

**Taiwan Semiconductor Manufacturing  
Company Limited**

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

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

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

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

We have also reviewed, in accordance with Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the nine months ended September 30, 2008 and 2007, and have issued thereon an unqualified review report with an explanatory paragraph relating to the adoption of Interpretation 2007-052 and an unqualified review report, respectively.

October 9, 2008

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

### BALANCE SHEETS

SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 71,356,901	13	\$ 76,504,025	13	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	\$ 314,630	-	\$ 130,828	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	12,970	-	366,445	-	Accounts payable	6,948,805	1	8,722,415	1
Available-for-sale financial assets (Notes 2, 6 and 23)	16,936,633	3	19,945,922	4	Payables to related parties (Note 24)	2,573,875	1	3,308,642	1
Held-to-maturity financial assets (Notes 2, 7 and 23)	5,063,096	1	12,168,201	2	Income tax payable (Notes 2 and 17)	9,071,046	2	7,395,744	1
Receivables from related parties (Note 24)	27,255,916	5	23,833,351	4	Bonuses payable to employees and directors (Notes 3 and 19)	13,265,568	3	-	-
Notes and accounts receivable	22,662,860	4	20,622,354	4	Payables to contractors and equipment suppliers	7,390,905	1	10,711,333	2
Allowance for doubtful receivables (Notes 2 and 8)	(686,143)	-	(688,972)	-	Accrued expenses and other current liabilities (Note 15)	11,153,920	2	11,163,015	2
Allowance for sales returns and others (Notes 2 and 8)	(5,339,469)	(1)	(3,739,026)	(1)	Current portion of bonds payable (Note 14)	8,000,000	1	4,500,000	1
Other receivables from related parties (Note 24)	315,293	-	505,914	-					
Other financial assets	564,972	-	476,026	-	Total current liabilities	58,718,749	11	45,931,977	8
Inventories, net (Notes 2 and 9)	19,429,551	4	22,013,215	4					
Deferred income tax assets (Notes 2 and 17)	2,915,006	1	3,068,708	1	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	1,208,644	-	967,180	-	Bonds payable (Note 14)	4,500,000	1	12,500,000	2
					Other long-term payables (Note 15)	1,071,214	-	1,021,824	-
Total current assets	161,696,230	30	176,043,343	31	Total long-term liabilities	5,571,214	1	13,521,824	2
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>					<b>OTHER LIABILITIES</b>				
Investments accounted for using equity method	109,129,339	21	111,895,495	20	Accrued pension cost (Notes 2 and 16)	3,695,766	1	3,621,795	1
Available-for-sale financial assets	4,003,970	1	4,134,882	1	Guarantee deposits (Note 26)	1,618,686	-	2,560,554	1
Held-to-maturity financial assets	11,416,050	2	16,167,443	3	Deferred credits (Notes 2 and 24)	582,206	-	1,003,256	-
Financial assets carried at cost	748,263	-	747,206	-					
Total long-term investments	125,297,622	24	132,945,026	24	Total other liabilities	5,896,658	1	7,185,605	2
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>					Total liabilities	70,186,621	13	66,639,406	12
Cost					<b>CAPITAL STOCK - NT\$10 PAR VALUE (Notes 19 and 21)</b>				
Buildings	113,146,254	21	100,832,628	18	Authorized: 28,050,000 thousand shares				
Machinery and equipment	632,130,632	119	578,009,705	102	Issued: 25,904,166 thousand shares in 2008				
Office equipment	9,597,292	2	9,095,417	1	26,426,202 thousand shares in 2007	259,041,660	49	264,262,018	47
	754,874,178	142	687,937,750	121					
Accumulated depreciation	(538,829,638)	(101)	(469,874,398)	(83)	<b>CAPITAL SURPLUS (Notes 2 and 19)</b>	50,463,438	9	53,713,165	9
Advance payments and construction in progress	10,960,925	2	20,940,284	4					
Net property, plant and equipment	227,005,465	43	239,003,636	42	<b>RETAINED EARNINGS (Note 19)</b>				
<b>INTANGIBLE ASSETS</b>					Appropriated as legal capital reserve	67,324,393	13	56,406,684	10
Goodwill (Note 2)	1,567,756	-	1,567,756	-	Appropriated as special capital reserve	391,857	-	629,550	-
Deferred charges, net (Notes 2, 13 and 24)	6,466,929	1	5,166,482	1	Unappropriated earnings	103,062,463	19	127,343,560	22
Total intangible assets	8,034,685	1	6,734,238	1		170,778,713	32	184,379,794	32
<b>OTHER ASSETS</b>					<b>OTHERS (Notes 2, 21 and 23)</b>				
Deferred income tax assets (Notes 2 and 17)	7,504,585	1	10,436,868	2	Cumulative translation adjustments	(1,584,029)	-	(690,056)	-
Refundable deposits	2,666,676	1	2,688,320	-	Unrealized gain/loss on financial instruments	(124,039)	-	528,024	-
Others (Note 2)	57,111	-	62,845	-	Treasury stock: 278,875 thousand shares in 2008				
					34,096 thousand shares in 2007	(16,499,990)	(3)	(918,075)	-
Total other assets	10,228,372	2	13,188,033	2		(18,208,058)	(3)	(1,080,107)	-
<b>TOTAL</b>	<b>\$ 532,262,374</b>	<b>100</b>	<b>\$ 567,914,276</b>	<b>100</b>	Total shareholders' equity	462,075,753	87	501,274,870	88
					<b>TOTAL</b>	<b>\$ 532,262,374</b>	<b>100</b>	<b>\$ 567,914,276</b>	<b>100</b>

