

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

May 05, 2008

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 April 2008**  
**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: \_\_\_\_\_.)

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**Taiwan Semiconductor Manufacturing  
Company Limited  
Financial Statements for the  
Three Months Ended March 31, 2008 and 2007 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2008 and 2007, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China. As discussed in Note 3 to the financial statements, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

We have also reviewed, in accordance with Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the three months ended March 31, 2008 and 2007, and have issued thereon an unqualified review report with an explanatory paragraph relating to the adoption of Interpretation 2007-052 and an unqualified review report, respectively.

April 9, 2008

Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

|   | 2008               |           | 2007               |           |
|---|--------------------|-----------|--------------------|-----------|
|   | Amount             | %         | Amount             | %         |
| <b>ASSETS</b>   |                    |           |                    |           |
| <b>CURRENT ASSETS</b>   |                    |           |                    |           |
| Cash and cash equivalents (Notes 2 and 4)                             | \$ 115,869,440     | 20        | \$ 119,752,168     | 20        |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 160,249            |           | 159                |           |
| Available-for-sale financial assets (Notes 2 and 6)                   | 18,591,721         | 4         | 26,325,390         | 4         |
| Held-to-maturity financial assets (Notes 2 and 7)                     | 9,976,745          | 2         | 6,523,668          | 1         |
| Receivables from related parties (Note 24)                            | 24,687,419         | 4         | 19,157,572         | 3         |
| Notes and accounts receivable   | 16,099,860         | 3         | 14,682,899         | 3         |
| Allowance for doubtful receivables (Notes 2 and 8)                    | (687,619)          |           | (690,931)          |           |
| Allowance for sales returns and others (Notes 2 and 8)                | (4,167,643)        | (1)       | (2,476,287)        |           |
| Other receivables from related parties (Note 24)                      | 2,221,204          |           | 487,266            |           |
| Other financial assets  | 395,342            |           | 686,670            |           |
| Inventories, net (Notes 2 and 9)                                      | 19,252,120         | 4         | 19,933,360         | 3         |
| Deferred income tax assets (Notes 2 and 17)                           | 8,094,973          | 1         | 9,486,631          | 2         |
| Prepaid expenses and other current assets                             | 809,189            |           | 1,362,053          |           |
| <b>Total current assets</b>   | <b>211,303,000</b> | <b>37</b> | <b>215,230,618</b> | <b>36</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10 and 11)</b>               |                    |           |                    |           |
| Investments accounted for using equity method                         | 107,596,741        | 19        | 105,135,305        | 18        |
| Available-for-sale financial assets                                   |                    |           | 6,466,605          | 1         |
| Held-to-maturity financial assets                                     | 8,023,394          | 1         | 26,697,128         | 5         |
| Financial assets carried at cost                                      | 748,160            |           | 746,405            |           |
| <b>Total long-term investments</b>                                    | <b>116,368,295</b> | <b>20</b> | <b>139,045,443</b> | <b>24</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>             |                    |           |                    |           |
| <b>Cost</b>   |                    |           |                    |           |
| Buildings   | 102,763,591        | 18        | 98,752,832         | 17        |
| Machinery and equipment   | 598,750,110        | 103       | 538,459,403        | 91        |

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|   |                |      |                |      |
|---|----------------|------|----------------|------|
| Office equipment                              | 9,424,541      | 2    | 8,722,604      | 1    |
|   | 710,938,242    | 123  | 645,934,839    | 109  |
| Accumulated depreciation                      | (503,748,572)  | (87) | (435,129,667)  | (73) |
| Advance payments and construction in progress | 28,503,739     | 5    | 11,740,887     | 2    |
| Net property, plant and equipment             | 235,693,409    | 41   | 222,546,059    | 38   |
| <b>INTANGIBLE ASSETS</b>                      |                |      |                |      |
| Goodwill (Note 2)                             | 1,567,756      |      | 1,567,756      |      |
| Deferred charges, net (Notes 2 and 13)        | 6,781,759      | 1    | 5,593,638      | 1    |
| Total intangible assets                       | 8,349,515      | 1    | 7,161,394      | 1    |
| <b>OTHER ASSETS</b>                           |                |      |                |      |
| Deferred income tax assets (Notes 2 and 17)   | 3,916,735      | 1    | 5,001,596      | 1    |
| Refundable deposits                           | 2,748,142      |      | 2,576,685      |      |
| Others (Note 2)                               | 295,217        |      | 65,712         |      |
| Total other assets                            | 6,960,094      | 1    | 7,643,993      | 1    |
| TOTAL   | \$ 578,674,313 | 100  | \$ 591,627,507 | 100  |

|  | <b>2008</b>   |          | <b>2007</b>   |          |
|--|---------------|----------|---------------|----------|
|  | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                                 |               |          |               |          |
| <b>CURRENT LIABILITIES</b>   |               |          |               |          |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ 239,893    |          | \$ 133,802    |          |
| Accounts payable   | 7,491,302     | 1        | 6,811,587     | 1        |
| Payables to related parties (Note 24)                                      | 1,986,731     |          | 2,377,933     |          |
| Income tax payable (Notes 2 and 17)  | 13,743,060    | 3        | 9,801,787     | 2        |
| Accrued bonuses to employees and directors (Notes 3 and 19)                | 4,321,538     | 1        |               |          |
| Accrued expenses and other current liabilities (Note 15)                   | 9,925,414     | 2        | 8,497,965     | 1        |
| Payables to contractors and equipment suppliers                            | 11,413,544    | 2        | 8,694,304     | 2        |
| Current portion of bonds payable (Note 14)                                 | 8,000,000     | 1        | 4,500,000     | 1        |
| Total current liabilities  | 57,121,482    | 10       | 40,817,378    | 7        |

## LONG-TERM LIABILITIES

|                                    |           |   |            |   |
|------------------------------------|-----------|---|------------|---|
| Bonds payable (Note 14)            | 4,500,000 | 1 | 12,500,000 | 2 |
| Other long-term payables (Note 15) | 1,335,996 |   | 1,623,181  |   |

|                             |           |   |            |   |
|-----------------------------|-----------|---|------------|---|
| Total long-term liabilities | 5,835,996 | 1 | 14,123,181 | 2 |
|-----------------------------|-----------|---|------------|---|

## OTHER LIABILITIES

|                                       |           |   |           |   |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 16) | 3,666,177 | 1 | 3,546,228 | 1 |
| Guarantee deposits (Note 26)          | 1,869,126 |   | 3,424,737 | 1 |
| Deferred credits (Notes 2 and 24)     | 887,838   |   | 1,090,364 |   |

|                         |           |   |           |   |
|-------------------------|-----------|---|-----------|---|
| Total other liabilities | 6,423,141 | 1 | 8,061,329 | 2 |
|-------------------------|-----------|---|-----------|---|

|                   |            |    |            |    |
|-------------------|------------|----|------------|----|
| Total liabilities | 69,380,619 | 12 | 63,001,888 | 11 |
|-------------------|------------|----|------------|----|

## CAPITAL STOCK \$10 PAR VALUE

Authorized: 28,050,000 thousand shares in 2008

27,050,000 thousand shares in 2007

Issued: 25,629,242 thousand shares in 2008

|                                    |             |    |             |    |
|------------------------------------|-------------|----|-------------|----|
| 25,832,959 thousand shares in 2007 | 256,292,416 | 44 | 258,329,592 | 44 |
|------------------------------------|-------------|----|-------------|----|

|                                  |            |   |            |   |
|----------------------------------|------------|---|------------|---|
| CAPITAL SURPLUS (Notes 2 and 19) | 51,696,165 | 9 | 54,231,465 | 9 |
|----------------------------------|------------|---|------------|---|

## RETAINED EARNINGS (Note 19)

|                                       |            |    |            |   |
|---------------------------------------|------------|----|------------|---|
| Appropriated as legal capital reserve | 56,406,684 | 10 | 43,705,711 | 7 |
|---------------------------------------|------------|----|------------|---|

|   |         |  |         |  |
|---|---------|--|---------|--|
| Appropriated as special capital reserve | 629,550 |  | 640,742 |  |
|---|---------|--|---------|--|

|                         |             |    |             |    |
|-------------------------|-------------|----|-------------|----|
| Unappropriated earnings | 151,596,813 | 26 | 171,616,718 | 29 |
|-------------------------|-------------|----|-------------|----|

|  |             |    |             |    |
|--|-------------|----|-------------|----|
|  | 208,633,047 | 36 | 215,963,171 | 36 |
|--|-------------|----|-------------|----|

## OTHERS (Notes 2, 21 and 23)

|                                    |             |     |         |  |
|------------------------------------|-------------|-----|---------|--|
| Cumulative translation adjustments | (6,810,720) | (1) | 299,332 |  |
|------------------------------------|-------------|-----|---------|--|

|   |         |  |         |  |
|---|---------|--|---------|--|
| Unrealized gains on financial instruments | 400,861 |  | 720,134 |  |
|---|---------|--|---------|--|

|  |           |  |           |  |
|--|-----------|--|-----------|--|
| Treasury stock: 34,096 thousand shares in 2008 | (918,075) |  | (918,075) |  |
|--|-----------|--|-----------|--|

|                                |             |     |         |  |
|--------------------------------|-------------|-----|---------|--|
| 33,926 thousand shares in 2007 | (7,327,934) | (1) | 101,391 |  |
|--------------------------------|-------------|-----|---------|--|

|                            |             |    |             |    |
|----------------------------|-------------|----|-------------|----|
| Total shareholders' equity | 509,293,694 | 88 | 528,625,619 | 89 |
|----------------------------|-------------|----|-------------|----|



|       |                |     |                |     |
|-------|----------------|-----|----------------|-----|
| TOTAL | \$ 578,674,313 | 100 | \$ 591,627,507 | 100 |
|-------|----------------|-----|----------------|-----|

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche review report dated April 9, 2008)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|   | <b>2008</b>   |          | <b>2007</b>   |          |
|---|---------------|----------|---------------|----------|
|   | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| GROSS SALES (Notes 2 and 24)  | \$ 86,911,072 |          | \$ 64,054,647 |          |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8)                                      | 1,680,969     |          | 708,058       |          |
| NET SALES   | 85,230,103    | 100      | 63,346,589    | 100      |
| COST OF SALES (Notes 18 and 24)   | 47,864,496    | 56       | 39,378,386    | 62       |
| GROSS PROFIT  | 37,365,607    | 44       | 23,968,203    | 38       |
| UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)                                  | 63,912        |          | 198,973       |          |
| REALIZED GROSS PROFIT   | 37,301,695    | 44       | 23,769,230    | 38       |
| OPERATING EXPENSES (Notes 18 and 24)  |               |          |               |          |
| Research and development  | 4,912,037     | 6        | 3,479,141     | 5        |
| General and administrative  | 2,388,738     | 3        | 1,617,600     | 3        |
| Marketing   | 586,390       |          | 310,529       | 1        |
| Total operating expenses  | 7,887,165     | 9        | 5,407,270     | 9        |
| INCOME FROM OPERATIONS  | 29,414,530    | 35       | 18,361,960    | 29       |
| NON-OPERATING INCOME AND GAINS  |               |          |               |          |
| Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 23) | 1,638,057     | 2        |               |          |
| Equity in earnings of equity method investees, net (Notes 2 and 10)               | 1,043,790     | 1        | 853,184       | 1        |
| Interest income   | 642,460       | 1        | 652,231       | 1        |
| Technical service income (Notes 24 and 26)  | 205,295       |          | 161,161       |          |

|   |           |   |           |   |
|---|-----------|---|-----------|---|
| Valuation gain of financial instruments, net (Notes 2, 5 and 23)                    | 125,919   |   |           |   |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24) | 77,850    |   | 69,982    |   |
| Rental income (Note 24)   | 64,549    |   | 55,614    |   |
| Foreign exchange gain, net (Note 2)   |           |   | 440,867   | 1 |
| Others (Note 24)  | 81,042    |   | 114,532   |   |
| <br>  |           |   |           |   |
| Total non-operating income and gains  | 3,878,962 | 4 | 2,347,571 | 3 |

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|   | <b>2008</b>          |           | <b>2007</b>          |           |
|---|----------------------|-----------|----------------------|-----------|
|   | <b>Amount</b>        | <b>%</b>  | <b>Amount</b>        | <b>%</b>  |
| <b>NON-OPERATING EXPENSES AND LOSSES</b>  |                      |           |                      |           |
| Foreign exchange loss, net (Note 2)   | \$ 1,774,578         | 2         | \$                   |           |
| Interest expense  | 88,750               |           | 151,922              |           |
| Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 23) |                      |           | 480,826              | 1         |
| Valuation loss on financial instruments, net (Notes 2, 5 and 23)                  |                      |           | 167,493              |           |
| Others  | 23,009               |           | 14,382               |           |
| <b>Total non-operating expenses and losses</b>                                    | <b>1,886,337</b>     | <b>2</b>  | <b>814,623</b>       | <b>1</b>  |
| <b>INCOME BEFORE INCOME TAX EXPENSE</b>   | <b>31,407,155</b>    | <b>37</b> | <b>19,894,908</b>    | <b>31</b> |
| <b>INCOME TAX EXPENSE (Notes 2 and 17)</b>  | <b>3,263,773</b>     | <b>4</b>  | <b>1,056,269</b>     | <b>1</b>  |
| <b>NET INCOME</b>   | <b>\$ 28,143,382</b> | <b>33</b> | <b>\$ 18,838,639</b> | <b>30</b> |

|   | <b>2008</b>                      |                                 | <b>2007</b>                      |                                 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> |
| <b>EARNINGS PER SHARE (NT\$, Note 22)</b> |                                  |                                 |                                  |                                 |
| Basic earnings per share                  | \$ 1.23                          | \$ 1.10                         | \$ 0.75                          | \$ 0.71                         |
| Diluted earnings per share                | \$ 1.23                          | \$ 1.10                         | \$ 0.75                          | \$ 0.71                         |

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):

|                   | <b>2008</b>          | <b>2007</b>          |
|-------------------|----------------------|----------------------|
| <b>NET INCOME</b> | <b>\$ 28,143,382</b> | <b>\$ 18,838,639</b> |

**EARNINGS PER SHARE (NT\$)**

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|                            |    |      |    |      |
|----------------------------|----|------|----|------|
| Basic earnings per share   | \$ | 1.10 | \$ | 0.71 |
| Diluted earnings per share | \$ | 1.10 | \$ | 0.71 |

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

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

|   | <b>2008</b>   | <b>2007</b>   |
|---|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |               |               |
| Net income  | \$ 28,143,382 | \$ 18,838,639 |
| Adjustments to reconcile net income to net cash provided by operating activities: |               |               |
| Depreciation and amortization   | 18,041,872    | 18,488,096    |
| Unrealized gross profit from affiliates   | 63,912        | 198,973       |
| Amortization of premium/discount of financial assets                              | (25,931)      | (31,517)      |
| Gain on disposal of available-for-sale financial assets, net                      | (23,271)      | (29,611)      |
| Equity in earnings of equity method investees, net                                | (1,043,790)   | (853,184)     |
| Dividends received from equity method investees                                   | 589,071       |               |
| Gain on disposal of property, plant and equipment and other assets, net           | (77,850)      | (67,949)      |
| Deferred income tax   | 498,225       | (895,100)     |
| Changes in operating assets and liabilities:                                      |               |               |
| Decrease (increase) in:   |               |               |
| Financial assets and liabilities at fair value through profit or loss             | (125,919)     | 167,493       |
| Receivables from related parties  | 2,014,229     | (2,288,063)   |
| Notes and accounts receivable   | 1,811,468     | 1,595,265     |
| Allowance for doubtful receivables  | (1,353)       |               |
| Allowance for sales returns and others  | 310,958       | (274,778)     |
| Other receivables from related parties  | 64,957        | (38,000)      |
| Other financial assets  | (63,644)      | (33,210)      |
| Inventories   | 1,735,022     | (781,146)     |
| Prepaid expenses and other current assets   | 52,276        | (140,854)     |
| Increase (decrease) in:   |               |               |
| Accounts payable  | (1,994,516)   | 667,908       |
| Payables to related parties   | (1,012,899)   | (948,983)     |
| Income tax payable  | 2,765,097     | 1,951,369     |
| Accrued bonuses to employees and directors  | 4,321,538     |               |
| Accrued expenses and other current liabilities                                    | (1,581,849)   | 343,035       |
| Accrued pension cost  | 8,498         | 16,112        |
| Deferred credits  | (23,937)      | (23,936)      |
| <br>  |               |               |
| Net cash provided by operating activities   | 54,445,546    | 35,860,559    |
| <br>  |               |               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |               |               |
| Acquisitions of:  |               |               |
| Available-for-sale financial assets   |               | (2,151,253)   |
| Financial assets carried at cost  |               | (33,562)      |
| Investments accounted for using equity method                                     | (217,348)     | (1,631,986)   |

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|  |              |              |
|--|--------------|--------------|
| Property, plant and equipment                  | (14,294,648) | (13,783,013) |
| Proceeds from disposal or redemption of:       |              |              |
| Available-for-sale financial assets            | 5,154,736    | 2,080,000    |
| Held-to-maturity financial assets              | 2,238,000    | 4,282,320    |
| Property, plant and equipment and other assets | 1,157        | 1,165        |
|  |              | (Continued)  |

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

|  | <b>2008</b>        | <b>2007</b>        |
|--|--------------------|--------------------|
| Proceeds from return of capital by investees   | \$ 55,056          | \$ 14,068          |
| Increase in deferred charges   | (584,370)          | (992,173)          |
| Increase in refundable deposits  | (6,604)            | (1,270,451)        |
| <br>Net cash used in investing activities  | <br>(7,654,021)    | <br>(13,484,885)   |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                    |                    |
| Repayment of long-term bonds payable   |                    | (2,500,000)        |
| Decrease in guarantee deposits   | (371,551)          | (385,224)          |
| Proceeds from exercise of employee stock options                                     | 80,948             | 122,009            |
| Payment for repurchase of treasury stock   | (3,053,584)        |                    |
| <br>Net cash used in financing activities  | <br>(3,344,187)    | <br>(2,763,215)    |
| <br><b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                 | <br>43,447,338     | <br>19,612,459     |
| <br><b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                            | <br>72,422,102     | <br>100,139,709    |
| <br><b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                                  | <br>\$ 115,869,440 | <br>\$ 119,752,168 |
| <br><b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                          |                    |                    |
| Interest paid  | \$ 355,000         | \$ 420,000         |
| Income tax paid  | \$ 63,801          | \$ 52,670          |
| <br><b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b> |                    |                    |
| Acquisition of property, plant and equipment   | \$ 20,318,452      | \$ 11,807,794      |
| Decrease (increase) in payables to contractors and equipment suppliers               | (6,023,804)        | 1,975,219          |
| <br>Cash paid  | <br>\$ 14,294,648  | <br>\$ 13,783,013  |



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|  |              |          |
|--|--------------|----------|
| Disposal of property, plant and equipment and other assets | \$ 1,762,010 | \$ 1,165 |
| Increase in other payables to related parties              | (1,760,853)  |          |
| Cash received  | \$ 1,157     | \$ 1,165 |

NON-CASH INVESTMENT AND FINANCING ACTIVITIES

|  |              |              |
|--|--------------|--------------|
| Current portion of bonds payable   | \$ 8,000,000 | \$ 4,500,000 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 3,308,040 | \$ 2,371,524 |

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

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**1. GENERAL**

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

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

As of March 31, 2008 and 2007, the Company had 20,519 and 20,222 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Use of Estimates**

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

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

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

**Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

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

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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 period the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

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

### **Inventories**

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

### **Investments Accounted for Using Equity Method**

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

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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 period s tax provision.

