

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
March 30, 2009

1934 Act Registration No. 1-14700
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
For the month of March 2009
Taiwan Semiconductor Manufacturing Company Ltd.
(Translation of Registrant's Name Into English)
No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: _____.)

**Taiwan Semiconductor Manufacturing
Company Limited
Financial Statements for the
Years Ended December 31, 2008 and 2007 and
Independent Auditors Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended 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.

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We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2008 and 2007, and expressed an unqualified opinion with an explanatory paragraph relating to the adoption of Interpretation 2007-052 and an unqualified opinion, respectively, on such consolidated financial statements.

January 17, 2009

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 jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' 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 auditors' report and financial statements shall prevail.

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Taiwan Semiconductor Manufacturing Company Limited**BALANCE SHEETS****DECEMBER 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars, Except Par Value)**

| | 2008 | | 2007 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 138,208,360 | 26 | \$ 72,422,102 | 13 |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 23) | 42,460 | | 42,083 | |
| Available-for-sale financial assets (Notes 2, 6 and 23) | | | 22,267,223 | 4 |
| Held-to-maturity financial assets (Notes 2, 7 and 23) | 5,881,999 | 1 | 11,526,946 | 2 |
| Receivables from related parties (Note 24) | 11,728,204 | 2 | 26,701,648 | 5 |
| Notes and accounts receivable | 11,441,176 | 2 | 17,911,328 | 3 |
| Allowance for doubtful receivables (Notes 2 and 8) | (436,746) | | (688,972) | |
| Allowance for sales returns and others (Notes 2 and 8) | (5,868,582) | (1) | (3,856,685) | |
| Other receivables from related parties (Note 24) | 489,742 | | 525,308 | |
| Other financial assets | 711,755 | | 331,698 | |
| Inventories, net (Notes 2 and 9) | 12,807,936 | 2 | 20,987,142 | 4 |
| Deferred income tax assets (Notes 2 and 17) | 3,650,700 | 1 | 5,268,000 | 1 |
| Prepaid expenses and other current assets | 1,192,475 | | 861,465 | |
| Total current assets | 179,849,479 | 33 | 174,299,286 | 32 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23) | | | | |
| Investments accounted for using equity method | 109,871,178 | 20 | 113,048,081 | 21 |
| Available-for-sale financial assets | 2,032,658 | 1 | 1,397,186 | |
| Held-to-maturity financial assets | 11,761,325 | 2 | 8,697,726 | 2 |
| Financial assets carried at cost | 519,502 | | 748,160 | |
| Total long-term investments | 124,184,663 | 23 | 123,891,153 | 23 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24) | | | | |
| Cost | | | | |
| Buildings | 114,014,588 | 21 | 101,907,892 | 18 |
| Machinery and equipment | 635,008,261 | 118 | 589,131,625 | 107 |
| Office equipment | 9,748,869 | 2 | 9,167,107 | 2 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| | 758,771,718 | 141 | 700,206,624 | 127 |
| Accumulated depreciation | (557,247,254) | (103) | (486,725,019) | (88) |
| Advance payments and construction in progress | 17,758,038 | 3 | 21,082,953 | 4 |
| | | | | |
| Net property, plant and equipment | 219,282,502 | 41 | 234,564,558 | 43 |
| | | | | |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 1,567,756 | | 1,567,756 | |
| Deferred charges, net (Notes 2, 13 and 24) | 6,401,461 | 1 | 7,172,413 | 1 |
| | | | | |
| Total intangible assets | 7,969,217 | 1 | 8,740,169 | 1 |
| | | | | |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 17) | 6,497,972 | 1 | 7,241,933 | 1 |
| Refundable deposits | 2,719,737 | 1 | 2,741,538 | |
| Others (Note 2) | 55,677 | | 293,986 | |
| | | | | |
| Total other assets | 9,273,386 | 2 | 10,277,457 | 1 |
| | | | | |
| TOTAL | \$ 540,559,247 | 100 | \$ 551,772,623 | 100 |

**LIABILITIES AND SHAREHOLDERS
EQUITY**

CURRENT LIABILITIES

| | | | | |
|--|------------|----|------------|---|
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23) | \$ 83,618 | | \$ 247,646 | |
| Accounts payable | 4,314,265 | 1 | 9,485,818 | 2 |
| Payables to related parties (Note 24) | 1,202,350 | | 2,999,630 | |
| Income tax payable (Notes 2 and 17) | 9,222,811 | 2 | 10,977,963 | 2 |
| Bonuses payable to employees and directors (Notes 3 and 19) | 15,148,057 | 3 | | |
| Payables to contractors and equipment suppliers | 7,574,891 | 1 | 5,389,740 | 1 |
| Accrued expenses and other current liabilities (Note 15) | 7,553,475 | 1 | 14,700,013 | 3 |
| Current portion of bonds payable (Note 14) | 8,000,000 | 2 | | |
| | | | | |
| Total current liabilities | 53,099,467 | 10 | 43,800,810 | 8 |

LONG-TERM LIABILITIES

| | | | | |
|-------------------------|-----------|---|------------|---|
| Bonds payable (Note 14) | 4,500,000 | 1 | 12,500,000 | 3 |
|-------------------------|-----------|---|------------|---|

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Other long-term payables (Note 15) | 931,252 | | 1,501,462 | |
| Total long-term liabilities | 5,431,252 | 1 | 14,001,462 | 3 |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 16) | 3,710,009 | 1 | 3,657,679 | 1 |
| Guarantee deposits (Note 26) | 1,479,152 | | 2,240,677 | |
| Deferred credits (Notes 2 and 24) | 462,256 | | 980,593 | |
| Total other liabilities | 5,651,417 | 1 | 6,878,949 | 1 |
| Total liabilities | 64,182,136 | 12 | 64,681,221 | 12 |
| CAPITAL STOCK NT\$10 PAR VALUE (Notes 19 and 21) | | | | |
| Authorized: 28,050,000 thousand shares | | | | |
| Issued: 25,625,437 thousand shares in 2008 | | | | |
| 26,427,104 thousand shares in 2007 | 256,254,373 | 47 | 264,271,037 | 48 |
| CAPITAL SURPLUS (Notes 2 and 19) | 49,875,255 | 9 | 53,732,682 | 10 |
| RETAINED EARNINGS (Note 19) | | | | |
| Appropriated as legal capital reserve | 67,324,393 | 13 | 56,406,684 | 10 |
| Appropriated as special capital reserve | 391,857 | | 629,550 | |
| Unappropriated earnings | 102,337,417 | 19 | 161,828,337 | 29 |
| | 170,053,667 | 32 | 218,864,571 | 39 |
| OTHERS (Notes 2, 21 and 23) | | | | |
| Cumulative translation adjustments | 481,158 | | (1,072,853) | |
| Unrealized gain (loss) on financial instruments | (287,342) | | 680,997 | |
| Treasury stock: 834,096 thousand shares | | | (49,385,032) | (9) |
| | 193,816 | | (49,776,888) | (9) |
| Total shareholders' equity | 476,377,111 | 88 | 487,091,402 | 88 |
| TOTAL | \$ 540,559,247 | 100 | \$ 551,772,623 | 100 |

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

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

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

| | 2008 | | 2007 | |
|---|----------------|-----|----------------|-----|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 24) | \$ 330,228,027 | | \$ 319,167,299 | |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8) | 8,460,944 | | 5,519,655 | |
| NET SALES | 321,767,083 | 100 | 313,647,644 | 100 |
| COST OF SALES (Notes 18 and 24) | 183,589,540 | 57 | 176,223,224 | 56 |
| GROSS PROFIT | 138,177,543 | 43 | 137,424,420 | 44 |
| REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2) | 72 | | (265,106) | |
| REALIZED GROSS PROFIT | 138,177,615 | 43 | 137,159,314 | 44 |
| OPERATING EXPENSES (Notes 18 and 24) | | | | |
| Research and development | 19,737,038 | 6 | 15,913,834 | 5 |
| General and administrative | 9,895,617 | 3 | 7,660,776 | 3 |
| Marketing | 2,254,728 | 1 | 1,332,657 | |
| Total operating expenses | 31,887,383 | 10 | 24,907,267 | 8 |
| INCOME FROM OPERATIONS | 106,290,232 | 33 | 112,252,047 | 36 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income (Note 2) | 2,728,892 | 1 | 2,634,636 | 1 |
| Foreign exchange gain, net (Note 2) | 1,113,406 | 1 | 71,128 | |
| Settlement income (Note 26) | 951,180 | | 985,114 | |
| Technical service income (Notes 24 and 26) | 619,237 | | 712,162 | |
| Gain on settlement and disposal of financial assets, net (Notes 2 and 23) | 452,159 | | 271,094 | |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24) | 298,772 | | 305,201 | |

| | | | | |
|--|-----------|---|------------|---|
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 72,568 | | 5,468,230 | 2 |
| Others (Note 24) | 489,411 | | 658,227 | |
| | | | | |
| Total non-operating income and gains | 6,725,625 | 2 | 11,105,792 | 3 |

(Continued)

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

| | 2008 | | 2007 | |
|--|----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Valuation loss on financial instruments, net (Notes 2, 5 and 23) | \$ 1,230,966 | 1 | \$ 924,316 | |
| Interest expense | 355,056 | | 584,736 | |
| Loss on impairment of financial assets (Notes 2 and 11) | 247,488 | | | |
| Loss on impairment of idle assets (Note 2) | 210,477 | | | |
| Provision for litigation loss (Note 26h) | 99,126 | | 1,008,635 | |
| Others (Note 2) | 113,926 | | 88,746 | |
| Total non-operating expenses and losses | 2,257,039 | 1 | 2,606,433 | |
| INCOME BEFORE INCOME TAX | 110,758,818 | 34 | 120,751,406 | 39 |
| INCOME TAX EXPENSE (Notes 2 and 17) | (10,825,650) | (3) | (11,574,313) | (4) |
| NET INCOME | \$ 99,933,168 | 31 | \$ 109,177,093 | 35 |

| | 2008 | | 2007 | |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 22) | | | | |
| Basic earnings per share | \$ 4.27 | \$ 3.86 | \$ 4.49 | \$ 4.06 |
| Diluted earnings per share | \$ 4.24 | \$ 3.83 | \$ 4.49 | \$ 4.06 |

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):

| | 2008 | 2007 |
|-------------------|-----------------------|-----------------------|
| NET INCOME | \$ 100,035,447 | \$ 109,278,855 |

EARNINGS PER SHARE (NT\$)

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| | | | | |
|----------------------------|----|------|----|------|
| Basic earnings per share | \$ | 3.86 | \$ | 4.06 |
| Diluted earnings per share | \$ | 3.83 | \$ | 4.06 |

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

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

(Concluded)

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

| Preferred Stock Shares (in Thousands) | Common Stock Amount | Capital Surplus | Legal Capital Reserve | Retained Earnings | | Total | Cumulative Translation Adjustments | Others Unrealized Gain (Loss) on Financial Instruments | Treasury Stock |
|---|---------------------------|--------------------|-----------------------------|-------------------------------|----------------------------|----------------|--|--|-------------------|
| | | | | Special Capital Reserve | Unappropriated Earnings | | | | |
| 829,688 | \$ 258,296,879 | \$ 54,107,498 | \$ 43,705,711 | \$ 640,742 | \$ 152,778,079 | \$ 197,124,532 | \$ (1,191,165) | \$ 561,615 | \$ (91,111,111) |
| | | | 12,700,973 | | (12,700,973) | | | | |
| | | | | (11,192) | 11,192 | | | | |
| | | | | | (4,572,798) | (4,572,798) | | | |
| 457,280 | 4,572,798 | | | | (4,572,798) | (4,572,798) | | | |
| | | | | | (77,489,064) | (77,489,064) | | | |
| 51,659 | 516,594 | | | | (516,594) | (516,594) | | | |
| | | | | | (285,800) | (285,800) | | | |
| 77,489 | 774,891 | (774,891) | | | | | | | |
| | | (28,639) | | | 109,177,093 | 109,177,093 | | | |

| | | | | | | | | | |
|---------|-------------|------------|------------|-----------|--------------|--------------|-------------|---------|----------|
| | | | | | | | | 118,312 | |
| 10,988 | 109,875 | 326,952 | | | | | | | |
| | | 101,762 | | | | | | | |
| | | | | | | | | | 24,325 |
| | | | | | | | | | 95,057 |
| | | | | | | | | | (48,460) |
| 427,104 | 264,271,037 | 53,732,682 | 56,406,684 | 629,550 | 161,828,337 | 218,864,571 | (1,072,853) | 680,997 | (49,380) |
| | | | 10,917,709 | | (10,917,709) | | | | |
| | | | | (237,693) | 237,693 | | | | |
| | | | | | (3,939,883) | (3,939,883) | | | |
| 393,988 | 3,939,883 | | | | (3,939,883) | (3,939,883) | | | |
| 51,254 | 512,542 | | | | (76,881,311) | (76,881,311) | | | |
| | | | | | (512,542) | (512,542) | | | |

| | | | | | | | | |
|---------|----------------|---------------|---------------|------------|----------------|----------------|------------|--------------|
| | | | | | (176,890) | (176,890) | | |
| 76,881 | 768,813 | (768,813) | | | | | | |
| | | | | | 99,933,168 | 99,933,168 | | |
| | | | (137,063) | | | | | |
| | | | | | | | 1,554,011 | |
| 6,027 | 60,266 | 166,884 | | | | | | |
| | | | 102,279 | | | | | |
| | | | | | | | | (233,915) |
| | | | | | | | | (734,424) |
| | | | | | | | | (30,424) |
| 329,817 | (13,298,168) | (3,220,714) | | | (63,293,563) | (63,293,563) | | 79,811 |
| 625,437 | \$ 256,254,373 | \$ 49,875,255 | \$ 67,324,393 | \$ 391,857 | \$ 102,337,417 | \$ 170,053,667 | \$ 481,158 | \$ (287,342) |

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

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

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

| | 2008 | 2007 |
|---|---------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 99,933,168 | \$ 109,177,093 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 74,569,562 | 72,820,579 |
| Unrealized (realized) gross profit from affiliates | (72) | 265,106 |
| Amortization of premium/discount of financial assets | (97,381) | (117,159) |
| Loss on impairment of financial assets | 247,488 | |
| Gain on disposal of available-for-sale financial assets, net | (443,404) | (271,094) |
| Gain on disposal of financial assets carried at cost, net | (8,755) | |
| Equity in earnings of equity method investees, net | (72,568) | (5,468,230) |
| Dividends received from equity method investees | 1,804,351 | 677,147 |
| Gain on disposal of property, plant and equipment and other assets, net | (298,769) | (300,387) |
| Loss on impairment of idle assets | 210,477 | |
| Deferred income tax | 2,361,261 | 1,083,194 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | (164,405) | 239,413 |
| Receivables from related parties | 14,973,444 | (9,832,139) |
| Notes and accounts receivable | 6,470,152 | (1,633,164) |
| Allowance for doubtful receivables | (252,226) | (1,959) |
| Allowance for sales returns and others | 2,011,897 | 1,105,620 |
| Other receivables from related parties | 43,835 | (76,042) |
| Other financial assets | (380,057) | 321,762 |
| Inventories | 8,179,206 | (1,834,928) |
| Prepaid expenses and other current assets | (330,664) | 359,734 |
| Increase (decrease) in: | | |
| Accounts payable | (5,171,553) | 3,342,139 |
| Payables to related parties | (1,797,280) | (327,286) |
| Income tax payable | (1,766,153) | 3,127,545 |
| Bonuses payable to employees and directors | 15,148,057 | |
| Accrued expenses and other current liabilities | (3,142,500) | 1,259,738 |
| Accrued pension cost | 52,330 | 127,563 |
| Deferred credits | (129,494) | 72,747 |
| | | |
| Net cash provided by operating activities | 211,949,947 | 174,116,992 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Property, plant and equipment | (56,766,192) | (81,303,047) |

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| | | |
|---|--------------|-------------|
| Available-for-sale financial assets | (23,697,000) | (9,547,253) |
| Held-to-maturity financial assets | (12,371,965) | |
| Investments accounted for using equity method | (494,765) | (7,358,685) |
| Financial assets carried at cost | (20,681) | (36,333) |
| Cash from merger of subsidiaries | 270,650 | |

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

| | 2008 | 2007 |
|---|---------------------------|--------------------------|
| Proceeds from disposal or redemption of: | | |
| Available-for-sale financial assets | \$ 45,584,934 | \$ 18,844,520 |
| Held-to-maturity financial assets | 15,004,000 | 17,325,120 |
| Financial assets carried at cost | 10,606 | |
| Property, plant and equipment and other assets | 2,042,899 | 54,509 |
| Proceeds from return of capital by investees | 2,465,293 | 433,551 |
| Increase in deferred charges | (3,199,813) | (2,685,610) |
| Decrease (increase) in refundable deposits | 21,801 | (1,435,304) |
| Increase in other assets | | (232,575) |
| Net cash used in investing activities | (31,150,233) | (65,941,107) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of bonds payable | | (7,000,000) |
| Decrease in guarantee deposits | (761,525) | (1,569,284) |
| Proceeds from exercise of employee stock options | 227,150 | 436,827 |
| 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 | (33,480,997) | (45,413,373) |
| Net cash used in financing activities | (115,013,456) | (135,893,492) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 65,786,258 | (27,717,607) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 72,422,102 | 100,139,709 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 138,208,360 | \$ 72,422,102 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 355,056 | \$ 661,200 |
| Income tax paid | \$ 10,282,464 | \$ 7,330,401 |

INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH
CASH AND NON-CASH ITEMS

| | | |
|--|---------------|---------------|
| Acquisition of property, plant, and equipment | \$ 58,951,343 | \$ 76,023,264 |
| Decrease (increase) in payables to contractors and equipment suppliers | (2,185,151) | 5,279,783 |
| Cash paid | \$ 56,766,192 | \$ 81,303,047 |
| Disposal of property, plant and equipment and other assets | \$ 2,051,168 | \$ 54,509 |
| Increase in other receivables from related parties | (8,269) | |
| Cash received | \$ 2,042,899 | \$ 54,509 |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

| | 2008 | 2007 |
|---|---------------|---------------|
| Repurchase of treasury stock | \$ 30,427,413 | \$ 48,466,957 |
| Decrease (increase) in accrued expenses and other current liabilities | 3,053,584 | (3,053,584) |
| Cash paid | \$ 33,480,997 | \$ 45,413,373 |
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of bonds payable | \$ 8,000,000 | \$ |
| Current portion of other long-term payable (under accrued expenses and other current liabilities) | \$ 1,026,421 | \$ 3,673,182 |

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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 December 31, 2008 and 2007, the Company had 20,425 and 20,555 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 year. For debt securities, fair value is determined using the average of bid and asked prices at the end of the year.

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.

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Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, Long-term Investments Accounted for Using the Equity Method, the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). 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

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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 year 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.

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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 year'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 and 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.

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

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

Recent Accounting Pronouncements

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

Reclassification

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

3. ACCOUNTING CHANGES

Effective January 1, 2008, the Company adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of NT\$12,627,332 thousand and NT\$0.49, respectively, for the year ended December 31, 2008.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39,

Accounting for Share-based Payment, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's financial statements as of and for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|--|-----------------------|----------------------|
| | 2008 | 2007 |
| Cash and deposits in banks | \$ 129,538,047 | \$ 61,832,143 |
| Repurchase agreements collateralized by government bonds | 8,670,313 | 10,067,843 |
| Asset-backed commercial papers | | 522,116 |
| | \$ 138,208,360 | \$ 72,422,102 |

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

| | December 31 | |
|--------------------------------|--------------------|-------------|
| | 2008 | 2007 |
| Tradings financial assets | | |
| Forward exchange contracts | \$ 28,411 | \$ 6,516 |
| Cross currency swap contracts | 14,049 | 35,567 |
| | \$ 42,460 | \$ 42,083 |
| Tradings financial liabilities | | |
| Forward exchange contracts | \$ 34,243 | \$ 183,916 |
| Cross currency swap contracts | 49,375 | 63,730 |
| | \$ 83,618 | \$ 247,646 |

The Company entered into derivative contracts during the years ended December 31, 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:

| | Maturity Date | Contract Amount (in Thousands) |
|--------------------|-------------------------------|---|
| December 31, 2008 | | |
| Sell US\$/buy NT\$ | January 2009 to February 2009 | US\$135,000/NT\$4,430,925 |
| Sell EUR/buy NT\$ | January 2009 | EUR1,500/NT\$63,150 |
| December 31, 2007 | | |
| Sell US\$/buy NT\$ | January 2008 | US\$100,000/NT\$3,250,952 |
| Sell EUR/buy NT\$ | February 2008 to July 2008 | EUR48,000/NT\$2,090,589 |

Outstanding cross currency swap contracts consisted of the following:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|----------------------|---|---|---|
| December 31, 2008 | | | |
| January 2009 | US\$307,000/NT\$10,061,232 | 0.54%-5.00% | 0.00%-3.83% |
| December 31, 2007 | | | |

January 2008 to February 2008 US\$975,000/NT\$31,630,180 3.53%-5.60% 0.02%-3.01%

For the years ended December 31, 2008 and 2007, valuation loss on financial instruments arising from derivative financial instruments was NT\$1,230,966 thousand and NT\$924,316 thousand, respectively.