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

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

# Taiwan Semiconductor Manufacturing Company Limited

## 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 24)	\$ 266,527,657		\$ 226,395,474	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>5,586,784</u>		<u>3,736,354</u>	
NET SALES	260,940,873	100	222,659,120	100
COST OF SALES (Notes 18 and 24)	<u>142,456,953</u>	<u>55</u>	<u>128,356,018</u>	<u>58</u>
GROSS PROFIT	118,483,920	45	94,303,102	42
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>164,705</u>	<u>-</u>	<u>285,784</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>118,319,215</u>	<u>45</u>	<u>94,017,318</u>	<u>42</u>
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	15,359,634	5	11,476,303	5
General and administrative	7,829,752	3	5,929,869	3
Marketing	<u>1,845,955</u>	<u>1</u>	<u>911,225</u>	<u>-</u>
Total operating expenses	<u>25,035,341</u>	<u>9</u>	<u>18,317,397</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>93,283,874</u>	<u>36</u>	<u>75,699,921</u>	<u>34</u>
NON-OPERATING INCOME AND GAINS				
Interest income	2,084,519	1	1,989,402	1
Equity in earnings of equity method investees, net (Notes 2 and 10)	1,306,897	1	3,931,127	2
Technical service income (Notes 24 and 26)	521,366	-	527,868	-
Settlement income (Note 26)	456,195	-	491,385	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 23)	396,865	-	260,367	-
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24)	236,265	-	214,918	-
Foreign exchange gain, net (Note 2)	146,196	-	231,584	-
Others (Note 24)	<u>415,451</u>	<u>-</u>	<u>626,354</u>	<u>-</u>
Total non-operating income and gains	<u>5,563,754</u>	<u>2</u>	<u>8,273,005</u>	<u>3</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## 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)

	<u>2008</u>		<u>2007</u>	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	\$ 299,565	-	\$ 775,929	-
Interest expense	266,250	-	450,023	-
Loss on idle assets (Note 2)	210,477	-	-	-
Provision for litigation loss (Note 26h)	99,126	-	1,008,635	-
Loss on disposal of property, plant and equipment (Note 2)	-	-	4,778	-
Others	89,369	-	45,175	-
Total non-operating expenses and losses	<u>964,787</u>	-	<u>2,284,540</u>	-
INCOME BEFORE INCOME TAX	97,882,841	38	81,688,386	37
INCOME TAX EXPENSE (Notes 2 and 17)	<u>10,395,449</u>	<u>4</u>	<u>6,996,070</u>	<u>3</u>
NET INCOME	<u>\$ 87,487,392</u>	<u>34</u>	<u>\$ 74,692,316</u>	<u>34</u>
	<u>2008</u>		<u>2007</u>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	<u>\$ 3.76</u>	<u>\$ 3.36</u>	<u>\$ 3.04</u>	<u>\$ 2.78</u>
Diluted earnings per share	<u>\$ 3.74</u>	<u>\$ 3.34</u>	<u>\$ 3.03</u>	<u>\$ 2.77</u>

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as available-for-sale financial assets instead of treasury stock (Notes 2 and 21):

	<u>2008</u>	<u>2007</u>
NET INCOME	<u>\$ 87,589,671</u>	<u>\$ 74,794,078</u>
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	<u>\$ 3.36</u>	<u>\$ 2.78</u>
Diluted earnings per share	<u>\$ 3.35</u>	<u>\$ 2.77</u>

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

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

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited

## 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 87,487,392	\$ 74,692,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,280,082	54,359,150
Unrealized gross profit from affiliates	164,705	285,784
Amortization of premium/discount of financial assets	(75,112)	(90,347)
Gain on disposal of available-for-sale financial assets, net	(397,535)	(260,367)
Loss on disposal of financial assets carried at cost, net	670	-
Equity in earnings of equity method investees, net	(1,306,897)	(3,931,127)
Dividends received from equity method investees	1,804,351	677,147
Gain on disposal of property, plant and equipment and other assets, net	(236,265)	(210,140)
Loss on idle assets	210,477	-
Deferred income tax	2,090,342	87,551
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	96,097	(201,767)
Receivables from related parties	(554,268)	(6,963,842)
Notes and accounts receivable	(4,751,532)	(4,344,190)
Allowance for doubtful receivables	(2,829)	(1,959)
Allowance for sales returns and others	1,482,784	987,961
Other receivables from related parties	218,106	(56,648)
Other financial assets	(233,274)	177,286
Inventories	1,557,591	(2,861,001)
Prepaid expenses and other current assets	(346,833)	254,019
Increase (decrease) in:		
Accounts payable	(2,537,013)	2,578,736
Payables to related parties	(425,755)	(18,274)
Income tax payable	(1,917,918)	(454,674)
Bonuses payable to employees and directors	13,265,568	-
Accrued expenses and other current liabilities	31,466	2,319,917
Accrued pension cost	38,087	91,679
Deferred credits	(71,809)	26,592
Net cash provided by operating activities	<u>150,870,678</u>	<u>117,143,802</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(21,697,000)	(9,547,253)
Held-to-maturity financial assets	(5,989,999)	-
Financial assets carried at cost	(1,884)	(35,379)
Investments accounted for using equity method	(380,569)	(7,220,679)
Property, plant and equipment	(45,995,935)	(62,643,771)

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# Taiwan Semiconductor Manufacturing Company Limited

## 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	\$ 24,638,222	\$ 18,344,519
Held-to-maturity financial assets	9,773,000	9,200,400
Financial assets carried at cost	1,111	-
Property, plant and equipment and others	2,033,745	21,080
Proceeds from return of capital by investees	2,460,122	207,172
Cash from merger of subsidiaries	270,650	-
Increase in deferred charges	(2,243,684)	(2,028,206)
Decrease (increase) in refundable deposits	<u>74,862</u>	<u>(1,382,086)</u>
Net cash used in investing activities	<u>(37,057,359)</u>	<u>(55,084,203)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term bonds payable	-	(2,500,000)
Decrease in guarantee deposits	(621,991)	(1,249,407)
Proceeds from exercise of employee stock options	222,552	401,786
Cash dividends	(76,881,311)	(77,489,064)
Cash bonus paid to employees	(3,939,883)	(4,572,798)
Bonus to directors and supervisors	(176,890)	(285,800)
Repurchase of treasury stock	<u>(33,480,997)</u>	<u>-</u>
Net cash used in financing activities	<u>(114,878,520)</u>	<u>(85,695,283)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,065,201)</b>	<b>(23,635,684)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b><u>72,422,102</u></b>	<b><u>100,139,709</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>\$ 71,356,901</u></b>	<b><u>\$ 76,504,025</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 355,000</u>	<u>\$ 420,000</u>
Income tax paid	<u>\$ 10,228,005</u>	<u>\$ 7,285,717</u>
<b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant, and equipment	\$ 47,997,100	\$ 62,685,581
Increase in payables to contractors and equipment suppliers	<u>(2,001,165)</u>	<u>(41,810)</u>
Cash paid	<u>\$ 45,995,935</u>	<u>\$ 62,643,771</u>
Disposal of property, plant and equipment and other assets	\$ 2,041,836	\$ 21,080
Increase in other receivables from related parties	<u>(8,091)</u>	<u>-</u>
Cash received	<u>\$ 2,033,745</u>	<u>\$ 21,080</u>