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

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

### **Stock-based Compensation**

Employee stock options that were modified or granted 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 during the three months ended March 31, 2008.

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### **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.

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

### **Foreign-currency Transactions**

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

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

### **Recent Accounting Pronouncements**

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

## **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\$3,586,877 thousand and NT\$0.14, respectively, for the three months ended March 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 three months ended March 31, 2008.

**4. CASH AND CASH EQUIVALENTS**

|  | <b>March 31</b>       |                       |
|--|-----------------------|-----------------------|
|  | <b>2008</b>           | <b>2007</b>           |
| Cash and deposits in banks                               | \$ 109,361,907        | \$ 77,169,400         |
| Repurchase agreements collateralized by government bonds | 5,995,378             | 41,985,407            |
| Asset-backed commercial papers                           | 512,155               | 597,361               |
|  | <b>\$ 115,869,440</b> | <b>\$ 119,752,168</b> |

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

|  | <b>March 31</b>   |                   |
|--|-------------------|-------------------|
|  | <b>2008</b>       | <b>2007</b>       |
| <b>Derivatives - financial assets</b>      |                   |                   |
| Cross currency swap contracts              | \$ 160,249        | \$ 159            |
| <b>Derivatives - financial liabilities</b> |                   |                   |
| Forward exchange contracts                 | \$ 121,599        | \$ 18,717         |
| Cross currency swap contracts              | 118,294           | 115,085           |
|  | <b>\$ 239,893</b> | <b>\$ 133,802</b> |

The Company entered into derivative contracts during the three months ended March 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 as of March 31, 2008 and 2007:

|                   | <b>Maturity Date</b>    | <b>Contract Amount<br/>(in Thousands)</b> |
|-------------------|-------------------------|---|
| March 31, 2008    |                         |   |
| Sell EUR/Buy NT\$ | April 2008 to July 2008 | EUR 44,500                                |
| March 31, 2007    |                         |   |
| Sell EUR/Buy US\$ | April 2007              | EUR 23,000                                |

Outstanding cross currency swap contracts as of March 31, 2008 and 2007:

| <b>Maturity Date</b>    | <b>Contract Amount<br/>(in<br/>Thousands)</b> | <b>Range of<br/>Interest Rates<br/>Paid</b> | <b>Range of<br/>Interest Rates<br/>Received</b> |
|-------------------------|---|---|---|
| March 31, 2008          |   |   |   |
| April 2008              | US<br>\$883,000                               | 2.60%-3.75%                                 | 1.28%-2.42%                                     |
| March 31, 2007          |   |   |   |
| April 2007 to June 2007 | US<br>\$835,000                               | 2.65%-5.35%                                 | 1.65%-5.16%                                     |

For the three months ended March 31, 2008 and 2007, gains and losses arising from derivative financial instruments were net gains of NT\$1,740,705 thousand (including realized settlement gains of NT\$1,614,786 thousand and valuation gains of NT\$125,919 thousand) and net losses of NT\$677,929 thousand (including realized settlement losses of NT\$510,436 thousand and valuation losses of NT\$167,493 thousand), respectively.

#### **6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

|                          | <b>March 31</b> |               |
|--------------------------|-----------------|---------------|
|                          | <b>2008</b>     | <b>2007</b>   |
| Open-end mutual funds    | \$ 14,126,171   | \$ 23,976,854 |
| Corporate bonds          | 4,065,233       | 4,163,115     |
| Government bonds         | 400,317         | 4,152,738     |
| Structured time deposits |                 | 499,288       |
|                          | 18,591,721      | 32,791,995    |
| Current portion          | (18,591,721)    | (26,325,390)  |
|                          | \$              | \$ 6,466,605  |

As of March 31, 2007, structured time deposits categorized as available-for-sale financial assets consisted of the following:

|                           | <b>Principal<br/>Amount</b> | <b>Carrying<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> |
|---------------------------|-----------------------------|----------------------------|--------------------------|--------------------------|
| Step-up callable deposits |                             |                            |                          |                          |
| Domestic deposits         | \$ 500,000                  | \$ 499,288                 | 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**

|                          | <b>March 31</b> |               |
|--------------------------|-----------------|---------------|
|                          | <b>2008</b>     | <b>2007</b>   |
| Corporate bonds          | \$ 10,908,455   | \$ 13,426,614 |
| Government bonds         | 6,091,684       | 8,676,382     |
| Structured time deposits | 1,000,000       | 11,117,800    |
|                          | 18,000,139      | 33,220,796    |
| Current portion          | (9,976,745)     | (6,523,668)   |
|                          | \$ 8,023,394    | \$ 26,697,128 |

As of March 31, 2008 and 2007, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

|                                 | <b>Principal<br/>Amount</b> | <b>Interest<br/>Receivable</b> | <b>Range of<br/>Interest Rates</b> | <b>Maturity Date</b>            |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|---------------------------------|
| March 31, 2008                  |                             |                                |                                    |                                 |
| Step-up callable deposits       |                             |                                |                                    |                                 |
| Domestic deposits               | \$ 1,000,000                | \$ 3,844                       | 1.77%-1.83%                        | April 2008 to October 2008      |
| March 31, 2007                  |                             |                                |                                    |                                 |
| Step-up callable deposits       |                             |                                |                                    |                                 |
| Domestic deposits               | \$ 4,500,000                | \$ 13,593                      | 1.50%-1.83%                        | June 2007 to October 2008       |
| Callable range accrual deposits |                             |                                |                                    |                                 |
| Domestic deposits               | 3,970,680                   | 14,752                         | (See below)                        | September 2009 to December 2009 |
| Foreign deposits                | 2,647,120                   | 7,390                          | (See below)                        | October 2009 to December 2009   |
|                                 | \$ 11,117,800               | \$ 35,735                      |                                    |                                 |

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

As of March 31, 2008, no structured time deposit resided in banks located in foreign countries. As of March 31, 2007, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$60,000 thousand and US\$20,000 thousand, respectively.

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

Movements of the allowance for doubtful receivables were as follows:

|                              | <b>Three Months Ended</b> |             |
|------------------------------|---------------------------|-------------|
|                              | <b>March 31</b>           |             |
|                              | <b>2008</b>               | <b>2007</b> |
| Balance, beginning of period | \$ 688,972                | \$ 690,931  |
| Write-off                    | (1,353)                   |             |
| Balance, end of period       | \$ 687,619                | \$ 690,931  |



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

|                              | <b>Three Months Ended</b> |              |
|------------------------------|---------------------------|--------------|
|                              | <b>March 31</b>           |              |
|                              | <b>2008</b>               | <b>2007</b>  |
| Balance, beginning of period | \$ 3,856,685              | \$ 2,751,065 |
| Provision                    | 1,680,969                 | 708,058      |
| Write-off                    | (1,370,011)               | (982,836)    |
| <br>                         |                           |              |
| Balance, end of period       | \$ 4,167,643              | \$ 2,476,287 |

## 9. INVENTORIES, NET

|                          | <b>March 31</b>         |                         |
|--------------------------|-------------------------|-------------------------|
|                          | <b>2008</b>             | <b>2007</b>             |
| Finished goods           | \$ 3,884,951            | \$ 3,477,094            |
| Work in process          | 14,335,798              | 15,567,178              |
| Raw materials            | 1,217,429               | 1,197,164               |
| Supplies and spare parts | 604,237                 | 449,237                 |
| <br>                     |                         |                         |
| Allowance for losses     | 20,042,415<br>(790,295) | 20,690,673<br>(757,313) |
| <br>                     |                         |                         |
|                          | \$ 19,252,120           | \$ 19,933,360           |

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|  | <b>March 31</b> |               |                 |               |
|--|-----------------|---------------|-----------------|---------------|
|  | <b>2008</b>     |               | <b>2007</b>     |               |
|  | <b>Carrying</b> | <b>% of</b>   | <b>Carrying</b> | <b>% of</b>   |
|  | <b>Amount</b>   | <b>Owner-</b> | <b>Amount</b>   | <b>Owner-</b> |
|  |                 | <b>ship</b>   |                 | <b>ship</b>   |
| TSMC Global Ltd. (TSMC Global)                           | \$ 41,971,629   | 100           | \$ 43,771,405   | 100           |
| TSMC International Investment Ltd. (TSMC International)  | 27,063,207      | 100           | 26,934,392      | 100           |
| Vanguard International Semiconductor Corporation (VIS)   | 11,183,477      | 36            | 5,999,943       | 27            |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 8,352,727       | 39            | 8,134,439       | 39            |
| TSMC (Shanghai) Company Limited (TSMC Shanghai)          | 7,895,259       | 100           | 9,127,747       | 100           |
| TSMC Partners, Ltd. (TSMC Partners)                      | 3,528,732       | 100           | 4,572,167       | 100           |
| TSMC North America                                       | 2,184,900       | 100           | 2,107,864       | 100           |
| XinTec Inc. (XinTec)                                     | 1,483,429       | 43            | 1,370,453       | 43            |

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|  |           |    |         |    |
|--|-----------|----|---------|----|
| VentureTech Alliance Fund II, L.P. (VTAF II)     | 1,039,699 | 98 | 801,222 | 98 |
| VentureTech Alliance Fund III, L.P. (VTAF III)   | 1,037,387 | 98 | 438,480 | 98 |
| Global UniChip Corporation (GUC)                 | 891,488   | 37 | 692,434 | 38 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 390,518   | 99 | 779,280 | 99 |
| Chi Cherng Investment Co., Ltd. (Chi Cherng)     | 175,689   | 36 | 118,167 | 36 |

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|  | 2008            |                | March 31        |                | 2007            |                |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|
|  | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership | Carrying Amount | % of Ownership |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey)                           | \$ 173,804      | 36             | \$ 116,793      | 36             |                 |                |
| TSMC Japan Limited (TSMC Japan)                                      | 112,111         | 100            | 98,799          | 100            |                 |                |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 97,152          | 100            | 56,633          | 100            |                 |                |
| TSMC Korea Limited (TSMC Korea)                                      | 15,533          | 100            | 15,087          | 100            |                 |                |
|  | \$ 107,596,741  |                | \$ 105,135,305  |                |                 |                |

(Concluded)

In January 2007, the Company acquired 90,526 thousand shares in XinTec, representing 43% of its total common shares, for NT\$1,357,890 thousand.

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%.

For the three months ended March 31, 2008 and 2007, net equity in earnings of equity method investees of NT\$1,043,790 thousand and NT\$853,184 thousand was recognized, respectively. The related equity in earnings of equity method investees was determined based on the reviewed financial statements of the investees for the same periods as the Company.

As of March 31, 2008 and 2007, fair value of publicly traded stocks in investments accounted for using equity method was NT\$22,267,805 thousand and NT\$23,975,319 thousand, respectively.

Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets for the three months ended March 31, 2008 and 2007 were as follows:

|                              | Three Months Ended |            |
|------------------------------|--------------------|------------|
|                              | 2008               | 2007       |
| Balance, beginning of period | \$ 2,677,388       | \$ 943,277 |
| Additions                    |                    | 105,000    |
| Depreciation/Amortization    | (156,034)          | (49,959)   |
| Balance, end of period       | \$ 2,521,354       | \$ 998,318 |

Movements of the aforementioned difference allocated to goodwill for the three months ended March 31, 2008 and 2007 were as follows:

|                              | Three Months Ended |            |
|------------------------------|--------------------|------------|
|                              | 2008               | 2007       |
| Balance, beginning of period | \$ 987,349         | \$ 213,984 |

Additions

|                        |            |            |
|------------------------|------------|------------|
| Balance, end of period | \$ 987,349 | \$ 213,984 |
|------------------------|------------|------------|

**11. FINANCIAL ASSETS CARRIED AT COST**

|                            | <b>March 31</b>   |                   |
|----------------------------|-------------------|-------------------|
|                            | <b>2008</b>       | <b>2007</b>       |
| Non-publicly traded stocks | \$ 364,913        | \$ 364,913        |
| Mutual funds               | 383,247           | 381,492           |
|                            | <b>\$ 748,160</b> | <b>\$ 746,405</b> |

**12. PROPERTY, PLANT AND EQUIPMENT**

|   | <b>Three Months Ended March 31, 2008</b>    |                      |                       |                         |                                       |
|---|---|----------------------|-----------------------|-------------------------|---------------------------------------|
|   | <b>Balance,<br/>Beginning<br/>of Period</b> | <b>Additions</b>     | <b>Disposals</b>      | <b>Reclassification</b> | <b>Balance,<br/>End of<br/>Period</b> |
| Cost  |   |                      |                       |                         |                                       |
| Buildings                                     | \$ 101,907,892                              | \$ 856,009           | \$                    | \$ (310)                | \$ 102,763,591                        |
| Machinery and equipment                       | 589,131,625                                 | 11,778,538           | (2,145,226)           | (14,827)                | 598,750,110                           |
| Office equipment                              | 9,167,107                                   | 263,119              | (5,875)               | 190                     | 9,424,541                             |
|   | <b>700,206,624</b>                          | <b>\$ 12,897,666</b> | <b>\$ (2,151,101)</b> | <b>\$ (14,947)</b>      | <b>710,938,242</b>                    |
| Accumulated depreciation                      |   |                      |                       |                         |                                       |
| Buildings                                     | 57,349,828                                  | 1,935,317            | \$                    | \$ (4)                  | 59,285,141                            |
| Machinery and equipment                       | 422,278,071                                 | 15,254,323           | (392,248)             | 2                       | 437,140,148                           |
| Office equipment                              | 7,097,120                                   | 232,012              | (5,875)               | 26                      | 7,323,283                             |
|   | <b>486,725,019</b>                          | <b>\$ 17,421,652</b> | <b>\$ (398,123)</b>   | <b>\$ 24</b>            | <b>503,748,572</b>                    |
| Advance payments and construction in progress | 21,082,953                                  | \$ 7,420,786         | \$                    | \$                      | 28,503,739                            |
| Net   | <b>\$ 234,564,558</b>                       |                      |                       |                         | <b>\$ 235,693,409</b>                 |

|                         | <b>Three Months Ended March 31, 2007</b>    |                                   |                  |                         |                                       |
|-------------------------|---|-----------------------------------|------------------|-------------------------|---------------------------------------|
|                         | <b>Balance,<br/>Beginning<br/>of Period</b> | <b>Additions<br/>(Deductions)</b> | <b>Disposals</b> | <b>Reclassification</b> | <b>Balance,<br/>End of<br/>Period</b> |
| Cost                    |   |                                   |                  |                         |                                       |
| Buildings               | \$ 96,961,851                               | \$ 1,822,770                      | \$ (31,789)      | \$                      | \$ 98,752,832                         |
| Machinery and equipment | 527,850,728                                 | 10,618,588                        | (9,866)          | (47)                    | 538,459,403                           |
| Office equipment        | 8,659,225                                   | 182,745                           | (118,556)        | (810)                   | 8,722,604                             |

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|  |                |               |              |            |                |
|--|----------------|---------------|--------------|------------|----------------|
|  | 633,471,804    | \$ 12,624,103 | \$ (160,211) | \$ (857)   | 645,934,839    |
| Accumulated depreciation                         |                |               |              |            |                |
| Buildings  | 49,595,917     | \$ 1,918,600  | \$ (30,911)  | \$         | 51,483,606     |
| Machinery and equipment                          | 361,401,800    | 15,633,685    | (8,764)      | (47)       | 377,026,674    |
| Office equipment                                 | 6,469,533      | 268,360       | (118,553)    | 47         | 6,619,387      |
|  | 417,467,250    | \$ 17,820,645 | \$ (158,228) | \$         | 435,129,667    |
| Advance payments and<br>construction in progress | 12,230,805     | \$ (816,309)  | \$           | \$ 326,391 | 11,740,887     |
| Net  | \$ 228,235,359 |               |              |            | \$ 222,546,059 |

No interest was capitalized during the three months ended March 31, 2008 and 2007.