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6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|--------------------------|--------------------|--------------|
| | 2008 | 2007 |
| Corporate bonds | \$ 2,032,658 | \$ 4,052,242 |
| Open-end mutual funds | | 14,966,675 |
| Government bonds | | 4,146,082 |
| Structured time deposits | | 499,410 |
| | 2,032,658 | 23,664,409 |
| Current portion | | (22,267,223) |
| | \$ 2,032,658 | \$ 1,397,186 |

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

| | Principal | Carrying | Interest | Maturity |
|---------------------------|------------------|-----------------|-----------------|-----------------|
| | Amount | Amount | Rate | Date |
| December 31, 2007 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 499,410 | 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

| | December 31 | |
|--------------------------|--------------------|---------------|
| | 2008 | 2007 |
| Corporate bonds | \$ 16,136,752 | \$ 10,900,247 |
| Government bonds | 1,506,572 | 7,824,425 |
| Structured time deposits | | 1,500,000 |
| | 17,643,324 | 20,224,672 |
| Current portion | (5,881,999) | (11,526,946) |
| | \$ 11,761,325 | \$ 8,697,726 |

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

| | Principal | Interest | Range of | Maturity |
|-------------------|------------------|-------------------|-----------------|-----------------|
| | Amount | Receivable | Interest | Date |
| | | | Rates | |
| December 31, 2007 | | | | |

Step-up callable deposits

Domestic deposits

\$ 1,500,000

\$ 5,585

1.77%-1.83%

April 2008 to
October 2008

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8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

| | Years Ended December 31 | |
|----------------------------|--------------------------------|-------------|
| | 2008 | 2007 |
| Balance, beginning of year | \$ 688,972 | \$ 690,931 |
| Write-off | (252,226) | (1,959) |
| Balance, end of year | \$ 436,746 | \$ 688,972 |

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

| | Years Ended December 31 | |
|----------------------------|--------------------------------|--------------|
| | 2008 | 2007 |
| Balance, beginning of year | \$ 3,856,685 | \$ 2,751,065 |
| Provision | 8,460,944 | 5,519,655 |
| Write-off | (6,449,047) | (4,414,035) |
| Balance, end of year | \$ 5,868,582 | \$ 3,856,685 |

9. INVENTORIES

| | December 31 | |
|--------------------------|--------------------|---------------|
| | 2008 | 2007 |
| Finished goods | \$ 5,196,063 | \$ 3,811,212 |
| Work in process | 7,694,458 | 15,867,005 |
| Raw materials | 737,494 | 1,428,592 |
| Supplies and spare parts | 529,360 | 612,128 |
| | 14,157,375 | 21,718,937 |
| Allowance for losses | (1,349,439) | (731,795) |
| | \$ 12,807,936 | \$ 20,987,142 |

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|--|--------------------|----------------|--------------------|----------------|
| | 2008 | % of | 2007 | % of |
| | Carrying Amount | Owner- ship | Carrying Amount | Owner- ship |
| TSMC Global Ltd. (TSMC Global) | \$ 45,756,519 | 100 | \$ 44,204,188 | 100 |
| TSMC International Investment Ltd. (TSMC International) | 29,637,057 | 100 | 27,688,565 | 100 |
| Vanguard International Semiconductor Corporation (VIS) | 9,787,275 | 37 | 11,024,568 | 36 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 6,808,192 | 39 | 9,092,741 | 39 |
| TSMC (Shanghai) Company Limited (TSMC Shanghai) | 6,267,128 | 100 | 8,622,715 | 100 |
| TSMC Partners, Ltd. (TSMC Partners) | 3,730,913 | 100 | 4,734,180 | 100 |
| TSMC North America | 2,435,666 | 100 | 2,255,647 | 100 |
| XinTec Inc. (XinTec) | 1,506,384 | 42 | 1,501,521 | 43 |
| VentureTech Alliance Fund III, L.P. (VTAF III) | 1,305,605 | 98 | 906,536 | 98 |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 975,367 | 98 | 1,170,841 | 98 |
| Global UniChip Corporation (GUC) | 950,263 | 36 | 823,552 | 37 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 433,481 | 99 | 467,873 | 99 |
| TSMC Japan Limited (TSMC Japan) | 137,617 | 100 | 104,929 | 100 |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 124,594 | 100 | 88,702 | 100 |
| TSMC Korea Limited (TSMC Korea) | 15,117 | 100 | 16,436 | 100 |
| Chi Cherng Investment Co., Ltd. (Chi Cherng) | | | 173,429 | 36 |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | | | 171,658 | 36 |
| | \$ 109,871,178 | | \$ 113,048,081 | |

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 years ended December 31, 2008 and 2007, net equity in earnings of equity method investees of NT\$72,568 thousand and NT\$5,468,230 thousand were recognized, respectively. The related equity in earnings of equity method investees were determined based on the audited financial statements of the investees for the same periods as the Company.

As of December 31, 2008 and 2007, fair values of publicly traded stocks in investments accounted for using equity method (VIS and GUC) was NT\$9,889,107 thousand and NT\$24,319,275 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:

| | Years Ended December 31 | |
|----------------------------|--------------------------------|--------------|
| | 2008 | 2007 |
| Balance, beginning of year | \$ 2,677,388 | \$ 943,277 |
| Addition | | 2,081,282 |
| Amortization | (624,135) | (347,171) |
| Balance, end of year | \$ 2,053,253 | \$ 2,677,388 |

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

| | Years Ended December 31 | |
|----------------------------|--------------------------------|-------------|
| | 2008 | 2007 |
| Balance, beginning of year | \$ 987,349 | \$ 213,984 |
| Addition | 74,536 | 773,365 |
| Balance, end of year | \$ 1,061,885 | \$ 987,349 |

11. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | |
|----------------------------|--------------------|-------------|
| | 2008 | 2007 |
| Non-publicly traded stocks | \$ 357,509 | \$ 364,913 |
| Mutual funds | 161,993 | 383,247 |
| | \$ 519,502 | \$ 748,160 |

For the years ended December 31, 2008 and 2007, the loss on impairment of financial assets carried at cost was recognized NT\$ 247,488 thousand and nil, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

| | Year Ended December 31, 2008 | | | | |
|-------------------------|---|----------------------------------|------------------|-------------------------|---------------------------------|
| | Balance, Beginning of Year | Addition (Deductions) | Disposals | Reclassification | Balance, End of Year |
| Cost | | | | | |
| Buildings | \$ 101,907,892 | \$ 12,115,531 | \$ (8,524) | \$ (311) | \$ 114,014,588 |
| Machinery and equipment | 589,131,625 | 49,396,313 | (3,385,502) | (134,175) | 635,008,261 |
| Office equipment | 9,167,107 | 764,414 | (182,709) | 57 | 9,748,869 |
| | 700,206,624 | \$ 62,276,258 | \$ (3,576,735) | \$ (134,429) | 758,771,718 |

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| | | | | | |
|---|----------------|----------------|----------------|--------------|----------------|
| Accumulated depreciation | | | | | |
| Buildings | 57,349,828 | \$ 8,010,214 | \$ (8,524) | \$ (4) | 65,351,514 |
| Machinery and equipment | 422,278,071 | 63,145,978 | (1,258,542) | (119,347) | 484,046,160 |
| Office equipment | 7,097,120 | 935,140 | (182,706) | 26 | 7,849,580 |
| | 486,725,019 | \$ 72,091,332 | \$ (1,449,772) | \$ (119,325) | 557,247,254 |
| Advance payments and construction in progress | 21,082,953 | \$ (3,324,915) | \$ | \$ | 17,758,038 |
| Net | \$ 234,564,558 | | | | \$ 219,282,502 |

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Year Ended December 31, 2007

| | Balance, Beginning of Year | Addition | Disposals | Reclassification | Balance, End of Year |
|--|----------------------------------|---------------|--------------|------------------|-------------------------|
| Cost | | | | | |
| Buildings | \$ 96,961,851 | \$ 5,025,296 | \$ (31,835) | \$ (47,420) | \$ 101,907,892 |
| Machinery and equipment | 527,850,728 | 61,793,498 | (487,386) | (25,215) | 589,131,625 |
| Office equipment | 8,659,225 | 936,003 | (328,555) | (99,566) | 9,167,107 |
| | 633,471,804 | \$ 67,754,797 | \$ (847,776) | \$ (172,201) | 700,206,624 |
| Accumulated depreciation | | | | | |
| Buildings | 49,595,917 | \$ 7,783,832 | \$ (30,957) | \$ 1,036 | 57,349,828 |
| Machinery and equipment | 361,401,800 | 61,492,223 | (459,113) | (156,839) | 422,278,071 |
| Office equipment | 6,469,533 | 958,315 | (328,363) | (2,365) | 7,097,120 |
| | 417,467,250 | \$ 70,234,370 | \$ (818,433) | \$ (158,168) | 486,725,019 |
| Advance payments and construction in progress | 12,230,805 | \$ 8,268,467 | \$ | \$ 583,681 | 21,082,953 |
| Net | \$ 228,235,359 | | | | \$ 234,564,558 |

No interest was capitalized during the years ended December 31, 2008 and 2007.

13. DEFERRED CHARGES, NET

Year Ended December 31, 2008

| | Balance, Beginning of Year | Addition | Amortization | Disposals | Reclassifi- cation | Balance, End of Year |
|-------------------------------------|-------------------------------------|--------------|----------------|-------------|-----------------------|----------------------------|
| Technology license fees | \$ 5,349,937 | \$ | \$ (1,563,686) | \$ | \$ | \$ 3,786,251 |
| Software and system design costs | 1,309,272 | 945,279 | (680,474) | (14,279) | 59 | 1,559,857 |
| Patent and others | 513,204 | 733,342 | (191,193) | | | 1,055,353 |
| | \$ 7,172,413 | \$ 1,678,621 | \$ (2,435,353) | \$ (14,279) | \$ 59 | \$ 6,401,461 |

Year Ended December 31, 2007

| | Balance, Beginning of | | Reclassifi- | Balance, |
|--|-----------------------------|--|-------------|----------|
| | | | | |

| | Year | Addition | Amortization | Disposals | ation | End of Year |
|----------------------------------|--------------|-----------------|---------------------|------------------|--------------|--------------------|
| Technology license fees | \$ 4,038,551 | \$ 3,263,950 | \$ (1,656,113) | \$ | \$ (296,451) | \$ 5,349,937 |
| Software and system design costs | 1,517,575 | 1,181,579 | (820,183) | (51) | (569,648) | 1,309,272 |
| Patent and others | 36,942 | 283,990 | (104,179) | | 296,451 | 513,204 |
| | \$ 5,593,068 | \$ 4,729,519 | \$ (2,580,475) | \$ (51) | \$ (569,648) | \$ 7,172,413 |

14. BONDS PAYABLE

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

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

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2009 | \$ 8,000,000 |
| 2012 | 4,500,000 |
| | \$ 12,500,000 |

15. OTHER LONG-TERM PAYABLES

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of December 31, 2008, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|---|---------------|
| 2009 | \$ 1,026,421 |
| 2010 | 504,072 |
| 2011 | 427,180 |
| | 1,957,673 |
| Current portion (classified under accrued expenses and other current liabilities) | (1,026,421) |
| | \$ 931,252 |

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\$657,870 thousand and NT\$616,548 thousand for the years ended December 31, 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).

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

a. Components of net periodic pension cost for the year

| | 2008 | 2007 |
|---------------------------------|-------------|-------------|
| Service cost | \$ 151,603 | \$ 184,232 |
| Interest cost | 170,025 | 155,297 |
| Projected return on plan assets | (67,315) | (50,326) |
| Amortization | 3,776 | 35,596 |

| | | |
|---------------------------|------------|------------|
| Net periodic pension cost | \$ 258,089 | \$ 324,799 |
|---------------------------|------------|------------|

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

| | 2008 | 2007 |
|--|--------------|--------------|
| Benefit obligation | | |
| Vested benefit obligation | \$ 114,930 | \$ 120,146 |
| Nonvested benefit obligation | 4,146,366 | 3,450,818 |
| Accumulated benefit obligation | 4,261,296 | 3,570,964 |
| Additional benefits based on future salaries | 3,245,483 | 2,428,786 |
| Projected benefit obligation | 7,506,779 | 5,999,750 |
| Fair value of plan assets | (2,441,687) | (2,199,189) |
| Funded status | 5,065,092 | 3,800,561 |
| Unrecognized net transition obligation | (99,591) | (107,891) |
| Prior service cost | 169,216 | |
| Unrecognized net loss | (1,424,708) | (34,991) |
| Accrued pension cost | \$ 3,710,009 | \$ 3,657,679 |
| Vested benefit | \$ 126,259 | \$ 125,443 |

c. Actuarial assumptions at December 31, 2008 and 2007

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

d. Contributions to the Funds for the year

| | | |
|--|------------|------------|
| | \$ 202,263 | \$ 200,732 |
|--|------------|------------|

e. Payments from the Funds for the year

| | | |
|--|-----------|-----------|
| | \$ 28,990 | \$ 15,003 |
|--|-----------|-----------|

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:

| | Years Ended December 31 | |
|--|--------------------------------|---------------|
| | 2008 | 2007 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ 27,689,695 | \$ 30,187,852 |
| Tax effect of the following: | | |
| Tax-exempt income | (9,610,935) | (7,602,675) |
| Temporary and permanent differences | 1,815,594 | (789,073) |

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| | | |
|--|--------------|---------------|
| Others | 41,235 | |
| Additional tax at 10% on unappropriated earnings | | 2,686,561 |
| Income tax credits used | (10,967,795) | (13,740,683) |
| Income tax currently payable | \$ 8,967,794 | \$ 10,741,982 |

(Continued)

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| | Years Ended December 31 | |
|---|--------------------------------|---------------|
| | 2008 | 2007 |
| b. Income tax expense consisted of the following: | | |
| Income tax currently payable | \$ 8,967,794 | \$ 10,741,982 |
| Other income tax adjustments | (503,405) | (250,863) |
| Net change in deferred income tax assets | | |
| Investment tax credits | 1,224,537 | 5,120,137 |
| Temporary differences | (1,792,789) | (302,847) |
| Valuation allowance | 2,929,513 | (3,734,096) |
| | | |
| Income tax expense | \$ 10,825,650 | \$ 11,574,313 |
| | | (Concluded) |

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

| | December 31 | |
|---------------------------------------|--------------------|--------------|
| | 2008 | 2007 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 2,791,000 | \$ 5,268,000 |
| Temporary differences | 859,700 | |
| | \$ 3,650,700 | \$ 5,268,000 |
| Noncurrent deferred income tax assets | | |
| Investment tax credits | \$ 10,821,218 | \$ 9,568,755 |
| Temporary differences | 2,076,400 | 1,143,311 |
| Valuation allowance | (6,399,646) | (3,470,133) |
| | \$ 6,497,972 | \$ 7,241,933 |

d. Integrated income tax information:

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

The estimated creditable ratio for distribution of earnings of 2008 and 2007 was 0.51% and 9.83%, 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 December 31, 2008, investment tax credits consisted of the following:

| Law/Statute | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---------------------------------------|-------------------------|-----------------------------|-------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 219,587 | \$ | 2009 |
| | | 6,063,320 | | 2010 |
| | | 4,597,477 | 4,597,477 | 2011 |
| | | 2,661,596 | 2,661,596 | 2012 |
| | | \$ 13,541,980 | \$ 7,259,073 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,000,000 | \$ | 2008 |
| | | 1,127,051 | | 2009 |
| | | 3,163,784 | 627,742 | 2010 |
| | | 2,687,841 | 2,687,841 | 2011 |
| | | 2,977,848 | 2,977,848 | 2012 |
| | | \$ 10,956,524 | \$ 6,293,431 | |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 21,795 | \$ | 2009 |
| | | 23,146 | 23,146 | 2010 |
| | | 36,568 | 36,568 | 2011 |
| | | \$ 81,509 | \$ 59,714 | |

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 |
| Construction of Fab 14 Module B and expansion of Fab 12 and others | 2008 to 2012 |

h. The tax authorities have examined income tax returns of the Company through 2006.

18. LABOR COST, DEPRECIATION AND AMORTIZATION

| Year Ended December 31, 2008 | |
|------------------------------|---------------|
| Classified as | Classified as |
| as | Operating |
| | |

| | Cost of Sales | Expenses | Total |
|----------------------------|--------------------------|-----------------|---------------|
| Labor cost | | | |
| Salary and bonus | \$ 17,088,512 | \$ 11,989,661 | \$ 29,078,173 |
| Labor and health insurance | 677,817 | 379,196 | 1,057,013 |
| Pension | 587,281 | 328,669 | 915,950 |
| Meal | 437,910 | 174,906 | 612,816 |
| Welfare | 174,641 | 100,989 | 275,630 |
| Others | 190,323 | 15,979 | 206,302 |
| | \$ 19,156,484 | \$ 12,989,400 | \$ 32,145,884 |
| Depreciation | \$ 68,373,886 | \$ 3,701,241 | \$ 72,075,127 |
| Amortization | \$ 1,771,919 | \$ 663,434 | \$ 2,435,353 |

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| | Year Ended December 31, 2007 | | |
|----------------------------|-------------------------------------|------------------|---------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 9,201,605 | \$ 4,392,243 | \$ 13,593,848 |
| Labor and health insurance | 608,748 | 337,124 | 945,872 |
| Pension | 605,879 | 335,596 | 941,475 |
| Meal | 434,106 | 167,962 | 602,068 |
| Welfare | 183,463 | 110,894 | 294,357 |
| Others | 175,781 | 12,011 | 187,792 |
| | \$ 11,209,582 | \$ 5,355,830 | \$ 16,565,412 |
| Depreciation | \$ 66,375,152 | \$ 3,816,399 | \$ 70,191,551 |
| Amortization | \$ 1,801,193 | \$ 778,185 | \$ 2,579,378 |

19. SHAREHOLDERS EQUITY

As of December 31, 2008, 1,092,053 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs is 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:

| | December 31 | |
|----------------------------------|--------------------|---------------|
| | 2008 | 2007 |
| From merger | \$ 22,805,390 | \$ 24,003,546 |
| Additional paid-in capital | 17,962,468 | 19,526,492 |
| From convertible bonds | 8,893,190 | 9,360,424 |
| From long-term investments | 214,152 | 351,215 |
| Donations | 55 | 55 |
| From treasury stock transactions | | 490,950 |
| | \$ 49,875,255 | \$ 53,732,682 |

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;

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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 shareholder's approval in the following year.

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

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:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|----------------------------|---------------------------|-------------------------|-------------------------------|-------------------------------|
| | For Fiscal Year 2007 | For Fiscal Year 2006 | For Fiscal Year 2007 | For Fiscal Year 2006 |
| 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 | | |

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| | | | | |
|------------------------------------|---------------|----------------|---------|---------|
| 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 | 176,890 | 285,800 | | |
| | \$ 96,130,525 | \$ 100,126,835 | | |

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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.

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

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

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

20. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans, consisting 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 December 31, 2008.

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

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|------------------------------|---|--|
| Year ended December 31, 2008 | | |
| Balance, beginning of year | 41,875 | \$35.6 |
| Options granted | 767 | 35.2 |
| Options exercised | (6,027) | 37.7 |
| Options canceled | (381) | 46.5 |

| | | |
|----------------------|--------|------|
| Balance, end of year | 36,234 | 35.3 |
|----------------------|--------|------|

(Continued)

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|------------------------------|---|--|
| Year ended December 31, 2007 | | |
| Balance, beginning of year | 52,814 | \$37.9 |
| Options granted | 1,094 | 37.9 |
| Options exercised | (10,988) | 39.8 |
| Options canceled | (1,045) | 45.9 |
| | | |
| Balance, end of year | 41,875 | 37.4 |

(Concluded)

The numbers 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 December 31, 2008, information about outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|---|---|---|--|---|--|
| | Number of Options (in Thousands) | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
| \$24.2-\$33.9 | 25,633 | 4.15 | \$31.0 | 25,633 | \$31.0 |
| 38.2- 50.4 | 10,601 | 5.89 | 45.8 | 8,669 | 45.5 |
| | 36,234 | | 35.3 | 34,302 | 34.6 |

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

| | Years Ended December 31 | |
|-------------------------|--------------------------------|---------------|
| | 2008 | 2007 |
| Assumptions: | | |
| 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 |

| | | |
|---|---------------|----------------|
| Net income: | | |
| Net income as reported | \$ 99,933,168 | \$ 109,177,093 |
| Pro forma net income | 100,037,622 | 109,054,923 |
| Earnings per share (EPS) after income tax (NT\$): | | |
| Basic EPS as reported | \$3.86 | \$4.06 |
| Pro forma basic EPS | 3.86 | 4.06 |
| Diluted EPS as reported | 3.83 | 4.06 |
| Pro forma diluted EPS | 3.83 | 4.06 |

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21. TREASURY STOCK

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

As of December 31, 2007, the book value of the treasury stock was NT\$49,385,032 thousand; the market value was NT\$51,713,947 thousand. 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 in February 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 in August 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. The Company had repurchased 278,875 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired in November 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 in August 2008.

22. EARNINGS PER SHARE

EPS is computed as follows:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|--|----------------------|---------------------|---|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| Year ended December 31, 2008 | | | | | |
| Basic EPS | | | | | |
| Earnings available to common shareholders | \$ 110,758,818 | \$ 99,933,168 | 25,909,643 | \$ 4.27 | \$ 3.86 |
| Effect of dilutive potential common shares | | | | | |
| Bonus to employees | | | 181,943 | | |
| Stock options | | | 15,090 | | |
| Diluted EPS | | | | | |
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 110,758,818 | \$ 99,933,168 | 26,106,676 | \$ 4.24 | \$ 3.83 |
| Year ended December 31, 2007 | | | | | |
| Basic EPS | | | | | |
| Earnings available to common shareholders | \$ 120,751,406 | \$ 109,177,093 | 26,870,684 | \$ 4.49 | \$ 4.06 |
| Effect of dilutive potential common shares | | | | | |
| Stock options | | | 21,652 | | |
| Diluted EPS | | | | | |
| Earnings available to common shareholders (including effect of dilutive potential common shares) | \$ 120,751,406 | \$ 109,177,093 | 26,892,336 | \$ 4.49 | \$ 4.06 |

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

shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholders meeting in the following year.

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

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23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | December 31 | | | |
|--|--------------------|------------|--------------------|------------|
| | 2008 | | 2007 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 42,460 | \$ 42,460 | \$ 42,083 | \$ 42,083 |
| Available-for-sale financial assets | 2,032,658 | 2,032,658 | 23,664,409 | 23,664,409 |
| Held-to-maturity financial assets | 17,643,324 | 17,674,733 | 20,224,672 | 20,192,188 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 83,618 | 83,618 | 247,646 | 247,646 |
| Bonds payable (including current portion) | 12,500,000 | 12,612,423 | 12,500,000 | 12,669,987 |
| Other long-term payables (including current portion) | 1,957,673 | 1,957,673 | 5,174,644 | 5,174,644 |

b. Methods and assumptions used in the estimation of 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 of derivatives contracts which were outstanding as of December 31, 2008 and 2007 estimated using valuation techniques were recognized as valuation losses of NT\$41,158 thousand and NT\$205,563 thousand, respectively.

d. As of December 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$19,718,442 thousand and NT\$43,931,164 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$12,583,618 thousand and NT\$12,747,646 thousand; and financial assets exposed to cash flow interest rate risk were both nil.

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

| | Year Ended December 31, 2008 | | |
|---|--|--|--------------|
| | From Available-for-sale Financial Assets | From Available-for-sale Financial Assets Held by Investees | Total |
| Balance, beginning of year | \$ 266,573 | \$ 414,424 | \$ 680,997 |
| Recognized directly in shareholders equity | 209,489 | (734,424) | (524,935) |
| Removed from shareholders equity and recognized in earnings | (443,404) | | (443,404) |
| Balance, end of year | \$ 32,658 | \$ (320,000) | \$ (287,342) |

| | Year Ended December 31, 2007 | | |
|---|--|--|------------|
| | From Available-for-sale Financial Assets | From Available-for-sale Financial Assets Held by Investees | Total |
| Balance, beginning of year | \$ 242,248 | \$ 319,367 | \$ 561,615 |
| Recognized directly in shareholders equity | 295,419 | 95,057 | 390,476 |
| Removed from shareholders equity and recognized in earnings | (271,094) | | (271,094) |
| Balance, end of year | \$ 266,573 | \$ 414,424 | \$ 680,997 |

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 turmoil in the global financial market, the Company had evaluated its financial instruments and the Company believed the exposure to market risk as of December 31, 2008 was 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 turmoil in the global financial market,

the Company evaluated whether the financial instruments for any possible counter-party or third-parties are reputable financial institutions, business enterprises, and government agencies and accordingly, the Company believed that the Company's exposure to credit risk as of December 31, 2008 was 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.

