | Purchases | 1,277,963 | - | 1% |
| | | | | Manufacturing overhead | 165,097 | - | - |
| | | GUC-NA | 3 | Payables to related parties | 184,387 | - | - |
| | | | | Operating expenses | 41,010 | - | - |

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

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

(Concluded)