**13. DEFERRED CHARGES, NET****Three Months Ended March 31, 2008**

|                                  | <b>Balance,<br/>Beginning<br/>of Period</b> | <b>Additions</b> | <b>Amortization</b> | <b>Disposals</b> | <b>Reclassification</b> | <b>Balance,<br/>End of<br/>Period</b> |
|----------------------------------|---|------------------|---------------------|------------------|-------------------------|---------------------------------------|
| Technology license fees          | \$ 5,349,937                                | \$               | \$ (390,922)        | \$               | \$                      | \$ 4,959,015                          |
| Software and system design costs | 1,309,272                                   | 215,826          | (181,138)           |                  | (74)                    | 1,343,886                             |
| Others                           | 513,204                                     |                  | (34,346)            |                  |                         | 478,858                               |
|                                  | \$ 7,172,413                                | \$ 215,826       | \$ (606,406)        | \$               | \$ (74)                 | \$ 6,781,759                          |

**Three Months Ended March 31, 2007**

|                                  | <b>Balance,<br/>Beginning<br/>of Period</b> | <b>Additions</b> | <b>Amortization</b> | <b>Disposals</b> | <b>Reclassification</b> | <b>Balance,<br/>End of<br/>Period</b> |
|----------------------------------|---|------------------|---------------------|------------------|-------------------------|---------------------------------------|
| Technology license fees          | \$ 4,038,551                                | \$ 825,550       | \$ (438,247)        | \$               | \$                      | \$ 4,425,854                          |
| Software and system design costs | 1,517,575                                   | 166,623          | (221,146)           | (51)             | (325,534)               | 1,137,467                             |
| Others                           | 36,942                                      |                  | (6,625)             |                  |                         | 30,317                                |
|                                  | \$ 5,593,068                                | \$ 992,173       | \$ (666,018)        | \$ (51)          | \$ (325,534)            | \$ 5,593,638                          |

**14. BONDS PAYABLE**

|  | <b>March 31</b> |               |
|--|-----------------|---------------|
|  | <b>2008</b>     | <b>2007</b>   |
| Domestic unsecured bonds:  |                 |               |
| Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually  | \$              | \$ 4,500,000  |
| Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively | 12,500,000      | 12,500,000    |
|  | 12,500,000      | 17,000,000    |
| Current portion  | (8,000,000)     | (4,500,000)   |
|  | \$ 4,500,000    | \$ 12,500,000 |

As of March 31, 2008, future principal repayments for the Company's bonds were as follows:

| <b>Year of Repayment</b> | <b>Amount</b> |
|--------------------------|---------------|
| 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 March 31, 2008, future payments for other long-term payables were as follows:

| <b>Year of Payment</b>  | <b>Amount</b>       |
|---|---------------------|
| 2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)                                 | \$ 3,236,893        |
| 2009  | 545,466             |
| 2010  | 466,412             |
| 2011  | 395,265             |
|   | 4,644,036           |
| Current portion (classified under accrued expenses and other current liabilities) | (3,308,040)         |
|   | <b>\$ 1,335,996</b> |

**16. PENSION PLANS**

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

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension cost of NT\$164,396 thousand and NT\$148,533 thousand for the three months ended March 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 length of service 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 merged into the Bank of Taiwan on July 1, 2007). The Company recognized pension cost of NT\$67,246 thousand and NT\$81,154 thousand for the three months ended March 31, 2008 and 2007, respectively. As of March 31, 2008 and 2007, the balance of the Fund was NT\$2,278,579 thousand and NT\$2,027,436 thousand, respectively.

**17. INCOME TAX**

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

|  | <b>Three Months Ended<br/>March 31</b> |              |
|--|--|--------------|
|  | <b>2008</b>                            | <b>2007</b>  |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ 7,851,789                           | \$ 4,973,727 |
| Tax effect of the following:   |  |              |
| Tax-exempt income  | (2,634,089)                            | (991,862)    |
| Temporary and permanent differences  | 271,414                                | (79,127)     |
| Others   | 41,235                                 |              |
| Income tax credits used  | (2,764,800)                            | (1,951,369)  |
| <br>   |  |              |
| Income tax currently payable   | \$ 2,765,549                           | \$ 1,951,369 |

- b. Income tax expense consisted of the following:

|  |              |              |
|--|--------------|--------------|
| Income tax currently payable             | \$ 2,765,549 | \$ 1,951,369 |
| Net change in deferred income tax assets |              |              |
| Investment tax credits                   | 1,457,032    | 509,910      |
| Temporary differences                    | (51,527)     | (708,401)    |
| Valuation allowance                      | (907,281)    | (696,609)    |
| <br>                                     |              |              |
| Income tax expense                       | \$ 3,263,773 | \$ 1,056,269 |

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

|  | <b>March 31</b> |              |
|--|-----------------|--------------|
|  | <b>2008</b>     | <b>2007</b>  |
| Current deferred income tax assets         |                 |              |
| Investment tax credits                     | \$ 8,094,974    | \$ 9,486,631 |
| <br>                                       |                 |              |
| Noncurrent deferred income tax assets, net |                 |              |
| Investment tax credits                     | \$ 5,284,749    | \$ 9,960,351 |
| Temporary differences                      | 1,194,838       | 1,548,865    |
| Valuation allowance                        | (2,562,852)     | (6,507,620)  |
| <br>                                       |                 |              |
|  | \$ 3,916,735    | \$ 5,001,596 |

- d. Integrated income tax information:

The balance of the imputation credit account as of March 31, 2008 and 2007 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

The estimated and actual creditable ratio for distribution of earnings of 2007 and 2006 was 1.86% and 5.23%, respectively.

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

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

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f. As of March 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                   | \$ 6,076,148            | \$ 4,841,869                | 2010        |
|                                  |   | 4,439,860               | 4,439,860                   | 2011        |
|                                  |   | 13,547                  | 13,547                      | 2012        |
|                                  |   | \$ 10,529,555           | \$ 9,295,276                |             |
| Statute for Upgrading Industries | Research and development expenditures                 | \$ 1,508,726            | \$                          | 2009        |
|                                  |   | 1,781,376               | 1,781,376                   | 2010        |
|                                  |   | 1,654,065               | 1,654,065                   | 2011        |
|                                  |   | 523,083                 | 523,083                     | 2012        |
|                                  |   | \$ 5,467,250            | \$ 3,958,524                |             |
| Statute for Upgrading Industries | Personnel training expenditures                       | \$ 21,795               | \$                          | 2009        |
|                                  |   | 46,119                  | 46,119                      | 2010        |
|                                  |   | \$ 67,914               | \$ 46,119                   |             |
| Statute for Upgrading Industries | Investments in important technology-based enterprises | \$ 79,804               | \$ 79,804                   | 2010        |

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 14 Module B | 2007 to 2011         |

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

### 18. LABOR COST, DEPRECIATION AND AMORTIZATION

Three Months Ended March 31, 2008  
Classified  
as  
Classified  
as Operating

|                            | <b>Cost of<br/>Sales</b> | <b>Expenses</b> | <b>Total</b>  |
|----------------------------|--------------------------|-----------------|---------------|
| Labor cost                 |                          |                 |               |
| Salary                     | \$ 4,535,435             | \$ 3,206,078    | \$ 7,741,513  |
| Labor and health insurance | 171,065                  | 96,691          | 267,756       |
| Pension                    | 147,988                  | 83,654          | 231,642       |
| Meal                       | 110,622                  | 44,839          | 155,461       |
| Welfare                    | 46,066                   | 26,074          | 72,140        |
| Others                     | 48,224                   | 1,251           | 49,475        |
|                            | \$ 5,059,400             | \$ 3,458,587    | \$ 8,517,987  |
| Depreciation               | \$ 16,397,601            | \$ 1,016,959    | \$ 17,414,560 |
| Amortization               | \$ 448,400               | \$ 158,006      | \$ 606,406    |

|                            | <b>Three Months Ended March 31, 2007</b> |                     |                     |
|----------------------------|--|---------------------|---------------------|
|                            | <b>Classified</b>                        | <b>Classified</b>   |                     |
|                            | <b>as Cost</b>                           | <b>as</b>           |                     |
|                            | <b>of Sales</b>                          | <b>Operating</b>    | <b>Total</b>        |
|                            |  | <b>Expenses</b>     |                     |
| Labor cost                 |  |                     |                     |
| Salary                     | \$ 2,219,384                             | \$ 1,048,077        | \$ 3,267,461        |
| Labor and health insurance | 160,974                                  | 86,039              | 247,013             |
| Pension                    | 149,674                                  | 80,013              | 229,687             |
| Meal                       | 104,780                                  | 38,199              | 142,979             |
| Welfare                    | 55,674                                   | 31,019              | 86,693              |
| Others                     | 30,552                                   | 1,171               | 31,723              |
|                            | <b>\$ 2,721,038</b>                      | <b>\$ 1,284,518</b> | <b>\$ 4,005,556</b> |
| Depreciation               | \$ 16,857,622                            | \$ 957,405          | \$ 17,815,027       |
| Amortization               | \$ 458,751                               | \$ 206,968          | \$ 665,719          |

## 19. SHAREHOLDERS EQUITY

As of March 31, 2008, 1,110,083 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,550,414 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.

Capital surplus consisted of the following:

|                                  | <b>March 31</b>      |                      |
|----------------------------------|----------------------|----------------------|
|                                  | <b>2008</b>          | <b>2007</b>          |
| From merger                      | \$ 23,276,911        | \$ 24,003,546        |
| Additional paid-in capital       | 18,994,954           | 20,063,728           |
| From convertible bonds           | 9,077,065            | 9,360,424            |
| From long-term investments       | 347,180              | 414,524              |
| Donations                        | 55                   | 55                   |
| From treasury stock transactions |                      | 389,188              |
|                                  | <b>\$ 51,696,165</b> | <b>\$ 54,231,465</b> |

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 has equaled 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 bonus to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

For the three months ended March 31, 2008, the Company has recorded bonuses to employees and directors with a charge to earnings of approximately 15.3% of net income. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequently are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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 a Board of Directors' meeting held on February 19, 2008 and a shareholders' meeting held on May 7, 2007, respectively. The appropriations and dividends per share were as follows:

|                                    | Appropriations of Earnings |                         | Dividends Per Share           |                               |
|------------------------------------|----------------------------|-------------------------|-------------------------------|-------------------------------|
|                                    |                            |                         | (NT\$)                        |                               |
|                                    | For Fiscal<br>Year 2007    | For Fiscal<br>Year 2006 | For<br>Fiscal<br>Year<br>2007 | For<br>Fiscal<br>Year<br>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          |                               |                               |





The Board of Directors meeting held on February 19, 2008 and the shareholders meeting held on 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 2006 are consistent with the resolutions of the meeting of the Board of Directors held on February 6, 2007. The amounts of the appropriations of earnings for 2007 and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. If the above bonuses to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2007 and 2006, the basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of the Company's total outstanding common shares as of December 31, 2007 and 2006, respectively.

The information about the appropriations of bonuses 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 under 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 aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2008.

Information about outstanding options for the three months ended March 31, 2008 and 2007 was as follows:

|                                   | <b>Number of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------------------------------|---|--|
| Three months ended March 31, 2008 |   |  |
| Balance, beginning of period      | 41,875  | \$ 37.4  |
| Options exercised                 | (2,138)   | 37.9   |
| Options cancelled                 | (193)   | 46.8   |
| Balance, end of period            | 39,544  | 37.3   |

(Continued)

|                                   | <b>Number of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------------------------------|---|--|
| Three months ended March 31, 2007 |   |  |
| Balance, beginning of period      | 52,814  | \$ 39.6  |
| Options exercised                 | (3,271)   | 37.3   |
| Options cancelled                 | (252)   | 47.2   |
| <br>                              |   |  |
| Balance, end of period            | 49,291  | 39.7   |

(Concluded)

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

As of March 31, 2008, information about outstanding and exercisable options was as follows:

| <b>Range of<br/>Exercise<br/>Price (NT\$)</b> | <b>Options Outstanding</b>                      |   |  | <b>Options Exercisable</b>                      |  |
|---|---|---|--|---|--|
|   | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Remaining<br/>Contractual<br/>Life<br/>(Years)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
| \$25.9-\$36.4                                 | 27,070  | 4.91  | \$33.0   | 27,070  | \$33.0   |
| 38.9 51.3                                     | 12,474  | 6.65  | 46.6   | 6,162   | 46.4   |
|   | 39,544  |   | 37.3   | 33,232  | 35.5   |

No compensation cost was recognized under the intrinsic value method for the three months ended March 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 three months ended March 31, 2008 and 2007 would have been as follows:

|                         | <b>Three Months Ended March 31<br/>2008</b> | <b>2007</b>   |
|-------------------------|---|---------------|
| 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:             |   |               |

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|   |    |            |    |            |
|---|----|------------|----|------------|
| Net income as reported                            | \$ | 28,143,382 | \$ | 18,838,639 |
| Pro forma net income                              |    | 28,081,304 |    | 18,790,682 |
| Earnings per share (EPS) after income tax (NT\$): |    |            |    |            |
| Basic EPS as reported                             | \$ | 1.10       | \$ | 0.71       |
| Pro forma basic EPS                               |    | 1.10       |    | 0.71       |
| Diluted EPS as reported                           |    | 1.10       |    | 0.71       |
| Pro forma diluted EPS                             |    | 1.10       |    | 0.71       |

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**21. TREASURY STOCK**

(Shares in Thousands)

|   | <b>Beginning<br/>Shares</b> | <b>Addition</b> | <b>Retirement</b> | <b>Ending<br/>Shares</b> |
|---|-----------------------------|-----------------|-------------------|--------------------------|
| Three months ended March 31, 2008         |                             |                 |                   |                          |
| Parent company stock held by subsidiaries | 34,096                      |                 |                   | 34,096                   |
| Repurchase under share buyback plan       | 800,000                     |                 | 800,000           |                          |
|   | 834,096                     |                 | 800,000           | 34,096                   |
| Three months ended March 31, 2007         |                             |                 |                   |                          |
| Parent company stock held by subsidiaries | 33,926                      |                 |                   | 33,926                   |

As of March 31, 2008 and 2007, the book value of the treasury stock was NT\$918,075 thousand each and its market value was NT\$2,151,452 thousand and NT\$2,303,596 thousand, respectively. The Company's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

The Company held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Company'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. As of December 31, 2007, the Company had repurchased 800,000 thousand common shares. All the treasury stock repurchased was retired on February 27, 2008.

**22. EARNINGS PER SHARE**

EPS was computed as follows:

|  | <b>Amounts (Numerator)</b>   |                             | <b>Number of<br/>Shares<br/>(Denominator)<br/>(in<br/>Thousands)</b> | <b>EPS (NT\$)</b>            |                             |
|--|------------------------------|-----------------------------|--|------------------------------|-----------------------------|
|  | <b>Before<br/>Income Tax</b> | <b>After<br/>Income Tax</b> |  | <b>Before<br/>Income Tax</b> | <b>After<br/>Income Tax</b> |
| Three months ended March 31, 2008                            |                              |                             |  |                              |                             |
| Basic EPS  |                              |                             |  |                              |                             |
| Income available to common shareholders                      | \$ 31,407,155                | \$ 28,143,382               | 25,593,835   | \$ 1.23                      | \$ 1.10                     |
| Effect of dilutive potential common stock stock options      |                              |                             | 16,225   |                              |                             |
| Diluted EPS  |                              |                             |  |                              |                             |
| Income available to common shareholders (including effect of | \$ 31,407,155                | \$ 28,143,382               | 25,610,060   | \$ 1.23                      | \$ 1.10                     |

dilutive potential common stock)

Three months ended March 31,  
2007

Basic EPS

|  |               |               |            |         |         |
|--|---------------|---------------|------------|---------|---------|
| Income available to common<br>shareholders | \$ 19,894,908 | \$ 18,838,639 | 26,384,121 | \$ 0.75 | \$ 0.71 |
|--|---------------|---------------|------------|---------|---------|

|  |  |  |        |  |  |
|--|--|--|--------|--|--|
| Effect of dilutive potential common<br>stock stock options |  |  | 21,538 |  |  |
|--|--|--|--------|--|--|

Diluted EPS

|   |               |               |            |         |         |
|---|---------------|---------------|------------|---------|---------|
| Income available to common<br>shareholders (including effect of<br>dilutive potential common stock) | \$ 19,894,908 | \$ 18,838,639 | 26,405,659 | \$ 0.75 | \$ 0.71 |
|---|---------------|---------------|------------|---------|---------|

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2007 to decrease from NT\$0.73 to NT\$0.71.

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

|  | 2008            |            | March 31        |            | 2007            |            |
|--|-----------------|------------|-----------------|------------|-----------------|------------|
|  | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <b>Assets</b>  |                 |            |                 |            |                 |            |
| Financial assets at fair value through profit or loss      | \$ 160,249      | \$ 160,249 | \$ 159          |            | \$ 159          |            |
| Available-for-sale financial assets                        | 18,591,721      | 18,591,721 | 32,791,995      |            | 32,791,995      |            |
| Held-to-maturity financial assets                          | 18,000,139      | 18,001,071 | 33,220,796      |            | 33,203,292      |            |
| <b>Liabilities</b>   |                 |            |                 |            |                 |            |
| Financial liabilities at fair value through profit or loss | 239,893         | 239,893    | 133,802         |            | 133,802         |            |
| Bonds payable (including current portion)                  | 12,500,000      | 12,657,936 | 17,000,000      |            | 17,279,497      |            |
| Other long-term payables (including current portion)       | 4,644,036       | 4,644,036  | 3,994,705       |            | 3,994,705       |            |

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, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Fair values of financial assets/liabilities at fair value through profit or loss were estimated 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 fair values were estimated using valuation techniques.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. The changes in fair value during the three months ended March 31, 2008 and 2007 of derivatives estimated using valuation techniques were recognized as gains of NT\$125,919 thousand and losses of NT\$167,493 thousand, respectively.