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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:

| | 2008 | | 2007 | |
|--------------------|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| For the year | | | | |
| Sales | | | | |
| TSMC North America | \$ 192,986,719 | 58 | \$ 192,846,641 | 61 |
| Others | 1,814,440 | 1 | 1,072,708 | |
| | \$ 194,801,159 | 59 | \$ 193,919,349 | 61 |
| Purchases | | | | |
| WaferTech | \$ 8,207,876 | 22 | \$ 8,774,750 | 18 |
| TSMC Shanghai | 4,717,676 | 12 | 5,828,541 | 12 |
| SSMC | 4,441,795 | 12 | 5,468,410 | 11 |
| VIS | 3,209,028 | 8 | 4,188,107 | 9 |
| Others | | | 1,028 | |

\$ 20,576,375 54 \$ 24,260,836 50

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| | 2008 | | 2007 | |
|---|--------------|----|--------------|----|
| | Amount | % | Amount | % |
| Manufacturing expenses – outsourcing | | | | |
| VisEra | \$ 72,174 | | \$ 39,078 | |
| Marketing expenses – commission | | | | |
| TSMC Europe | \$ 367,846 | 16 | \$ 316,748 | 24 |
| TSMC Japan | 251,367 | 11 | 220,858 | 16 |
| TSMC Korea | 16,408 | 1 | 26,818 | 2 |
| | \$ 635,621 | 28 | \$ 564,424 | 42 |
| General and administrative expenses – rental | | | | |
| GUC | \$ 1,050 | | \$ 6,139 | |
| Research and development expenses | | | | |
| TSMC Technology (primarily consulting fee) | \$ 352,900 | 2 | \$ 354,423 | 2 |
| TSMC Canada (primarily consulting fee) | 172,291 | 1 | 129,665 | 1 |
| GUC | 18,940 | | 56,887 | 1 |
| Others | 994 | | 44,168 | |
| | \$ 545,125 | 3 | \$ 585,143 | 4 |
| Sales of property, plant and equipment | | | | |
| TSMC Shanghai | \$ 1,849,317 | 91 | \$ 3,295 | 6 |
| Other | 10,843 | | 546 | 1 |
| | \$ 1,860,160 | 91 | \$ 3,841 | 7 |
| Non-operating income and gains | | | | |
| TSMC Shanghai | \$ 297,418 | 5 | \$ 338,038 | 3 |
| VIS (primarily technical service income, see Note 26f) | 296,250 | 4 | 346,260 | 3 |
| SSMC (primarily technical service income, see Note 26e) | 244,865 | 4 | 290,586 | 3 |
| VisEra | 100,821 | 1 | 321,799 | 3 |
| Others | 178 | | 1,731 | |
| | \$ 939,532 | 14 | \$ 1,298,414 | 12 |

As of December 31

| | | | | |
|--------------------|---------------|-----|---------------|-----|
| Receivables | | | | |
| TSMC North America | \$ 11,512,777 | 98 | \$ 26,626,880 | 100 |
| Others | 215,427 | 2 | 74,768 | |
| | \$ 11,728,204 | 100 | \$ 26,701,648 | 100 |

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| | 2008 | | 2007 | |
|--------------------|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Other receivables | | | | |
| TSMC North America | \$ 256,624 | 52 | \$ 98,885 | 19 |
| TSMC Shanghai | 112,933 | 23 | 151,037 | 29 |
| SSMC | 56,949 | 12 | 84,778 | 16 |
| VIS | 42,969 | 9 | 118,749 | 22 |
| VisEra | | | 40,101 | 8 |
| Others | 20,267 | 4 | 31,758 | 6 |
| | \$ 489,742 | 100 | \$ 525,308 | 100 |
| Payables | | | | |
| TSMC North America | \$ 327,250 | 28 | \$ 13,392 | |
| VIS | 317,491 | 26 | 838,584 | 28 |
| WaferTech | 171,089 | 14 | 784,280 | 26 |
| SSMC | 162,807 | 14 | 655,029 | 22 |
| TSMC Shanghai | 117,417 | 10 | 596,581 | 20 |
| Others | 106,296 | 8 | 111,764 | 4 |
| | \$ 1,202,350 | 100 | \$ 2,999,630 | 100 |
| Deferred credits | | | | |
| TSMC Shanghai | \$ 183,896 | 40 | \$ 510,564 | 52 |
| VisEra | | | 62,175 | 6 |
| | \$ 183,896 | 40 | \$ 572,739 | 58 |

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.

Compensation of directors and management personnel:

| | Years Ended December 31 | |
|---|--------------------------------|--------------|
| | 2008 | 2007 |
| Salaries, incentives and special compensation | \$ 272,325 | \$ 275,081 |
| Bonus | 705,376 | 1,096,233 |
| | \$ 977,701 | \$ 1,371,314 |

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

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 2009 to December 2028 and can be renewed upon expiration.

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

| Year | Amount |
|---------------------|--------------|
| 2009 | \$ 340,443 |
| 2010 | 291,245 |
| 2011 | 289,664 |
| 2012 | 289,664 |
| 2013 | 268,019 |
| 2014 and thereafter | 2,047,777 |
| | \$ 3,526,812 |

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2008, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, 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 December 31, 2008, the Company had a total of US\$43,421 thousand of guarantee deposits.

- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. 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 December 31, 2008, SMIC had paid US\$120 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement with SMIC. The Court also found TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case. Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners.

The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. The result of the above-mentioned litigation cannot be determined at this time.

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- h. In April 2004, UniRAM Technology, Inc. (UniRAM) filed an action against MoSys Inc., TSMC and TSMC North America in the U.S. District Court for the Northern District of California, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. TSMC appealed after the United States District Court for the Northern District of California rendered judgment in favor of UniRAM in May 2008. In the third quarter of 2008, TSMC and TSMC North America had reached agreement with UniRAM to settle the dispute. In accordance with the settlement, the judgment has been vacated and the claims asserted by UniRAM are fully and finally settled. As of December 31, 2008, 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 year ended December 31, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2008:

| | Maturity Date | Contract Amount (in Thousands) |
|-------------------|-------------------------------|---|
| Sell RMB/buy US\$ | January 2009 to April 2009 | RMB55,010/US\$8,000 |
| Sell US\$/buy JPY | January 2009 to February 2009 | US\$131/JPY11,800 |

For the year ended December 31, 2008, net losses arising from forward exchange contracts of TSMC Shanghai were NT\$8,208 thousand.

XinTec entered into forward exchange contracts during the year ended December 31, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2008:

| | Maturity Date | Contract Amount (in Thousands) |
|--------------------|----------------------|---|
| Sell US\$/buy NT\$ | February 2009 | US\$3,900/NT\$127,747 |

For the year ended December 31, 2008, net losses arising from forward exchange contracts of XinTec were NT\$9,957 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.

28. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

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

b. Geographic information

The Company has no significant foreign operations. Therefore, the disclosure of geographic information is not applicable to the Company.

c. Export sales

| Area | Years Ended December 31 | |
|-------------------|--------------------------------|----------------|
| | 2008 | 2007 |
| Americas | \$ 199,512,258 | \$ 208,590,323 |
| Asia | 49,386,819 | 43,149,191 |
| Europe and others | 37,622,148 | 27,944,270 |
| | \$ 286,521,225 | \$ 279,683,784 |

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

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

| Years Ended December 31 | |
|--------------------------------|-------------|
| 2008 | 2007 |

| | Amount | % | Amount | % |
|------------|----------------|----------|----------------|----------|
| Customer A | \$ 192,986,719 | 58 | \$ 192,846,641 | 61 |

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TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2008 | |
|--|--|---|--------------------------------|--|
| | | | Shares/Units (in Thousands) | Carrying Per Value (US\$ in Thousands) |
| Corporate bond | | | | |
| Taiwan Mobile Co., Ltd. | | Available-for-sale financial assets | | \$ 2,032,658 |
| Taiwan Power Company | | Held-to-maturity financial assets | | 4,209,629 |
| Formosa Petrochemical Corporation | | " | | 3,554,908 |
| San Ya Plastics Corporation | | " | | 3,487,804 |
| Formosa Plastic Corporation | | " | | 2,385,285 |
| TPC Corporation, Taiwan | | " | | 1,000,124 |
| China Steel Corporation | | " | | 1,000,000 |
| Shanghai Commercial & Saving Bank | | " | | 299,092 |
| Formosa Chemicals & Fiber Corporation | | " | | 199,910 |
| Government bond | | | | |
| 2003 Asian Development Bank Govt. bond | | Held-to-maturity financial assets | | 873,237 |
| European Investment Bank Bonds | | " | | 383,387 |
| 2004 Government Bond Series B | | " | | 249,948 |
| Stocks | | | | |
| SMC Global | Subsidiary | Investments accounted for using equity method | 1 | 45,756,519 |
| SMC International | Subsidiary | " | 987,968 | 29,637,057 |
| SMC IS | Investee accounted for using equity method | " | 628,223 | 9,787,275 |
| SMC | Investee accounted for using equity method | " | 314 | 6,808,192 |
| SMC Partners | Subsidiary | " | 300 | 3,730,913 |
| SMC North America | Subsidiary | " | 11,000 | 2,435,666 |
| SMC inTec | Investee with a controlling financial interest | " | 92,620 | 1,506,384 |
| SMC UC | Investee with a controlling financial interest | " | 44,904 | 950,263 |
| SMC Japan | Subsidiary | " | 6 | 137,617 |

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| | | | | |
|-------------------------------------|------------|--|--------|-----------|
| SMC Europe | Subsidiary | " | | 124,594 |
| SMC Korea | Subsidiary | " | 80 | 15,117 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 |
| Chin-Etsu Handotai Taiwan Co., Ltd. | | " | 10,500 | 105,000 |
| Y.K. Technology Fund IV | | " | 4,000 | 40,000 |
| Montung Venture Capital Co., Ltd. | | " | 2,633 | 18,925 |
| and | | | | |
| Horizon Ventures Fund | | Financial assets carried at cost | | 103,992 |
| Primson Asia Capital | | " | | 58,001 |
| Capital | | | | |
| SMC Shanghai | Subsidiary | Investments accounted for using equity method | | 6,267,128 |
| TAF III | Subsidiary | " | | 1,305,605 |
| TAF II | Subsidiary | " | | 975,367 |
| Emerging Alliance | Subsidiary | " | | 433,481 |

(Continued)

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2018 | |
|---|--|---|--------------------------------|---|
| | | | Shares/Units (in Thousands) | Carrying Per Value (US\$ in Thousands) |
| Preferred stock eXen, Inc. | | Financial assets carried at cost | 328 | US\$ 656 |
| Corporate bond General Elec Cap Corp. Mtn | | Held-to-maturity financial assets | | US\$ 20,791 |
| General Elec Cap Corp. Mtn | | " | | US\$ 20,294 |
| Stocks SMC Development, Inc. (TSMC Development) | Subsidiary | Investments accounted for using equity method | 1 | US\$ 690,095 |
| WaveStar Semiconductor Development and, Inc. (II) | Subsidiary | " | 32,289 | US\$ 25,586 |
| ISDC. (ISDF II) | | " | | |
| SMC Technology | Subsidiary | " | 1 | US\$ 8,408 |
| WaveStar Semiconductor Development and, Inc. (ISDF) | Subsidiary | " | 7,680 | US\$ 6,529 |
| Corporate bond E Capital Corp. | | Held-to-maturity financial assets | | US\$ 20,447 |
| Stocks WaferTech | Subsidiary | Investments accounted for using equity method | 293,637 | US\$ 204,558 |
| Common stock Eisera Holding Company | Investee accounted for using equity method | Investments accounted for using equity method | 43,000 | US\$ 69,298 |
| SMC Canada | Subsidiary | " | 2,300 | US\$ 2,570 |
| Common stock Axim, Inc. | | Financial assets carried at cost | 203 | US\$ 54 |
| ArchWave Technology Corp. | | " | 4,247 | US\$ 1,648 |
| Global Investment Holding Inc. | | " | 10,800 | US\$ 3,065 |
| Preferred stock Audience, Inc. | | Financial assets carried at cost | 1,654 | US\$ 250 |
| Maxiom Microdevices, Inc. | | " | 1,000 | US\$ 1,000 |
| emFire Corporation | | " | | US\$ 31 |

| | | | | |
|---------------------|---|-------|------|-------|
| iradia, Inc. | " | 3,040 | US\$ | 1,000 |
| osaic Systems, Inc. | " | 2,481 | US\$ | 12 |
| ext IO, Inc. | " | 800 | US\$ | 500 |
| ptichron, Inc. | " | 714 | US\$ | 1,000 |
| ptimal Corporation | " | | US\$ | 229 |
| xim, Inc. | " | 4,439 | US\$ | 1,083 |
| ST Holding, LLC | " | | US\$ | 131 |
| eknovus, Inc. | " | 6,977 | US\$ | 1,327 |

Capital
 VentureTech Alliance Holdings, L.L.C. Subsidiary
 (VTA Holdings)

Investments accounted for
 using equity method

| | | | | |
|-------------------------|----------------------------------|-------|------|-------|
| Common stock | | | | |
| entelic | Financial assets carried at cost | 1,200 | US\$ | 2,040 |
| quantia | " | 2,108 | US\$ | 2,573 |
| eadtrend | " | 1,265 | US\$ | 660 |
| Preferred stock | | | | |
| / Technologies, Inc. | Financial assets carried at cost | 2,890 | US\$ | 2,168 |
| udience, Inc. | " | 5,335 | US\$ | 1,390 |
| xiom Microdevices, Inc. | " | 5,046 | US\$ | 2,481 |

(Continued)

December 31, 2019

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Per | |
|---|--|---|--------------------------------|------------------------------|
| | | | Shares/Units (in thousands) | Value (US\$ in thousands) |
| Beceem Communications | | Financial assets carried at cost | 650 | US\$ 1,600 |
| GemFire Corporation | | " | 600 | US\$ 68 |
| Impinj, Inc. | | " | 475 | US\$ 1,000 |
| Miradia, Inc. | | " | 3,416 | US\$ 3,106 |
| Next IO, Inc. | | " | 2,775 | US\$ 756 |
| Optichron, Inc. | | " | 1,050 | US\$ 1,844 |
| Pixim, Inc. | | " | 6,348 | US\$ 1,141 |
| Power Analog Microelectronics | | " | 5,232 | US\$ 2,790 |
| QST Holding, LLC | | " | | US\$ 415 |
| RichWave Technology Corp. | | " | 1,043 | US\$ 730 |
| Teknovus, Inc. | | " | 1,599 | US\$ 454 |
| Tzero Technologies, Inc. | | " | 1,167 | US\$ 569 |
| Xceive | | " | 870 | US\$ 1,177 |
| Capital | | | | |
| VTA Holdings | Subsidiary | Investments accounted for using equity method | | |
| Common stock | | | | |
| Mutual-pak Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 4,590 | US\$ 1,705 |
| Acionn Technology Corporation | Investee accounted for using equity method | " | 4,500 | US\$ 1,052 |
| Auramicro, Inc. | | Financial assets carried at cost | 3,816 | US\$ 1,145 |
| InvenSence, Inc. | | " | 816 | US\$ 1,000 |
| Preferred stock | | | | |
| Advasense Sensors, Inc. | | Financial assets carried at cost | 1,929 | US\$ 1,834 |
| BridgeLux, Inc. | | " | 3,333 | US\$ 5,000 |
| Exclara, Inc. (Formerly SynDitec, Inc.) | | " | 21,708 | US\$ 4,568 |
| GTBF, Inc. | | " | 1,154 | US\$ 1,500 |
| LiquidLeds Lighting Corp. | | " | 1,600 | US\$ 800 |
| M2000, Inc. | | " | 3,000 | US\$ 3,000 |
| Neoconix, Inc. | | " | 2,458 | US\$ 4,000 |
| Powervation, Ltd. | | " | 191 | US\$ 2,930 |
| Quellan, Inc. | | " | 3,106 | US\$ 3,500 |
| Silicon Technical Services, LLC | | " | 1,055 | US\$ 1,208 |
| Tilera, Inc. | | " | 1,698 | US\$ 2,360 |
| Validity Sensors, Inc. | | " | 6,424 | US\$ 2,545 |

| | | | | |
|---|------------|--|-------|-------------|
| Capital | | | | |
| Growth Fund Limited (Growth Fund) | Subsidiary | Investments accounted for using equity method | | US\$ 100 |
| VTA Holdings | Subsidiary | " | | |
| Common stock Staccato | | Financial assets carried at cost | 10 | US\$ 25 |
| Common stock Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 530 | US\$ 154 |
| Preferred stock Memsic, Inc. | | Available-for-sale financial assets | 1,364 | US\$2,250 |
| Integrated Memory Logic, Inc. | | Financial assets carried at cost | 2,872 | US\$1,221 |
| IP Unity, Inc. | | " | 1,008 | US\$ 290 |
| NanoAmp Solutions, Inc. | | " | 541 | US\$ 541 |
| Sonics, Inc. | | " | 230 | US\$1,843 |
| | | | | (Continued) |

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December 31, 2017

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Perce | |
|-------------------------------------|-------------------------------|---|-----------------------------|---------------------------|
| | | | Shares/Units (in thousands) | Value (US\$ in thousands) |
| Common stock | | | | |
| Rich Tek Technology Corp. | | Financial assets at fair value through profit or loss | 101 | US\$ 403 |
| Rich Tek Technology Corp. | | Available-for-sale financial assets | 288 | US\$ 1,148 |
| Ralink Technology (Taiwan), Inc. | | " | 1,512 | US\$ 3,232 |
| eLCOS Microdisplay Technology, Ltd. | | Financial assets carried at cost | 270 | US\$ 27 |
| EoNEX Technologies, Inc. | | " | 55 | US\$ 305 |
| Sonics, Inc. | | " | 278 | US\$ 1,597 |
| Epic Communication, Inc. | | " | 191 | US\$ 23 |
| EON Technology, Corp. | | " | 2,494 | US\$ 691 |
| Goyatek Technology, Corp. | | " | 2,088 | US\$ 545 |
| Trendchip Technologies Corp. | | " | 1,020 | US\$ 574 |
| Capella Microsystems (Taiwan), Inc. | | " | 534 | US\$ 210 |
| Auden Technology MFG. Co., Ltd. | | " | 1,049 | US\$ 223 |
| Preferred stock | | | | |
| Memsic, Inc. | | Available-for-sale financial assets | 1,145 | US\$ 1,888 |
| Alchip Technologies Limited | | Financial assets carried at cost | 6,979 | US\$ 3,664 |
| eLCOS Microdisplay Technology, Ltd. | | " | 3,500 | US\$ 878 |
| FangTek, Inc. | | " | 7,064 | US\$ 3,428 |
| Kilopass Technology, Inc. | | " | 3,887 | US\$ 1,746 |
| NanoAmp Solutions, Inc. | | " | 375 | US\$ 375 |
| Sonics, Inc. | | " | 264 | US\$ 1,517 |
| Common stock | | | | |
| GUC-NA | Subsidiary | Investments accounted for using equity method | 800 | \$34,019 |
| GUC-Japan | Subsidiary | " | 1 | 11,854 |
| GUC-Europe | Subsidiary | " | | 2,563 |
| Capital | | | | |
| Compositech Ltd. | | Financial assets carried at cost | 587 | |
| Agency bonds | | | | |
| Fed Hm Ln Pc Pool 1b1225 | | Available-for-sale financial assets | | US\$ 75 |

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| | | | |
|--------------------------|---|------------|---|
| Fed Hm Ln Pc Pool 1b2566 | " | US\$ 118 | M |
| Fed Hm Ln Pc Pool 1b2632 | " | US\$ 145 | M |
| Fed Hm Ln Pc Pool 1b2642 | " | US\$ 195 | M |
| Fed Hm Ln Pc Pool 1b2776 | " | US\$ 282 | M |
| Fed Hm Ln Pc Pool 1b2792 | " | US\$ 193 | M |
| Fed Hm Ln Pc Pool 1b2810 | " | US\$ 246 | M |
| Fed Hm Ln Pc Pool 1b7453 | " | US\$ 2,302 | M |
| Fed Hm Ln Pc Pool 1g0038 | " | US\$ 243 | M |
| Fed Hm Ln Pc Pool 1g0053 | " | US\$ 289 | M |
| Fed Hm Ln Pc Pool 1g0104 | " | US\$ 119 | M |
| Fed Hm Ln Pc Pool 1g1282 | " | US\$ 3,285 | M |
| Fed Hm Ln Pc Pool 1g1411 | " | US\$ 2,979 | M |
| Fed Hm Ln Pc Pool 1h2520 | " | US\$ 2,152 | M |
| Fed Hm Ln Pc Pool 1h2524 | " | US\$ 1,614 | M |
| Fed Hm Ln Pc Pool 780870 | " | US\$ 481 | M |
| Fed Hm Ln Pc Pool 781959 | " | US\$ 2,841 | M |
| Fed Hm Ln Pc Pool 782785 | " | US\$ 198 | M |
| Fed Hm Ln Pc Pool 782837 | " | US\$ 390 | M |
| Fed Hm Ln Pc Pool 783022 | " | US\$ 443 | M |

(Continued)

December 31, 2017

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | Percent |
|------|-------------------------------------|-------------------------------|-------------------------------------|---------------------|---------|
| | | | | Value of | Owned |
| | | | | Shares/Units | (%) |
| | | | | (in US\$ thousands) | (%) |
| | Fed Hm Ln Pc Pool 783026 | | Available-for-sale financial assets | US\$ 239 | N/A |
| | Fed Hm Ln Pc Pool B19205 | | " | US\$5,501 | N/A |
| | Fed Hm Ln Pc Pool E01492 | | " | US\$1,544 | N/A |
| | Fed Hm Ln Pc Pool E89857 | | " | US\$1,152 | N/A |
| | Fed Hm Ln Pc Pool G11295 | | " | US\$ 911 | N/A |
| | Fed Hm Ln Pc Pool M80855 | | " | US\$2,526 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$ 348 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$ 187 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$3,108 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$1,603 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$1,727 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$1,185 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$2,782 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$1,383 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$2,358 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$2,233 | N/A |
| | Federal Home Ln Mtg Corp. | | " | US\$2,880 | N/A |
| | Federal National Mort Assoc | | " | US\$2,049 | N/A |
| | Federal National Mortgage Asso | | " | US\$2,879 | N/A |
| | Federal Natl Mtg Assn | | " | US\$1,328 | N/A |
| | Federal Natl Mtg Assn | | " | US\$1,315 | N/A |
| | Federal Natl Mtg Assn | | " | US\$1,372 | N/A |
| | Federal Natl Mtg Assn | | " | US\$2,868 | N/A |
| | Federal Natl Mtg Assn Gtd | | " | US\$1,298 | N/A |
| | Fnma Pool 255883 | | " | US\$2,724 | N/A |
| | Fnma Pool 257245 | | " | US\$3,513 | N/A |
| | Fnma Pool 555549 | | " | US\$1,184 | N/A |
| | Fnma Pool 555715 | | " | US\$ 142 | N/A |
| | Fnma Pool 632399 | | " | US\$ 337 | N/A |
| | Fnma Pool 662401 | | " | US\$ 451 | N/A |
| | Fnma Pool 667766 | | " | US\$1,068 | N/A |
| | Fnma Pool 680932 | | " | US\$ 952 | N/A |
| | Fnma Pool 681393 | | " | US\$2,045 | N/A |
| | Fnma Pool 685116 | | " | US\$ 489 | N/A |
| | Fnma Pool 691283 | | " | US\$3,039 | N/A |
| | Fnma Pool 694287 | | " | US\$ 17 | N/A |
| | Fnma Pool 703711 | | " | US\$ 402 | N/A |

| | | | |
|------------------|---|----------|-----|
| Fnma Pool 725095 | " | US\$ 865 | N/A |
| Fnma Pool 730033 | " | US\$ 138 | N/A |
| Fnma Pool 740934 | " | US\$ 889 | N/A |
| Fnma Pool 742232 | " | US\$ 13 | N/A |
| Fnma Pool 750798 | " | US\$ 18 | N/A |
| Fnma Pool 773246 | " | US\$ 183 | N/A |
| Fnma Pool 793932 | " | US\$ 367 | N/A |
| Fnma Pool 794040 | " | US\$ 579 | N/A |
| Fnma Pool 795548 | " | US\$ 133 | N/A |
| Fnma Pool 799664 | " | US\$ 77 | N/A |
| Fnma Pool 799868 | " | US\$ 26 | N/A |
| Fnma Pool 804764 | " | US\$ 303 | N/A |
| Fnma Pool 804852 | " | US\$ 264 | N/A |
| Fnma Pool 804962 | " | US\$ 323 | N/A |
| Fnma Pool 805163 | " | US\$ 347 | N/A |
| Fnma Pool 806642 | " | US\$ 457 | N/A |