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# Taiwan Semiconductor Manufacturing Company Limited

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

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	2008	2007
Repurchase of treasury stock	\$ 30,427,413	\$ -
Decrease in accrued expenses and other current liabilities	<u>3,053,584</u>	<u>-</u>
Cash paid	<u>\$ 33,480,997</u>	<u>\$ -</u>
 NON-CASH FINANCING ACTIVITIES		
Current portion of bonds payable	<u>\$ 8,000,000</u>	<u>\$ 4,500,000</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 accompanying notes are an integral part of the financial statements.

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

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited

## NOTES TO 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)

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### 1. GENERAL

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

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

As of September 30, 2008 and 2007, the Company had 20,702 and 20,523 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

#### Use of Estimates

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

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

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

#### Cash Equivalents

Repurchase agreements collateralized by government bonds and asset-backed commercial papers acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

### **Financial Assets/Liabilities at Fair Value Through Profit or Loss**

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

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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

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

The fair value of structured time deposits is estimated using valuation techniques. Fair value of open-end mutual funds is determined using the net assets value at the end of the period. For debt securities, fair value is determined using the average of bid and asked prices at the end of the period.

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

## **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). The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

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

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

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

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

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

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

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

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

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

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

### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. 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 - 3 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

### **Stock-based Compensation**

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

### **Treasury Stock**

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

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

### **Foreign-currency Transactions**

Foreign-currency transactions 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.

### **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 financial statements as of and for the nine months ended September 30, 2007 have been reclassified to be consistent with the 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\$11,055,454 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 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 banks	\$ 64,366,513	\$ 44,552,995
Repurchase agreements collateralized by government bonds	6,990,388	31,354,207
Asset-backed commercial papers	<u>-</u>	<u>596,823</u>
	<u>\$ 71,356,901</u>	<u>\$ 76,504,025</u>

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

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
<u>Derivatives - financial assets</u>		
Forward exchange contracts	\$ 12,970	\$ -
Cross currency swap contracts	-	366,445
	<u>\$ 12,970</u>	<u>\$ 366,445</u>
<u>Derivatives - financial liabilities</u>		
Forward exchange contracts	\$ 136,050	\$ 127,588
Cross currency swap contracts	178,580	3,240
	<u>\$ 314,630</u>	<u>\$ 130,828</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 exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<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\$565,000/NT\$18,054,010
<u>September 30, 2007</u>		
Sell EUR/buy NT\$	October 2007 to July 2008	EUR70,040/NT\$3,085,475

Outstanding cross currency swap contracts consisted of the following:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>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, valuation loss on financial instruments arising from derivative financial instruments was NT\$299,565 thousand and NT\$775,929 thousand, respectively.



## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Open-end mutual funds	\$ 14,146,296	\$ 15,403,622
Structured time deposits	4,003,970	498,587
Corporate bonds	2,790,337	4,039,041
Government bonds	<u>-</u>	<u>4,139,554</u>
	20,940,603	24,080,804
Current portion	<u>(16,936,633)</u>	<u>(19,945,922)</u>
	<u>\$ 4,003,970</u>	<u>\$ 4,134,882</u>

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

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
<u>September 30, 2008</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 4,000,000</u>	<u>\$ 4,003,970</u>	2.71%-2.80%	September 2011
<u>September 30, 2007</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 500,000</u>	<u>\$ 498,587</u>	1.76%	March 2008

The interest rate of the step-up callable deposits was 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	\$ 10,778,406	\$ 11,540,506
Structured time deposits	3,500,000	8,726,720
Government bonds	<u>2,200,740</u>	<u>8,068,418</u>
	16,479,146	28,335,644
Current portion	<u>(5,063,096)</u>	<u>(12,168,201)</u>
	<u>\$ 11,416,050</u>	<u>\$ 16,167,443</u>

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>September 30, 2008</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 3,500,000</u>	<u>\$ 12,287</u>	1.83%-2.90%	October 2008 to September 2011

(Continued)

<u>September 30, 2007</u>	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
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>		

(Concluded)

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, no structured time deposit resided in banks located in foreign countries. 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:

	<b>Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 688,972	\$ 690,931
Write-off	<u>(2,829)</u>	<u>(1,959)</u>
Balance, end of period	<u>\$ 686,143</u>	<u>\$ 688,972</u>

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

	<b>Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 3,856,685	\$ 2,751,065
Provision	5,586,784	3,736,354
Write-off	<u>(4,104,000)</u>	<u>(2,748,393)</u>
Balance, end of period	<u>\$ 5,339,469</u>	<u>\$ 3,739,026</u>

## 9. INVENTORIES

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Finished goods	\$ 4,694,843	\$ 3,711,693
Work in process	14,292,995	17,183,031
Raw materials	886,875	1,508,536
Supplies and spare parts	<u>545,144</u>	<u>460,266</u>
	20,419,857	22,863,526
Allowance for losses	<u>(990,306)</u>	<u>(850,311)</u>
	<u>\$ 19,429,551</u>	<u>\$ 22,013,215</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>
TSMC Global Ltd. (TSMC Global)	\$ 44,368,847	100	\$ 44,234,333	100
TSMC International Investment Ltd. (TSMC International)	29,252,586	100	27,553,919	100
Vanguard International Semiconductor Corporation (VIS)	10,151,846	37	10,760,885	36
TSMC (Shanghai) Company Limited (TSMC Shanghai)	7,308,098	100	8,567,668	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	6,761,630	39	8,674,862	39
TSMC Partners, Ltd. (TSMC Partners)	3,667,050	100	4,667,437	100
TSMC North America	2,390,713	100	2,227,896	100
XinTec Inc. (XinTec)	1,445,512	42	1,429,804	43
VentureTech Alliance Fund III, L.P. (VTAF III)	1,208,584	98	786,064	98
VentureTech Alliance Fund II, L.P. (VTAF II)	1,016,435	98	1,026,700	98
Global UniChip Corporation (GUC)	891,783	36	750,200	37
Emerging Alliance Fund, L.P. (Emerging Alliance)	418,709	99	683,002	99
TSMC Japan Limited (TSMC Japan)	116,484	100	102,257	100
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	116,122	100	74,994	100
TSMC Korea Limited (TSMC Korea)	14,940	100	16,014	100
Chi Cherng Investment Co., Ltd. (Chi Cherng)	-	-	170,542	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	-	-	<u>168,918</u>	36
	<u>\$ 109,129,339</u>		<u>\$ 111,895,495</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 36%.