- d. As of March 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$36,752,109 thousand and NT\$66,012,950 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$239,893 thousand and NT\$133,802 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$6,617,800 thousand, respectively.
- e. Movements of unrealized gains or losses on financial instruments for the three months ended March 31, 2008 and 2007 were as follows:

|  | <b>Three Months Ended March 31, 2008</b>  |   |              |
|--|---|---|--------------|
|  | <b>Valuation<br/>Gain<br/>on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity in<br/>Valuation<br/>Gain on<br/>Available-for-<br/>sale Financial<br/>Assets Held<br/>by<br/>Investees</b> | <b>Total</b> |
| Balance, beginning of period                                 | \$ 266,573  | \$ 414,424  | \$ 680,997   |
| Recognized directly in shareholders' equity                  | 69,584  | (326,449)   | (256,865)    |
| Removed from shareholders' equity and recognized in earnings | (23,271)  |   | (23,271)     |
| Balance, end of period                                       | \$ 312,886  | \$ 87,975   | \$ 400,861   |

|  | <b>Three Months Ended March 31, 2007</b>  |   |              |
|--|---|---|--------------|
|  | <b>Valuation<br/>Gain<br/>on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity in<br/>Valuation<br/>Gain on<br/>Available-for-<br/>sale Financial<br/>Assets Held<br/>by<br/>Investees</b> | <b>Total</b> |
| Balance, beginning of period                                 | \$ 242,248  | \$ 319,367  | \$ 561,615   |
| Recognized directly in shareholders' equity                  | 93,451  | 94,679  | 188,130      |
| Removed from shareholders' equity and recognized in earnings | (29,611)  |   | (29,611)     |
| Balance, end of period                                       | \$ 306,088  | \$ 414,046  | \$ 720,134   |

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 value of these debt securities.

- 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. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.

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

## 24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America  
 TSMC Shanghai  
 TSMC Europe  
 TSMC Japan  
 TSMC Korea

b. Investees

GUC (with a controlling 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) (established in May 2007)

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 three months ended March 31 |               |    |               |    |
| Sales                               |               |    |               |    |
| TSMC North America                  | \$ 54,293,942 | 63 | \$ 39,207,204 | 61 |
| Others                              | 345,421       |    | 209,901       | 1  |
|                                     | \$ 54,639,363 | 63 | \$ 39,417,105 | 62 |



|   | 2008         |    | 2007         |    |
|---|--------------|----|--------------|----|
|   | Amount       | %  | Amount       | %  |
| Purchases   |              |    |              |    |
| WaferTech   | \$ 2,378,352 | 21 | \$ 2,359,717 | 23 |
| SSMC  | 1,358,468    | 12 | 1,386,200    | 13 |
| TSMC Shanghai   | 1,220,202    | 11 | 1,233,506    | 12 |
| VIS   | 793,272      | 7  | 686,332      | 6  |
|   | \$ 5,750,294 | 51 | \$ 5,665,755 | 54 |
| Manufacturing expenses – outsourcing                    |              |    |              |    |
| VisEra  | \$ 315       |    | \$           |    |
| Marketing expenses – commission                         |              |    |              |    |
| TSMC Europe   | \$ 76,949    | 13 | \$ 53,775    | 17 |
| TSMC Japan  | 45,186       | 8  | 45,512       | 15 |
| TSMC Korea  | 5,198        | 1  | 4,197        | 1  |
|   | \$ 127,333   | 22 | \$ 103,484   | 33 |
| General and administrative expenses – rental            |              |    |              |    |
| GUC   | \$ 262       |    | \$ 3,473     |    |
| Research and development expenses                       |              |    |              |    |
| TSMC Technology (primarily consulting fee)              | \$ 89,660    | 2  | \$ 17,346    | 1  |
| TSMC Canada (primarily consulting fee)                  | 53,937       | 1  |              |    |
| Others  | 10,118       |    | 6,456        |    |
|   | \$ 153,715   | 3  | \$ 23,802    | 1  |
| Sales of property, plant and equipment                  |              |    |              |    |
| TSMC Shanghai   | \$ 1,760,853 | 99 | \$           |    |
| Non-operating income and gains                          |              |    |              |    |
| VIS (primarily technical service income, see Note 26h)  | \$ 106,748   | 3  | \$ 86,762    | 4  |
| TSMC Shanghai (primarily technical service income)      | 88,760       | 2  | 76,455       | 3  |
| SSMC (primarily technical service income, see Note 26e) | 61,712       | 2  | 58,483       | 2  |

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|        |            |   |            |    |
|--------|------------|---|------------|----|
| VisEra | 55,225     | 1 | 42,089     | 2  |
|        | \$ 312,445 | 8 | \$ 263,789 | 11 |

As of March 31

|                    |               |     |               |     |
|--------------------|---------------|-----|---------------|-----|
| Receivables        |               |     |               |     |
| TSMC North America | \$ 24,508,626 | 99  | \$ 18,993,076 | 99  |
| Others             | 178,793       | 1   | 164,496       | 1   |
|                    | \$ 24,687,419 | 100 | \$ 19,157,572 | 100 |

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|                    | 2008         |     | 2007         |     |
|--------------------|--------------|-----|--------------|-----|
|                    | Amount       | %   | Amount       | %   |
| Other receivables  |              |     |              |     |
| TSMC Shanghai      | \$ 1,942,566 | 87  | \$ 144,605   | 30  |
| VIS                | 108,629      | 5   | 155,657      | 32  |
| SSMC               | 77,688       | 4   | 82,868       | 17  |
| TSMC North America | 44,392       | 2   | 51,251       | 10  |
| VisEra             | 29,335       | 1   | 40,567       | 8   |
| Others             | 18,594       | 1   | 12,318       | 3   |
|                    | \$ 2,221,204 | 100 | \$ 487,266   | 100 |
| Payables           |              |     |              |     |
| WaferTech          | \$ 602,332   | 30  | \$ 627,230   | 26  |
| VIS                | 476,214      | 24  | 438,785      | 18  |
| SSMC               | 465,295      | 24  | 694,554      | 29  |
| TSMC Shanghai      | 304,048      | 15  | 512,066      | 22  |
| Others             | 138,842      | 7   | 105,298      | 5   |
|                    | \$ 1,986,731 | 100 | \$ 2,377,933 | 100 |
| Deferred credits   |              |     |              |     |
| TSMC Shanghai      | \$ 457,290   | 52  | \$ 670,387   | 61  |
| VisEra             | 46,631       | 5   | 108,806      | 10  |
|                    | \$ 503,921   | 57  | \$ 779,193   | 71  |

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

The Company deferred the gains (classified under deferred credits) derived from sales of property, plant and equipment to TSMC Shanghai and VisEra, and then recognized such gains (classified under the 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 related rental expense and rental income were classified under non-operating expenses and income, respectively. The lease terms and prices were determined in accordance with mutual agreements.

## 25. SIGNIFICANT LONG-TERM LEASES

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

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

| <b>Year</b>                                       | <b>Amount</b> |
|---|---------------|
| 2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter) | \$ 262,988    |
| 2009  | 340,443       |
| 2010  | 291,245       |
| 2011  | 289,664       |
| 2012  | 289,664       |
| 2013 and thereafter                               | 2,315,796     |
|   | \$ 3,789,800  |

## 26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of March 31, 2008, except 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 March 31, 2008, the Company had a total of US\$60,730 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. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company would be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request prior to January 2008 the transfer of certain technologies under the same terms and conditions as the terminated TTA. National did not make such request by the deadline, therefore the option expired in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company would also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company would pay royalties to Freescale Semiconductor, Inc. and would share a portion of the costs associated with the joint development project. The agreement expired in December 2007. The Company did not capitalize related intellectual properties arising from the co-development project because those intellectual properties did not meet the capitalization criteria set forth in Statement of Financial Accounting Standards No. 37 Accounting for Intangible Assets .
- h. 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.
- i. 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 March 31, 2008, SMIC had paid US\$90 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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- j. 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. UniRAM later dropped its patent infringement claims during the course of litigation, but TSMC's inequitable conduct counterclaim against UniRAM's asserted patents remained. In 2007, the trade secret misappropriation portion of the case went to trial, and in September 2007, a jury-rendered a verdict awarding US\$30.5 million to UniRAM Technology, Inc. The court held a separate bench trial on the inequitable conduct counterclaims in January 2008, but has yet to issue a decision as of March 25, 2008. During the January bench trial, UniRAM has also raised anew its motion to enjoin TSMC from offering certain technologies that UniRAM alleges to contain its confidential information. This issue has also not been decided. As a procedural matter, the jury verdict cannot be entered into the record while the inequitable conduct issues remain undecided. Nevertheless, as a result of the verdict, TSMC has accrued the full amount of the jury award in September 2007 as part of the non-operating expenses. TSMC intends to continue to pursue remedies against this verdict.

## 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 three months ended March 31, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts outstanding as of March 31, 2008:

|                   | <b>Maturity Date</b>    | <b>Contract<br/>Amount<br/>(in Thousands)</b> |
|-------------------|-------------------------|---|
| Sell RMB/buy US\$ | April 2008 to July 2008 | RMB 369,259                                   |
| Sell US\$/buy JPY | April 2008              | US\$ 886                                      |

For the three months ended March 31, 2008, net losses arising from forward exchange contracts of TSMC Shanghai were NT\$2,151 thousand (including realized settlement gains of NT\$907 thousand and valuation losses of NT\$3,058 thousand).

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

|                    | <b>Maturity Date</b> | <b>Contract<br/>Amount<br/>(in Thousands)</b> |
|--------------------|----------------------|---|
| Sell US\$/buy NT\$ | April 2008           | US \$5,000                                    |

For the three months ended March 31, 2008, net gains arising from forward exchange contracts of XinTec were NT\$12,727 thousand (including realized settlement gains of NT\$11,276 thousand and valuation gains of NT\$1,451 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.

**TABLE 1**

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

|                                   |                                      | <b>March 31, 2008</b> |                   |                  |               |
|-----------------------------------|--------------------------------------|-----------------------|-------------------|------------------|---------------|
|                                   |                                      | <b>Carrying</b>       | <b>Percentage</b> | <b>Ass</b>       |               |
| <b>Marketable Securities</b>      |                                      | <b>Shares/Units</b>   | <b>Value</b>      | <b>of</b>        | <b>Val</b>    |
| <b>Type and Name</b>              | <b>Relationship with the Company</b> | <b>(in</b>            | <b>(US\$ in</b>   | <b>Ownership</b> | <b>(US\$</b>  |
|                                   |                                      | <b>Thousands)</b>     | <b>Thousands)</b> | <b>(%)</b>       | <b>Thousa</b> |
| ny Open-end mutual funds          |                                      |                       |                   |                  |               |
| Fuh Hwa Bond                      | Available-for-sale financial assets  | 132,997               | \$ 1,809,322      | N/A              | \$ 1,809,322  |
| NITC Bond Fund                    |                                      | 10,449                | 1,753,671         | N/A              | 1,753,671     |
| ING Taiwan Bond Fund              |                                      | 85,581                | 1,315,559         | N/A              | 1,315,559     |
| NITC Taiwan Bond                  |                                      | 89,078                | 1,280,609         | N/A              | 1,280,609     |
| President James Bond              |                                      | 77,128                | 1,213,913         | N/A              | 1,213,913     |
| Prudential Financial Bond Fund    |                                      | 69,864                | 1,041,330         | N/A              | 1,041,330     |
| JF Taiwan Bond Fund               |                                      | 59,049                | 918,978           | N/A              | 918,978       |
| ING Taiwan Income Fund            |                                      | 54,621                | 882,358           | N/A              | 882,358       |
| Taishin Lucky Fund                |                                      | 68,945                | 721,555           | N/A              | 721,555       |
| Cathay Bond Fund                  |                                      | 60,126                | 706,650           | N/A              | 706,650       |
| Dresdner Bond DAM Fund            |                                      | 54,319                | 642,089           | N/A              | 642,089       |
| AIG Taiwan Bond Fund              |                                      | 39,028                | 507,080           | N/A              | 507,080       |
| JF First Bond Fund                |                                      | 35,324                | 506,251           | N/A              | 506,251       |
| HSBC Taiwan Money Management Fund |                                      | 27,416                | 415,187           | N/A              | 415,187       |
| INVESCO Bond Fund                 |                                      | 27,176                | 411,619           | N/A              | 411,619       |
| Corporate bond                    |                                      |                       |                   |                  |               |
| Hua Nan Bank                      | Available-for-sale financial assets  |                       | 1,580,206         | N/A              | 1,580,206     |
| Cathay Bank                       |                                      |                       | 1,185,660         | N/A              | 1,185,660     |
| Taiwan Power Company              |                                      |                       | 899,778           | N/A              | 899,778       |
| Formosa Petrochemical Corporation |                                      |                       | 399,589           | N/A              | 399,589       |
|                                   |                                      |                       | 3,585,384         | N/A              | 3,585,384     |

|   |  |           |     |           |
|---|--|-----------|-----|-----------|
| Formosa Plastic Corporation<br>Taiwan Power Company<br>Nan Ya Plastics Corporation<br>CPC Corporation,<br>Taiwan<br>China Steel Corporation<br>Formosa Petrochemical Corporation<br>Shanghai Commercial & Saving Bank           | Held-to-maturity financial assets  | 2,631,183 | N/A | 2,631,183 |
|   |  | 1,804,129 | N/A | 1,797,000 |
|   |  | 1,200,269 | N/A | 1,199,000 |
|   |  | 1,000,000 | N/A | 988,000   |
|   |  | 393,200   | N/A | 393,200   |
|   |  | 294,290   | N/A | 294,290   |
| Government bond<br>2006 Government Bond Series D<br>2006 Government Bond Series D<br>2003 Asian Development Bank Govt. Bond<br>2003 Government Bond Series F<br>2003 Government Bond Series H<br>European Investment Bank Bonds | Available-for-sale financial assets<br>Held-to-maturity financial assets | 400,317   | N/A | 400,317   |
|   |  | 3,650,463 | N/A | 3,652,000 |
|   |  | 859,900   | N/A | 893,000   |
|   |  | 799,488   | N/A | 800,000   |
|   |  | 400,493   | N/A | 401,000   |
|   |  | 381,340   | N/A | 400,000   |

|                              |  |  | March 31, 2008 |                     |                           |                     |
|------------------------------|--|--|----------------|---------------------|---------------------------|---------------------|
|                              |  |  | Carrying Value |                     | Percentage of Asset Value |                     |
|                              |  |  | Shares/Units   | Value               | of Ownership              | Net                 |
|                              |  |  | (in Thousands) | (US\$ in Thousands) | (%)                       | (US\$ in Thousands) |
| Type and Name                | Relationship with the Company              | Financial Statement Account                  | Thousands      | Thousands           |                           | Thousands           |
| <b>Marketable Securities</b> |  |  |                |                     |                           |                     |
| Stocks                       |  |  |                |                     |                           |                     |
| TSMC Global                  | Subsidiary                                 | Investment accounted for using equity method | 1              | 41,971,629          | 100                       | 41,971,629          |
| TSMC International VIS       | Subsidiary                                 | Investee accounted for using equity method   | 987,968        | 27,063,207          | 100                       | 27,063,207          |
| SSMC                         | Investee accounted for using equity method |  | 616,240        | 11,183,477          | 36                        | 13,434,000          |
| TSMC Partners                | Subsidiary                                 |  | 463            | 8,352,727           | 39                        | 7,432,800           |
|                              |  |  | 300            | 3,528,732           | 100                       | 3,528,732           |