(Continued)

December 31, 2018

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value (in US\$ in Thousands) | Shares/Units (in Thousands) | Percent Ownership |
|--|-------------------------------|-------------------------------------|--|--------------------------------|-------------------|
| Monetta Pool 806721 | | Available-for-sale financial assets | US\$ 548 | | N/A |
| Monetta Pool 814418 | | " | US\$ 297 | | N/A |
| Monetta Pool 815626 | | " | US\$ 1,833 | | N/A |
| Monetta Pool 819423 | | " | US\$ 453 | | N/A |
| Monetta Pool 821129 | | " | US\$ 430 | | N/A |
| Monetta Pool 888499 | | " | US\$ 1,588 | | N/A |
| Monetta Pool 888502 | | " | US\$ 204 | | N/A |
| Monetta Pool 888507 | | " | US\$ 783 | | N/A |
| Monetta Pool 888515 | | " | US\$ 847 | | N/A |
| Monetta Pool 888519 | | " | US\$ 99 | | N/A |
| Monetta Pool 888527 | | " | US\$ 57 | | N/A |
| Monetta Pool 888738 | | " | US\$ 3,776 | | N/A |
| Monetta Pool 888793 | | " | US\$ 4,242 | | N/A |
| Monetta Pool 900296 | | " | US\$ 2,415 | | N/A |
| Monetta Ii Pool 081150 | | " | US\$ 331 | | N/A |
| Monetta Ii Pool 081153 | | " | US\$ 1,030 | | N/A |
| Monetta Pool 646061 | | " | US\$ 2,468 | | N/A |
| Government Natl Mtg Assn Gtd | | " | US\$ 1,861 | | N/A |
| Federal Home Ln Bank | | " | US\$ 5,305 | | N/A |
| Federal Farm Cr Bks | | " | US\$ 3,610 | | N/A |
| Federal Farm Credit Bank | | " | US\$ 3,433 | | N/A |
| Federal Home Ln Bks | | " | US\$ 3,854 | | N/A |
| Federal Home Ln Bks | | " | US\$ 5,320 | | N/A |
| Federal Home Ln Bks | | " | US\$ 4,148 | | N/A |
| Federal Home Ln Mtg | | " | US\$ 5,340 | | N/A |
| Federal Home Ln Mtg Corp. | | " | US\$ 3,428 | | N/A |
| Federal Home Ln Mtg Corp. | | " | US\$ 3,560 | | N/A |
| Federal Home Ln Mtg Corp. | | " | US\$ 3,743 | | N/A |
| Federal Home Loan Bank | | " | US\$ 4,710 | | N/A |
| Federal Natl Mtg Assn | | " | US\$ 4,134 | | N/A |
| Federal Natl Mtg Assn | | " | US\$ 3,713 | | N/A |
| Federal Natl Mtg Assn | | " | US\$ 4,169 | | N/A |
| Federal Natl Mtg Assn | | " | US\$ 3,809 | | N/A |
| Federal Natl Mtg Assn Mtn | | " | US\$ 3,108 | | N/A |
| Corporate issued asset-backed securities | | | | | |
| Banc Amer Coml Mtg Inc. | | Available-for-sale financial assets | US\$ 4,584 | | N/A |

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| | | | |
|---------------------------------|---|-----------|-----|
| Banc Amer Fdg 2006 I Tr | " | US\$2,066 | N/A |
| Bear Stearns Adjustable Rate | " | US\$ 60 | N/A |
| Bear Stearns Arm Tr | " | US\$1,909 | N/A |
| Bear Stearns Arm Tr | " | US\$1,160 | N/A |
| Bear Stearns Arm Tr | " | US\$ 129 | N/A |
| Bear Stearns Coml Mtg Secs Inc. | " | US\$ 96 | N/A |
| Bear Stearns Coml Mtg Secs Inc. | " | US\$2,690 | N/A |
| Cbass Tr | " | US\$ 709 | N/A |
| Chase Mtg Fin Tr | " | US\$ 576 | N/A |
| Chase Mtg Fin Tr | " | US\$1,171 | N/A |
| Chase Mtg Fin Tr | " | US\$1,704 | N/A |
| Chase Mtge Finance Corp. | " | US\$ 865 | N/A |
| Cit Equip Coll Tr | " | US\$3,884 | N/A |
| Credit Suisse First Boston Mtg | " | US\$ 439 | N/A |
| Credit Suisse First Boston Mtg | " | US\$1,513 | N/A |
| Credit Suisse First Boston Mtg | " | US\$4,349 | N/A |

(Continued)

December 31, 2013

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value | | Percent Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------|-------------------|
| | | | Shares/Units (in thousands) | (US\$ in thousands) | |
| First Franklin Mtg Ln Tr | | Available-for-sale financial assets | | US\$ 413 | N/A |
| First Horizon | | " | | US\$ 29 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,051 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 4,715 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,019 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 991 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,237 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 485 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 588 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 630 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 559 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 3,495 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 660 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,515 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,074 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,331 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 288 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 158 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 147 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,041 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 3,163 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,925 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 114 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,521 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 1,641 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,405 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,632 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,391 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 845 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | | US\$ 2,088 | N/A |
| Corporate bonds | | | | | |
| American Gen Fin Corp. Mtn | | Available-for-sale financial assets | | US\$ 1,156 | N/A |
| Manhattan Corp. New | | " | | US\$ 1,505 | N/A |
| Manhattan Corp. New | | " | | US\$ 2,066 | N/A |
| Manhattan Corp. New | | " | | US\$ 3,353 | N/A |
| Credit Suisse First Boston USA | | " | | US\$ 347 | N/A |

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| | | | |
|-------------------------------|---|------------|-----|
| Deutsche Bank Ag London | " | US\$ 3,013 | N/A |
| Jeet Boston Corp. | " | US\$ 2,589 | N/A |
| General Elec Cap Corp. Mtn | " | US\$ 2,988 | N/A |
| General Elec Cap Corp. Mtn | " | US\$ 673 | N/A |
| Goldman Sachs Group | " | US\$ 2,029 | N/A |
| J.P. Morgan Chase | " | US\$ 1,994 | N/A |
| Wellon Fdg Corp. | " | US\$ 2,669 | N/A |
| J.P. Morgan Stanley | " | US\$ 4,552 | N/A |
| US Bancorp Mtn Bk Ent | " | US\$ 1,369 | N/A |
| Wachovia Corp. New | " | US\$ 3,135 | N/A |
| Wells Fargo + Co. New Med Trm | " | US\$ 4,493 | N/A |

| | | | |
|--------------------------------|-------------------------------------|------------|-----|
| Money market funds | | | |
| Wega Cash Mgmt Global Offshore | Available-for-sale financial assets | US\$30,435 | N/A |
| Government bonds | | | |
| United States Treas Nts | Available-for-sale financial assets | US\$10,374 | N/A |

(Concluded)

TABLE 2

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 YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Security Type and | Financial Statement Account | Counter-party Relationship | Nature of Shares/Units (in Thousands) | Beginning Balance | | Acquisition | | Disposition | |
|-------------------|-------------------------------------|---|---------------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | | | | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) |
| | Available-for-sale financial assets | National Investment Trust Co., Ltd. | | 12,239 | \$2,045,935 | 6,257 | \$1,058,000 | 18,496 | \$3,119,140 |
| | " | Fuh Hwa Investment Trust Co., Ltd. | | 132,997 | 1,801,674 | 129,864 | 1,775,000 | 262,861 | 3,598,480 |
| and | " | National Investment Trust Co., Ltd. | | 103,016 | 1,474,856 | 153,113 | 2,214,000 | 256,129 | 3,703,023 |
| and | " | ING Securities Investment Trust Co., Ltd. | | 85,581 | 1,310,030 | 140,522 | 2,170,000 | 226,103 | 3,497,877 |
| ond Fund | " | Prudential Financial Securities Investment Trust Enterprise | | 83,306 | 1,236,728 | | | 83,306 | 1,245,214 |
| ond Fund | " | Uni-President Assets Management Corp. | | 77,128 | 1,208,799 | 120,183 | 1,900,000 | 197,311 | 3,125,566 |
| ond Fund | " | JF Asset Management (Taiwan) Ltd. | | 59,049 | 915,252 | 45,425 | 712,000 | 104,474 | 1,635,181 |
| ond Fund | " | ING Securities Investment Trust Co., Ltd. | | 54,621 | 878,682 | 60,839 | 988,000 | 115,460 | 1,877,230 |
| ment Trust | " | Taishin Investment Trust Co., Ltd. | | 68,945 | 718,556 | | | 68,945 | 724,340 |
| and | " | | | 54,469 | 705,033 | | | 54,469 | 708,863 |

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| | | | | | | | | |
|-------------|-------------------------------------|--|--------|-----------|---------|-----------|---------|-----------|
| | | AIG Global Asset Management Corporation (Taiwan) Ltd. | | | | | | |
| | " | Cathay Securities Investment Trust Co., Ltd. | 60,126 | 703,824 | | | 60,126 | 709,289 |
| Fund | " | Allianz Global Investors Taiwan Ltd. | 54,319 | 639,542 | | | 54,319 | 644,310 |
| Fund | " | JF Asset Management (Taiwan) Ltd. | 35,324 | 504,206 | | | 35,324 | 508,184 |
| Management | " | HSBC Asset Management (Taiwan) Ltd. | 27,416 | 413,504 | | | 27,416 | 416,788 |
| | " | INVESCO Taiwan Limited | 27,176 | 410,054 | | | 27,176 | 412,892 |
| Fund | " | IBT Asset Magement Co., Ltd. | | | 74,771 | 1,000,000 | 74,771 | 1,002,474 |
| | " | PCA Securities Investment Trust Co., Ltd. | | | 187,050 | 2,400,000 | 187,050 | 2,411,016 |
| | " | Capital Investment Trust Corporation | | | 228,072 | 3,480,000 | 228,072 | 3,491,264 |
| nd Series B | Available-for-sale financial assets | Grand Cathay Securities Corp. and several financial institutions | | 1,197,121 | | | | 1,203,434 |
| nd Series G | " | " | | 200,065 | | | | 201,301 |
| nd Series B | Held-to-maturity financial assets | Sinopac Securities Corp. and several financial institutions | | | | 249,603 | | |
| nd Series H | " | " | | 400,709 | | 299,852 | | |
| td | Available-for-sale financial assets | Grand Cathay Securities | | | | 2,000,000 | | |

Corp. and
several
financial
institutions

(Continued)

| e and | Financial Statement Account | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal (1) | |
|-------|--|---|-----------------------------------|----------------------------------|---|----------------------------------|-----------------------------------|----------------------------------|
| | | | 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) |
| | Held-to-maturity financial assets | Grand Cathay Securities Corp. and several financial institutions | | \$ | | \$ 198,914 | | \$ |
| | " | " | | 3,581,667 | | 959,827 | | |
| | " | " | | 2,630,064 | | 3,192,915 | | |
| | " | " | | 391,134 | | 1,984,471 | | |
| | " | " | | 1,804,346 | | 2,486,383 | | |
| | Investments accounted for using equity method | Subsidiary | | 906,536 | | 466,783 | | |
| | Held-to-maturity financial assets | BNP PARIBAS, London | | | | US\$ 20,864 | | |
| | " | " | | | | US\$ 20,316 | | |
| | Held-to-maturity financial assets | BNP PARIBAS, London | | | | US\$ 20,478 | | |
| | Available-for-sale financial assets | PCA Securities Investment Trust Co., Ltd. | | | 19,654 | 252,000 | 19,654 | 252,536 |
| und | " | Prudential Financial Securities Investment | | | 18,087 | 271,000 | 18,087 | 271,331 |

| | | | | | | | | | |
|--------------------|-----------------|--------|------|---------|------|--------|-------|---------|-------|
| und | Trust | | | | | | | | |
| | Enterprise | | | | | | | | |
| | Uni-President | 17,430 | | 275,000 | | 17,430 | | 275,390 | |
| | Assets | | | | | | | | |
| | Management | | | | | | | | |
| | Corp. | | | | | | | | |
| | Cathay | 16,096 | | 190,000 | | 16,096 | | 190,077 | |
| | Securities | | | | | | | | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | National | 15,575 | | 225,000 | | 15,575 | | 225,206 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | IBT Asset | 13,383 | | 170,000 | | 13,383 | | 170,333 | |
| | Magement Co., | | | | | | | | |
| | Ltd. | | | | | | | | |
| | ING Securities | 13,262 | | 205,000 | | 13,262 | | 205,393 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd | | | | | | | | |
| | IBT Asset | 11,631 | | 155,000 | | 11,631 | | 155,255 | |
| | Magement Co., | | | | | | | | |
| | Ltd. | | | | | | | | |
| | Fuh Hwa | 12,602 | | 172,000 | | 12,602 | | 172,353 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | Mega | 12,484 | | 147,000 | | 12,484 | | 147,117 | |
| | International | | | | | | | | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | Polaris | 10,042 | | 154,000 | | 10,042 | | 154,298 | |
| | Securities | | | | | | | | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | National | 796 | | 135,000 | | 796 | | 135,133 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| Available-for-sale | | | | 3,716 | US\$ | 3,741 | | | |
| financial assets | | | | | | | | | |
| | | 9,000 | US\$ | 8,977 | | | 9,000 | US\$ | 9,002 |
| | | | | | | | | | |
| | | 9,000 | US\$ | 8,939 | | | 9,000 | US\$ | 9,162 |
| | | | | | | | | | |
| | | 9,000 | US\$ | 8,939 | | | 9,000 | US\$ | 9,003 |
| | | | | | | | | | |
| | | 3,725 | US\$ | 3,721 | | | | | |
| | | | | | | | | | |
| | | 5,000 | US\$ | 4,965 | | | 5,000 | US\$ | 5,003 |
| | | | | | | | | | |
| | | 5,000 | US\$ | 4,980 | | | 5,000 | US\$ | 4,999 |
| | | | | | | | | | |
| | | 7,100 | US\$ | 7,204 | | | 7,100 | US\$ | 7,420 |

(Continued)

| Account | Financial Statement | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal (Net) | |
|-------------------------------------|-------------------------------------|----------------------------|-------------------|---------------------|----------------|---------------------|---------------------|---------------------|
| | | | Amount | | Shares/Units | Amount | Amount | |
| | | | (in Thousands) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| Available-for-sale financial assets | | | US\$ | | 12,100 | US\$ 12,464 | 8,100 | US\$ 8,399 |
| " | | | 18,665 | US\$ 19,023 | | | 18,665 | US\$ 19,403 |
| " | | | 21,900 | US\$ 22,342 | | | 21,900 | US\$ 22,473 |
| " | | | | | 5,000 | US\$ 5,186 | | |
| Bank | | | | | 7,200 | US\$ 7,241 | 7,200 | US\$ 7,475 |
| Bank | | | | | 3,375 | US\$ 3,370 | | |
| Corp. | | | | | 6,700 | US\$ 6,690 | 6,700 | US\$ 6,841 |
| Corp. | | | | | 3,340 | US\$ 3,336 | | |
| Corp. | | | | | 3,500 | US\$ 3,494 | | |
| Corp. | | | | | 7,000 | US\$ 7,572 | 3,500 | US\$ 3,712 |
| Corp. | | | | | 3,391 | US\$ 3,389 | | |
| Corp. | | | | | 3,083 | US\$ 3,170 | | |
| Bank | | | 21,000 | US\$ 21,500 | | | 21,000 | US\$ 21,646 |
| " | | | | | 7,200 | US\$ 7,248 | 7,200 | US\$ 7,424 |
| " | | | | | 3,700 | US\$ 3,700 | | |
| " | | | | | 10,000 | US\$ 10,291 | 6,000 | US\$ 6,138 |
| " | | | 5,000 | US\$ 5,169 | | | 5,000 | US\$ 5,196 |
| " | | | | | 3,500 | US\$ 3,645 | | |
| " | | | | | 3,750 | US\$ 4,151 | | |
| " | | | | | 3,450 | US\$ 3,463 | 3,450 | US\$ 3,450 |
| Corp. Mtn | | | 3,000 | US\$ 2,982 | | | 3,000 | US\$ 3,006 |
| Corp. Mtn | | | 3,200 | US\$ 3,171 | | | 3,200 | US\$ 3,201 |
| " | | | | | 4,173 | US\$ 4,352 | | |
| backed | | | | | | | | |
| Invest Exec | Available-for-sale financial assets | | 9,000 | US\$ 9,118 | | | 9,000 | US\$ 8,710 |
| to Receiva | " | | 3,500 | US\$ 3,498 | | | 3,500 | US\$ 3,414 |
| Tr | " | | 4,335 | US\$ 4,337 | | | 4,335 | US\$ 3,596 |
| " | " | | 5,000 | US\$ 4,998 | | | 5,000 | US\$ 4,926 |
| Owner Tr | " | | 5,000 | US\$ 4,956 | | | 3,658 | US\$ 3,466 |
| Corp. Mtn | Available-for-sale financial assets | | 3,150 | US\$ 3,107 | | | 3,150 | US\$ 3,110 |
| " | " | | 3,250 | US\$ 3,653 | | | 3,250 | US\$ 3,437 |
| " | " | | 20,000 | US\$ 20,402 | | | 20,000 | US\$ 20,409 |
| don | " | | | | 2,995 | US\$ 3,041 | | |

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| | | | | | | | | |
|------------|---|-------|------------|-------------|------------|-------------|------------|----|
| | " | | 10,600 | US\$ 10,577 | 10,600 | US\$ 10,461 | US | |
| | " | | 7,300 | US\$ 7,277 | 7,300 | US\$ 7,492 | US | |
| | " | | 10,600 | US\$ 10,576 | 10,600 | US\$ 10,676 | US | |
| | " | | 7,200 | US\$ 7,182 | 7,200 | US\$ 7,596 | US | |
| . Mtn | " | 4,000 | US\$ 3,978 | | 4,000 | US\$ 4,042 | US | |
| . Mtn | " | 3,000 | US\$ 3,047 | | 3,000 | US\$ 3,070 | US | |
| | " | 3,000 | US\$ 3,263 | | 3,000 | US\$ 3,060 | US | |
| Fdg Ii Mtn | " | 4,750 | US\$ 5,111 | | 4,750 | US\$ 4,707 | US | |
| Machs | " | 3,500 | US\$ 3,555 | | 3,500 | US\$ 3,582 | US | |
| ry | " | 3,050 | US\$ 3,053 | | 3,050 | US\$ 3,041 | US | |
| eraufbau | " | | | 8,700 | US\$ 8,679 | 8,700 | US\$ 8,973 | US |
| g Ii Mtn | " | 3,800 | US\$ 3,737 | | 3,800 | US\$ 3,668 | US | |
| al Mtn | " | 3,400 | US\$ 3,366 | | 3,400 | US\$ 3,409 | US | |
| l Fdg I | " | 3,500 | US\$ 3,631 | | 3,500 | US\$ 3,159 | US | |

(Continued)

| Financial Statement Account | Counter-party Relationship | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | |
|--|-------------------------------|---------------------------|-----------------------------------|----------------------------------|---|----------------------------------|-----------------------------------|----------------------------------|
| | | | 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) |
| | | | | | | | | |
| available-for-sale financial assets | | | US\$ 3,500 | US\$ 3,484 | | \$ | US\$ 3,500 | US\$ 3,484 |
| " | | | 3,400 | US\$ 3,372 | | | 3,400 | US\$ 3,372 |
| available-for-sale financial assets | | | 592,180 | US\$592,180 | 1,035,077 | US\$1,035,077 | 1,596,822 | US\$1,596,822 |
| available-for-sale financial assets | | | | | 17,825 | US\$ 17,813 | 17,825 | US\$ 17,813 |
| " | | | | | 31,300 | US\$ 31,414 | 31,300 | US\$ 31,414 |
| " | | | | | 4,200 | US\$ 4,259 | 4,200 | US\$ 4,259 |
| " | | | | | 19,400 | US\$ 19,353 | 19,400 | US\$ 19,353 |
| " | | | | | 20,100 | US\$ 20,057 | 20,100 | US\$ 20,057 |
| " | | | | | 19,500 | US\$ 19,474 | 19,500 | US\$ 19,474 |
| " | | | | | 60,100 | US\$ 60,563 | 60,100 | US\$ 60,563 |
| " | | | | | 20,800 | US\$ 20,751 | 20,800 | US\$ 20,751 |
| " | | | | | 45,300 | US\$ 45,549 | 45,300 | US\$ 45,549 |
| " | | | | | 17,000 | US\$ 16,886 | 17,000 | US\$ 16,886 |
| " | | | | | 67,600 | US\$ 67,804 | 67,600 | US\$ 67,804 |
| " | | | | | 7,800 | US\$ 7,787 | 7,800 | US\$ 7,787 |
| " | | | | | 14,600 | US\$ 14,605 | 14,600 | US\$ 14,605 |
| " | | | | | 26,500 | US\$ 26,636 | 26,500 | US\$ 26,636 |
| " | | | | | 6,400 | US\$ 6,372 | 6,400 | US\$ 6,372 |
| " | | | 25,900 | US\$ 25,924 | | | 25,900 | US\$ 25,924 |
| " | | | | | 14,700 | US\$ 14,887 | 14,700 | US\$ 14,887 |
| " | | | | | 11,500 | US\$ 11,615 | 11,500 | US\$ 11,615 |
| " | | | | | 53,300 | US\$ 54,114 | 53,300 | US\$ 54,114 |
| " | | | | | 4,000 | US\$ 4,057 | 4,000 | US\$ 4,057 |
| " | | | 5,000 | US\$ 5,070 | | | 5,000 | US\$ 5,070 |
| " | | | | | 3,750 | US\$ 3,958 | 3,750 | US\$ 3,958 |
| " | | | 5,500 | US\$ 5,613 | | | 5,500 | US\$ 5,613 |
| " | | | 6,400 | US\$ 6,500 | | | 6,400 | US\$ 6,500 |
| " | | | 41,900 | US\$ 42,509 | | | 41,900 | US\$ 42,509 |
| " | | | | | 4,000 | US\$ 4,200 | 4,000 | US\$ 4,200 |
| " | | | | | 10,266 | US\$ 11,167 | | |
| " | | | 5,000 | US\$ 5,160 | 2,000 | US\$ 2,062 | 7,000 | US\$ 7,222 |
| " | | | | | 10,000 | US\$ 10,525 | 10,000 | US\$ 10,525 |

| | | | | | | | | | |
|---|-------|------|-------|--------|------|--------|--------|------|-----|
| " | 3,250 | US\$ | 3,359 | | | 3,250 | US\$ | 3, | |
| " | | | | 10,000 | US\$ | 10,866 | 10,000 | US\$ | 11, |
| " | 7,500 | US\$ | 7,758 | | | 7,500 | US\$ | 7, | |
| " | | | | 15,000 | US\$ | 16,162 | 15,000 | US\$ | 16, |
| " | 9,500 | US\$ | 9,735 | | | 9,500 | US\$ | 9, | |
| " | | | | 11,250 | US\$ | 12,259 | 11,250 | US\$ | 12, |
| " | | | | 19,700 | US\$ | 19,900 | 19,700 | US\$ | 20, |
| " | | | | 13,300 | US\$ | 13,383 | 13,300 | US\$ | 13, |

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)

TABLE 3

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 YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars)

| Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationships | Prior Transaction Owner | Related Counter-party Relationships | Transfer Date | Amount | Price Reference |
|---------------------------------|--------------------|------------------------------|---|-------------------------|-------------------------|-------------------------------------|---------------|--------|-----------------|
| January 16, 2008 January 19, | \$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 |

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TABLE 4

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 YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars)

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

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to

third parties. For
other related
party
transactions,
prices and terms
were determined
in accordance
with mutual
agreements.