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

For the nine months ended September 30, 2008 and 2007, net equity in earnings of NT\$1,306,897 thousand and NT\$3,931,127 thousand was recognized, respectively. The related equity in earnings of equity method investees 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 value of publicly traded stocks in investments accounted for using equity method (VIS and GUC) was NT\$15,446,393 thousand and NT\$29,157,704 thousand, respectively.

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

	<b>Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 2,677,388	\$ 943,277
Additions	-	2,855,660
Amortization	<u>(468,101)</u>	<u>(205,564)</u>
Balance, end of period	<u>\$ 2,209,287</u>	<u>\$ 3,593,373</u>

Movements of the aforementioned difference allocated to goodwill were as follows:

	<b>Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 987,349	\$ 213,984
From merger of subsidiaries	<u>74,536</u>	<u>-</u>
Balance, end of period	<u>\$ 1,061,885</u>	<u>\$ 213,984</u>

## 11. FINANCIAL ASSETS CARRIED AT COST

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Non-publicly traded stocks	\$ 364,913	\$ 364,913
Funds	<u>383,350</u>	<u>382,293</u>
	<u>\$ 748,263</u>	<u>\$ 747,206</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

<b>Nine Months Ended September 30, 2008</b>					
	<b>Balance, Beginning of Period</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
<b>Cost</b>					
Buildings	\$ 101,907,892	\$ 11,247,197	\$ (8,524)	\$ (311)	\$ 113,146,254
Machinery and equipment	589,131,625	46,276,182	(3,143,000)	(134,175)	632,130,632
Office equipment	<u>9,167,107</u>	<u>595,749</u>	<u>(165,621)</u>	<u>57</u>	<u>9,597,292</u>
	<u>700,206,624</u>	<u>\$ 58,119,128</u>	<u>\$ (3,317,145)</u>	<u>\$ (134,429)</u>	<u>754,874,178</u>
<b>Accumulated depreciation</b>					
Buildings	57,349,828	\$ 5,901,060	\$ (8,524)	\$ (4)	63,242,360
Machinery and equipment	422,278,071	46,820,532	(1,025,129)	(119,347)	467,954,127
Office equipment	<u>7,097,120</u>	<u>701,627</u>	<u>(165,622)</u>	<u>26</u>	<u>7,633,151</u>
	<u>486,725,019</u>	<u>\$ 53,423,219</u>	<u>\$ (1,199,275)</u>	<u>\$ (119,325)</u>	<u>538,829,638</u>
Advance payments and construction in progress	<u>21,082,953</u>	<u>\$ (10,122,028)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,960,925</u>
Net	<u>\$ 234,564,558</u>				<u>\$ 227,005,465</u>

<b>Nine Months Ended September 30, 2007</b>					
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
<b>Cost</b>					
Buildings	\$ 96,961,851	\$ 3,899,788	\$ (31,835)	\$ 2,824	\$ 100,832,628
Machinery and equipment	527,850,728	49,970,603	(332,641)	521,015	578,009,705
Office equipment	<u>8,659,225</u>	<u>612,079</u>	<u>(164,684)</u>	<u>(11,203)</u>	<u>9,095,417</u>
	<u>633,471,804</u>	<u>\$ 54,482,470</u>	<u>\$ (529,160)</u>	<u>\$ 512,636</u>	<u>687,937,750</u>
<b>Accumulated depreciation</b>					
Buildings	49,595,917	\$ 5,879,548	\$ (30,958)	\$ 1,036	55,445,543
Machinery and equipment	361,401,800	45,786,652	(316,480)	520,161	407,392,133
Office equipment	<u>6,469,533</u>	<u>734,081</u>	<u>(164,527)</u>	<u>(2,365)</u>	<u>7,036,722</u>
	<u>417,467,250</u>	<u>\$ 52,400,281</u>	<u>\$ (511,965)</u>	<u>\$ 518,832</u>	<u>469,874,398</u>
Advance payments and construction in progress	<u>12,230,805</u>	<u>\$ 8,203,111</u>	<u>\$ -</u>	<u>\$ 506,368</u>	<u>20,940,284</u>
Net	<u>\$ 228,235,359</u>				<u>\$ 239,003,636</u>

No interest was capitalized during the nine months ended September 30, 2008 and 2007.

## 13. DEFERRED CHARGES, NET

<b>Nine Months Ended September 30, 2008</b>						
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassifi- cation</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 5,349,937	\$ -	\$ (1,172,765)	\$ -	\$ -	\$ 4,177,172
Software and system design costs	1,309,272	670,031	(509,931)	(14,279)	59	1,455,152
Others	<u>513,204</u>	<u>454,125</u>	<u>(132,724)</u>	<u>-</u>	<u>-</u>	<u>834,605</u>
	<u>\$ 7,172,413</u>	<u>\$ 1,124,156</u>	<u>\$ (1,815,420)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ 6,466,929</u>
<b>Nine Months Ended September 30, 2007</b>						
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassifi- cation</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 4,038,551	\$ 825,075	\$ (1,250,158)	\$ -	\$ (296,451)	\$ 3,317,017
Software and system design costs	1,517,575	789,738	(631,054)	(51)	(500,172)	1,176,036
Others	<u>36,942</u>	<u>413,393</u>	<u>(73,357)</u>	<u>-</u>	<u>296,451</u>	<u>673,429</u>
	<u>\$ 5,593,068</u>	<u>\$ 2,028,206</u>	<u>\$ (1,954,569)</u>	<u>\$ (51)</u>	<u>\$ (500,172)</u>	<u>\$ 5,166,482</u>

#### 14. BONDS PAYABLE

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
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:

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

#### 15. OTHER LONG-TERM PAYABLES

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of September 30, 2008, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2008 (4th quarter)	\$ 1,485,561
2009	576,412
2010	492,874
2011	<u>417,690</u>
	2,972,537
Current portion (classified under accrued expenses and other current liabilities)	<u>(1,901,323)</u>
	<u>\$ 1,071,214</u>

#### 16. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts and recognized pension costs of NT\$495,468 thousand and NT\$458,523 thousand for the nine months ended September 30, 2008 and 2007, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (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\$201,741 thousand and NT\$243,466 thousand for the nine months ended September 30, 2008 and 2007, respectively.