(Continued)

|                                    |  | March 31, 2008                               |                                   |  |   |             |
|------------------------------------|--|--|-----------------------------------|--|---|-------------|
| Marketable Securities              |  | Financial Statement Account                  | Shares/Units<br>(in<br>Thousands) | Carrying Percentage<br>Value of Ownership<br>(US\$ in Thousands) (%) | Market Value<br>or Net<br>Asset Value<br>(US\$ in<br>Thousands) |             |
| Type and Name                      | Relationship with the Company                  |  |                                   |  |   |             |
| SMC North America                  | Subsidiary                                     | Investment accounted for using equity method | 11,000                            | \$2,184,900  | 100   | \$2,184,900 |
| anTec                              | Investee with a controlling financial interest |  | 91,703                            | 1,483,429  | 43  | 1,407,700   |
| UC                                 | Investee with a controlling financial interest |  | 42,572                            | 891,488  | 37  | 8,833,700   |
| SMC Japan                          | Subsidiary                                     |  | 6                                 | 112,111  | 100   | 112,111     |
| SMC Europe                         | Subsidiary                                     |  |                                   | 97,152   | 100   | 97,152      |
| SMC Korea                          | Subsidiary                                     |  | 80                                | 15,533   | 100   | 15,533      |
| United Industrial Gases Co., Ltd.  |  | Financial assets carried at cost             | 16,783                            | 193,584  | 10  | 312,800     |
| ain-Etsu Handotai Taiwan Co., Ltd. |  |  | 10,500                            | 105,000  | 7   | 348,200     |
| .K. Technology Fund                |  |  | 4,000                             | 40,000   | 2   | 51,600      |
| ontung Venture Capital Co., Ltd.   |  |  | 2,633                             | 26,329   | 10  | 20,200      |
| nd                                 |  |  |                                   |  |   |             |
| orizon Ventures Fund               |  | Financial assets carried at cost             |                                   | 312,949  | 12  | 312,949     |
| imson Asia Capital                 |  |  |                                   | 70,298   | 1   | 70,298      |
| Capital                            |  |  |                                   |  |   |             |
| SMC Shanghai                       | Subsidiary                                     | Investment accounted for using equity method |                                   | 7,895,259  | 100   | 7,853,300   |
| TAF II                             | Subsidiary                                     |  |                                   | 1,039,699  | 98  | 1,035,200   |
| TAF III                            | Subsidiary                                     |  |                                   | 1,037,387  | 98  | 1,025,400   |
| merging Alliance                   | Subsidiary                                     |  |                                   | 390,518  | 99  | 390,518     |
| hi Cheng                           | Subsidiary                                     |  |                                   | 175,689  | 36  | 634,200     |
| sin Ruey                           | Subsidiary                                     |  |                                   | 173,804  | 36  | 633,300     |



|   |  |   |             |              |                |
|---|--|---|-------------|--------------|----------------|
| ocks<br>SMC   | Parent company                             | Available-for-sale financial assets           | 17,032      | 1,074,719    | 1,074,7        |
| S   | Investee accounted for using equity method | Investments accounted for using equity method | 5,082       | 111,992      | 110,7          |
| ocks<br>SMC   | Parent company                             | Available-for-sale financial assets           | 17,064      | 1,076,733    | 1,076,7        |
| S   | Investee accounted for using equity method | Investments accounted for using equity method | 3,748       | 87,295       | 81,6           |
| ocks<br>veStar<br>emiconductor<br>evelopment Fund,<br>c. (ISDF)       | Subsidiary                                 | Investments accounted for using equity method | 8,721 US\$  | 33,117       | 97 US\$ 33,1   |
| veStar<br>emiconductor<br>evelopment Fund,<br>c. (II) LDC. (ISDF<br>) | Subsidiary                                 |   | 43,048 US\$ | 49,250       | 97 US\$ 49,2   |
| SMC Development,<br>c. (TSMC<br>evelopment)                           | Subsidiary                                 |   | 1 US\$      | 675,384      | 100 US\$ 675,3 |
| SMC Technology  | Subsidiary                                 |   | 1 US\$      | 8,000        | 100 US\$ 8,0   |
| ocks<br>aferTech  | Subsidiary                                 | Investments accounted for using equity method |             | US\$ 235,394 | 100 US\$ 235,3 |
| ommon stock   |  |   |             |              |                |

|                          |  |   | March 31, 2008 |                     |                     |                     |
|--------------------------|--|---|----------------|---------------------|---------------------|---------------------|
|                          |  |   |                |                     | Market Value of Net |                     |
|                          |  |   |                |                     | Carrying Percentage |                     |
| by Marketable Securities |  |   | Shares/Units   | Value               | of Ownership        | Asset Value         |
| Type and Name            | Relationship with the Company              | Financial Statement Account                   | (in thousands) | (US\$ in thousands) | (%)                 | (US\$ in thousands) |
| VisEra Holding Company   | Investee accounted for using equity method | Investments accounted for using equity method | 43,000         | US\$72,628          | 49                  | US\$72,628          |
| TSMC Canada              | Subsidiary                                 |   | 2,300          | US\$ 2,749          | 100                 | US\$ 2,749          |

(Continued)

|  |                               | March 31, 2008                                |                                   |   |                                      |  |                                       |
|--|-------------------------------|---|-----------------------------------|---|--------------------------------------|--|---------------------------------------|
| Marketable Securities                                |                               | Financial Statement Account                   | Shares/Units<br>(in<br>Thousands) | Carrying<br>Value<br>(US\$ in<br>Thousands) | Percentage<br>of<br>Ownership<br>(%) | Asset<br>Value<br>(US\$ in<br>Thousands) | Market<br>Value or<br>Market<br>Value |
| Type and Name  | Relationship with the Company |   |                                   |   |                                      |  |                                       |
| Common stock   |                               |   |                                   |   |                                      |  |                                       |
| Pixim, Inc.  |                               | Financial assets carried at cost              | 1,036                             | US\$ 275                                    |                                      | US\$ 2                                   |                                       |
| RichWave Technology Corp.                            |                               |   | 4,247                             | US\$ 1,648                                  | 12                                   | US\$ 1,6                                 |                                       |
| Global Investment Holding Inc.                       |                               |   | 10,800                            | \$100,000                                   | 6                                    | \$100,0                                  |                                       |
| Preferred stock                                      |                               |   |                                   |   |                                      |  |                                       |
| Audience, Inc.                                       |                               | Financial assets carried cost                 | 1,654                             | US\$ 250                                    | 1                                    | US\$ 2                                   |                                       |
| Axiom Microdevices, Inc.                             |                               |   | 1,000                             | US\$ 1,000                                  | 1                                    | US\$ 1,0                                 |                                       |
| Miradia, Inc.  |                               |   | 3,040                             | US\$ 1,000                                  | 3                                    | US\$ 1,0                                 |                                       |
| Mobilygen  |                               |   | 1,415                             | US\$ 750                                    | 1                                    | US\$ 7                                   |                                       |
| Mosaic Systems, Inc.                                 |                               |   | 2,481                             | US\$ 12                                     | 6                                    | US\$                                     |                                       |
| Next IO, Inc.  |                               |   | 800                               | US\$ 500                                    | 4                                    | US\$ 5                                   |                                       |
| Optichron, Inc.                                      |                               |   | 714                               | US\$ 1,000                                  | 3                                    | US\$ 1,0                                 |                                       |
| Optimal Corporation                                  |                               |   |                                   | US\$ 229                                    |                                      | US\$ 2                                   |                                       |
| Pixim, Inc.  |                               |   | 3,606                             | US\$ 862                                    | 2                                    | US\$ 8                                   |                                       |
| QST Holding, LLC                                     |                               |   |                                   | US\$ 131                                    | 3                                    | US\$ 1                                   |                                       |
| Teknovus, Inc.                                       |                               |   | 6,977                             | US\$ 1,327                                  | 2                                    | US\$ 1,3                                 |                                       |
| Capital  |                               |   |                                   |   |                                      |  |                                       |
| VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | Subsidiary                    | Investments accounted for using equity method |                                   |   |                                      |  | 9                                     |
| Common stock   |                               |   |                                   |   |                                      |  |                                       |
| Yobon  |                               | Financial assets carried at cost              | 1,875                             | US\$ 919                                    | 13                                   | US\$ 9                                   |                                       |
| Sentelic   |                               |   | 1,200                             | US\$ 2,040                                  | 15                                   | US\$ 2,0                                 |                                       |
| Leadtrend  |                               |   | 1,265                             | US\$ 660                                    | 5                                    | US\$ 6                                   |                                       |
| RichWave Technology Corp.                            |                               |   | 1,043                             | US\$ 730                                    | 2                                    | US\$ 7                                   |                                       |
| Preferred stock                                      |                               |   |                                   |   |                                      |  |                                       |
| 5V Technologies, Inc.                                |                               | Financial assets carried cost                 | 2,357                             | US\$ 1,768                                  | 11                                   | US\$ 1,7                                 |                                       |
| Aquantia Corporation                                 |                               |   | 2,108                             | US\$ 2,573                                  | 5                                    | US\$ 2,5                                 |                                       |
| Audience, Inc.                                       |                               |   | 5,335                             | US\$ 1,390                                  | 2                                    | US\$ 1,3                                 |                                       |
| Axiom Microdevices, Inc.                             |                               |   | 5,044                             | US\$ 2,088                                  | 4                                    | US\$ 2,0                                 |                                       |
|  |                               |   | 650                               | US\$ 1,600                                  | 1                                    | US\$ 1,6                                 |                                       |

|                                  |       |      |       |    |          |
|----------------------------------|-------|------|-------|----|----------|
| Beceem<br>Communications         |       |      |       |    |          |
| GemFire Corporation              | 600   | US\$ | 68    | 1  | US\$     |
| Impinj, Inc.                     | 475   | US\$ | 1,000 |    | US\$ 1,0 |
| Miradia, Inc.                    | 3,416 | US\$ | 3,106 | 5  | US\$ 3,1 |
| Mobilygen                        | 569   | US\$ | 149   | 1  | US\$ 1   |
| Next IO, Inc.                    | 1,915 | US\$ | 607   | 2  | US\$ 6   |
| Optichron, Inc.                  | 1,050 | US\$ | 1,844 | 4  | US\$ 1,8 |
| Pixim, Inc.                      | 6,348 | US\$ | 1,141 | 2  | US\$ 1,1 |
| Power Analog<br>Microelectronics | 3,324 | US\$ | 2,409 | 14 | US\$ 2,4 |
| QST Holding, LLC                 |       | US\$ | 145   | 3  | US\$ 1   |
| Teknovus, Inc.                   | 1,599 | US\$ | 454   |    | US\$ 4   |
| Tzero Technologies,<br>Inc.      | 1,167 | US\$ | 2,007 | 2  | US\$ 2,0 |
| Xceive                           | 714   | US\$ | 1,000 | 2  | US\$ 1,0 |

|              |                       |                                 |                               | March 31, 2008                                |              |                         |                     |                                 |                     |
|--------------|-----------------------|---------------------------------|-------------------------------|---|--------------|-------------------------|---------------------|---------------------------------|---------------------|
|              |                       |                                 |                               | Carrying Value                                |              | Percentage of Ownership |                     | Market Value or Net Asset Value |                     |
| Company Name | Marketable Securities | Type and Name                   | Relationship with the Company | Financial Statement Account                   | Shares/Units | (in thousands)          | (US\$ in thousands) | (%)                             | (US\$ in thousands) |
|              |                       |                                 |                               |   | thousands    | thousands               | thousands           | thousands                       | thousands           |
|              | Capital               | VTA Holdings                    | Subsidiary                    | Investments accounted for using equity method |              |                         |                     | 10                              |                     |
| III          | Common stock          | Mutual-pak Technology Co., Ltd. | Subsidiary                    | Investments accounted for using equity method | 4,590        | US\$1,720               | 51                  | US\$1,720                       |                     |
|              | Preferred stock       | Advasure Sensors, Inc.          |                               | Financial assets carried at cost              | 1,929        | US\$1,834               | 6                   | US\$1,834                       |                     |

(Continued)

|         |   |                   |   | March 31, 2008 |            |           |             |     |
|---------|---|-------------------|---|----------------|------------|-----------|-------------|-----|
| Held    |   |                   |   | Carrying       | Percentage |           | Market      |     |
| Company | Marketable Securities                         | Relationship with | Financial Statement Account                           | Shares/Units   | Value      | of        | Asset Value |     |
| Name    | Type and Name                                 | the Company       |   | (in            | (US\$ in   | Ownership | (US\$ in    | Not |
|         |   |                   |   | Thousands)     | Thousands) | (%)       | Thousands)  |     |
|         | Auramicro, Inc.                               |                   | Financial assets carried at cost                      | 2,500          | US\$ 750   | 17        | US\$ 750    |     |
|         | BridgeLux, Inc.                               |                   |   | 3,333          | US\$ 5,000 | 3         | US\$ 5,000  |     |
|         | Exclara, Inc. (formerly Synpitech, Inc.)      |                   |   | 14,513         | US\$ 2,412 | 19        | US\$ 2,412  |     |
|         | GTBF, Inc.                                    |                   |   |                | US\$ 1,500 | N/A       | US\$ 1,500  |     |
|         | M2000, Inc.                                   |                   |   | 3,000          | US\$ 3,000 | 5         | US\$ 3,000  |     |
|         | Neoconix, Inc.                                |                   |   | 2,458          | US\$ 4,000 | 6         | US\$ 4,000  |     |
|         | Powervation, Ltd.                             |                   |   | 191            | US\$ 2,930 | 19        | US\$ 2,930  |     |
|         | Quellan, Inc.                                 |                   |   | 3,106          | US\$ 3,500 | 6         | US\$ 3,500  |     |
|         | Silicon Technical Services, LLC               |                   |   | 1,055          | US\$ 1,208 | 2         | US\$ 1,208  |     |
|         | Tilera, Inc.                                  |                   |   | 1,698          | US\$ 2,360 | 3         | US\$ 2,360  |     |
|         | Validity Sensors, Inc.                        |                   |   | 6,424          | US\$ 2,545 | 3         | US\$ 2,545  |     |
|         | Capital VTA Holdings                          | Subsidiary        | Investments accounted for using equity method         |                |            | 81        |             |     |
| SDF     | Common stock Monolithic Power Systems, Inc.   |                   | Financial assets at fair value through profit or loss | 1,352          | US\$23,833 | 4         | US\$23,833  |     |
|         | Memsic, Inc.                                  |                   | Available-for-sale financial assets                   | 1,364          | US\$ 8,195 | 6         | US\$ 8,195  |     |
|         | Capella Microsystems (Taiwan), Inc.           |                   | Financial assets carried at cost                      | 530            | US\$ 154   | 2         | US\$ 154    |     |
|         | Preferred stock Integrated Memory Logic, Inc. |                   | Financial assets carried at cost                      | 2,872          | US\$ 1,221 | 9         | US\$ 1,221  |     |
|         | IP Unity, Inc.                                |                   |   | 1,008          | US\$ 494   | 1         | US\$ 494    |     |
|         | NanoAmp Solutions, Inc.                       |                   |   | 541            | US\$ 853   | 2         | US\$ 853    |     |
|         | Sonics, Inc.                                  |                   |   | 1,843          | US\$ 3,530 | 18        | US\$ 3,530  |     |
| SDF II  | Common stock Monolithic Power Systems, Inc.   |                   | Financial assets at fair value through profit or loss | 864            | US\$15,241 | 3         | US\$15,241  |     |

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|   |                                     |       |      |       |    |      |       |
|---|-------------------------------------|-------|------|-------|----|------|-------|
| Rich Tek Technology Corp.                   |                                     | 96    | US\$ | 763   |    | US\$ | 763   |
| Geo Vision, Inc.                            |                                     | 6     | US\$ | 45    |    | US\$ | 45    |
| Memsic, Inc.                                | Available-for-sale financial assets | 1,145 | US\$ | 6,879 | 5  | US\$ | 6,879 |
| Rich Tek Technology Corp.                   |                                     | 261   | US\$ | 2,081 |    | US\$ | 2,081 |
| Geo Vision, Inc.                            |                                     | 3     | US\$ | 21    |    | US\$ | 21    |
| eLCOS Microdisplay Technology, Ltd.         | Financial assets carried at cost    | 270   | US\$ | 14    | 1  | US\$ | 14    |
| EoNEX Technologies, Inc.                    |                                     | 55    | US\$ | 2,286 | 5  | US\$ | 2,286 |
| Sonics, Inc.                                |                                     | 2,220 | US\$ | 32    | 21 | US\$ | 32    |
| Epic Communication, Inc.                    |                                     | 191   | US\$ | 37    | 1  | US\$ | 37    |
| EON Technology, Corp.                       |                                     | 3,074 | US\$ | 851   | 4  | US\$ | 851   |
| Goyatek Technology, Corp.                   |                                     | 2,088 | US\$ | 545   | 7  | US\$ | 545   |
| Trendchip Technologies Corp.                |                                     | 1,000 | US\$ | 574   | 3  | US\$ | 574   |
| Capella Microsystems (Taiwan), Inc.         |                                     | 534   | US\$ | 210   | 2  | US\$ | 210   |
| Ralink Technology (Taiwan), Inc.            |                                     | 2,094 | US\$ | 662   | 2  | US\$ | 662   |
| Auden Technology MFG. Co., Ltd.             |                                     | 1,049 | US\$ | 223   | 3  | US\$ | 223   |
| Preferred stock Alchip Technologies Limited | Financial assets carried at cost    | 5,194 | US\$ | 2,950 | 15 | US\$ | 2,950 |

|                              |                                     |                    |                                    | <b>March 31, 2008</b> |                   |                   |                |                   |
|------------------------------|-------------------------------------|--------------------|------------------------------------|-----------------------|-------------------|-------------------|----------------|-------------------|
| <b>Held</b>                  |                                     |                    |                                    | <b>Carrying</b>       |                   | <b>Percentage</b> |                | <b>Market</b>     |
| <b>Company</b>               |                                     |                    |                                    | <b>Shares/Units</b>   | <b>Value</b>      | <b>of</b>         | <b>Asset</b>   | <b>Value or</b>   |
| <b>Marketable Securities</b> |                                     |                    |                                    | <b>(in</b>            | <b>(US\$ in</b>   | <b>Ownership</b>  | <b>Value</b>   | <b>Net</b>        |
| <b>Relationship with</b>     |                                     |                    |                                    | <b>thousands)</b>     | <b>thousands)</b> | <b>(%)</b>        | <b>US\$ in</b> | <b>Thousands)</b> |
| <b>Name</b>                  | <b>Type and Name</b>                | <b>the Company</b> | <b>Financial Statement Account</b> | <b>thousands)</b>     | <b>thousands)</b> | <b>(%)</b>        | <b>US\$ in</b> | <b>Thousands)</b> |
|                              | eLCOS Microdisplay Technology, Ltd. |                    |                                    | 3,500                 | US\$ 1,950        | 8                 | US\$ 1,950     |                   |
|                              | FangTek, Inc.                       |                    |                                    | 6,806                 | US\$ 3,250        | 15                | US\$ 3,250     |                   |
|                              | Kilopass Technology, Inc.           |                    |                                    | 3,887                 | US\$ 2,000        | 5                 | US\$ 2,000     |                   |
|                              | NanoAmp Solutions, Inc.             |                    |                                    | 375                   | US\$ 1,500        | 1                 | US\$ 1,500     |                   |
|                              | Sonics, Inc.                        |                    |                                    | 2,115                 | US\$ 3,082        | 21                | US\$ 3,082     |                   |