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TABLE 5

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
DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars)

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

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

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

TABLE 6

**Taiwan Semiconductor Manufacturing Company Limited and Investee
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE
 COMPANY EXERCISES SIGNIFICANT INFLUENCE
 DECEMBER 31, 2008**

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

| Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2008 | | Carrying Value (Foreign Currencies in Thousands) | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity at Year End (Lo- (No- (Fo- Curr- Thou- |
|---------------------|--|--|---|---|--|--|--|--|---|
| | | | December 31, 2008 (Foreign Currencies in Thousands) | December 31, 2007 (Foreign Currencies in Thousands) | Share Percentage (in Ownership) | Share Percentage (in Ownership) | | | |
| C Global | Tortola, British Virgin Islands | Investment activities | \$42,327,245 | \$42,327,245 | 1 | 100 | \$45,756,519 | \$ 963,052 | \$ 963,052 |
| C ational | Tortola, British Virgin Islands | Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry | 31,445,780 | 31,445,780 | 987,968 | 100 | 29,637,057 | 2,082,332 | 2,082,332 |
| | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,232,288 | 13,047,681 | 628,223 | 37 | 9,787,275 | 1,041,953 | (1,041,953) |
| C | Singapore | Fabrication and supply of integrated circuits | 5,120,028 | 8,840,895 | 314 | 39 | 6,808,192 | 2,460,149 | 7,268,341 |
| | | | 12,180,367 | 12,180,367 | | 100 | 6,267,128 | (2,904,565) | (2,904,565) |

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| | | | | | | | | | |
|----------------|--|---|-----------|-----------|--------|-----|-----------|-----------|-----|
| C ghai | Shanghai, China | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers | | | | | | | |
| C ers | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 3,730,913 | (973,153) | (9 |
| C North ica | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,435,666 | 144,918 | 14 |
| ec | Taoyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 92,620 | 42 | 1,506,384 | 198,178 | 1 |
| F III | Cayman Islands | Investing in new start-up technology companies | 1,440,241 | 973,459 | | 98 | 1,305,605 | (92,095) | (9 |
| F II | Cayman Islands | Investing in new start-up technology companies | 1,036,422 | 1,095,622 | | 98 | 975,367 | (132,150) | (11 |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 44,904 | 36 | 950,263 | 747,049 | 20 |
| ging nce | Cayman Islands | Investing in new start-up technology companies | 986,797 | 1,019,042 | | 99 | 433,481 | (6,643) | |
| C Japan | Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 100 | 137,617 | 4,943 | |
| C be | Amsterdam, the Netherlands | Marketing activities | 15,749 | 15,749 | | 100 | 124,594 | 38,454 | 1 |
| C Korea | Seoul, Korea | Customer service and | 13,656 | 13,656 | 80 | 100 | 15,117 | 3,232 | |

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| | | | | | | | | | | | | | |
|------------------------|-----------------------|---|------|---------|------|---------|---------|-----|------|---------|------|---------|----|
| | | technical support activities | | | | | | | | | | | |
| C Development II | Delaware, U.S.A. | Investment activities | US\$ | 0,001 | US\$ | 0,001 | 1 | 100 | US\$ | 690,095 | US\$ | 16,011 | No |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 32,289 | US\$ | 43,048 | 42,320 | 97 | US\$ | 25,586 | US\$ | 240 | No |
| C Technology | Delaware, U.S.A. | Engineering support activities | US\$ | 0,001 | US\$ | 0,001 | 1 | 100 | US\$ | 8,408 | US\$ | 1,816 | No |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 7,680 | US\$ | 8,721 | 7,598 | 97 | US\$ | 6,529 | US\$ | (2,156) | No |
| rTech | Washington, U.S.A. | Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices | US\$ | 380,000 | US\$ | 430,000 | 293,637 | 100 | US\$ | 204,558 | US\$ | 27,089 | No |
| a ng pany | Cayman Islands | 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\$ | 69,298 | US\$ | 4,633 | No |
| C da | Ontario, Canada | Engineering support activities | US\$ | 2,300 | US\$ | 2,300 | 2,300 | 100 | US\$ | 2,570 | US\$ | 286 | No |
| a | Hsin-Chu, Taiwan | Manufacturing and selling of electronic parts and providing turn-key services in back-end color | US\$ | 91,041 | US\$ | 91,041 | 253,120 | 89 | US\$ | 122,700 | US\$ | 4,429 | No |

filter
fabrication,
package, test,
and optical
solutions

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

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

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

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TABLE 7

Taiwan Semiconductor Manufacturing Company Limited
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2008

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

| Investee Company | Main Businesses and Products | Total Amount of | | Accumulated Outflow of Investment from Taiwan as of | Outflow of Investment Flows | Accumulated Outflow of Investment from Taiwan as of | Accumulated Equity Inward Investment of the Value of Earnings as of |
|------------------|--|----------------------------------|----------------------|---|-----------------------------|---|---|
| | | Paid-in Capital RMB in Thousand) | Method of Investment | January 1, 2008 (US\$ in Thousand) | in (US\$ in Thousand) | December 31, 2008 (US\$ in Thousand) | December 31, 2008 (US\$ in Thousand) |
| TSMC Shanghai | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$12,180,367 (RMB3,070,623) | (Note 1) | \$12,180,367 (US\$371,000) | \$ \$ | \$12,180,367 (US\$371,000) | 2.98% (Note 2) |

Accumulated Investment in Mainland China as of December 31, 2008 (US\$ in Thousand)

\$12,180,367
(US\$371,000)

Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)

\$12,180,367
(US\$371,000)

Upper Limit on Investment (US\$ in Thousand)

\$12,180,367
(US\$371,000)

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

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

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries
Consolidated Financial Statements for the
Years Ended December 31, 2008 and 2007 and
Independent Auditors Report**

REPRESENTATION LETTER

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

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

/s/ MORRIS CHANG

MORRIS CHANG

Chairman

January 17, 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

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

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

January 17, 2009

Notice to Readers

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

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

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

| | 2008 | | 2007 | |
|---|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 194,613,752 | 35 | \$ 94,986,488 | 16 |
| Financial assets at fair value through profit or loss (Notes 2, 5 and 24) | 55,730 | | 1,632,387 | |
| Available-for-sale financial assets (Notes 2, 6 and 24) | 10,898,715 | 2 | 66,688,368 | 12 |
| Held-to-maturity financial assets (Notes 2, 7 and 24) | 5,881,999 | 1 | 11,526,946 | 2 |
| Receivables from related parties (Note 25) | 407 | | 10,885 | |
| Notes and accounts receivable | 25,023,321 | 4 | 47,204,126 | 8 |
| Allowance for doubtful receivables (Notes 2 and 8) | (455,751) | | (701,807) | |
| Allowance for sales returns and others (Notes 2 and 8) | (6,071,026) | (1) | (4,089,035) | (1) |
| Other receivables from related parties (Note 25) | 99,918 | | 243,620 | |
| Other financial assets (Note 26) | 1,911,699 | | 1,515,527 | |
| Inventories, net (Notes 2 and 9) | 14,876,645 | 3 | 23,862,260 | 4 |
| Deferred income tax assets, net (Notes 2 and 18) | 3,969,330 | 1 | 5,572,334 | 1 |
| Prepaid expenses and other current assets | 1,813,692 | | 1,370,230 | |
| Total current assets | 252,618,431 | 45 | 249,822,329 | 42 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24) | | | | |
| Investments accounted for using equity method | 18,907,158 | 3 | 22,517,289 | 4 |
| Available-for-sale financial assets | 2,032,658 | | 1,400,691 | |
| Held-to-maturity financial assets | 15,426,252 | 3 | 8,697,726 | 2 |
| Financial assets carried at cost | 3,615,447 | 1 | 3,845,619 | 1 |
| Total long-term investments | 39,981,515 | 7 | 36,461,325 | 7 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26) | | | | |
| Cost | | | | |
| Land and land improvements | 953,857 | | 942,197 | |
| Buildings | 132,249,996 | 24 | 118,640,027 | 21 |
| Machinery and equipment | 697,498,743 | 125 | 646,419,427 | 113 |

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| | | | | |
|--|-----------------------|------------|-----------------------|------------|
| Office equipment | 12,430,800 | 2 | 11,829,640 | 2 |
| Leased assets | 722,339 | | 652,296 | |
| | 843,855,735 | 151 | 778,483,587 | 136 |
| Accumulated depreciation | (618,816,267) | (110) | (540,099,567) | (94) |
| Advance payments and construction in progress | 18,605,882 | 3 | 21,868,167 | 4 |
| Net property, plant and equipment | 243,645,350 | 44 | 260,252,187 | 46 |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 6,044,392 | 1 | 5,987,582 | 1 |
| Deferred charges, net (Notes 2 and 13) | 7,125,828 | 1 | 7,923,601 | 2 |
| Total intangible assets | 13,170,220 | 2 | 13,911,183 | 3 |
| OTHER ASSETS | | | | |
| Deferred income tax assets, net (Notes 2 and 18) | 6,636,873 | 1 | 7,313,283 | 1 |
| Refundable deposits | 2,767,199 | 1 | 2,777,769 | 1 |
| Others (Note 2) | 97,001 | | 327,150 | |
| Total other assets | 9,501,073 | 2 | 10,418,202 | 2 |
| TOTAL | \$ 558,916,589 | 100 | \$ 570,865,226 | 100 |

**LIABILITIES AND SHAREHOLDERS
EQUITY**

CURRENT LIABILITIES

| | | | | |
|--|------------|----|------------|---|
| Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24) | \$ 85,187 | | \$ 249,313 | |
| Accounts payable | 5,553,151 | 1 | 11,574,882 | 2 |
| Payables to related parties (Note 25) | 489,857 | | 1,503,376 | 1 |
| Income tax payable (Notes 2 and 18) | 9,331,825 | 2 | 11,126,128 | 2 |
| Bonuses payable to employees, directors and supervisors (Notes 3 and 20) | 15,369,730 | 3 | | |
| Payables to contractors and equipment suppliers | 7,998,773 | 1 | 6,256,732 | 1 |
| Accrued expenses and other current liabilities (Notes 16 and 28) | 9,755,835 | 2 | 17,714,763 | 3 |
| Current portion of bonds payable and bank loans (Notes 14, 15 and 26) | 8,222,398 | 1 | 280,813 | |
| Total current liabilities | 56,806,756 | 10 | 48,706,007 | 9 |

LONG-TERM LIABILITIES

| | | | | |
|--|-----------|---|------------|---|
| Bonds payable (Note 14) | 4,500,000 | 1 | 12,500,000 | 2 |
| Long-term bank loans (Notes 15 and 26) | 1,420,476 | | 1,722,196 | |
| Other long-term payables (Notes 16 and 28) | 9,548,226 | 2 | 9,409,978 | 2 |
| Obligations under capital leases (Note 2) | 722,339 | | 652,296 | |

| | | | | |
|-----------------------------|------------|---|------------|---|
| Total long-term liabilities | 16,191,041 | 3 | 24,284,470 | 4 |
|-----------------------------|------------|---|------------|---|

OTHER LIABILITIES

| | | | | |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 17) | 3,701,584 | 1 | 3,665,522 | 1 |
| Guarantee deposits (Note 28) | 1,484,495 | | 2,243,009 | |
| Deferred credits (Notes 2 and 25) | 316,537 | | 1,236,873 | |
| Others | 43,709 | | 43,774 | |

| | | | | |
|-------------------------|-----------|---|-----------|---|
| Total other liabilities | 5,546,325 | 1 | 7,189,178 | 1 |
|-------------------------|-----------|---|-----------|---|

| | | | | |
|-------------------|------------|----|------------|----|
| Total liabilities | 78,544,122 | 14 | 80,179,655 | 14 |
|-------------------|------------|----|------------|----|

EQUITY ATTRIBUTABLE TO
SHAREHOLDERS OF THE PARENT

Capital stock \$10 par value (Notes 20 and 22)

Authorized: 28,050,000 thousand shares

Issued: 25,625,437 thousand shares in 2008

| | | | | |
|------------------------------------|-------------|----|-------------|----|
| 26,427,104 thousand shares in 2007 | 256,254,373 | 46 | 264,271,037 | 46 |
|------------------------------------|-------------|----|-------------|----|

| | | | | |
|----------------------------------|------------|---|------------|---|
| Capital surplus (Notes 2 and 20) | 49,875,255 | 9 | 53,732,682 | 9 |
|----------------------------------|------------|---|------------|---|

Retained earnings (Note 20)

| | | | | |
|---------------------------------------|------------|----|------------|----|
| Appropriated as legal capital reserve | 67,324,393 | 12 | 56,406,684 | 10 |
|---------------------------------------|------------|----|------------|----|

| | | | | |
|---|---------|--|---------|--|
| Appropriated as special capital reserve | 391,857 | | 629,550 | |
|---|---------|--|---------|--|

| | | | | |
|-------------------------|-------------|----|-------------|----|
| Unappropriated earnings | 102,337,417 | 18 | 161,828,337 | 28 |
|-------------------------|-------------|----|-------------|----|

| | | | | |
|--|-------------|----|-------------|----|
| | 170,053,667 | 30 | 218,864,571 | 38 |
|--|-------------|----|-------------|----|

Others (Notes 2, 22 and 24)

| | | | | |
|------------------------------------|---------|--|-------------|--|
| Cumulative translation adjustments | 481,158 | | (1,072,853) | |
|------------------------------------|---------|--|-------------|--|

| | | | | |
|---|-----------|--|---------|--|
| Unrealized gain/loss on financial instruments | (287,342) | | 680,997 | |
|---|-----------|--|---------|--|

| | | | | |
|---|--|--|--------------|-----|
| Treasury stock: 834,096 thousand shares | | | (49,385,032) | (8) |
|---|--|--|--------------|-----|

| | | | | |
|--|---------|--|--------------|-----|
| | 193,816 | | (49,776,888) | (8) |
|--|---------|--|--------------|-----|

| | | | | |
|---|-------------|----|-------------|----|
| Equity attributable to shareholders of the parent | 476,377,111 | 85 | 487,091,402 | 85 |
|---|-------------|----|-------------|----|

| | | | | |
|-----------------------------|----------------|-----|----------------|-----|
| MINORITY INTERESTS (Note 2) | 3,995,356 | 1 | 3,594,169 | 1 |
| Total shareholders equity | 480,372,467 | 86 | 490,685,571 | 86 |
| TOTAL | \$ 558,916,589 | 100 | \$ 570,865,226 | 100 |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated January 17, 2009)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

| | | | | |
|--------------------------------------|------------|---|------------|---|
| Total non-operating income and gains | 10,821,449 | 3 | 11,933,803 | 4 |
|--------------------------------------|------------|---|------------|---|

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

| | Equity Attributable to Shareholders of the Parent | | | | | Others | | Others Total | |
|------|---|------------------|--------------------|----------------------------|----------------|--|--|-----------------|-------------------|
| | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Cumulative Translation Adjustments | Unrealized Gain (Loss) on Financial Instruments | | Treasury Stock |
| 2009 | \$ 54,107,498 | \$ 43,705,711 | \$ 640,742 | \$ 152,778,079 | \$ 197,124,532 | \$ (1,191,165) | \$ 561,615 | \$ (918,075) | \$ (1,547,625) |
| | | 12,700,973 | | (12,700,973) | | | | | |
| | | | (11,192) | 11,192 | | | | | |
| | | | | (4,572,798) | (4,572,798) | | | | |
| | | | | (4,572,798) | (4,572,798) | | | | |
| | | | | (77,489,064) | (77,489,064) | | | | |
| | | | | (516,594) | (516,594) | | | | |
| | | | | (285,800) | (285,800) | | | | |
| | (774,891) | | | | | | | | |
| | | | | 109,177,093 | 109,177,093 | | | | |
| | (28,639) | | | | | | | | |

| | | | | | | | | | |
|---|------------|------------|-----------|--------------|--------------|-------------|-----------|--------------|--------------|
| | | | | | | 118,312 | | | 118,312 |
| 5 | 326,952 | | | | | | | | |
| | 101,762 | | | | | | | | |
| | | | | | | | 241,821 | | 241,821 |
| | | | | | | | (122,439) | | (122,439) |
| | | | | | | | | (48,466,957) | (48,466,957) |
| 7 | 53,732,682 | 56,406,684 | 629,550 | 161,828,337 | 218,864,571 | (1,072,853) | 680,997 | (49,385,032) | (49,776,888) |
| | | 10,917,709 | | (10,917,709) | | | | | |
| | | | (237,693) | 237,693 | | | | | |
| | | | | (3,939,883) | (3,939,883) | | | | |
| 3 | | | | (3,939,883) | (3,939,883) | | | | |
| | | | | (76,881,311) | (76,881,311) | | | | |

| | | | | | | | |
|----|---------------|---------------|--------------|----------------|----------------|--------------|--------------|
| 2 | | (512,542) | (512,542) | | | | |
| | | (176,890) | (176,890) | | | | |
| 3 | (768,813) | | | | | | |
| | | 99,933,168 | 99,933,168 | | | | |
| | (137,063) | | | | | | |
| | | | | | 1,554,011 | | 1,554,011 |
| 6 | 166,884 | | | | | | |
| | 102,279 | | | | | | |
| | | | | | (826,251) | | (826,251) |
| | | | | | (142,088) | | (142,088) |
| | | | | | | (30,427,413) | (30,427,413) |
| 8) | (3,220,714) | (63,293,563) | (63,293,563) | | | 79,812,445 | 79,812,445 |
| 3 | \$ 49,875,255 | \$ 67,324,393 | \$ 391,857 | \$ 102,337,417 | \$ 170,053,667 | \$ 481,158 | \$ (287,342) |
| | | | | | | | \$ 193,816 |

The accompanying notes are an integral part of the consolidated financial statements.
 (With Deloitte & Touche audit report dated January 17, 2009)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

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

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| | | |
|---|--------------|--------------|
| Available-for-sale financial assets | (85,273,867) | (87,550,197) |
| Held-to-maturity financial assets | (16,523,275) | |
| Investments accounted for using equity method | (55,871) | (5,803,826) |
| Financial assets carried at cost | (463,211) | (911,323) |
| | | (Continued) |

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

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

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| | | |
|--|----------------|---------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 194,613,752 | \$ 94,986,488 |
|--|----------------|---------------|

SUPPLEMENTAL INFORMATION

| | | |
|---------------|------------|------------|
| Interest paid | \$ 676,318 | \$ 922,079 |
|---------------|------------|------------|

| | | |
|-----------------|---------------|--------------|
| Income tax paid | \$ 10,477,018 | \$ 7,585,727 |
|-----------------|---------------|--------------|

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

| | 2008 | 2007 |
|---|---------------|---------------|
| INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 60,978,527 | \$ 78,889,954 |
| Decrease (increase) in payables to contractors and equipment suppliers | (1,742,041) | 5,111,031 |
| Increase in obligations under capital leases | (13,832) | |
| Cash paid | \$ 59,222,654 | \$ 84,000,985 |
| Repurchase of treasury stock | \$ 30,427,413 | \$ 48,466,957 |
| Decrease (increase) in accrued expenses and other current liabilities | 3,053,584 | (3,053,584) |
| Cash paid | \$ 33,480,997 | \$ 45,413,373 |
| NONCASH FINANCING ACTIVITIES | | |
| Current portion of bonds payable and long-term liabilities | \$ 8,222,398 | \$ 280,813 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 1,126,546 | \$ 3,735,875 |
| <p>The Company acquired controlling interests in XinTec Inc. (XinTec) and Mutual-Pak Technology Co., Ltd. (Mutual-Pak) in March 2007 and July 2007, respectively, and consolidated the revenue/income and expenses/losses of these two subsidiaries from the respective acquisition dates. Fair values of assets acquired and liabilities assumed at acquisition were as follows:</p> | | |
| Current assets | | \$ 3,101,718 |
| Property, plant and equipment | | 2,339,546 |
| Other assets | | 436,692 |
| Current liabilities | | (1,937,407) |
| Long-term liabilities | | (701,855) |
| Net amount | | \$ 3,238,694 |
| Purchase price for XinTec and Mutual-Pak | | \$ 1,413,585 |
| Less: Cash balance of XinTec and Mutual-Pak at acquisition | | (1,009,140) |
| Net cash paid for acquisition of XinTec and Mutual-Pak | | \$ 404,445 |

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

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

(Concluded)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

1. GENERAL

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

| Name of Investor | Name of Investee | Percentage of Ownership December 31 | | Remark |
|------------------|---|--|-------|---|
| | | 2008 | 2007 | |
| TSMC | TSMC North America | 100% | 100% | |
| | TSMC Japan Limited (TSMC Japan) | 100% | 100% | |
| | TSMC Korea Limited (TSMC Korea) | 100% | 100% | |
| | Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 100% | 100% | |
| | TSMC International Investment Ltd. (TSMC International) | 100% | 100% | |
| | TSMC Global Ltd. (TSMC Global) | 100% | 100% | |
| | TSMC (Shanghai) Company Limited (TSMC Shanghai) | 100% | 100% | |
| | Chi Cherng Investment Co., Ltd. (Chi Cherng) | | 36% | TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng as of December 31, 2007. In July 2008, Chi Cherng was merged by Hsin Ruey. |
| | Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | | 36% | TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey as of December 31, 2007. In August 2008, Hsin Ruey was merged by TSMC. |
| | VentureTech Alliance Fund III, L.P. (VTAF III) | 98% | 98% | |
| | VentureTech Alliance Fund II, L.P. (VTAF II) | 98% | 98% | |
| | Emerging Alliance Fund, L.P. (Emerging Alliance) | 99.5% | 99.5% | |
| | 36% | 37% | | |

| | | | | |
|---|---|---------|---------|---|
| | Global Unichip Corporation (GUC) | | | GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC. TSMC obtained three out of five director positions in March 2007 and TSMC has a controlling interest in XinTec. |
| | XinTec Inc. (XinTec) | 42% | 43% | |
| | TSMC Partners, Ltd. (TSMC Partners) | 100% | 100% | |
| TSMC International | TSMC Technology, Inc. (TSMC Technology) | 100% | 100% | |
| | TSMC Development, Inc. (TSMC Development) | 100% | 100% | |
| | InveStar Semiconductor Development Fund, Inc. (ISDF) | 97% | 97% | |
| | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | 97% | 97% | |
| TSMC Development | WaferTech, LLC (WaferTech) | 99.996% | 99.996% | |
| VTAF III | Mutual-Pak Technology Co., Ltd. (Mutual-Pak) | 51% | 51% | |
| | Growth Fund Limited (Growth Fund) | 100% | | Newly established. |
| VTAF III, VTAF II and Emerging Alliance | VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | 100% | 100% | |

(Continued)

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

(Concluded)

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

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

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

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

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

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the balance sheet date. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods. The Company assesses the impact of changing technology on its inventories on hand and writes off inventories that are considered obsolete. Year-end inventories are evaluated for estimated excess quantities and obsolescence.

based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

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Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, Long-term Investments Accounted for Using the Equity Method, the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). If there is objective evidence which indicates that a investment is impaired, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

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

Financial Assets Carried at Cost

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

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

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

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

repairs are expensed as incurred.