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>The Fund</b>		
Balance, beginning of period	\$ 2,145,010	\$ 1,913,002
Contributions	157,390	154,573
Interest	71,236	46,279
Payments	<u>(28,990)</u>	<u>-</u>
Balance, end of period	<u>\$ 2,344,646</u>	<u>\$ 2,113,854</u>
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,657,679	\$ 3,530,116
Accruals	<u>38,087</u>	<u>91,679</u>
Balance, end of period	<u>\$ 3,695,766</u>	<u>\$ 3,621,795</u>

## 17. INCOME TAX

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

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Income tax expense based on "income before income tax" at statutory rate (25%)	\$ 24,470,700	\$ 20,422,097
Tax effect of the following:		
Tax-exempt income	(7,412,660)	(5,167,274)
Temporary and permanent differences	778,663	(380,451)
Others	41,235	-
Additional tax at 10% on unappropriated earnings	-	2,686,561
Income tax credits used	<u>(8,938,969)</u>	<u>(10,279,817)</u>
Income tax currently payable	<u>\$ 8,938,969</u>	<u>\$ 7,281,116</u>

b. Income tax expense consisted of the following:

	<b>Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Income tax currently payable	\$ 8,938,969	\$ 7,281,116
Other income tax adjustments	(633,862)	(372,597)
Net change in deferred income tax assets		
Investment tax credits	3,227,924	2,745,686
Temporary differences	(326,907)	(1,275,433)
Valuation allowance	(810,675)	(1,382,702)
	<u>\$ 10,395,449</u>	<u>\$ 6,996,070</u>

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

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Current deferred income tax assets		
Investment tax credits	<u>\$ 2,915,006</u>	<u>\$ 3,068,708</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 8,693,825	\$ 14,142,498
Temporary differences	1,470,218	2,115,897
Valuation allowance	(2,659,458)	(5,821,527)
	<u>\$ 7,504,585</u>	<u>\$ 10,436,868</u>

d. Integrated income tax information:

The balance of the imputation credit account 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 earnings of 2007 and 2006 was 9.83% (expected) and 5.23%, respectively.

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

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

f. As of September 30, 2008, investment tax credits consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 6,063,959	\$ -	2010
		4,598,032	4,598,032	2011
		<u>2,396,904</u>	<u>2,396,904</u>	2012
		<u>\$ 13,058,895</u>	<u>\$ 6,994,936</u>	

(Continued)



Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 1,000,000	\$ -	2008
		1,127,051	-	2009
		1,781,376	1,055,212	2010
		1,834,115	1,834,115	2011
		<u>1,646,476</u>	<u>1,646,476</u>	2012
		<u>\$ 7,389,018</u>	<u>\$ 4,535,803</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 21,795	\$ -	2009
		46,119	46,119	2010
		<u>31,973</u>	<u>31,973</u>	2011
		<u>\$ 99,887</u>	<u>\$ 78,092</u>	

(Concluded)

- g. The profits generated from the following projects are exempt from income tax for a five-year period:

**Tax-exemption Period**

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

- h. The tax authorities have examined income tax returns of the Company through 2005.

**18. 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	\$ 14,026,566	\$ 10,006,675	\$ 24,033,241
Labor and health insurance	506,692	285,693	792,385
Pension	445,831	251,378	697,209
Meal	332,621	134,159	466,780
Welfare	141,981	83,180	225,161
Others	<u>140,675</u>	<u>11,378</u>	<u>152,053</u>
	<u>\$ 15,594,366</u>	<u>\$ 10,772,463</u>	<u>\$ 26,366,829</u>
Depreciation	<u>\$ 50,585,293</u>	<u>\$ 2,825,532</u>	<u>\$ 53,410,825</u>
Amortization	<u>\$ 1,332,761</u>	<u>\$ 482,659</u>	<u>\$ 1,815,420</u>

	<b>Nine Months Ended September 30, 2007</b>		
	<b>Classified as</b>	<b>Classified as</b>	
	<b>Cost of Sales</b>	<b>Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 6,634,163	\$ 3,282,577	\$ 9,916,740
Labor and health insurance	445,387	244,836	690,223
Pension	452,851	249,138	701,989
Meal	323,299	123,426	446,725
Welfare	159,946	96,478	256,424
Others	<u>116,956</u>	<u>8,591</u>	<u>125,547</u>
	<u>\$ 8,132,602</u>	<u>\$ 4,005,046</u>	<u>\$ 12,137,648</u>
Depreciation	<u>\$ 49,558,115</u>	<u>\$ 2,812,106</u>	<u>\$ 52,370,221</u>
Amortization	<u>\$ 1,353,135</u>	<u>\$ 600,537</u>	<u>\$ 1,953,672</u>

## 19. SHAREHOLDERS' EQUITY

As of September 30, 2008, 1,092,053 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,460,265 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
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>

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

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

- c. Bonus to directors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue stock 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.

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

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

For the nine months ended September 30, 2008, the Company 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.

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

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

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

The appropriations of earnings for 2007 and 2006 had been approved in the 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> (NT\$)	
	<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>		

The shareholders' meeting 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 the Company'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 the Company on earnings generated since January 1, 1998.

## 20. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of September 30, 2008.

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

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<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 in accordance with the plans. The options granted were the result of the aforementioned adjustment.