(Continued)



| Held           |   |                   |  |              |             | March 31, 2008 |             | Market       |  |      |
|----------------|---|-------------------|--|--------------|-------------|----------------|-------------|--------------|--|------|
|                |   |                   |  |              |             |                |             | Value or Net |  |      |
|                |   |                   |  |              |             |                |             | Carrying     |  |      |
|                |   |                   |  |              |             |                |             | Percentage   |  |      |
| Company        | Marketable Securities                             | Relationship with | Financial Statement Account            | Shares/Units | Value       | of             | Asset Value |              |  |      |
| Name           | Type and Name                                     | the Company       |  | (in          | (US\$ in    | Ownership      | (US\$ in    |              |  | Note |
|                |   |                   |  | Thousands)   | Thousands)  | (%)            | Thousands)  |              |  |      |
| Tsmc<br>Global | Money market funds                                |                   |  |              |             |                |             |              |  |      |
|                | Ssga Cash Mgmt<br>Global Offshore<br>Agency bonds |                   | Available-for-sale financial<br>assets |              | US\$459,159 | N/A            | US\$459,159 |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b1225                       |                   | Available-for-sale financial<br>assets |              | US\$ 131    | N/A            | US\$ 131    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b2566                       |                   |  |              | US\$ 148    | N/A            | US\$ 148    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b2632                       |                   |  |              | US\$ 171    | N/A            | US\$ 171    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b2642                       |                   |  |              | US\$ 221    | N/A            | US\$ 221    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b2776                       |                   |  |              | US\$ 338    | N/A            | US\$ 338    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b2792                       |                   |  |              | US\$ 219    | N/A            | US\$ 219    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b2810                       |                   |  |              | US\$ 278    | N/A            | US\$ 278    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1b7453                       |                   |  |              | US\$ 2,632  | N/A            | US\$ 2,632  |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1g0038                       |                   |  |              | US\$ 288    | N/A            | US\$ 288    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1g0053                       |                   |  |              | US\$ 357    | N/A            | US\$ 357    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1g0104                       |                   |  |              | US\$ 140    | N/A            | US\$ 140    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1g1282                       |                   |  |              | US\$ 3,865  | N/A            | US\$ 3,865  |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1g1411                       |                   |  |              | US\$ 3,292  | N/A            | US\$ 3,292  |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1h2520                       |                   |  |              | US\$ 2,589  | N/A            | US\$ 2,589  |              |  |      |
|                | Fed Hm Ln Pc Pool<br>1h2524                       |                   |  |              | US\$ 1,912  | N/A            | US\$ 1,912  |              |  |      |
|                | Fed Hm Ln Pc Pool<br>780870                       |                   |  |              | US\$ 656    | N/A            | US\$ 656    |              |  |      |
|                | Fed Hm Ln Pc Pool<br>781959                       |                   |  |              | US\$ 3,569  | N/A            | US\$ 3,569  |              |  |      |
|                | Fed Hm Ln Pc Pool<br>782785                       |                   |  |              | US\$ 245    | N/A            | US\$ 245    |              |  |      |

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|                                |      |       |     |      |       |
|--------------------------------|------|-------|-----|------|-------|
| Fed Hm Ln Pc Pool<br>782837    | US\$ | 480   | N/A | US\$ | 480   |
| Fed Hm Ln Pc Pool<br>782968    | US\$ | 23    | N/A | US\$ | 23    |
| Fed Hm Ln Pc Pool<br>783022    | US\$ | 521   | N/A | US\$ | 521   |
| Fed Hm Ln Pc Pool<br>783026    | US\$ | 292   | N/A | US\$ | 292   |
| Fed Hm Ln Pc Pool<br>B19205    | US\$ | 6,731 | N/A | US\$ | 6,731 |
| Fed Hm Ln Pc Pool<br>E01492    | US\$ | 1,749 | N/A | US\$ | 1,749 |
| Fed Hm Ln Pc Pool<br>E89857    | US\$ | 1,294 | N/A | US\$ | 1,294 |
| Fed Hm Ln Pc Pool<br>G11295    | US\$ | 1,082 | N/A | US\$ | 1,082 |
| Fed Hm Ln Pc Pool<br>M80855    | US\$ | 2,903 | N/A | US\$ | 2,903 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,370 | N/A | US\$ | 1,370 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,426 | N/A | US\$ | 1,426 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 2,189 | N/A | US\$ | 2,189 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 2,486 | N/A | US\$ | 2,486 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,954 | N/A | US\$ | 1,954 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 3,526 | N/A | US\$ | 3,526 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,941 | N/A | US\$ | 1,941 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 3,058 | N/A | US\$ | 3,058 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 2,849 | N/A | US\$ | 2,849 |
| Federal National Mort<br>Assoc | US\$ | 2,655 | N/A | US\$ | 2,655 |
| Federal Natl Mtg Assn          | US\$ | 1,869 | N/A | US\$ | 1,869 |
| Federal Natl Mtg Assn          | US\$ | 1,980 | N/A | US\$ | 1,980 |

March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Value (US\$ in Thousands) | Percentage of Ownership (%) | Asset Value (US\$ in Thousands) | Note |
|--------------|-------------------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------------|------|
|              | Federal Natl Mtg Assn               |                               |                             |                             | US\$ 2,014                | N/A                         | US\$ 2,014                      |      |
|              | Federal Natl Mtg Assn               |                               |                             |                             | US\$ 3,425                | N/A                         | US\$ 3,425                      |      |
|              | Federal Natl Mtg Assn<br>Gtd        |                               |                             |                             | US\$ 1,607                | N/A                         | US\$ 1,607                      |      |
|              | Fnma Pool 255883                    |                               |                             |                             | US\$ 3,094                | N/A                         | US\$ 3,094                      |      |
|              | Fnma Pool 555549                    |                               |                             |                             | US\$ 1,340                | N/A                         | US\$ 1,340                      |      |
|              | Fnma Pool 555715                    |                               |                             |                             | US\$ 168                  | N/A                         | US\$ 168                        |      |
|              | Fnma Pool 632399                    |                               |                             |                             | US\$ 382                  | N/A                         | US\$ 382                        |      |
|              | Fnma Pool 662401                    |                               |                             |                             | US\$ 533                  | N/A                         | US\$ 533                        |      |
|              | Fnma Pool 667766                    |                               |                             |                             | US\$ 1,288                | N/A                         | US\$ 1,288                      |      |
|              | Fnma Pool 680932                    |                               |                             |                             | US\$ 1,050                | N/A                         | US\$ 1,050                      |      |
|              | Fnma Pool 681393                    |                               |                             |                             | US\$ 2,307                | N/A                         | US\$ 2,307                      |      |

(Continued)

March 31, 2008

Market  
Value or  
Net

Held

Carrying  
Percentage

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Shares/Units (in Thousands) | Value (US\$ in Thousands) | Percentage of Ownership (%) | Asset Value (US\$ in Thousands) | Note |
|--------------|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------------|------|
|              | Fnma Pool 685116                    |                               | Available-for-sale financial assets |                             | US\$ 546                  | N/A                         | US\$ 546                        |      |
|              | Fnma Pool 691283                    |                               |                                     |                             | US\$ 3,396                | N/A                         | US\$ 3,396                      |      |
|              | Fnma Pool 694287                    |                               |                                     |                             | US\$ 20                   | N/A                         | US\$ 20                         |      |
|              | Fnma Pool 703711                    |                               |                                     |                             | US\$ 454                  | N/A                         | US\$ 454                        |      |
|              | Fnma Pool 725095                    |                               |                                     |                             | US\$ 1,002                | N/A                         | US\$ 1,002                      |      |
|              | Fnma Pool 730033                    |                               |                                     |                             | US\$ 161                  | N/A                         | US\$ 161                        |      |
|              | Fnma Pool 740934                    |                               |                                     |                             | US\$ 1,078                | N/A                         | US\$ 1,078                      |      |
|              | Fnma Pool 742232                    |                               |                                     |                             | US\$ 22                   | N/A                         | US\$ 22                         |      |
|              | Fnma Pool 750798                    |                               |                                     |                             | US\$ 22                   | N/A                         | US\$ 22                         |      |
|              | Fnma Pool 773246                    |                               |                                     |                             | US\$ 218                  | N/A                         | US\$ 218                        |      |
|              | Fnma Pool 790828                    |                               |                                     |                             | US\$ 1,951                | N/A                         | US\$ 1,951                      |      |
|              | Fnma Pool 793932                    |                               |                                     |                             | US\$ 432                  | N/A                         | US\$ 432                        |      |
|              | Fnma Pool 794040                    |                               |                                     |                             | US\$ 605                  | N/A                         | US\$ 605                        |      |
|              | Fnma Pool 795548                    |                               |                                     |                             | US\$ 179                  | N/A                         | US\$ 179                        |      |
|              | Fnma Pool 799664                    |                               |                                     |                             | US\$ 88                   | N/A                         | US\$ 88                         |      |
|              | Fnma Pool 799868                    |                               |                                     |                             | US\$ 31                   | N/A                         | US\$ 31                         |      |
|              | Fnma Pool 804764                    |                               |                                     |                             | US\$ 381                  | N/A                         | US\$ 381                        |      |
|              | Fnma Pool 804852                    |                               |                                     |                             | US\$ 312                  | N/A                         | US\$ 312                        |      |
|              | Fnma Pool 804962                    |                               |                                     |                             | US\$ 370                  | N/A                         | US\$ 370                        |      |
|              | Fnma Pool 805163                    |                               |                                     |                             | US\$ 401                  | N/A                         | US\$ 401                        |      |
|              | Fnma Pool 806642                    |                               |                                     |                             | US\$ 594                  | N/A                         | US\$ 594                        |      |
|              | Fnma Pool 806721                    |                               |                                     |                             | US\$ 619                  | N/A                         | US\$ 619                        |      |
|              | Fnma Pool 814418                    |                               |                                     |                             | US\$ 340                  | N/A                         | US\$ 340                        |      |
|              | Fnma Pool 815626                    |                               |                                     |                             | US\$ 2,173                | N/A                         | US\$ 2,173                      |      |
|              | Fnma Pool 819423                    |                               |                                     |                             | US\$ 522                  | N/A                         | US\$ 522                        |      |
|              | Fnma Pool 821129                    |                               |                                     |                             | US\$ 495                  | N/A                         | US\$ 495                        |      |
|              | Fnma Pool 888499                    |                               |                                     |                             | US\$ 2,100                | N/A                         | US\$ 2,100                      |      |
|              | Fnma Pool 888502                    |                               |                                     |                             | US\$ 229                  | N/A                         | US\$ 229                        |      |
|              | Fnma Pool 888507                    |                               |                                     |                             | US\$ 881                  | N/A                         | US\$ 881                        |      |
|              | Fnma Pool 888515                    |                               |                                     |                             | US\$ 1,210                | N/A                         | US\$ 1,210                      |      |
|              | Fnma Pool 888519                    |                               |                                     |                             | US\$ 118                  | N/A                         | US\$ 118                        |      |
|              | Fnma Pool 888527                    |                               |                                     |                             | US\$ 67                   | N/A                         | US\$ 67                         |      |
|              | Fnma Pool 888738                    |                               |                                     |                             | US\$ 4,656                | N/A                         | US\$ 4,656                      |      |
|              | Fnma Pool 888793                    |                               |                                     |                             | US\$ 5,279                | N/A                         | US\$ 5,279                      |      |
|              | Fnma Pool 900296                    |                               |                                     |                             | US\$ 3,130                | N/A                         | US\$ 3,130                      |      |
|              | Gnma Ii Pool 081150                 |                               |                                     |                             | US\$ 432                  | N/A                         | US\$ 432                        |      |
|              | Gnma Ii Pool 081153                 |                               |                                     |                             | US\$ 1,322                | N/A                         | US\$ 1,322                      |      |
|              | Gnma Pool 646061                    |                               |                                     |                             | US\$ 3,906                | N/A                         | US\$ 3,906                      |      |
|              | Fed Home Ln Bank                    |                               |                                     |                             | US\$ 5,307                | N/A                         | US\$ 5,307                      |      |

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Federal Farm Cr Bks  
Federal Home Ln Bks

US\$ 3,602 N/A US\$ 3,602  
US\$17,652 N/A US\$17,652

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March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

| Company | Marketable Securities        | Relationship with | Financial Statement Account | Shares/Units<br>(in Thousands) | Value<br>(US\$ in Thousands) | Percentage<br>of Ownership (%) | Asset Value<br>(US\$ in Thousands) | Note |
|---------|------------------------------|-------------------|-----------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------------|------|
|         | Federal Home Ln Bks          |                   |                             |                                | US\$ 5,289                   | N/A                            | US\$ 5,289                         |      |
|         | Federal Home Ln Bks          |                   |                             |                                | US\$ 12,628                  | N/A                            | US\$ 12,628                        |      |
|         | Federal Home Ln Mtg          |                   |                             |                                | US\$ 5,228                   | N/A                            | US\$ 5,228                         |      |
|         | Federal Home Ln Mtg Corp.    |                   |                             |                                | US\$ 7,627                   | N/A                            | US\$ 7,627                         |      |
|         | Federal Home Ln Mtg Disc Nts |                   |                             |                                | US\$ 17,646                  | N/A                            | US\$ 17,646                        |      |
|         | Federal Home Loan Bank       |                   |                             |                                | US\$ 4,720                   | N/A                            | US\$ 4,720                         |      |
|         | Federal Home Loan Banks      |                   |                             |                                | US\$ 17,714                  | N/A                            | US\$ 17,714                        |      |
|         | Federal Natl Mtg Assn        |                   |                             |                                | US\$ 10,468                  | N/A                            | US\$ 10,468                        |      |
|         | Federal Natl Mtg Assn        |                   |                             |                                | US\$ 2,660                   | N/A                            | US\$ 2,660                         |      |
|         | Federal Natl Mtg Assn        |                   |                             |                                | US\$ 4,102                   | N/A                            | US\$ 4,102                         |      |
|         | Federal Natl Mtg Assn Mtn    |                   |                             |                                | US\$ 3,107                   | N/A                            | US\$ 3,107                         |      |
|         | Tennessee Valley Auth        |                   |                             |                                | US\$ 6,114                   | N/A                            | US\$ 6,114                         |      |

(Continued)

|               |                                 |                               |                                     | March 31, 2008                 |           |     |             |
|---------------|---------------------------------|-------------------------------|-------------------------------------|--------------------------------|-----------|-----|-------------|
|               |                                 |                               |                                     | Market Value or Net            |           |     |             |
|               |                                 |                               |                                     | Carrying Percentage            |           |     |             |
|               |                                 |                               |                                     | Shares/Units of Asset Value    |           |     |             |
|               |                                 |                               |                                     | (in US\$ in Ownership (US\$ in |           |     |             |
|               |                                 |                               |                                     | Thousands) (%) Thousands)      |           |     |             |
| Company Name  | Marketable Securities           | Relationship with the Company | Financial Statement Account         | Thousands                      | Thousands | (%) | Thousands   |
| Type and Name |                                 |                               |                                     |                                |           |     |             |
|               | Corporate bonds                 |                               |                                     |                                |           |     |             |
|               | Abbott Labs                     |                               | Available-for-sale financial assets | US\$ 2,005                     | N/A       |     | US\$ 2,005  |
|               | Abbott Labs                     |                               |                                     | US\$ 1,519                     | N/A       |     | US\$ 1,519  |
|               | American Gen Fin Corp.          |                               |                                     | US\$ 3,162                     | N/A       |     | US\$ 3,162  |
|               | American Gen Fin Corp. Mtn      |                               |                                     | US\$ 3,498                     | N/A       |     | US\$ 3,498  |
|               | American Gen Fin Corp. Mtn      |                               |                                     | US\$ 1,998                     | N/A       |     | US\$ 1,998  |
|               | American Honda Fin Corp. Mtn    |                               |                                     | US\$ 3,136                     | N/A       |     | US\$ 3,136  |
|               | Ameritech Capital Funding Co.   |                               |                                     | US\$ 494                       | N/A       |     | US\$ 494    |
|               | Amgen Inc.                      |                               |                                     | US\$ 3,017                     | N/A       |     | US\$ 3,017  |
|               | Anz Cap Tr I                    |                               |                                     | US\$ 988                       | N/A       |     | US\$ 988    |
|               | Atlantic Richfield Co.          |                               |                                     | US\$ 2,252                     | N/A       |     | US\$ 2,252  |
|               | Axa Finl Inc.                   |                               |                                     | US\$ 2,193                     | N/A       |     | US\$ 2,193  |
|               | Beneficial Corp. Mtn            |                               |                                     |                                |           |     |             |
|               | Bk Entry                        |                               |                                     | US\$ 2,279                     | N/A       |     | US\$ 2,279  |
|               | Bp Cap Mkts P L C               |                               |                                     | US\$ 2,833                     | N/A       |     | US\$ 2,833  |
|               | Burlington Res Inc.             |                               |                                     | US\$ 3,723                     | N/A       |     | US\$ 3,723  |
|               | Chase Manhattan Corp. New       |                               |                                     | US\$ 1,529                     | N/A       |     | US\$ 1,529  |
|               | Chase Manhattan Corp. New       |                               |                                     | US\$ 2,108                     | N/A       |     | US\$ 2,108  |
|               | Chase Manhattan Corp. New       |                               |                                     | US\$ 3,514                     | N/A       |     | US\$ 3,514  |
|               | Consolidated Edison Inc.        |                               |                                     | US\$ 3,011                     | N/A       |     | US\$ 3,011  |
|               | Credit Suisse First Boston USA  |                               |                                     | US\$ 2,261                     | N/A       |     | US\$ 2,261  |
|               | Deere John Cap Corp. Mtn Bk Ent |                               |                                     | US\$ 2,269                     | N/A       |     | US\$ 2,269  |
|               | Depfa Acs Bank                  |                               |                                     | US\$ 17,809                    | N/A       |     | US\$ 17,809 |
|               | European Invt Bk                |                               |                                     | US\$ 10,842                    | N/A       |     | US\$ 10,842 |
|               | Fleet Boston Corp.              |                               |                                     | US\$ 2,626                     | N/A       |     | US\$ 2,626  |
|               | Ge Global Ins Hldg Corp.        |                               |                                     | US\$ 1,944                     | N/A       |     | US\$ 1,944  |