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

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

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

Intangible Assets

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised Statement of Financial Accounting Standards No. 25, Business Combinations Accounting Treatment under Purchase Method, goodwill is no longer amortized and instead is tested for impairment annually. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized over the following periods: Technology license fees the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges 2 to 5 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

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

Pension Costs

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

Government Subsidies

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

Income Tax

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

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

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

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

Stock-based Compensation

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

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When TSMC retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus and 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 and treasury stock transactions and to retained earnings for any remaining amount.

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

Foreign-currency Transactions

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

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

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Translation of Foreign-currency Financial Statements

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

Recent Accounting Pronouncements

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

Reclassification

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

3. ACCOUNTING CHANGES

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

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39,

Accounting for Share-based Payment, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's consolidated financial statements as of and for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

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

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

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

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

Outstanding forward exchange contracts consisted of the following:

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

Outstanding cross currency swap contracts consisted of the following:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|----------------------|---|---|---|
|----------------------|---|---|---|

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December 31, 2008

| | | | |
|--------------|----------------------------|-------------|-------------|
| January 2009 | US\$307,000/NT\$10,061,232 | 0.54%-5.00% | 0.00%-3.83% |
|--------------|----------------------------|-------------|-------------|

December 31, 2007

| | | | |
|-------------------------------|----------------------------|-------------|-------------|
| January 2008 to February 2008 | US\$975,000/NT\$31,630,180 | 3.53%-5.60% | 0.02%-3.01% |
|-------------------------------|----------------------------|-------------|-------------|

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|--------------------------|---------------|---------------|
| | 2008 | 2007 |
| Corporate bonds | \$ 18,158,679 | \$ 10,900,247 |
| Government bonds | 1,506,572 | 7,824,425 |
| Structured time deposits | 1,643,000 | 1,500,000 |
| | 21,308,251 | 20,224,672 |
| Current portion | (5,881,999) | (11,526,946) |

\$ 15,426,252 \$ 8,697,726

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

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

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

8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

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

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

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

9. INVENTORIES

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

In August 2007, the Company acquired 169,600 thousand shares in VIS for NT\$4,927,865 thousand; after the acquisition, the Company's percentage of ownership in VIS increased from 27% to 37%.

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

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

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

Years Ended December 31

| | 2008 | 2007 |
|----------------------------|--------------|--------------|
| Balance, beginning of year | \$ 2,589,742 | \$ 952,159 |
| Addition | | 1,968,622 |
| Amortization | (599,121) | (331,039) |
| | | |
| Balance, end of year | \$ 1,990,621 | \$ 2,589,742 |

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

11. FINANCIAL ASSETS CARRIED AT COST

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

Net \$ 260,252,187 \$ 243,645,350

Year Ended December 31, 2007

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

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

13. DEFERRED CHARGES, NET

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

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

14. BONDS PAYABLE

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

\$ 4,500,000 \$ 12,500,000

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

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2009 | \$ 8,000,000 |
| 2012 | 4,500,000 |
| | \$ 12,500,000 |

15. LONG-TERM BANK LOANS

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

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

(Concluded)

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC-Shanghai as well as semi-annual and annual financial statements of XinTec must comply with predetermined financial covenants. As of December 31, 2008, TSMC Shanghai and XinTec were in compliance with all such financial covenants.

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

| Year of Repayment | Amount |
|--------------------------|---------------------|
| 2009 | \$ 222,398 |
| 2010 | 916,847 |
| 2011 | 212,269 |
| 2012 | 174,816 |
| 2013 and thereafter | 116,544 |
| | \$ 1,642,874 |

16. OTHER LONG-TERM PAYABLES

| | December 31 | |
|--|--------------------|--------------|
| | 2008 | 2007 |
| Payables for acquisition of property, plant and equipment (Note 28i) | \$ 8,579,726 | \$ 7,908,516 |

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| | | |
|---|--------------|--------------|
| Payables for royalties | 2,095,046 | 5,174,644 |
| | 10,674,772 | 13,083,160 |
| Current portion (classified under accrued expenses and other current liabilities) | (1,126,546) | (3,673,182) |
| | \$ 9,548,226 | \$ 9,409,978 |

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

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

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

17. PENSION PLANS

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

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

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

a. Components of net periodic pension cost for the year

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

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

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

c. Actuarial assumptions at December 31, 2008 and 2007

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

d. Contributions to the Funds for the year

| | |
|------------|------------|
| \$ 206,873 | \$ 209,423 |
|------------|------------|

e. Payments from the Funds for the year

| | |
|-----------|-----------|
| \$ 28,990 | \$ 15,003 |
|-----------|-----------|

18. INCOME TAX

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

| | Years Ended December 31 | |
|---|--------------------------------|---------------|
| | 2008 | 2007 |
| Income tax expense based on income before income tax at statutory rates | \$ 27,970,388 | \$ 30,829,431 |
| The effect of the following: | | |
| Tax-exempt income | (9,670,500) | (7,668,367) |
| Temporary and permanent differences | 2,122,899 | (150,946) |
| Others | 44,073 | |
| Additional tax at 10% on unappropriated earnings | 13,926 | 2,710,909 |

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| | | |
|---------------------------------------|--------------|---------------|
| Net operating loss carryforwards used | (205,234) | (814,120) |
| Income tax credits used | (11,109,313) | (13,899,628) |
| Income tax currently payable | \$ 9,166,239 | \$ 11,007,279 |

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b. Income tax expense consisted of the following:

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

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

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

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

d. Integrated income tax information:

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

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

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

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

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

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

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

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

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

19. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Year Ended December 31, 2008 | | |
|----------------------------|--|-------------------------------|---------------|
| | Classified as | | |
| | Classified as Cost of Sales | Operating Expenses | Total |
| Labor cost | | | |
| Salary and bonus | \$ 19,574,249 | \$ 15,654,567 | \$ 35,228,816 |
| Labor and health insurance | 766,952 | 489,601 | 1,256,553 |
| Pension | 634,730 | 403,962 | 1,038,692 |
| Meal | 474,048 | 188,407 | 662,455 |
| Welfare | 640,817 | 273,055 | 913,872 |
| Others | 262,144 | 171,631 | 433,775 |
| | \$ 22,352,940 | \$ 17,181,223 | \$ 39,534,163 |
| Depreciation | \$ 74,703,223 | \$ 4,033,588 | \$ 78,736,811 |
| Amortization | \$ 1,837,540 | \$ 878,755 | \$ 2,716,295 |

| | Year Ended December 31, 2007 | | |
|----------------------------|--|-------------------------------|---------------|
| | Classified as | | |
| | Classified as Cost of Sales | Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 11,990,153 | \$ 7,562,966 | \$ 19,553,119 |
| Labor and health insurance | 685,922 | 416,131 | 1,102,053 |
| Pension | 646,999 | 404,128 | 1,051,127 |
| Meal | 463,453 | 180,474 | 643,927 |
| Welfare | 249,133 | 266,412 | 515,545 |
| Others | 176,192 | 226,747 | 402,939 |
| | \$ 14,211,852 | \$ 9,056,858 | \$ 23,268,710 |
| Depreciation | \$ 73,070,781 | \$ 4,100,533 | \$ 77,171,314 |
| Amortization | \$ 1,849,917 | \$ 943,064 | \$ 2,792,981 |

20. SHAREHOLDERS EQUITY

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

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

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Capital surplus consisted of the following:

| | December 31 | |
|----------------------------------|----------------------|----------------------|
| | 2008 | 2007 |
| From merger | \$ 22,805,390 | \$ 24,003,546 |
| Additional paid-in capital | 17,962,468 | 19,526,492 |
| From convertible bonds | 8,893,190 | 9,360,424 |
| From long-term investments | 214,152 | 351,215 |
| Donations | 55 | 55 |
| From treasury stock transactions | | 490,950 |
| | \$ 49,875,255 | \$ 53,732,682 |

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;
 - b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
 - c. Bonus to directors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
 - d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.
- TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

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

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

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

paid-in capital, up to 50% of the reserve may be transferred to capital.

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

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

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|------------------------------------|---------------------------|----------------|-------------------------------|------------------------|
| | For Fiscal | For Fiscal | For | For |
| | Year 2007 | Year 2006 | Fiscal Year 2007 | Fiscal Year 2006 |
| 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 | 176,890 | 285,800 | | |
| | \$ 96,130,525 | \$ 100,126,835 | | |

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

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

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

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

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

21. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

| Range of Exercise Price (NT\$) | Number of Options (in Thousands) | Options Outstanding | | Options Exercisable | |
|--------------------------------------|--|---|---|--|---|
| | | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
| \$24.2-\$33.9 | 25,633 | 4.15 | \$ 31.0 | 25,633 | \$ 31.0 |
| 38.2- 50.4 | 10,601 | 5.89 | 45.8 | 8,669 | 45.5 |
| | 36,234 | | 35.3 | 34,302 | 34.6 |

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

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

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

| Year ended December 31, 2008 | Number of Options | Weighted- average Exercise Prices (NT\$) |
|------------------------------|----------------------|--|
| Balance, beginning of year | 7,598 | \$ 60.3 |
| Options granted | 284 | 14.8 |
| Options exercised | (2,115) | 14.0 |
| Options canceled | (210) | 168.4 |
| Balance, end of year | 5,557 | 66.6 |

Year ended December 31, 2007

| | | |
|----------------------------|---------|---------|
| Balance, beginning of year | 7,342 | \$ 14.0 |
| Options granted | 2,053 | 183.6 |
| Options exercised | (1,563) | 10.2 |
| Options canceled | (234) | 13.5 |
| Balance, end of year | 7,598 | 60.3 |

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

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

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

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

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

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|------------------------------|---|---|
| Year ended December 31, 2008 | | |
| Balance, beginning of year | 9,642 | \$15.1 |
| Options exercised | (728) | 12.4 |
| Options canceled | (1,472) | 15.5 |
| Balance, end of year | 7,442 | 14.8 |
| Year ended December 31, 2007 | | |
| Balance, beginning of year | 4,968 | \$13.0 |

| | | |
|----------------------|-------|------|
| Options granted | 5,555 | 17.3 |
| Options canceled | (881) | 14.1 |
| Balance, end of year | 9,642 | 15.1 |

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

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

| Range of Exercise Price (NT\$) | Number of Options (in Thousands) | Options Outstanding | | Options Exercisable | |
|--------------------------------------|--|---|---|--|---|
| | | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
| \$12.4-\$14.3 | 4,050 | 7.90 | \$ 12.7 | 1,425 | \$ 12.4 |
| 15.4- 19.4 | 3,392 | 8.73 | 17.4 | | |
| | 7,442 | | 14.8 | 1,425 | 12.4 |

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

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

22. TREASURY STOCK

(Shares in Thousands)

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

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

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

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

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

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

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23. EARNINGS PER SHARE

EPS is computed as follows:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|---|----------------------|---------------------|---|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| Year ended December 31, 2008 | | | | | |
| Basic EPS | | | | | |
| Earnings attributable to shareholders of the parent | \$ 110,847,835 | \$ 99,933,168 | 25,909,643 | \$ 4.28 | \$ 3.86 |
| Effect of dilutive potential common shares | | | | | |
| Bonus to employees | | | 181,943 | | |
| Stock options | | | 15,090 | | |
| Diluted EPS | | | | | |
| Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares) | \$ 110,847,835 | \$ 99,933,168 | 26,106,676 | \$ 4.25 | \$ 3.83 |
| Year ended December 31, 2007 | | | | | |
| Basic EPS | | | | | |
| Earnings attributable to shareholders of the parent | \$ 120,890,678 | \$ 109,177,093 | 26,870,684 | \$ 4.50 | \$ 4.06 |
| Effect of dilutive potential common shares | | | | | |
| Stock options | | | 21,652 | | |
| Diluted EPS | | | | | |
| Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares) | \$ 120,890,678 | \$ 109,177,093 | 26,892,336 | \$ 4.50 | \$ 4.06 |

As discussed in Note 3, effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record bonuses paid to employees as an expense rather than as an appropriation of earnings. If the Company may settle the obligation by cash, by issuing share, or in combination of both cash and shares, potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of

shares is estimated by dividing the amount of bonus to employees by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholders meeting in the following year.

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

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24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

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

financial assets exposed to cash flow interest rate risk were nil and NT\$7,171,120 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk were NT\$1,642,874 thousand and NT\$2,000,921 thousand, respectively.

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

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

| | Year Ended December 31, 2007 | | |
|--|--|--|--------------|
| | From Available- for-sale Financial Assets | From Available- for-sale Financial Assets Held by Investees | Total |
| Balance, beginning of year | \$ 386,017 | \$ 175,598 | \$ 561,615 |
| Recognized directly in shareholders' equity | 849,823 | (122,439) | 727,384 |
| Removed from shareholders' equity and recognized in earnings | (608,002) | | (608,002) |
| Balance, end of year | \$ 627,838 | \$ 53,159 | \$ 680,997 |

f. Information about financial risk

- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. Subject to recent turmoil in the global financial market, the Company evaluated its financial assets and determined that certain impairment for its asset-backed securities is other-than-temporary. The Company had appropriately recognized related impairment losses.

2)

Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Subject to recent turmoil in the global financial market, the Company evaluated the financial instruments for any possible counter-party or third-party default. As a result of the evaluation, the Company determined that certain financial instruments are exposed to credit risk and had appropriately recognized related impairment losses.

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

25. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

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

c. Others

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

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

Research and development expenses

VisEra

\$ 518

\$ 43,056

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

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

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

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

lease agreement between TSMC and VisEra expired in April 2008.

Compensation of directors and management personnel:

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

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

26. PLEDGED OR MORTGAGED ASSETS

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

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

27. SIGNIFICANT LONG-TERM LEASES

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

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

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

| Year | Amount |
|---------------------|---------------------|
| 2009 | \$ 556,596 |
| 2010 | 489,115 |
| 2011 | 430,132 |
| 2012 | 420,978 |
| 2013 and thereafter | 3,009,030 |
| | \$ 4,905,851 |

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2008, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, TSMC and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between TSMC and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, TSMC will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the TSMC's annual net sales. TSMC and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. TSMC also obtained through Philips (now NXP B.V.) a number of cross patent licenses
- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2008, TSMC had a total of US\$43,421 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions
- f. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.

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

29. ADDITIONAL DISCLOSURES

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

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

30. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

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

b. Geographic information:

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

| | | | | |
|-----------------------|----------------|----------------|-----------------|----------------|
| Identifiable assets | \$ 145,483,411 | \$ 439,675,938 | \$ (50,755,448) | \$ 534,403,901 |
| Long-term investments | | | | 36,461,325 |
| Total assets | | | | \$ 570,865,226 |

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c. Export sales

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

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

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

| | Years Ended December 31 | | | |
|------------|-------------------------|----|---------------|----|
| | 2008 | | 2007 | |
| | Amount | % | Amount | % |
| Customer A | \$ 46,523,059 | 14 | \$ 37,731,028 | 11 |

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| | | | December 31, 2008 |
|--|--|---|--|
| | | | Carrying Per |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units Value (in Thousands) (US\$ in Thousands) |
| Corporate bond | | | |
| Taiwan Mobile Co., Ltd. | | Available-for-sale financial assets | \$ 2,032,658 |
| Taiwan Power Company | | Held-to-maturity financial assets | 4,209,629 |
| Formosa Petrochemical Corporation | | " | 3,554,908 |
| San Ya Plastics Corporation | | " | 3,487,804 |
| Formosa Plastic Corporation | | " | 2,385,285 |
| TPC Corporation, Taiwan | | " | 1,000,124 |
| China Steel Corporation | | " | 1,000,000 |
| Shanghai Commercial & Saving Bank | | " | 299,092 |
| Formosa Chemicals & Fiber Corporation | | " | 199,910 |
| Government bond | | | |
| 2003 Asian Development Bank Govt. bond | | Held-to-maturity financial assets | 873,237 |
| European Investment Bank Bonds | | " | 383,387 |
| 2004 Government Bond Series B | | " | 249,948 |
| Stocks | | | |
| SMC Global | Subsidiary | Investments accounted for using equity method | 1 45,756,519 |
| SMC International | Subsidiary | " | 987,968 29,637,057 |
| SMC International | Investee accounted for using equity method | " | 628,223 9,787,275 |
| SMC | Investee accounted for using equity method | " | 314 6,808,192 |
| SMC Partners | Subsidiary | " | 300 3,730,913 |
| SMC North America | Subsidiary | " | 11,000 2,435,666 |
| SMC inTec | Investee with a controlling financial interest | " | 92,620 1,506,384 |
| SMC in UC | Investee with a controlling financial interest | " | 44,904 950,263 |
| SMC Japan | Subsidiary | " | 6 137,617 |
| SMC Europe | Subsidiary | " | 124,594 |

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| | | | | |
|-------------------------------------|------------|---|--------|-----------|
| SMC Korea | Subsidiary | " | 80 | 15,117 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 |
| Chin-Etsu Handotai Taiwan Co., Ltd. | | " | 10,500 | 105,000 |
| Y.K. Technology Fund IV | | " | 4,000 | 40,000 |
| Montung Venture Capital Co., Ltd. | | " | 2,633 | 18,925 |
| Horizon Ventures Fund | | Financial assets carried at cost | | 103,992 |
| Primson Asia Capital | | " | | 58,001 |
| SMC Shanghai | Subsidiary | Investments accounted for using equity method | | 6,267,128 |
| TAF III | Subsidiary | " | | 1,305,605 |
| TAF II | Subsidiary | " | | 975,367 |
| Emerging Alliance | Subsidiary | " | | 433,481 |

(Continued)

| | | | December 31, 2019 | | |
|---|---|--|-----------------------------------|------------------------------------|---------|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Per | | |
| | | | Shares/Units (in Thousands) | Value (US\$ in Ow Thousands) | |
| Preferred stock eXen, Inc. | | Financial assets carried at cost | 328 | US\$ | 656 |
| Corporate bond General Elec Cap Corp. Mtn | | Held-to-maturity financial assets | | US\$ | 20,791 |
| General Elec Cap Corp. Mtn | | " | | US\$ | 20,294 |
| Stocks SMC Development, Inc. (TSMC Development) | Subsidiary | Investments accounted for using equity method | 1 | US\$ | 690,095 |
| WaveStar Semiconductor Development and, Inc. (II) LDC. (ISDF II) | Subsidiary | " | 32,289 | US\$ | 25,586 |
| SMC Technology | Subsidiary | " | 1 | US\$ | 8,408 |
| WaveStar Semiconductor Development and, Inc. (ISDF) | Subsidiary | " | 7,680 | US\$ | 6,529 |
| Corporate bond E Capital Corp. | | Held-to-maturity financial assets | | US\$ | 20,447 |
| Stocks WaferTech | Subsidiary | Investments accounted for using equity method | 293,637 | US\$ | 204,558 |
| Common stock Eisera Holding Company | Investee accounted for using equity method | Investments accounted for using equity method | 43,000 | US\$ | 69,298 |
| SMC Canada | Subsidiary | " | 2,300 | US\$ | 2,570 |
| Common stock Axim, Inc. | | Financial assets carried at cost | 203 | US\$ | 54 |
| ArchWave Technology Corp. | | " | 4,247 | US\$ | 1,648 |
| Global Investment Holding Inc. | | " | 10,800 | US\$ | 3,065 |
| Preferred stock Audience, Inc. | | Financial assets carried at cost | 1,654 | US\$ | 250 |
| Axiom Microdevices, Inc. | | " | 1,000 | US\$ | 1,000 |
| EmFire Corporation | | " | | US\$ | 31 |
| Viradia, Inc. | | " | 3,040 | US\$ | 1,000 |
| Mosaic Systems, Inc. | | " | 2,481 | US\$ | 12 |

| | | | | | |
|--------------------|--|---|-------|------|-------|
| ext IO, Inc. | | " | 800 | US\$ | 500 |
| ptichron, Inc. | | " | 714 | US\$ | 1,000 |
| ptimal Corporation | | " | | US\$ | 229 |
| xim, Inc. | | " | 4,439 | US\$ | 1,083 |
| ST Holding, LLC | | " | | US\$ | 131 |
| eknovus, Inc. | | " | 6,977 | US\$ | 1,327 |

Capital
 VentureTech Alliance Holdings, L.L.C. Subsidiary
 (VTA Holdings)

Investments accounted for
 using equity method

| | | | | | |
|-------------------------|--|----------------------------------|-------|------|-------|
| Common stock | | | | | |
| entelic | | Financial assets carried at cost | 1,200 | US\$ | 2,040 |
| quantia | | " | 2,108 | US\$ | 2,573 |
| eadtrend | | " | 1,265 | US\$ | 660 |
| Preferred stock | | | | | |
| V Technologies, Inc. | | Financial assets carried at cost | 2,890 | US\$ | 2,168 |
| udience, Inc. | | " | 5,335 | US\$ | 1,390 |
| xiom Microdevices, Inc. | | " | 5,046 | US\$ | 2,481 |

(Continued)