As of September 30, 2008, information about outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$24.2-\$33.9	25,780	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

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:

	<b>Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Assumptions:</b>		
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
<b>Net income:</b>		
Net income as reported	\$ 87,487,392	\$ 74,692,316
Pro forma net income	87,482,618	74,569,123
<b>Earnings per share (EPS) - after income tax (NT\$):</b>		
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

## 21. TREASURY STOCK

(Shares in Thousands)

	<b>Beginning Shares</b>	<b>Addition</b>	<b>Stock Dividends</b>	<b>Retirement</b>	<b>Ending Shares</b>
<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. The Company's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

The Company held a meeting of the Board of Directors on November 13, 2007 and approved a share buyback plan to repurchase the Company's common shares up to 800,000 thousand shares listed on the TSE during the period from November 14, 2007 to January 13, 2008 for the buyback price in the range from NT\$43.2 to NT\$94.2. The Company had repurchased 800,000 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired on February 27, 2008.

The Company held a meeting of the Board of Directors on May 13, 2008 and approved a share buyback plan to repurchase the Company'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. The Company had repurchased 216,674 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired on August 20, 2008.

The Company held a meeting of the Board of Directors on August 12, 2008 and approved a share buyback plan to repurchase the Company'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, the Company 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.

As discussed in Note 10, the Company merged Chi Cherng and Hsin Ruey in the third quarter of 2008. The Company's common shares held by Chi Cherng and Hsin Ruey in the number of 34,267 thousand shares were retired on August 21, 2008.

## 22. 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 available to common shareholders	\$ 97,882,841	\$ 87,487,392	26,005,093	\$ <u>3.76</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 available to common shareholders (including effect of dilutive potential common shares)	\$ <u>97,882,841</u>	\$ <u>87,487,392</u>	<u>26,155,831</u>	\$ <u>3.74</u>	\$ <u>3.34</u>
<u>Nine months ended September 30, 2007</u>					
Basic EPS					
Earnings available to common shareholders	\$ 81,688,386	\$ 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 available to common shareholders (including effect of dilutive potential common shares)	\$ <u>81,688,386</u>	\$ <u>74,692,316</u>	<u>26,932,058</u>	\$ <u>3.03</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.

## 23. 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	\$ 12,970	\$ 12,970	\$ 366,445	\$ 366,445
Available-for-sale financial assets	20,940,603	20,940,603	24,080,804	24,080,804
Held-to-maturity financial assets	16,479,146	16,604,176	28,335,644	28,218,688
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	314,630	314,630	130,828	130,828
Bonds payable (including current portion)	12,500,000	12,630,945	17,000,000	17,202,682
Other long-term payables (including current portion)	2,972,537	2,972,537	2,510,684	2,510,684

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable deposits, payables, payables to contractors and equipment suppliers and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) For those financial assets/liabilities at fair value through profit or loss with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices, except for structured time deposits of which the fair values were estimated using valuation techniques.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value during the nine months ended September 30, 2008 and 2007 of derivatives estimated using valuation techniques were recognized as valuation losses of NT\$301,660 thousand and valuation gains of NT\$235,617 thousand, respectively.
- d. As of September 30, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$37,432,719 thousand and NT\$52,782,893 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$12,814,630 thousand and NT\$17,130,828 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$5,226,720 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:

	<b><u>Nine Months Ended September 30, 2008</u></b>		
	<b>From Available-for-sale Financial Assets</b>	<b>From Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 266,573	\$ 414,424	\$ 680,997
Recognized directly in shareholders' equity	179,779	(587,280)	(407,501)
Removed from shareholders' equity and recognized in earnings	<u>(397,535)</u>	<u>-</u>	<u>(397,535)</u>
Balance, end of period	<u>\$ 48,817</u>	<u>\$ (172,856)</u>	<u>\$ (124,039)</u>

  

	<b><u>Nine Months Ended September 30, 2007</u></b>		
	<b>From Available-for-sale Financial Assets</b>	<b>From Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 242,248	\$ 319,367	\$ 561,615
Recognized directly in shareholders' equity	224,877	1,899	226,776
Removed from shareholders' equity and recognized in earnings	<u>(260,367)</u>	<u>-</u>	<u>(260,367)</u>
Balance, end of period	<u>\$ 206,758</u>	<u>\$ 321,266</u>	<u>\$ 528,024</u>

f. Information about financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities. Subject to recent turmoils in the global financial market, the Company evaluated its financial instruments and the Company's exposure to market risk is not significant.
- 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-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believes that the Company's exposure to credit risk is not significant.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

## 24. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

a. Subsidiaries

TSMC North America  
TSMC Shanghai  
TSMC Europe  
TSMC Japan  
TSMC Korea

b. Investees

GUC (with a controlling financial interest)  
VIS (accounted for using equity method)  
SSMC (accounted for using equity method)

c. Indirect subsidiaries

WaferTech, LLC (WaferTech)  
TSMC Technology, Inc. (TSMC Technology)  
TSMC Design Technology Canada Inc. (TSMC Canada)

d. Indirect investee

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

e. Others

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

Transactions with the aforementioned parties, other than those disclosed in other notes, are summarized as follows:

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Nine months ended September 30</u>				
Sales				
TSMC North America	\$ 156,727,226	59	\$ 134,957,821	60
Others	<u>1,333,072</u>	<u>-</u>	<u>783,463</u>	<u>-</u>
	<u>\$ 158,060,298</u>	<u>59</u>	<u>\$ 135,741,284</u>	<u>60</u>
Purchases				
WaferTech	\$ 6,776,756	21	\$ 7,419,547	21
TSMC Shanghai	3,882,384	12	3,947,089	11
SSMC	3,624,887	11	3,971,517	11
VIS	2,584,615	8	2,956,489	8
Others	<u>-</u>	<u>-</u>	<u>990</u>	<u>-</u>
	<u>\$ 16,868,642</u>	<u>52</u>	<u>\$ 18,295,632</u>	<u>51</u>