|                                |            |     |            |
|--------------------------------|------------|-----|------------|
| General Dynamics Corp.         | US\$ 2,182 | N/A | US\$ 2,182 |
| General Elec Cap Corp. Mtn     | US\$ 4,050 | N/A | US\$ 4,050 |
| General Elec Cap Corp. Mtn     | US\$ 3,102 | N/A | US\$ 3,102 |
| General Elec Cap Corp. Mtn     | US\$ 2,149 | N/A | US\$ 2,149 |
| General Re Corp.               | US\$ 3,280 | N/A | US\$ 3,280 |
| Genworth Finl Inc.             | US\$ 3,281 | N/A | US\$ 3,281 |
| Hancock John Global Fdg II Mtn | US\$ 5,228 | N/A | US\$ 5,228 |
| Hancock John Global Fdg Mtn    | US\$ 1,005 | N/A | US\$ 1,005 |
| Hartford Finl Svcs Group Inc.  | US\$ 1,341 | N/A | US\$ 1,341 |
| Heller Finl Inc.               | US\$ 1,979 | N/A | US\$ 1,979 |
| Hewlett Packard Co.            | US\$ 1,936 | N/A | US\$ 1,936 |
| Household Fin Corp.            | US\$ 2,975 | N/A | US\$ 2,975 |
| Household Fin Corp.            | US\$ 3,123 | N/A | US\$ 3,123 |
| Ing Sec Life Instl Fdg         | US\$ 2,572 | N/A | US\$ 2,572 |
| International Business Machs   | US\$ 3,637 | N/A | US\$ 3,637 |
| Intl Lease Fin Corp. Mtn       | US\$ 2,989 | N/A | US\$ 2,989 |
| JP Morgan Chase                | US\$ 2,034 | N/A | US\$ 2,034 |



|               |                              |                               |                             | March 31, 2008                |           |           |
|---------------|------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------|-----------|
|               |                              |                               |                             | Market Value or Net           |           |           |
|               |                              |                               |                             | Carrying Percentage Asset     |           |           |
|               |                              |                               |                             | Shares/Units Value of Value   |           |           |
|               |                              |                               |                             | (in US\$ in Ownership US\$ in |           |           |
|               |                              |                               |                             | Thousands) (%) Thousands)     |           |           |
| Company Name  | Marketable Securities        | Relationship with the Company | Financial Statement Account | Thousands                     | Thousands | Thousands |
| Type and Name |                              |                               |                             |                               |           |           |
|               | Keycorp Mtn Book Entry       |                               |                             | US\$3,081                     | N/A       | US\$3,081 |
|               | Lehman Brothers Hldgs Inc.   |                               |                             | US\$2,005                     | N/A       | US\$2,005 |
|               | Lehman Brothers Hldgs Inc.   |                               |                             | US\$ 948                      | N/A       | US\$ 948  |
|               | Lehman Brothers Hldgs Inc.   |                               |                             | US\$ 631                      | N/A       | US\$ 631  |
|               | Massmutual Global Fdg II Mtn |                               |                             | US\$3,851                     | N/A       | US\$3,851 |
|               | Metropolitan Life Global Mtn |                               |                             | US\$3,399                     | N/A       | US\$3,399 |
|               | Mgic Invt Corp.              |                               |                             | US\$ 932                      | N/A       | US\$ 932  |
|               | Mizuho Fin (Cayman)          |                               |                             | US\$2,103                     | N/A       | US\$2,103 |
|               | Monumental Global Fdg II     |                               |                             | US\$1,517                     | N/A       | US\$1,517 |
|               | Monunmetal Global Fdg II     |                               |                             | US\$2,029                     | N/A       | US\$2,029 |
|               | Mony Group Inc.              |                               |                             | US\$2,179                     | N/A       | US\$2,179 |
|               | Morgan Stanley               |                               |                             | US\$1,579                     | N/A       | US\$1,579 |

(Continued)

|              |  |                               |                                     | March 31, 2008                |           |           |
|--------------|--|-------------------------------|-------------------------------------|-------------------------------|-----------|-----------|
|              |  |                               |                                     | Market Value or Net           |           |           |
|              |  |                               |                                     | Carrying Percentage Asset     |           |           |
|              |  |                               |                                     | Shares/Units Value of Value   |           |           |
|              |  |                               |                                     | (in US\$ in Ownership US\$ in |           |           |
|              |  |                               |                                     | Thousands) (%) Thousands)     |           |           |
| Company Name | Marketable Securities Type and Name      | Relationship with the Company | Financial Statement Account         | Thousands                     | Thousands | Thousands |
|              | Morgan Stanley                           |                               | Available-for-sale financial assets | US\$3,382                     | N/A       | US\$3,382 |
|              | National City Corp.                      |                               |                                     | US\$3,500                     | N/A       | US\$3,500 |
|              | Nationwide Life Global Fdg I             |                               |                                     | US\$3,690                     | N/A       | US\$3,690 |
|              | Oracle Corp./Ozark Hldg Inc.             |                               |                                     | US\$2,053                     | N/A       | US\$2,053 |
|              | Premark Intl Inc.                        |                               |                                     | US\$2,694                     | N/A       | US\$2,694 |
|              | Pricoa Global Fdg I Mtn                  |                               |                                     | US\$3,512                     | N/A       | US\$3,512 |
|              | Principal Finl Group Australia           |                               |                                     | US\$1,009                     | N/A       | US\$1,009 |
|              | Protective Life Secd Trs Mtn             |                               |                                     | US\$3,510                     | N/A       | US\$3,510 |
|              | Sbc Communications Inc.                  |                               |                                     | US\$3,417                     | N/A       | US\$3,417 |
|              | Sbc Communications Inc.                  |                               |                                     | US\$ 720                      | N/A       | US\$ 720  |
|              | Simon Ppty Group L P                     |                               |                                     | US\$2,484                     | N/A       | US\$2,484 |
|              | Simon Ppty Group Lp                      |                               |                                     | US\$ 991                      | N/A       | US\$ 991  |
|              | Sp Powerassests Ltd. Global              |                               |                                     | US\$1,003                     | N/A       | US\$1,003 |
|              | Suntrust Bk Atlanta Ga Medium            |                               |                                     | US\$3,504                     | N/A       | US\$3,504 |
|              | Unitedhealth Group Inc.                  |                               |                                     | US\$1,420                     | N/A       | US\$1,420 |
|              | Wachovia Corp. New                       |                               |                                     | US\$3,207                     | N/A       | US\$3,207 |
|              | Washington Post Co.                      |                               |                                     | US\$3,051                     | N/A       | US\$3,051 |
|              | Wells Fargo + Co. New Med Trm            |                               |                                     | US\$4,503                     | N/A       | US\$4,503 |
|              | Corporate issued asset-backed securities |                               |                                     |                               |           |           |
|              | Atlantic City Elc Trns Fdgllc            |                               | Available-for-sale financial assets | US\$ 96                       | N/A       | US\$ 96   |
|              | Banc Amer Coml Mtg Inc.                  |                               |                                     | US\$5,592                     | N/A       | US\$5,592 |
|              | Banc Amer Fdg 2006 I Tr                  |                               |                                     | US\$3,656                     | N/A       | US\$3,656 |

|                                    |           |     |           |
|------------------------------------|-----------|-----|-----------|
| Bear Stearns<br>Adjustable Rate    | US\$ 91   | N/A | US\$ 91   |
| Bear Stearns Arm Tr                | US\$2,972 | N/A | US\$2,972 |
| Bear Stearns Arm Tr                | US\$1,831 | N/A | US\$1,831 |
| Bear Stearns Arm Tr                | US\$ 234  | N/A | US\$ 234  |
| Bear Stearns Coml Mtg<br>Secs Inc. | US\$2,164 | N/A | US\$2,164 |
| Bear Stearns Coml Mtg<br>Secs Inc. | US\$4,948 | N/A | US\$4,948 |
| Capital One Multi<br>Asset Exec    | US\$9,155 | N/A | US\$9,155 |
| Capital One Multi<br>Asset Execut  | US\$4,000 | N/A | US\$4,000 |
| Capital One Multi<br>Asset Execut  | US\$3,008 | N/A | US\$3,008 |
| Capital One Prime<br>Auto Receiva  | US\$3,542 | N/A | US\$3,542 |
| Capital One Prime<br>Auto Receiv   | US\$ 65   | N/A | US\$ 65   |
| Cbass Tr                           | US\$1,358 | N/A | US\$1,358 |
| Chase Mtg Fin Tr                   | US\$ 869  | N/A | US\$ 869  |
| Chase Mtg Fin Tr                   | US\$1,687 | N/A | US\$1,687 |
| Chase Mtg Fin Tr                   | US\$2,523 | N/A | US\$2,523 |
| Chase Mtge Finance<br>Corp.        | US\$1,567 | N/A | US\$1,567 |
| Cit Equip Coll Tr                  | US\$4,071 | N/A | US\$4,071 |
| Citicorp Mtg Secs                  | US\$ 231  | N/A | US\$ 231  |
| Credit Suisse First<br>Boston Mtg  | US\$1,322 | N/A | US\$1,322 |

|         |                                |                               |                             | March 31, 2008                |           |           |
|---------|--------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------|-----------|
|         |                                |                               |                             | Market Value or Net           |           |           |
|         |                                |                               |                             | Carrying Percentage Asset     |           |           |
|         |                                |                               |                             | Shares/Units Value of Value   |           |           |
|         |                                |                               |                             | (in US\$ in Ownership US\$ in |           |           |
|         |                                |                               |                             | Thousands) (%) Thousands)     |           |           |
| Company | Marketable Securities          | Relationship with the Company | Financial Statement Account | Thousands                     | Thousands | Thousands |
|         | Credit Suisse First Boston Mtg |                               |                             | US\$5,051                     | N/A       | US\$5,051 |
|         | Credit Suisse First Boston Mtg |                               |                             | US\$5,895                     | N/A       | US\$5,895 |
|         | Daimlerchrysler Auto Tr        |                               |                             | US\$4,393                     | N/A       | US\$4,393 |
|         | Daimlerchrysler Auto Tr        |                               |                             | US\$1,709                     | N/A       | US\$1,709 |
|         | Deere John Owner Tr            |                               |                             | US\$2,519                     | N/A       | US\$2,519 |
|         | First Franklin Mtg Ln Tr       |                               |                             | US\$1,406                     | N/A       | US\$1,406 |
|         | First Horizon                  |                               |                             | US\$ 43                       | N/A       | US\$ 43   |
|         | First Un Natl Bk Coml Mtg Tr   |                               |                             | US\$2,498                     | N/A       | US\$2,498 |
|         | First Un Natl Bk Coml Mtg Tr   |                               |                             | US\$5,097                     | N/A       | US\$5,097 |
|         | First Un Natl Bk Coml Mtg Tr   |                               |                             | US\$2,159                     | N/A       | US\$2,159 |
|         | Ford Cr Auto Owner Tr          |                               |                             | US\$2,512                     | N/A       | US\$2,512 |
|         | Gs Mtg Secs Corp.              |                               |                             | US\$1,481                     | N/A       | US\$1,481 |
|         | Home Equity Mortgage Trust     |                               |                             | US\$1,798                     | N/A       | US\$1,798 |

(Continued)

|         |   |                               |  | March 31, 2008 |            |            |             |           |
|---------|---|-------------------------------|--|----------------|------------|------------|-------------|-----------|
|         |   |                               |  | Carrying       |            | Percentage |             | Market    |
|         |   |                               |  | Shares/Units   | Value      | of         | Asset Value | Value or  |
|         |   |                               |  | (in            | (US\$ in   | Ownership  | (US\$ in    | Net       |
|         |   |                               |  | Thousands)     | Thousands) | (%)        | Thousands)  | Value     |
|         |   |                               |  | Thousands      | Thousands  | Thousands  | Thousands   | Thousands |
| Company | Marketable Securities                     | Relationship with the Company | Financial Statement Account            | Thousands      | Thousands  | (%)        | Thousands   | Thousands |
| Name    | Type and Name                             |                               |  |                |            |            |             |           |
|         | Home Equity Mtg Tr<br>2006 4              |                               | Available-for-sale financial<br>assets | US\$           | 810        | N/A        | US\$        | 810       |
|         | Hyundai Auto<br>Receivables Tr            |                               |  | US\$           | 1,221      | N/A        | US\$        | 1,221     |
|         | JP Morgan Mtg Tr                          |                               |  | US\$           | 857        | N/A        | US\$        | 857       |
|         | JP Morgan Mtg Tr                          |                               |  | US\$           | 886        | N/A        | US\$        | 886       |
|         | JP Morgan Mtg Tr                          |                               |  | US\$           | 834        | N/A        | US\$        | 834       |
|         | Lb Ubs Coml Mtg Tr                        |                               |  | US\$           | 3,821      | N/A        | US\$        | 3,821     |
|         | Nomura Asset Accep<br>Corp.               |                               |  | US\$           | 1,656      | N/A        | US\$        | 1,656     |
|         | Residential Asset Mtg<br>Prods            |                               |  | US\$           | 2,129      | N/A        | US\$        | 2,129     |
|         | Residential Fdg Mtg<br>Secs I Inc.        |                               |  | US\$           | 1,477      | N/A        | US\$        | 1,477     |
|         | Residential Fdg Mtg<br>Secs I Inc.        |                               |  | US\$           | 3,294      | N/A        | US\$        | 3,294     |
|         | Sequoia Mtg Tr                            |                               |  | US\$           | 230        | N/A        | US\$        | 230       |
|         | Sequoia Mtg Tr                            |                               |  | US\$           | 310        | N/A        | US\$        | 310       |
|         | Sequoia Mtg Tr                            |                               |  | US\$           | 425        | N/A        | US\$        | 425       |
|         | Terwin Mtg Tr                             |                               |  | US\$           | 1,454      | N/A        | US\$        | 1,454     |
|         | Tiaa Seasoned Coml<br>Mtg Tr              |                               |  | US\$           | 3,912      | N/A        | US\$        | 3,912     |
|         | Usaa Auto Owner Tr                        |                               |  | US\$           | 5,059      | N/A        | US\$        | 5,059     |
|         | Wamu Mtg<br>Wamu Mtg Pass<br>Through Cdfs |                               |  | US\$           | 162        | N/A        | US\$        | 162       |
|         | Wamu Mtg Pass<br>Through Cdfs             |                               |  | US\$           | 2,295      | N/A        | US\$        | 2,295     |
|         | Washington Mut Mtg<br>Secs Corp.          |                               |  | US\$           | 2,203      | N/A        | US\$        | 2,203     |
|         | Wells Fargo Finl Auto<br>Owner Tr         |                               |  | US\$           | 5,015      | N/A        | US\$        | 5,015     |
|         | Wells Fargo Mtg<br>Backed Secs            |                               |  | US\$           | 3,698      | N/A        | US\$        | 3,698     |
|         | Wells Fargo Mtg<br>Backed Secs            |                               |  | US\$           | 3,790      | N/A        | US\$        | 3,790     |
|         | Wells Fargo Mtg<br>Backed Secs            |                               |  | US\$           | 3,701      | N/A        | US\$        | 3,701     |
|         |   |                               |  | US\$           | 2,887      | N/A        | US\$        | 2,887     |

|                             |  |  |            |                |
|-----------------------------|--|--|------------|----------------|
| Wells Fargo Mtg Bkd<br>Secs |  |  |            |                |
| Wells Fargo Mtg Bkd<br>Secs |  |  | US\$ 1,394 | N/A US\$ 1,394 |
| Whole Auto Ln Tr            |  |  | US\$ 1,272 | N/A US\$ 1,272 |
| Government bonds            |  |  |            |                |
| United States Treas Nts     | Available-for-sale financial<br>assets |  | US\$ 6,082 | N/A US\$ 6,082 |
| United States Treas Nts     |  |  | US\$48,271 | N/A US\$48,271 |
| United States Treas Nts     |  |  | US\$ 5,225 | N/A US\$ 5,225 |
| United States Treas Nts     |  |  | US\$ 3,955 | N/A US\$ 3,955 |
| United States Treas Nts     |  |  | US\$ 5,757 | N/A US\$ 5,757 |
| United States Treas Nts     |  |  | US\$ 4,234 | N/A US\$ 4,234 |
| United States Treas Nts     |  |  | US\$11,159 | N/A US\$11,159 |
| United States Treas Nts     |  |  | US\$ 5,330 | N/A US\$ 5,330 |
| United States Treas Nts     |  |  | US\$10,715 | N/A US\$10,715 |
| United States Treas Nts     |  |  | US\$ 3,453 | N/A US\$ 3,453 |
| United States Treas Nts     |  |  | US\$12,288 | N/A US\$12,288 |

(Concluded)