December 31, 2017

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Per | |
|---|--|---|-----------------------------|---------------------------|
| | | | Shares/Units (in thousands) | Value (US\$ in thousands) |
| Beceem Communications | | Financial assets carried at cost | 650 | US\$ 1,600 |
| GemFire Corporation | | " | 600 | US\$ 68 |
| Impinj, Inc. | | " | 475 | US\$ 1,000 |
| Miradia, Inc. | | " | 3,416 | US\$ 3,106 |
| Next IO, Inc. | | " | 2,775 | US\$ 756 |
| Optichron, Inc. | | " | 1,050 | US\$ 1,844 |
| Pixim, Inc. | | " | 6,348 | US\$ 1,141 |
| Power Analog Microelectronics | | " | 5,232 | US\$ 2,790 |
| QST Holding, LLC | | " | | US\$ 415 |
| RichWave Technology Corp. | | " | 1,043 | US\$ 730 |
| Teknovus, Inc. | | " | 1,599 | US\$ 454 |
| Tzero Technologies, Inc. | | " | 1,167 | US\$ 569 |
| Xceive | | " | 870 | US\$ 1,177 |
| Capital | | | | |
| VTA Holdings | Subsidiary | Investments accounted for using equity method | | |
| Common stock | | | | |
| Mutual-pak Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 4,590 | US\$ 1,705 |
| Acionn Technology Corporation | Investee accounted for using equity method | " | 4,500 | US\$ 1,052 |
| Auramicro, Inc. | | Financial assets carried at cost | 3,816 | US\$ 1,145 |
| InvenSence, Inc. | | " | 816 | US\$ 1,000 |
| Preferred stock | | | | |
| Advasense Sensors, Inc. | | Financial assets carried at cost | 1,929 | US\$ 1,834 |
| BridgeLux, Inc. | | " | 3,333 | US\$ 5,000 |
| Exclara, Inc. (Formerly SynDitec, Inc.) | | " | 21,708 | US\$ 4,568 |
| GTBF, Inc. | | " | 1,154 | US\$ 1,500 |
| LiquidLeds Lighting Corp. | | " | 1,600 | US\$ 800 |
| M2000, Inc. | | " | 3,000 | US\$ 3,000 |
| Neoconix, Inc. | | " | 2,458 | US\$ 4,000 |
| Powervation, Ltd. | | " | 191 | US\$ 2,930 |
| Quellan, Inc. | | " | 3,106 | US\$ 3,500 |
| Silicon Technical Services, LLC | | " | 1,055 | US\$ 1,208 |
| Tilera, Inc. | | " | 1,698 | US\$ 2,360 |
| Validity Sensors, Inc. | | " | 6,424 | US\$ 2,545 |

| | | | | |
|-------------------------------------|------------|---|-------|-------------|
| Capital | | | | |
| Growth Fund Limited (Growth Fund) | Subsidiary | Investments accounted for using equity method | | US\$ 100 |
| VTA Holdings | Subsidiary | " | | |
| Common stock | | | | |
| Staccato | | Financial assets carried at cost | 10 | US\$ 25 |
| Common stock | | | | |
| Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 530 | US\$ 154 |
| Preferred stock | | | | |
| Memsic, Inc. | | Available-for-sale financial assets | 1,364 | US\$2,250 |
| Integrated Memory Logic, Inc. | | Financial assets carried at cost | 2,872 | US\$1,221 |
| IP Unity, Inc. | | " | 1,008 | US\$ 290 |
| NanoAmp Solutions, Inc. | | " | 541 | US\$ 541 |
| Sonics, Inc. | | " | 230 | US\$1,843 |
| | | | | (Continued) |

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December 31, 2017

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Perce | |
|-------------------------------------|-------------------------------|---|-----------------------------|---------------------------|
| | | | Shares/Units (in thousands) | Value (US\$ in thousands) |
| Common stock | | | | |
| Rich Tek Technology Corp. | | Financial assets at fair value through profit or loss | 101 | US\$ 403 |
| Rich Tek Technology Corp. | | Available-for-sale financial assets | 288 | US\$ 1,148 |
| Ralink Technology (Taiwan), Inc. | | " | 1,512 | US\$ 3,232 |
| eLCOS Microdisplay Technology, Ltd. | | Financial assets carried at cost | 270 | US\$ 27 |
| EoNEX Technologies, Inc. | | " | 55 | US\$ 305 |
| Sonics, Inc. | | " | 278 | US\$ 1,597 |
| Epic Communication, Inc. | | " | 191 | US\$ 23 |
| EON Technology, Corp. | | " | 2,494 | US\$ 691 |
| Goyatek Technology, Corp. | | " | 2,088 | US\$ 545 |
| Trendchip Technologies Corp. | | " | 1,020 | US\$ 574 |
| Capella Microsystems (Taiwan), Inc. | | " | 534 | US\$ 210 |
| Auden Technology MFG. Co., Ltd. | | " | 1,049 | US\$ 223 |
| Preferred stock | | | | |
| Memsic, Inc. | | Available-for-sale financial assets | 1,145 | US\$ 1,888 |
| Alchip Technologies Limited | | Financial assets carried at cost | 6,979 | US\$ 3,664 |
| eLCOS Microdisplay Technology, Ltd. | | " | 3,500 | US\$ 878 |
| FangTek, Inc. | | " | 7,064 | US\$ 3,428 |
| Kilopass Technology, Inc. | | " | 3,887 | US\$ 1,746 |
| NanoAmp Solutions, Inc. | | " | 375 | US\$ 375 |
| Sonics, Inc. | | " | 264 | US\$ 1,517 |
| Common stock | | | | |
| GUC-NA | Subsidiary | Investments accounted for using equity method | 800 | \$34,019 |
| GUC-Japan | Subsidiary | " | 1 | 11,854 |
| GUC-Europe | Subsidiary | " | | 2,563 |
| Capital | | | | |
| Compositech Ltd. | | Financial assets carried at cost | 587 | |
| Agency bonds | | | | |
| Fed Hm Ln Pc Pool 1b1225 | | Available-for-sale financial assets | | US\$ 75 |

| | | | |
|--------------------------|---|------------|---|
| Fed Hm Ln Pc Pool 1b2566 | " | US\$ 118 | M |
| Fed Hm Ln Pc Pool 1b2632 | " | US\$ 145 | M |
| Fed Hm Ln Pc Pool 1b2642 | " | US\$ 195 | M |
| Fed Hm Ln Pc Pool 1b2776 | " | US\$ 282 | M |
| Fed Hm Ln Pc Pool 1b2792 | " | US\$ 193 | M |
| Fed Hm Ln Pc Pool 1b2810 | " | US\$ 246 | M |
| Fed Hm Ln Pc Pool 1b7453 | " | US\$ 2,302 | M |
| Fed Hm Ln Pc Pool 1g0038 | " | US\$ 243 | M |
| Fed Hm Ln Pc Pool 1g0053 | " | US\$ 289 | M |
| Fed Hm Ln Pc Pool 1g0104 | " | US\$ 119 | M |
| Fed Hm Ln Pc Pool 1g1282 | " | US\$ 3,285 | M |
| Fed Hm Ln Pc Pool 1g1411 | " | US\$ 2,979 | M |
| Fed Hm Ln Pc Pool 1h2520 | " | US\$ 2,152 | M |
| Fed Hm Ln Pc Pool 1h2524 | " | US\$ 1,614 | M |
| Fed Hm Ln Pc Pool 780870 | " | US\$ 481 | M |
| Fed Hm Ln Pc Pool 781959 | " | US\$ 2,841 | M |
| Fed Hm Ln Pc Pool 782785 | " | US\$ 198 | M |
| Fed Hm Ln Pc Pool 782837 | " | US\$ 390 | M |
| Fed Hm Ln Pc Pool 783022 | " | US\$ 443 | M |

(Continued)

December 31, 2017

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value | | Percentage of Ownership |
|------|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------------|-------------------------|
| | | | | Shares/Units (in thousands) | Value (in US\$ thousands) | |
| | Fed Hm Ln Pc Pool 783026 | | Available-for-sale financial assets | | US\$ 239 | N/A |
| | Fed Hm Ln Pc Pool B19205 | | " | | US\$5,501 | N/A |
| | Fed Hm Ln Pc Pool E01492 | | " | | US\$1,544 | N/A |
| | Fed Hm Ln Pc Pool E89857 | | " | | US\$1,152 | N/A |
| | Fed Hm Ln Pc Pool G11295 | | " | | US\$ 911 | N/A |
| | Fed Hm Ln Pc Pool M80855 | | " | | US\$2,526 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 348 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 187 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$3,108 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$1,603 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$1,727 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$1,185 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$2,782 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$1,383 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$2,358 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$2,233 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$2,880 | N/A |
| | Federal National Mort Assoc | | " | | US\$2,049 | N/A |
| | Federal National Mortgage Asso | | " | | US\$2,879 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$1,328 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$1,315 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$1,372 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$2,868 | N/A |
| | Federal Natl Mtg Assn Gtd | | " | | US\$1,298 | N/A |
| | Fnma Pool 255883 | | " | | US\$2,724 | N/A |
| | Fnma Pool 257245 | | " | | US\$3,513 | N/A |
| | Fnma Pool 555549 | | " | | US\$1,184 | N/A |
| | Fnma Pool 555715 | | " | | US\$ 142 | N/A |
| | Fnma Pool 632399 | | " | | US\$ 337 | N/A |
| | Fnma Pool 662401 | | " | | US\$ 451 | N/A |
| | Fnma Pool 667766 | | " | | US\$1,068 | N/A |
| | Fnma Pool 680932 | | " | | US\$ 952 | N/A |
| | Fnma Pool 681393 | | " | | US\$2,045 | N/A |
| | Fnma Pool 685116 | | " | | US\$ 489 | N/A |
| | Fnma Pool 691283 | | " | | US\$3,039 | N/A |
| | Fnma Pool 694287 | | " | | US\$ 17 | N/A |
| | Fnma Pool 703711 | | " | | US\$ 402 | N/A |
| | Fnma Pool 725095 | | " | | US\$ 865 | N/A |

| | | | |
|------------------|---|----------|-----|
| Fnma Pool 730033 | " | US\$ 138 | N/A |
| Fnma Pool 740934 | " | US\$ 889 | N/A |
| Fnma Pool 742232 | " | US\$ 13 | N/A |
| Fnma Pool 750798 | " | US\$ 18 | N/A |
| Fnma Pool 773246 | " | US\$ 183 | N/A |
| Fnma Pool 793932 | " | US\$ 367 | N/A |
| Fnma Pool 794040 | " | US\$ 579 | N/A |
| Fnma Pool 795548 | " | US\$ 133 | N/A |
| Fnma Pool 799664 | " | US\$ 77 | N/A |
| Fnma Pool 799868 | " | US\$ 26 | N/A |
| Fnma Pool 804764 | " | US\$ 303 | N/A |
| Fnma Pool 804852 | " | US\$ 264 | N/A |
| Fnma Pool 804962 | " | US\$ 323 | N/A |
| Fnma Pool 805163 | " | US\$ 347 | N/A |
| Fnma Pool 806642 | " | US\$ 457 | N/A |

(Continued)

December 31, 2017

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value | | Percent of Total |
|------|--|-------------------------------|-------------------------------------|-----------------------------|---------------------------|------------------|
| | | | | Shares/Units (in thousands) | Value (in US\$ thousands) | |
| | Fnma Pool 806721 | | Available-for-sale financial assets | | US\$ 548 | N/A |
| | Fnma Pool 814418 | | " | | US\$ 297 | N/A |
| | Fnma Pool 815626 | | " | | US\$ 1,833 | N/A |
| | Fnma Pool 819423 | | " | | US\$ 453 | N/A |
| | Fnma Pool 821129 | | " | | US\$ 430 | N/A |
| | Fnma Pool 888499 | | " | | US\$ 1,588 | N/A |
| | Fnma Pool 888502 | | " | | US\$ 204 | N/A |
| | Fnma Pool 888507 | | " | | US\$ 783 | N/A |
| | Fnma Pool 888515 | | " | | US\$ 847 | N/A |
| | Fnma Pool 888519 | | " | | US\$ 99 | N/A |
| | Fnma Pool 888527 | | " | | US\$ 57 | N/A |
| | Fnma Pool 888738 | | " | | US\$ 3,776 | N/A |
| | Fnma Pool 888793 | | " | | US\$ 4,242 | N/A |
| | Fnma Pool 900296 | | " | | US\$ 2,415 | N/A |
| | Gnma Ii Pool 081150 | | " | | US\$ 331 | N/A |
| | Gnma Ii Pool 081153 | | " | | US\$ 1,030 | N/A |
| | Gnma Pool 646061 | | " | | US\$ 2,468 | N/A |
| | Government Natl Mtg Assn Gtd | | " | | US\$ 1,861 | N/A |
| | Fed Home Ln Bank | | " | | US\$ 5,305 | N/A |
| | Federal Farm Cr Bks | | " | | US\$ 3,610 | N/A |
| | Federal Farm Credit Bank | | " | | US\$ 3,433 | N/A |
| | Federal Home Ln Bks | | " | | US\$ 3,854 | N/A |
| | Federal Home Ln Bks | | " | | US\$ 5,320 | N/A |
| | Federal Home Ln Bks | | " | | US\$ 4,148 | N/A |
| | Federal Home Ln Mtg | | " | | US\$ 5,340 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,428 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,560 | N/A |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,743 | N/A |
| | Federal Home Loan Bank | | " | | US\$ 4,710 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$ 4,134 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$ 3,713 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$ 4,169 | N/A |
| | Federal Natl Mtg Assn | | " | | US\$ 3,809 | N/A |
| | Federal Natl Mtg Assn Mtn | | " | | US\$ 3,108 | N/A |
| | Corporate issued asset-backed securities | | | | | |
| | Banc Amer Coml Mtg Inc. | | Available-for-sale financial assets | | US\$ 4,584 | N/A |

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| | | | |
|---------------------------------|---|-----------|-----|
| Banc Amer Fdg 2006 I Tr | " | US\$2,066 | N/A |
| Bear Stearns Adjustable Rate | " | US\$ 60 | N/A |
| Bear Stearns Arm Tr | " | US\$1,909 | N/A |
| Bear Stearns Arm Tr | " | US\$1,160 | N/A |
| Bear Stearns Arm Tr | " | US\$ 129 | N/A |
| Bear Stearns Coml Mtg Secs Inc. | " | US\$ 96 | N/A |
| Bear Stearns Coml Mtg Secs Inc. | " | US\$2,690 | N/A |
| Cbass Tr | " | US\$ 709 | N/A |
| Chase Mtg Fin Tr | " | US\$ 576 | N/A |
| Chase Mtg Fin Tr | " | US\$1,171 | N/A |
| Chase Mtg Fin Tr | " | US\$1,704 | N/A |
| Chase Mtge Finance Corp. | " | US\$ 865 | N/A |
| Cit Equip Coll Tr | " | US\$3,884 | N/A |
| Credit Suisse First Boston Mtg | " | US\$ 439 | N/A |
| Credit Suisse First Boston Mtg | " | US\$1,513 | N/A |
| Credit Suisse First Boston Mtg | " | US\$4,349 | N/A |

(Continued)

December 31, 2011

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | Percent |
|-------------------------------------|-------------------------------|-------------------------------------|--|------------------------------|
| | | | Shares/Units Value (in US\$ thousands) | of Total Assets (%) |
| First Franklin Mtg Ln Tr | | Available-for-sale financial assets | US\$ 413 | N/A |
| First Horizon | | " | US\$ 29 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | US\$ 1,051 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | US\$ 4,715 | N/A |
| First Un Natl Bk Coml Mtg Tr | | " | US\$ 2,019 | N/A |
| Gs Mtg Secs Corp. | | " | US\$ 991 | N/A |
| Home Equity Mortgage Trust | | " | US\$ 1,237 | N/A |
| Home Equity Mtg Tr 2006 4 | | " | US\$ 485 | N/A |
| JP Morgan Mtg Tr | | " | US\$ 588 | N/A |
| JP Morgan Mtg Tr | | " | US\$ 630 | N/A |
| JP Morgan Mtg Tr | | " | US\$ 559 | N/A |
| Lb Ubs Coml Mtg Tr | | " | US\$ 3,495 | N/A |
| Nomura Asset Accep Corp. | | " | US\$ 660 | N/A |
| Residential Asset Mtg Prods | | " | US\$ 1,515 | N/A |
| Residential Fdg Mtg Secs I Inc. | | " | US\$ 1,074 | N/A |
| Residential Fdg Mtg Secs I Inc. | | " | US\$ 2,331 | N/A |
| Sequoia Mtg Tr | | " | US\$ 288 | N/A |
| Sequoia Mtg Tr | | " | US\$ 158 | N/A |
| Sequoia Mtg Tr | | " | US\$ 147 | N/A |
| Terwin Mtg Tr | | " | US\$ 1,041 | N/A |
| Tiaa Seasoned Coml Mtg Tr | | " | US\$ 3,163 | N/A |
| Wamu Mtg | | " | US\$ 2,925 | N/A |
| Wamu Mtg Pass Through Ctfs | | " | US\$ 114 | N/A |
| Wamu Mtg Pass Through Ctfs | | " | US\$ 1,521 | N/A |
| Washington Mut Mtg Secs Corp. | | " | US\$ 1,641 | N/A |
| Wells Fargo Mtg Backed Secs | | " | US\$ 2,405 | N/A |
| Wells Fargo Mtg Backed Secs | | " | US\$ 2,632 | N/A |
| Wells Fargo Mtg Backed Secs | | " | US\$ 2,391 | N/A |
| Wells Fargo Mtg Bkd Secs | | " | US\$ 845 | N/A |
| Wells Fargo Mtg Bkd Secs | | " | US\$ 2,088 | N/A |
| Corporate bonds | | | | |
| American Gen Fin Corp. Mtn | | Available-for-sale financial assets | US\$ 1,156 | N/A |
| Chase Manhattan Corp. New | | " | US\$ 1,505 | N/A |
| Chase Manhattan Corp. New | | " | US\$ 2,066 | N/A |
| Chase Manhattan Corp. New | | " | US\$ 3,353 | N/A |
| Credit Suisse First Boston USA | | " | US\$ 347 | N/A |

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| | | | |
|-------------------------------|---|------------|-----|
| Deutsche Bank Ag London | " | US\$ 3,013 | N/A |
| Fleet Boston Corp. | " | US\$ 2,589 | N/A |
| General Elec Cap Corp. Mtn | " | US\$ 2,988 | N/A |
| General Elec Cap Corp. Mtn | " | US\$ 673 | N/A |
| Goldman Sachs Group | " | US\$ 2,029 | N/A |
| JP Morgan Chase | " | US\$ 1,994 | N/A |
| Mellon Fdg Corp. | " | US\$ 2,669 | N/A |
| Morgan Stanley | " | US\$ 4,552 | N/A |
| U S Bancorp Mtn Bk Ent | " | US\$ 1,369 | N/A |
| Wachovia Corp. New | " | US\$ 3,135 | N/A |
| Wells Fargo + Co. New Med Trm | " | US\$ 4,493 | N/A |

| | | | |
|--------------------------------|-------------------------------------|------------|-----|
| Money market funds | | | |
| Ssga Cash Mgmt Global Offshore | Available-for-sale financial assets | US\$30,435 | N/A |

| | | | |
|-------------------------|-------------------------------------|------------|-----|
| Government bonds | | | |
| United States Treas Nts | Available-for-sale financial assets | US\$10,374 | N/A |

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Security Type and | Financial Statement Account | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal | |
|-------------------|-------------------------------------|---|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) |
| | Available-for-sale financial assets | National Investment Trust Co., Ltd. | 12,239 | \$2,045,935 | 6,257 | \$1,058,000 | 18,496 | \$3,119,140 |
| | " | Fuh Hwa Investment Trust Co., Ltd. | 132,997 | 1,801,674 | 129,864 | 1,775,000 | 262,861 | 3,598,480 |
| and | " | National Investment Trust Co., Ltd. | 103,016 | 1,474,856 | 153,113 | 2,214,000 | 256,129 | 3,703,023 |
| and | " | ING Securities Investment Trust Co., Ltd. | 85,581 | 1,310,030 | 140,522 | 2,170,000 | 226,103 | 3,497,877 |
| ond Fund | " | Prudential Financial Securities Investment Trust Enterprise | 83,306 | 1,236,728 | | | 83,306 | 1,245,214 |
| ond Fund | " | Uni-President Assets Management Corp. | 77,128 | 1,208,799 | 120,183 | 1,900,000 | 197,311 | 3,125,566 |
| ond Fund | " | JF Asset Management (Taiwan) Ltd. | 59,049 | 915,252 | 45,425 | 712,000 | 104,474 | 1,635,181 |
| ond Fund | " | ING Securities Investment Trust Co., Ltd. | 54,621 | 878,682 | 60,839 | 988,000 | 115,460 | 1,877,230 |
| ment Trust | " | Taishin Investment Trust Co., Ltd. | 68,945 | 718,556 | | | 68,945 | 724,340 |
| and | " | | 54,469 | 705,033 | | | 54,469 | 708,863 |

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| | | | | | | | | |
|-------------|-------------------------------------|--|--------|-----------|---------|-----------|---------|-----------|
| | | AIG Global Asset Management Corporation (Taiwan) Ltd. | | | | | | |
| | " | Cathay Securities Investment Trust Co., Ltd. | 60,126 | 703,824 | | | 60,126 | 709,289 |
| Fund | " | Allianz Global Investors Taiwan Ltd. | 54,319 | 639,542 | | | 54,319 | 644,310 |
| Fund | " | JF Asset Management (Taiwan) Ltd. | 35,324 | 504,206 | | | 35,324 | 508,184 |
| Management | " | HSBC Asset Management (Taiwan) Ltd. | 27,416 | 413,504 | | | 27,416 | 416,788 |
| | " | INVESCO Taiwan Limited | 27,176 | 410,054 | | | 27,176 | 412,892 |
| Fund | " | IBT Asset Magement Co., Ltd. | | | 74,771 | 1,000,000 | 74,771 | 1,002,474 |
| | " | PCA Securities Investment Trust Co., Ltd. | | | 187,050 | 2,400,000 | 187,050 | 2,411,016 |
| | " | Capital Investment Trust Corporation | | | 228,072 | 3,480,000 | 228,072 | 3,491,264 |
| nd Series B | Available-for-sale financial assets | Grand Cathay Securities Corp. and several financial institutions | | 1,197,121 | | | | 1,203,434 |
| nd Series G | " | " | | 200,065 | | | | 201,301 |
| nd Series B | Held-to-maturity financial assets | Sinopac Securities Corp. and several financial institutions | | | | 249,603 | | |
| nd Series H | " | " | | 400,709 | | 299,852 | | |
| td | Available-for-sale financial assets | Grand Cathay Securities | | | | 2,000,000 | | |

Corp. and
several
financial
institutions

(Continued)

| e and | Financial Statement Account | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal (1) | |
|-------|--|---|-----------------------------------|----------------------------------|---|----------------------------------|-----------------------------------|----------------------------------|
| | | | 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) |
| | Held-to-maturity financial assets | Grand Cathay Securities Corp. and several financial institutions | | \$ | | \$ 198,914 | | \$ |
| | " | " | | 3,581,667 | | 959,827 | | |
| | " | " | | 2,630,064 | | 3,192,915 | | |
| | " | " | | 391,134 | | 1,984,471 | | |
| | " | " | | 1,804,346 | | 2,486,383 | | |
| | Investments accounted for using equity method | | Subsidiary | 906,536 | | 466,783 | | |
| | Held-to-maturity financial assets | BNP PARIBAS, London | | | | US\$ 20,864 | | |
| | " | " | | | | US\$ 20,316 | | |
| | Held-to-maturity financial assets | BNP PARIBAS, London | | | | US\$ 20,478 | | |
| | Available-for-sale financial assets | PCA Securities Investment Trust Co., Ltd. | | | 19,654 | 252,000 | 19,654 | 252,536 |
| und | " | Prudential Financial Securities Investment | | | 18,087 | 271,000 | 18,087 | 271,331 |