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Manufacturing expenses - outsourcing				
VisEra	\$ 66,328	-	\$ 28,496	-
Marketing expenses - commission				
TSMC Europe	\$ 299,045	16	\$ 216,545	24
TSMC Japan	195,344	11	166,971	18
TSMC Korea	13,522	1	16,251	2
	<u>\$ 507,911</u>	<u>28</u>	<u>\$ 399,767</u>	<u>44</u>
General and administrative expenses - rental				
GUC	\$ 700	-	\$ 6,451	-
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 263,287	2	\$ 264,868	2
TSMC Canada (primarily consulting fee)	138,515	1	56,623	1
GUC	12,325	-	49,519	1
Others	994	-	36,828	-
	<u>\$ 415,121</u>	<u>3</u>	<u>\$ 407,838</u>	<u>4</u>
Sales of property, plant and equipment and other assets				
TSMC Shanghai	\$ 1,849,317	91	\$ 2,378	11
Others	10,665	-	-	-
	<u>\$ 1,859,982</u>	<u>91</u>	<u>\$ 2,378</u>	<u>11</u>
Non-operating income and gains				
VIS (primarily technical service income, see Note 26f)	\$ 262,132	5	\$ 270,794	3
TSMC Shanghai	233,761	4	251,421	3
SSMC (primarily technical service income, see Note 26e)	193,039	3	180,692	2
VisEra	85,277	2	254,125	3
	<u>\$ 774,209</u>	<u>14</u>	<u>\$ 957,032</u>	<u>11</u>
<b>As of September 30</b>				
Receivables				
TSMC North America	\$ 26,903,610	99	\$ 23,713,567	100
Others	352,306	1	119,784	-
	<u>\$ 27,255,916</u>	<u>100</u>	<u>\$ 23,833,351</u>	<u>100</u>
Other receivables				
TSMC Shanghai	\$ 115,766	37	\$ 81,808	16
VIS	86,918	28	126,319	25
SSMC	63,490	20	88,372	18
WaferTech	25,958	8	5,109	1
TSMC North America	18,985	6	91,029	18
VisEra	-	-	98,418	19
Others	4,176	1	14,859	3
	<u>\$ 315,293</u>	<u>100</u>	<u>\$ 505,914</u>	<u>100</u>

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Payables				
WaferTech	\$ 800,324	31	\$ 779,480	24
VIS	668,215	26	904,635	27
SSMC	574,010	22	639,524	19
TSMC Shanghai	370,154	14	733,801	22
Others	<u>161,172</u>	<u>7</u>	<u>251,202</u>	<u>8</u>
	<u>\$ 2,573,875</u>	<u>100</u>	<u>\$ 3,308,642</u>	<u>100</u>
Deferred credits				
TSMC Shanghai	\$ 230,617	40	\$ 563,839	56
VisEra	<u>15,544</u>	<u>2</u>	<u>77,718</u>	<u>8</u>
	<u>\$ 246,161</u>	<u>42</u>	<u>\$ 641,557</u>	<u>64</u>

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

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

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

## 25. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2008 to December 2028 and can be renewed upon expiration.

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

<b>Year</b>	<b>Amount</b>
2008 (4th quarter)	\$ 83,951
2009	340,443
2010	291,245
2011	289,664
2012	289,664
2013 and thereafter	<u>2,315,797</u>
	<u>\$ 3,610,764</u>

## 26. 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, the Company 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 the Company and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. The Company 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 the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of September 30, 2008, the Company 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. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.

- 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, the Company had accounted for the result of the settlement in accordance with the aforementioned settlement agreement.

## 27. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: 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 of 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 on which the Company exercises significant influence: Please see Table 6 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC Shanghai entered into forward exchange contracts during the nine months ended September 30, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of September 30, 2008:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell US\$/buy JPY	October 2008	US\$109/JPY12,000
Sell RMB/buy US\$	October 2008 to December 2008	RMB99,059/US\$14,500

For the nine months ended September 30, 2008, net losses arising from forward exchange contracts of TSMC Shanghai were NT\$7,086 thousand.

XinTec entered into forward exchange contracts during the nine months ended September 30, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of September 30, 2008:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell US\$/buy NT\$	October 2008 to November 2008	US\$11,000/NT\$347,719

For the nine months ended September 30, 2008, net losses arising from forward exchange contracts of XinTec were NT\$2,260 thousand.

- k. Information on investment in Mainland China
  - 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 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 Note 24.

## Taiwan Semiconductor Manufacturing Company Limited and Investees

## 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)	
The Company	<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	

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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)	
	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	

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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)	
	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				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	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 Investees

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE 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)
The Company	<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)
	Federal Home Ln Mtg Corp	Available-for-sale financial assets	-	-	-	US\$ -	3,083	US\$ 3,170	-	US\$ -	US\$ -	US\$ -	3,083	US\$ 3,067
	Federal Home Ln Mtg Corp	"	-	-	-	-	3,340	US\$ 3,336	-	-	-	-	3,340	US\$ 3,293
	Federal Home Ln Mtg Corp	"	-	-	-	-	3,500	US\$ 3,494	-	-	-	-	3,500	US\$ 3,488
	Federal Home Ln Mtg Corp	"	-	-	-	-	7,000	US\$ 7,572	3,500	US\$ 3,712	US\$ 3,786	US\$ (74)	3,500	US\$ 3,700
	Federal Home Ln Mtg Disc Nts	"	-	-	21,900	US\$ 22,342	-	-	4,900	US\$ 5,018	US\$ 4,919	US\$ 99	17,000	US\$ 17,227
	Federal Home Loan Banks	"	-	-	21,000	US\$ 21,500	-	-	4,000	US\$ 4,111	US\$ 4,068	US\$ 43	17,000	US\$ 17,270
	Federal Natl Mtg Assn	"	-	-	-	-	7,200	US\$ 7,248	-	-	-	-	7,200	US\$ 7,207
	Federal Natl Mtg Assn	"	-	-	-	-	3,700	US\$ 3,700	-	-	-	-	3,700	US\$ 3,694
	Federal Natl Mtg Assn	"	-	-	-	-	10,000	US\$ 10,291	6,000	US\$ 6,138	US\$ 6,174	US\$ (36)	4,000	US\$ 4,097
	Federal Natl Mtg Assn	"	-	-	5,000	US\$ 5,169	-	-	5,000	US\$ 5,196	US\$ 5,102	US\$ 94	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	3,500	US\$ 3,645	-	-	-	-	3,500	US\$ 3,651
	Federal Natl Mtg Assn	"	-	-	-	-	3,750	US\$ 4,151	-	-	-	-	3,750	US\$ 3,996
	Federal Natl Mtg Assoc	"	-	-	-	-	3,450	US\$ 3,463	-	-	-	-	3,450	US\$ 3,454
	Federal Natl Mtg Assn Mtn	"	-	-	3,000	US\$ 2,982	-	-	3,000	US\$ 3,006	US\$ 2,909	US\$ 97	-	-
	Federal Natl Mtg Assn Mtn	"	-	-	3,200	US\$ 3,171	-	-	3,200	US\$ 3,201	US\$ 3,090	US\$ 111	-	-
	Gnma Pool 646061	"	-	-	-	-	4,173	US\$ 4,352	-	-	-	-	4,173	US\$ 2,670
	<u>Corporate bonds</u>													
	Depfa Acs Bank	Available-for-sale financial assets	-	-	20,000	US\$ 20,402	-	-	20,000	US\$ 20,409	US\$ 19,984	US\$ 425	-	-
	Deuschs Bank Ag London	"	-	-	-	-	2,995	US\$ 3,041	-	-	-	-	2,995	US\$ 3,004
	European Invt Bk	"	-	-	-	-	10,600	US\$ 10,577	10,600	US\$ 10,461	US\$ 10,577	US\$ (116)	-	-
	European Invt Bk	"	-	-	-	-	7,300	US\$ 7,277	-	-	-	-	7,300	US\$ 7,351
	European Invt Bk	"	-	-	-	-	10,600	US\$ 10,576	10,600	US\$ 10,676	US\$ 10,576	US\$ 100	-	-
	European Invt Bk	"	-	-	-	-	7,200	US\$ 7,182	-	-	-	-	7,200	US\$ 7,364
	General Elec Cap Corp Mtn	"	-	-	4,000	US\$ 3,978	-	-	4,000	US\$ 4,042	US\$ 3,893	US\$ 149	-	-
	General Elec Cap Corp Mtn	"	-	-	3,000	US\$ 3,047	-	-	3,000	US\$ 2,994	US\$ 3,070	US\$ 76	-	-
	Keycorp Mtn Book Entry	"	-	-	3,050	US\$ 3,053	-	-	3,050	US\$ 3,041	US\$ 3,016	US\$ 25	-	-
	Kreditanstalt Fur Wiederaufbau	"	-	-	-	-	8,700	US\$ 8,679	-	-	-	-	8,700	US\$ 8,762
	Metropolitan Life Golbal Mtn	"	-	-	3,400	US\$ 3,366	-	-	3,400	US\$ 3,409	US\$ 3,325	US\$ 84	-	-
	<u>Government bonds</u>													
	U S Treas Bond Call	Available-for-sale financial assets	-	-	-	-	17,825	US\$ 17,813	17,825	US\$ 17,830	US\$ 17,813	US\$ 17	-	-
	US Treasury N/B	"	-	-	-	-	31,300	US\$ 31,414	31,300	US\$ 31,514	US\$ 31,413	US\$ 101	-	-
	US Treasury N/B	"	-	-	-	-	4,200	US\$ 4,259	4,200	US\$ 4,260	US\$ 4,259	US\$ 1	-	-
	United States Treas Nts	"	-	-	-	-	19,500	US\$ 19,474	19,500	US\$ 19,451	US\$ 19,474	US\$ (23)	-	-
	United States Treas Nts	"	-	-	-	-	60,100	US\$ 60,563	22,300	US\$ 22,378	US\$ 22,472	US\$ (94)	37,800	US\$ 37,840
	United States Treas Nts	"	-	-	-	-	20,600	US\$ 20,562	-	-	-	-	20,600	US\$ 20,606
	United States Treas Nts	"	-	-	-	-	17,000	US\$ 16,886	17,000	US\$ 16,917	US\$ 16,885	US\$ 32	-	-
	United States Treas Nts	"	-	-	-	-	67,600	US\$ 67,804	37,275	US\$ 37,459	US\$ 37,356	US\$ 103	30,325	US\$ 30,570
	United States Treas Nts	"	-	-	-	-	7,800	US\$ 7,787	7,800	US\$ 7,757	US\$ 7,787	US\$ (30)	-	-
	United States Treas Nts	"	-	-	-	-	26,500	US\$ 26,636	26,500	US\$ 26,614	US\$ 26,636	US\$ (22)	-	-
	United States Treas Nts	"	-	-	-	-	6,400	US\$ 6,372	6,400	US\$ 6,282	US\$ 6,372	US\$ (90)	-	-
	United States Treas Nts	"	-	-	25,900	US\$ 25,924	-	-	25,900	US\$ 26,091	US\$ 25,941	US\$ 150	-	-
	United States Treas Nts	"	-	-	-	-	6,700	US\$ 6,753	-	-	-	-	6,700	US\$ 6,744
	United States Treas Nts	"	-	-	-	-	11,500	US\$ 11,615	8,000	US\$ 8,077	US\$ 8,086	US\$ (9)	3,500	US\$ 3,528
	United States Treas Nts	"	-	-	-	-	53,300	US\$ 54,114	53,300	US\$ 54,153	US\$ 54,114	US\$ 39	-	-
	United States Treas Nts	"	-	-	-	-	4,000	US\$ 4,057	4,000	US\$ 3,969	US\$ 4,057	US\$ (88)	-	-
	United States Treas Nts	"	-	-	5,000	US\$ 5,070	-	-	5,000	US\$ 5,077	US\$ 5,037	US\$ 40	-	-
	United States Treas Nts	"	-	-	-	-	3,750	US\$ 3,958	3,750	US\$ 3,861	US\$ 3,958	US\$ (97)	-	-
	United States Treas Nts	"	-	-	5,500	US\$ 5,613	-	-	5,500	US\$ 5,623	US\$ 5,584	US\$ 39	-	-

(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**

**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			
The Company	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 Investees**

**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	
The Company	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	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 Investees**

**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		
The Company	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

## 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)			
The Company	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 Investing in new start-up technology companies	US\$ 600 -	US\$ 600 -	- -	100 68	US\$ 538 -	US\$ (62) -	N/A N/A	Subsidiary Subsidiary
VTAF II	VTA Holdings	Delaware, U.S.A.	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**

**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.