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| | | | | | | | | | |
|--------------------|-----------------|--------|------|---------|------|--------|-------|---------|-------|
| und | Trust | | | | | | | | |
| | Enterprise | | | | | | | | |
| | Uni-President | 17,430 | | 275,000 | | 17,430 | | 275,390 | |
| | Assets | | | | | | | | |
| | Management | | | | | | | | |
| | Corp. | | | | | | | | |
| | Cathay | 16,096 | | 190,000 | | 16,096 | | 190,077 | |
| | Securities | | | | | | | | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | National | 15,575 | | 225,000 | | 15,575 | | 225,206 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | IBT Asset | 13,383 | | 170,000 | | 13,383 | | 170,333 | |
| | Magement Co., | | | | | | | | |
| | Ltd. | | | | | | | | |
| | ING Securities | 13,262 | | 205,000 | | 13,262 | | 205,393 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd | | | | | | | | |
| | IBT Asset | 11,631 | | 155,000 | | 11,631 | | 155,255 | |
| | Magement Co., | | | | | | | | |
| | Ltd. | | | | | | | | |
| | Fuh Hwa | 12,602 | | 172,000 | | 12,602 | | 172,353 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | Mega | 12,484 | | 147,000 | | 12,484 | | 147,117 | |
| | International | | | | | | | | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | Polaris | 10,042 | | 154,000 | | 10,042 | | 154,298 | |
| | Securities | | | | | | | | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| | National | 796 | | 135,000 | | 796 | | 135,133 | |
| | Investment | | | | | | | | |
| | Trust Co., Ltd. | | | | | | | | |
| Available-for-sale | | | | 3,716 | US\$ | 3,741 | | | |
| financial assets | | | | | | | | | |
| | | 9,000 | US\$ | 8,977 | | | 9,000 | US\$ | 9,002 |
| | | | | | | | | | |
| | | 9,000 | US\$ | 8,939 | | | 9,000 | US\$ | 9,162 |
| | | | | | | | | | |
| | | 9,000 | US\$ | 8,939 | | | 9,000 | US\$ | 9,003 |
| | | | | | | | | | |
| | | 3,725 | US\$ | 3,721 | | | | | |
| | | | | | | | | | |
| | | 5,000 | US\$ | 4,965 | | | 5,000 | US\$ | 5,003 |
| | | | | | | | | | |
| | | 5,000 | US\$ | 4,980 | | | 5,000 | US\$ | 4,999 |
| | | | | | | | | | |
| | | 7,100 | US\$ | 7,204 | | | 7,100 | US\$ | 7,420 |

(Continued)

| s Type and | Financial Statement Account | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal (M | |
|------------|-------------------------------------|----------------------------|-------------------|---------------------|----------------|---------------------|----------------|---------------------|
| | | | Amount | | Shares/Units | | Amount | |
| | | | (in Thousands) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) |
| | Available-for-sale financial assets | | US\$ | 12,100 | US\$ 12,464 | 8,100 | US\$ 8,399 | US\$ |
| | " | | 18,665 | US\$ 19,023 | | 18,665 | US\$ 19,403 | US\$ |
| | " | | 21,900 | US\$ 22,342 | | 21,900 | US\$ 22,473 | US\$ |
| | " | | | 5,000 | US\$ 5,186 | | | US\$ |
| nk | " | | | 7,200 | US\$ 7,241 | 7,200 | US\$ 7,475 | US\$ |
| nk | " | | | 3,375 | US\$ 3,370 | | | US\$ |
| Corp. | " | | | 6,700 | US\$ 6,690 | 6,700 | US\$ 6,841 | US\$ |
| Corp. | " | | | 3,340 | US\$ 3,336 | | | US\$ |
| Corp. | " | | | 3,500 | US\$ 3,494 | | | US\$ |
| Corp. | " | | | 7,000 | US\$ 7,572 | 3,500 | US\$ 3,712 | US\$ |
| Corp. | " | | | 3,391 | US\$ 3,389 | | | US\$ |
| Corp. | " | | | 3,083 | US\$ 3,170 | | | US\$ |
| anks | " | | 21,000 | US\$ 21,500 | | 21,000 | US\$ 21,646 | US\$ |
| | " | | | 7,200 | US\$ 7,248 | 7,200 | US\$ 7,424 | US\$ |
| | " | | | 3,700 | US\$ 3,700 | | | US\$ |
| | " | | | 10,000 | US\$ 10,291 | 6,000 | US\$ 6,138 | US\$ |
| | " | | 5,000 | US\$ 5,169 | | 5,000 | US\$ 5,196 | US\$ |
| | " | | | 3,500 | US\$ 3,645 | | | US\$ |
| | " | | | 3,750 | US\$ 4,151 | | | US\$ |
| c | " | | | 3,450 | US\$ 3,463 | 3,450 | US\$ 3,450 | US\$ |
| Mtn | " | | 3,000 | US\$ 2,982 | | 3,000 | US\$ 3,006 | US\$ |
| Mtn | " | | 3,200 | US\$ 3,171 | | 3,200 | US\$ 3,201 | US\$ |
| | " | | | 4,173 | US\$ 4,352 | | | US\$ |
| backed | | | | | | | | |
| st Exec | Available-for-sale financial assets | | 9,000 | US\$ 9,118 | | 9,000 | US\$ 8,710 | US\$ |
| o Receiva | " | | 3,500 | US\$ 3,498 | | 3,500 | US\$ 3,414 | US\$ |
| Tr | " | | 4,335 | US\$ 4,337 | | 4,335 | US\$ 3,596 | US\$ |
| | " | | 5,000 | US\$ 4,998 | | 5,000 | US\$ 4,926 | US\$ |
| Owner Tr | " | | 5,000 | US\$ 4,956 | | 3,658 | US\$ 3,466 | US\$ |
| Corp. Mtn | Available-for-sale financial assets | | 3,150 | US\$ 3,107 | | 3,150 | US\$ 3,110 | US\$ |
| | " | | 3,250 | US\$ 3,653 | | 3,250 | US\$ 3,437 | US\$ |
| | " | | 20,000 | US\$ 20,402 | | 20,000 | US\$ 20,409 | US\$ |
| don | " | | | 2,995 | US\$ 3,041 | | | US\$ |

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| | | | | | | | | |
|------------|---|-------|------------|--------|-------------|--------|-------------|----|
| | " | | | 10,600 | US\$ 10,577 | 10,600 | US\$ 10,461 | US |
| | " | | | 7,300 | US\$ 7,277 | 7,300 | US\$ 7,492 | US |
| | " | | | 10,600 | US\$ 10,576 | 10,600 | US\$ 10,676 | US |
| | " | | | 7,200 | US\$ 7,182 | 7,200 | US\$ 7,596 | US |
| . Mtn | " | 4,000 | US\$ 3,978 | | | 4,000 | US\$ 4,042 | US |
| . Mtn | " | 3,000 | US\$ 3,047 | | | 3,000 | US\$ 3,070 | US |
| | " | 3,000 | US\$ 3,263 | | | 3,000 | US\$ 3,060 | US |
| Fdg Ii Mtn | " | 4,750 | US\$ 5,111 | | | 4,750 | US\$ 4,707 | US |
| Machs | " | 3,500 | US\$ 3,555 | | | 3,500 | US\$ 3,582 | US |
| ry | " | 3,050 | US\$ 3,053 | | | 3,050 | US\$ 3,041 | US |
| eraufbau | " | | | 8,700 | US\$ 8,679 | 8,700 | US\$ 8,973 | US |
| g Ii Mtn | " | 3,800 | US\$ 3,737 | | | 3,800 | US\$ 3,668 | US |
| al Mtn | " | 3,400 | US\$ 3,366 | | | 3,400 | US\$ 3,409 | US |
| l Fdg I | " | 3,500 | US\$ 3,631 | | | 3,500 | US\$ 3,159 | US |

(Continued)

| Financial Statement Account | Counter-party Relationship | Nature of Shares/Units (in Thousands) | Beginning Balance | | Acquisition | | Disposal | |
|-------------------------------------|----------------------------|---------------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) |
| | | | | | | | | |
| Available-for-sale financial assets | | | 3,500 | US\$ 3,484 | | US\$ | 3,500 | US\$ 3,274 |
| " | | | 3,400 | US\$ 3,372 | | | 3,400 | US\$ 3,367 |
| Available-for-sale financial assets | | | 592,180 | US\$ 592,180 | 1,035,077 | US\$ 1,035,077 | 1,596,822 | US\$ 1,596,822 |
| Available-for-sale financial assets | | | | | 17,825 | US\$ 17,813 | 17,825 | US\$ 17,830 |
| " | | | | | 31,300 | US\$ 31,414 | 31,300 | US\$ 31,514 |
| " | | | | | 4,200 | US\$ 4,259 | 4,200 | US\$ 4,260 |
| " | | | | | 19,400 | US\$ 19,353 | 19,400 | US\$ 19,460 |
| " | | | | | 20,100 | US\$ 20,057 | 20,100 | US\$ 20,314 |
| " | | | | | 19,500 | US\$ 19,474 | 19,500 | US\$ 19,451 |
| " | | | | | 60,100 | US\$ 60,563 | 60,100 | US\$ 60,829 |
| " | | | | | 20,800 | US\$ 20,751 | 20,800 | US\$ 21,292 |
| " | | | | | 45,300 | US\$ 45,549 | 45,300 | US\$ 45,992 |
| " | | | | | 17,000 | US\$ 16,886 | 17,000 | US\$ 16,917 |
| " | | | | | 67,600 | US\$ 67,804 | 67,600 | US\$ 68,342 |
| " | | | | | 7,800 | US\$ 7,787 | 7,800 | US\$ 7,757 |
| " | | | | | 14,600 | US\$ 14,605 | 14,600 | US\$ 15,114 |
| " | | | | | 26,500 | US\$ 26,636 | 26,500 | US\$ 26,614 |
| " | | | | | 6,400 | US\$ 6,372 | 6,400 | US\$ 6,282 |
| " | | | 25,900 | US\$ 25,924 | | | 25,900 | US\$ 26,091 |
| " | | | | | 14,700 | US\$ 14,887 | 14,700 | US\$ 14,990 |
| " | | | | | 11,500 | US\$ 11,615 | 11,500 | US\$ 11,652 |
| " | | | | | 53,300 | US\$ 54,114 | 53,300 | US\$ 54,153 |
| " | | | | | 4,000 | US\$ 4,057 | 4,000 | US\$ 3,969 |
| " | | | 5,000 | US\$ 5,070 | | | 5,000 | US\$ 5,077 |
| " | | | | | 3,750 | US\$ 3,958 | 3,750 | US\$ 3,861 |
| " | | | 5,500 | US\$ 5,613 | | | 5,500 | US\$ 5,623 |
| " | | | 6,400 | US\$ 6,500 | | | 6,400 | US\$ 6,594 |
| " | | | 41,900 | US\$ 42,509 | | | 41,900 | US\$ 42,867 |
| " | | | | | 4,000 | US\$ 4,200 | 4,000 | US\$ 4,210 |
| " | | | | | 10,266 | US\$ 11,167 | | |
| " | | | 5,000 | US\$ 5,160 | 2,000 | US\$ 2,062 | 7,000 | US\$ 7,308 |
| " | | | | | 10,000 | US\$ 10,525 | 10,000 | US\$ 10,489 |
| " | | | 3,250 | US\$ 3,359 | | | 3,250 | US\$ 3,347 |

| | | | | | | | | | |
|---|--|-------|------|--------|------|--------|--------|------|--------|
| " | | | | 10,000 | US\$ | 10,866 | 10,000 | US\$ | 11,008 |
| " | | 7,500 | US\$ | 7,758 | | | 7,500 | US\$ | 7,855 |
| " | | | | 15,000 | US\$ | 16,162 | 15,000 | US\$ | 16,335 |
| " | | 9,500 | US\$ | 9,735 | | | 9,500 | US\$ | 9,757 |
| " | | | | 11,250 | US\$ | 12,259 | 11,250 | US\$ | 12,038 |
| " | | | | 19,700 | US\$ | 19,900 | 19,700 | US\$ | 20,045 |
| " | | | | 13,300 | US\$ | 13,383 | 13,300 | US\$ | 13,430 |

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)

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100
MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars)

| Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationships | Prior Transaction Owner | Related Counter-party Relationships | Transfer Date | Amount | Price Reference |
|------------------|--------------------|------------------------------|---|-------------------------|-------------------------|-------------------------------------|---------------|--------|-----------------|
| January 16, 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 |

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TABLE 4

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

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

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to

third parties. For
other related
party
transactions,
prices and terms
were determined
in accordance
with mutual
agreements.

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TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars)

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

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

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

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE
COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2008

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

| Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2008 | | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Equity | |
|------------------|---------------------------------|--|---|---|--|-------------------------|---|------------|------|
| | | | December 31, 2008 (Foreign Currencies in Thousands) | December 31, 2007 (Foreign Currencies in Thousands) | Carrying Value (Foreign Currencies in Thousands) | Share Percentage (in %) | | | |
| C Global | Tortola, British Virgin Islands | Investment activities | \$42,327,245 | \$42,327,245 | 1 | 100 | \$45,756,519 | \$ 963,052 | \$ 9 |
| C International | Tortola, British Virgin Islands | Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry | 31,445,780 | 31,445,780 | 987,968 | 100 | 29,637,057 | 2,082,332 | 2,0 |
| | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,232,288 | 13,047,681 | 628,223 | 37 | 9,787,275 | 1,041,953 | (1 |
| C | Singapore | Fabrication and supply of integrated | 5,120,028 | 8,840,895 | 314 | 39 | 6,808,192 | 2,460,149 | 7 |

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circuits

| | | | | | | | | | |
|-----------------|--|---|------------|------------|--------|-----|-----------|-------------|------|
| C ghai | Shanghai, China | Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367 | 12,180,367 | | 100 | 6,267,128 | (2,904,565) | (2,9 |
| C ers | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 3,730,913 | (973,153) | (9 |
| C North rica | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,435,666 | 144,918 | 1 |
| ec | Taoyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 92,620 | 42 | 1,506,384 | 198,178 | |
| F III | Cayman Islands | Investing in new start-up technology companies | 1,440,241 | 973,459 | | 98 | 1,305,605 | (92,095) | (|
| F II | Cayman Islands | Investing in new start-up technology companies | 1,036,422 | 1,095,622 | | 98 | 975,367 | (132,150) | (1 |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568 | 44,904 | 36 | 950,263 | 747,049 | 2 |
| ging nce | Cayman Islands | Investing in new start-up technology companies | 986,797 | 1,019,042 | | 99 | 433,481 | (6,643) | |
| C Japan | Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 100 | 137,617 | 4,943 | |
| C oe | Amsterdam, the | Marketing activities | 15,749 | 15,749 | | 100 | 124,594 | 38,454 | |

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| | | | | | | | | | | | | | |
|------------------|--------------------|---|------|---------|------|---------|---------|-----|------|---------|------|---------|----|
| | Netherlands | | | | | | | | | | | | |
| C Korea | Seoul, Korea | Customer service and technical support activities | | 13,656 | | 13,656 | 80 | 100 | | 15,117 | | 3,232 | |
| C Development II | Delaware, U.S.A. | Investment activities | US\$ | 0.001 | US\$ | 0.001 | 1 | 100 | US\$ | 690,095 | US\$ | 16,011 | No |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 32,289 | US\$ | 43,048 | 42,320 | 97 | US\$ | 25,586 | US\$ | 240 | No |
| C nology | Delaware, U.S.A. | Engineering support activities | US\$ | 0.001 | US\$ | 0.001 | 1 | 100 | US\$ | 8,408 | US\$ | 1,816 | No |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 7,680 | US\$ | 8,721 | 7,598 | 97 | US\$ | 6,529 | US\$ | (2,156) | No |
| rTech | Washington, U.S.A. | Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices | US\$ | 380,000 | US\$ | 430,000 | 293,637 | 100 | US\$ | 204,558 | US\$ | 27,089 | No |
| ra ng oany | Cayman Islands | 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\$ | 69,298 | US\$ | 4,633 | No |
| C da | Ontario, Canada | Engineering support activities | US\$ | 2,300 | US\$ | 2,300 | 2,300 | 100 | US\$ | 2,570 | US\$ | 286 | No |
| ra | Hsin-Chu, Taiwan | Manufacturing and selling of electronic parts and providing | US\$ | 91,041 | US\$ | 91,041 | 253,120 | 89 | US\$ | 122,700 | US\$ | 4,429 | No |

turn-key
services in
back-end color
filter
fabrication,
package, test,
and optical
solutions

(Continued)

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

companies

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

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

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TABLE 7

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | Total Amount of Paid-in Capital | | Accumulated Outflow of Investment from Taiwan as of January 1, 2008 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2008 | Percentage of Ownership | Equity in the Earnings (Losses) | Carryi Valu as of Decemb 31, 2008 |
|---|--|-------------------------|--|--|-----------------------|--|-------------------------------|--|--|
| | | | | Outflow | Inflow | | | | |
| Businesses and Products | (RMB in Thousand) | Method of Investment | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | | (Note 2) | |
| Manufacturing and integrated at the order of quant to design tions l by customers | \$12,180,367 (RMB3,070,623) | (Note 1) | \$12,180,367 (US\$371,000) | \$ | \$ | \$12,180,367 (US\$371,000) | 100% | \$(2,907,231) | \$6,267,1 |
| | Accumulated Investment in Mainland China as of December 31, 2008 (US\$ in Thousand) | | | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand) | | Upper Limit on Investment (US\$ in Thousand) | | | |
| | \$12,180,367 (US\$371,000) | | | \$12,180,367 (US\$371,000) | | \$12,180,367 (US\$371,000) | | | |

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

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

TABLE 8

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)
A. FOR THE YEAR ENDED DECEMBER 31, 2008

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Financial Statements Item | Intercompany Transactions | |
|-----|--------------|--------------------|------------------------------------|--|---------------------------|--|
| | | | | | Amount | Percentage of Consolidated Total Terms Gross Sales or Assets (Note 2) |
| 0 | TSMC | TSMC North America | 1 | Sales | \$192,986,719 | 56% |
| | | | | Receivables from related parties | 11,512,777 | 2% |
| | | | | Other receivables from related parties | 256,624 | |
| | | | | Payables to related parties | 327,250 | |
| | | TSMC Shanghai | 1 | Sales | 101,245 | |
| | | | | Purchases | 4,717,676 | 1% |
| | | | | Gain on disposal of property, plant and equipment | 197,681 | |
| | | | | Technical service income | 99,737 | |
| | | | | Other receivables from related parties | 112,933 | |
| | | | | Payables to related parties | 117,417 | |
| | | | | Deferred credits | 183,896 | |
| | | TSMC Japan | 1 | Marketing expenses commission | 251,367 | |
| | | | | Payables to related parties | 20,528 | |
| | | TSMC Europe | 1 | Marketing expenses commission | 367,846 | |
| | | | | Payables to related parties | 29,679 | |
| | | TSMC Korea | 1 | Marketing expenses commission | 16,408 | |
| | | | | Payables to related parties | 1,313 | |
| | | GUC | 1 | Sales | 1,611,058 | |
| | | | | General and administrative expenses rental expense | 1,050 | |
| | | | | Research and development expenses | 18,940 | |
| | | | | Receivables from related parties | 215,190 | |

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| | | | | | |
|---|------------------------|---|--|-----------|----|
| | | | Payables to related parties | 7,003 | |
| | TSMC | 1 | Research and development expenses | 352,900 | |
| | Technology | | | | |
| | WaferTech | 1 | Payables to related parties | 41,904 | |
| | | | Sales | 12,216 | |
| | | | Purchases | 8,207,876 | 2% |
| | | | Other receivables from related parties | 13,813 | |
| | TSMC Canada | 1 | Payables to related parties | 171,089 | |
| | | | Research and development expenses | 172,291 | |
| | Emerging Alliance Fund | 1 | Payables to related parties | 3,297 | |
| | | | Other receivables from related parties | 5,149 | |
| 2 | TSMC Partners | 3 | Other receivables | 8,149,280 | 1% |
| | International | | | | |
| | | | Deferred revenue | 8,149,280 | 1% |

(Continued)

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

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

No. 3 represents the transactions between subsidiaries.

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

(Continued)

B. FOR THE YEAR ENDED DECEMBER 31, 2007

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Financial Statements Item | Intercompany Transactions | |
|-----|--------------|--------------------|------------------------------------|--|---------------------------|--|
| | | | | | Amount | Percentage of Consolidated Total Sales or Assets (Note 2) |
| 0 | TSMC | TSMC North America | 1 | Sales | \$ 192,846,641 | 59% |
| | | | | Receivables from related parties | 26,626,880 | 5% |
| | | | | Other receivables from related parties | 98,885 | |
| | | | | Payables to related parties | 13,392 | |
| | | TSMC Shanghai | 1 | Sales | 155,799 | |
| | | | | Purchases | 5,828,541 | 2% |
| | | | | Gain on disposal of property, plant and equipment | 216,267 | |
| | | | | Technical service income | 121,771 | |
| | | | | Other receivables from related parties | 151,037 | |
| | | | | Payables to related parties | 596,581 | |
| | | | | Deferred credits | 510,564 | |
| | | TSMC Japan | 1 | Marketing expenses commission | 220,858 | |
| | | | | Payables to related parties | 18,449 | |
| | | TSMC Europe | 1 | Marketing expenses commission | 316,748 | |
| | | | | Payables to related parties | 37,046 | |
| | | TSMC Korea | 1 | Marketing expenses commission | 26,818 | |
| | | GUC | 1 | Sales | 795,232 | |
| | | | | General and administrative expenses rental expense | 6,139 | |
| | | | | Research and development expenses | 56,887 | |
| | | | | Receivables from related parties | 74,003 | |
| | | | | Payables to related parties | 7,411 | |
| | | TSMC Technology | 1 | Payables to related parties | 39,403 | |
| | | | | Research and development expenses | 354,423 | |

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| | | | | | |
|---|--------------------|---|-----------------------------------|-----------|----|
| | WaferTech | 1 | Sales | 10,301 | |
| | | | Purchases | 8,774,750 | 3% |
| | | | Payables to related parties | 784,280 | |
| | TSMC Canada | 1 | Research and development expenses | 129,665 | |
| 1 | TSMC International | 3 | Deferred royalty income | 640,658 | |
| 2 | TSMC Partners | 3 | Other receivables | 9,901,544 | 2% |
| | | | Deferred revenue | 8,773,454 | 2% |
| 3 | GUC | 3 | Purchases | 1,766,788 | 1% |
| | | | Manufacturing overhead | 189,410 | |
| | | | Payables to related parties | 139,402 | |
| | GUC-NA | 3 | Operating expenses | 60,010 | |

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

No. 3 represents the transactions between subsidiaries.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing
Company Ltd.

Date: March 19, 2009

By /s/ Lora Ho
Lora Ho
Vice President & Chief Financial
Officer