**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited**  
**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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financial Statement Account         | Counter-party Relationship   | Nature of Shares/Units (in Thousands) | Beginning Balance          |                                      | Acquisition                |                             | Disposal (Note 2)          |                                    |
|-------------------------------------|--|---------------------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|
|                                     |  |                                       | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) |
| Available-for-sale financial assets | National Investment Trust Co., Ltd.                                |                                       | 12,239                     | \$2,045,935                          | \$                         | 1,790                       | \$ 300,000                 | \$ 291,010                         |
|                                     | National Investment Trust Co., Ltd.                                |                                       | 103,016                    | 1,474,856                            |                            | 13,938                      | 200,000                    | 195,160                            |
|                                     | Prudential Financial Securities Investment Trust Enterprise        |                                       | 83,306                     | 1,236,728                            |                            | 13,442                      | 200,000                    | 194,340                            |
|                                     | AIG Global Asset management Corporation (Taiwan) Ltd.              |                                       | 54,469                     | 705,033                              |                            | 15,441                      | 200,000                    | 198,430                            |
| Available-for-sale financial assets | Chung Shing Bills Finance Corp. and several financial institutions |                                       |                            | 2,349,163                            |                            |                             | 2,350,000                  | 2,350,000                          |
|                                     |  |                                       |                            | 1,197,121                            |                            |                             | 1,203,435                  | 1,201,660                          |
|                                     |  |                                       |                            | 200,065                              |                            |                             | 201,301                    | 200,840                            |
| Held-to-maturity financial assets   |  |                                       |                            | 1,647,947                            |                            |                             | 1,648,000                  | 1,648,000                          |

|   |            |              |              |              |              |
|---|------------|--------------|--------------|--------------|--------------|
| Investee<br>accounted for<br>using equity<br>method | Subsidiary | 906,536      | 204,884      |              |              |
| Available-for-sale<br>financial assets              |            | US\$ 592,180 | US\$ 198,872 | US\$ 331,893 | US\$ 331,893 |
| Available-for-sale<br>financial assets              |            |              | US\$ 4,352   |              |              |
|   |            | US\$ 8,977   |              | US\$ 9,002   | US\$ 8,711   |
|   |            | US\$ 8,939   |              | US\$ 9,003   | US\$ 8,731   |
|   |            | US\$ 4,965   |              | US\$ 5,003   | US\$ 4,851   |
|   |            | US\$ 4,980   |              | US\$ 4,999   | US\$ 4,881   |
|   |            |              | US\$ 12,464  |              |              |
|   |            |              | US\$ 5,186   |              |              |
|   |            |              | US\$ 7,572   |              |              |
|   |            | US\$ 22,342  |              | US\$ 5,018   | US\$ 4,911   |
|   |            | US\$ 21,500  |              | US\$ 4,111   | US\$ 4,061   |
|   |            |              | US\$ 10,291  |              |              |
|   |            |              | US\$ 4,151   |              |              |
|   |            | US\$ 2,982   |              | US\$ 3,006   | US\$ 2,901   |
|   |            | US\$ 3,171   |              | US\$ 3,201   | US\$ 3,091   |

(Continued)



| Marketable Securities and Name | Financial Statement Account         | Counter-party Relationship | Nature of Shares/Units (in thousands) | Beginning Balance          | Acquisition                    | Disposal (Note 2)          |                             | Carrying Value (US\$ in Thousands) | Gain or Loss on Disposal (US\$ in Thousands) |
|--------------------------------|-------------------------------------|----------------------------|---------------------------------------|----------------------------|--------------------------------|----------------------------|-----------------------------|------------------------------------|--|
|                                |                                     |                            |                                       | Amount (US\$ in thousands) | Shares/Units (in thousands) 1) | Amount (US\$ in thousands) | Shares/Units (in thousands) |                                    |  |
| Government bonds               | Available-for-sale financial assets | US Bank                    |                                       | US\$ 20,402                | US\$                           | US\$ 3,074                 | US\$ 2,998                  | US\$                               |  |
| Invnt Bk                       |                                     |                            |                                       |                            | US\$ 10,576                    |                            |                             |                                    |  |
| Government bonds               | Available-for-sale financial assets |                            |                                       |                            | US\$ 17,813                    | US\$ 11,827                | US\$ 11,803                 | US\$                               |  |
| ates Treas Nts                 |                                     |                            |                                       | US\$ 25,924                | US\$ 33,779                    | US\$ 34,000                | US\$ 33,779                 | US\$ 2                             |  |
| ates Treas Nts                 |                                     |                            |                                       |                            | US\$ 3,958                     |                            |                             |                                    |  |
| ates Treas Nts                 |                                     |                            |                                       | US\$ 42,509                |                                | US\$ 42,867                | US\$ 41,870                 | US\$ 9                             |  |
| ates Treas Nts                 |                                     |                            |                                       |                            | US\$ 4,200                     |                            |                             |                                    |  |
| ates Treas Nts                 |                                     |                            |                                       |                            | US\$ 11,167                    |                            |                             |                                    |  |
| ates Treas Nts                 |                                     |                            |                                       |                            | US\$ 10,525                    |                            |                             |                                    |  |
| ates Treas Nts                 |                                     |                            |                                       | US\$ 7,758                 |                                | US\$ 7,855                 | US\$ 7,743                  | US\$ 1                             |  |
| ates Treas Nts                 |                                     |                            |                                       | US\$ 9,735                 |                                | US\$ 9,757                 | US\$ 9,479                  | US\$ 2                             |  |
| ates Treas Nts                 |                                     |                            |                                       |                            | US\$ 12,259                    |                            |                             |                                    |  |
| ury Sec                        |                                     | US\$ 60,564                | US\$ 12,309                           | US\$ 12,294                | US\$                           |                            |                             |                                    |  |
|                                |                                     | US\$ 6,500                 | US\$ 6,594                            | US\$ 6,407                 | US\$                           |                            |                             |                                    |  |

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

Note 2: The data for marketable securities disposed exclude bonds maturities.

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

| Types of<br>Property | Transaction Date                        | Transaction |                                 | Counter-party  | Nature of Relationship | Prior Transaction of Related Counter-party Transfer |        |     |     | Price Reference |
|----------------------|---|-------------|---------------------------------|--|------------------------|---|--------|-----|-----|-----------------|
|                      |   | Amount      | Payment Term                    |  |                        | Date  | Amount |     |     |                 |
| Fab                  | January 16, 2008 to<br>January 19, 2008 | \$4,045,220 | By the construction<br>progress | Tasa<br>Construction<br>Corporation,<br>Fu Tsu<br>Construction,<br>and China<br>Steel Structure<br>Co., Ltd. |                        | N/A   | N/A    | N/A | N/A | Public bidding  |

**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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

| Related Party             | Nature of Relationships  | Purchases/<br>Sales    | Amount                  | Transaction Details |  | Notes/<br>Abnormal<br>Transaction<br>Payment or<br>Unit<br>Terms<br>(Note) | Ending<br>Balance |
|---------------------------|--|------------------------|-------------------------|---------------------|--|--|-------------------|
|                           |  |                        |                         | %<br>to<br>Total    | Payment Terms  |  |                   |
| TSMC North America<br>GUC | Subsidiary<br>Investee with a<br>controlling financial<br>interest   | Sales<br>Sales         | \$54,293,942<br>289,452 | 63                  | Net 30 days after invoice date<br>Net 30 days after monthly closing    |  | \$24,508<br>178   |
| WaferTech<br>SSMC         | Indirect subsidiary<br>Investee accounted for<br>using equity method | Purchases<br>Purchases | 2,378,352<br>1,358,468  | 21<br>12            | Net 30 days after monthly closing<br>Net 30 days after monthly closing |  | (602)<br>(465)    |
| TSMC Shanghai<br>VIS      | Subsidiary<br>Investee accounted for<br>using equity method          | Purchases<br>Purchases | 1,220,202<br>793,272    | 11<br>7             | Net 30 days after monthly closing<br>Net 30 days after monthly closing |  | (304)<br>(476)    |
| TSMC North America        | Same parent company  | Purchases              | 537,761                 | 50                  | Net 30 days after invoice date/net<br>45 days after monthly closing    |  | (261)             |
| OmniVision                | Parent company of<br>director (represented for<br>XinTec)            | Sales                  | 540,745                 | 79                  | Net 30 days after shipping   |  | 183               |

Note: The terms of sales to related parties are not significantly different from those to third parties. For purchase transactions, prices are determined in accordance with the related contractual agreements and

no other similar  
transaction  
could be  
compared with.

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

| <b>Related Party</b> | <b>Nature of Relationships</b>                      | <b>Ending Balance</b> | <b>Turnover Days (Note 1)</b> | <b>Amounts</b> | <b>Overdue Action Taken</b>             |
|----------------------|---|-----------------------|-------------------------------|----------------|---|
| TSMC North America   | Subsidiary  | \$24,553,018          | 43                            | \$8,153,441    |   |
| TSMC Shanghai        | Subsidiary  | 1,942,566             | (Note 2)                      |                |   |
| GUC                  | Investee with a controlling financial interest      | 178,766               | 40                            |                |   |
| VIS                  | Investee accounted for using equity method          | 108,629               | (Note 2)                      | 19,954         | Accelerate demand on account receivable |
| OmniVision           | Parent company of director (represented for XinTec) | 183,301               | 52                            | 74,615         |   |

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**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

| Location                        | Main Businesses and Products   | Balance as of March 31, 2008                       |                         |                             |                               |                               |  |
|---------------------------------|--|--|-------------------------|-----------------------------|-------------------------------|-------------------------------|--|
|                                 |  | Original Investment<br>Amount<br>March 31,<br>2008 | December<br>31,<br>2007 | Shares<br>(in<br>Thousands) | Percentage<br>of<br>Ownership | Carrying<br>Value<br>(Note 1) | Net Income<br>(Losses<br>the Investee) |
| Tortola, British Virgin Islands | Investment activities  | \$42,327,245                                       | \$42,327,245            | 1                           | 100                           | \$41,971,625                  | \$ 568                                 |
| Tortola, British Virgin Islands | Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry    | 31,445,780   | 31,445,780              | 987,968                     | 100                           | 27,063,207                    | 1,459                                  |
| Hsin-Chu, Taiwan                | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,047,681   | 13,047,681              | 616,240                     | 36                            | 11,183,477                    | 766                                    |
| Singapore                       | Fabrication and supply of integrated circuits  | 8,840,895  | 8,840,895               | 463                         | 39                            | 8,352,727                     | 1,096                                  |
| Shanghai, China                 | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367   | 12,180,367              |                             | 100                           | 7,895,259                     | (571)                                  |
| Tortola, British Virgin Islands | Investment activities  | 10,350   | 10,350                  | 300                         | 100                           | 3,528,732                     | (1,068)                                |
| San Jose, California, U.S.A.    | Sales and marketing of integrated circuits and semiconductor devices   | 333,718  | 333,718                 | 11,000                      | 100                           | 2,184,900                     | 73                                     |
| Taoyuan, Taiwan                 | Wafer level chip size packaging service  | 1,357,890  | 1,357,890               | 91,703                      | 43                            | 1,483,429                     | (27)                                   |
| Cayman Islands                  | Investing in new start-up technology companies   | 1,095,622  | 1,095,622               |                             | 98                            | 1,039,699                     | (61)                                   |
| Cayman Islands                  | Investing in new start-up technology companies   | 1,178,343  | 973,459                 |                             | 98                            | 1,037,387                     | (11)                                   |

|                            |  |         |           |        |     |         |     |
|----------------------------|--|---------|-----------|--------|-----|---------|-----|
| Hsin-Chu, Taiwan           | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568 | 386,568   | 42,572 | 37  | 891,488 | 187 |
| Cayman Islands             | Investing in new start-up technology companies                                       | 976,449 | 1,019,042 |        | 99  | 390,518 | (6) |
| Taipei, Taiwan             | Investment activities  | 300,000 | 300,000   |        | 36  | 175,689 | 2   |
| Taipei, Taiwan             | Investment activities  | 300,000 | 300,000   |        | 36  | 173,084 | 2   |
| Yokohama, Japan            | Marketing activities   | 83,760  | 83,760    | 6      | 100 | 112,111 |     |
| Amsterdam, the Netherlands | Marketing activities   | 15,749  | 15,749    |        | 100 | 97,152  | 7   |
| Seoul, Korea               | Marketing activities   | 13,656  | 13,656    | 80     | 100 | 15,533  | 1   |

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**

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

| Investee Company  | Main Businesses and Products   | Total Amount of Paid-in Capital (RMB Thousand) | Method of Investment (Note 2) | Accumulated Outflow of Investment from Taiwan | Accumulated Outflow of Investment from Taiwan | Equity in the Earnings (Losses) Percentage of Ownership | Accumulated Carrying Inward Value as of March 31, 2008 | Remittance of Earnings as of March 31, 2008 |
|---|--|--|-------------------------------|---|---|---|--|---|
|   |  |  |                               | as of January 1, 2008 (US\$ Thousand)         | as of March 31, 2008 (US\$ 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)                    | 70%   | \$ (529,639)   | \$ 7,895,259                                |
| <b>Accumulated Investment in Mainland China as of March 31, 2008 (US\$ in Thousand)</b> |  | \$12,180,367 (US\$371,000)                     |                               | \$12,180,367 (US\$371,000)                    |   |   | \$12,180,367 (US\$371,000)                             |   |
| <b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)</b>  |  |  |                               | \$12,180,367 (US\$371,000)                    |   |   | \$12,180,367 (US\$371,000)                             |   |
| <b>Upper Limit on Investment (US\$ in Thousand)</b>                                     |  |  |                               |   |   |   | \$12,180,367 (US\$371,000)                             |   |

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



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

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**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Three Months Ended March 31, 2008 and 2007 and  
Independent Accountants Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

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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.

April 9, 2008

Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

|   | 2008               |           | 2007               |           |
|---|--------------------|-----------|--------------------|-----------|
|   | Amount             | %         | Amount             | %         |
| <b>ASSETS</b>   |                    |           |                    |           |
| <b>CURRENT ASSETS</b>   |                    |           |                    |           |
| Cash and cash equivalents (Notes 2 and 4)                             | \$ 144,277,026     | 24        | \$ 140,273,779     | 23        |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 1,375,693          |           | 1,364,325          |           |
| Available-for-sale financial assets (Notes 2 and 6)                   | 54,681,566         | 9         | 69,208,468         | 11        |
| Held-to-maturity financial assets (Notes 2 and 7)                     | 9,976,745          | 2         | 6,523,668          | 1         |
| Receivables from related parties (Note 26)                            | 7,790              |           | 362,547            |           |
| Notes and accounts receivable   | 43,211,493         | 7         | 36,118,110         | 6         |
| Allowance for doubtful receivables (Notes 2 and 8)                    | (702,051)          |           | (765,771)          |           |
| Allowance for sales returns and others (Notes 2 and 8)                | (4,566,637)        | (1)       | (2,620,585)        |           |
| Other receivables from related parties (Note 26)                      | 215,645            |           | 279,095            |           |
| Other financial assets (Note 27)                                      | 1,453,071          |           | 1,559,876          |           |
| Inventories, net (Notes 2 and 9)                                      | 21,889,637         | 4         | 22,259,440         | 4         |
| Deferred income tax assets, net (Notes 2 and 19)                      | 8,479,964          | 1         | 9,757,688          | 2         |
| Prepaid expenses and other current assets                             | 1,155,394          |           | 1,758,325          |           |
| <b>Total current assets</b>   | <b>281,455,336</b> | <b>46</b> | <b>286,078,965</b> | <b>47</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10 and 11)</b>               |                    |           |                    |           |
| Investments accounted for using equity method                         | 21,943,759         | 4         | 15,496,239         | 3         |
| Available-for-sale financial assets                                   | 2,502              |           | 6,469,097          | 1         |
| Held-to-maturity financial assets                                     | 8,023,394          | 1         | 26,697,128         | 4         |
| Financial assets carried at cost                                      | 3,723,589          | 1         | 3,522,123          | 1         |
| <b>Total long-term investments</b>                                    | <b>33,693,244</b>  | <b>6</b>  | <b>52,184,587</b>  | <b>9</b>  |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 27)</b>             |                    |           |                    |           |
| Cost  |                    |           |                    |           |
| Land and land improvements  | 889,387            |           | 958,936            |           |
| Buildings   | 119,234,824        | 20        | 114,830,032        | 19        |
| Machinery and equipment   | 653,821,179        | 109       | 594,021,892        | 97        |

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|  |                       |            |                       |            |
|--|-----------------------|------------|-----------------------|------------|
| Office equipment                                 | 11,802,450            | 2          | 11,365,507            | 2          |
| Leased assets                                    | 649,941               |            | 628,506               |            |
|  | 786,397,781           | 131        | 721,804,873           | 118        |
| Accumulated depreciation                         | (555,853,934)         | (93)       | (483,833,741)         | (79)       |
| Advance payments and construction in progress    | 31,065,812            | 5          | 12,376,666            | 2          |
| Net property, plant and equipment                | 261,609,659           | 43         | 250,347,798           | 41         |
| <b>INTANGIBLE ASSETS</b>                         |                       |            |                       |            |
| Goodwill (Note 2)                                | 5,709,938             | 1          | 6,054,157             | 1          |
| Deferred charges, net (Notes 2 and 13)           | 7,467,978             | 2          | 6,322,686             | 1          |
| Total intangible assets                          | 13,177,916            | 3          | 12,376,843            | 2          |
| <b>OTHER ASSETS</b>                              |                       |            |                       |            |
| Deferred income tax assets, net (Notes 2 and 19) | 3,970,320             | 1          | 5,040,262             | 1          |
| Refundable deposits                              | 2,790,102             | 1          | 2,613,316             |            |
| Others (Note 2)                                  | 346,268               |            | 128,866               |            |
| Total other assets                               | 7,106,690             | 2          | 7,782,444             | 1          |
| <b>TOTAL</b>                                     | <b>\$ 597,042,845</b> | <b>100</b> | <b>\$ 608,770,637</b> | <b>100</b> |

|   | <b>2008</b>   |          | <b>2007</b>   |          |
|---|---------------|----------|---------------|----------|
|   | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                                      |               |          |               |          |
| <b>CURRENT LIABILITIES</b>  |               |          |               |          |
| Short-term bank loans (Note 14)   | \$            |          | \$ 79,220     |          |
| Financial liabilities at fair value through profit or loss (Notes 2 and 5)      | 244,283       |          | 133,808       |          |
| Accounts payable  | 9,381,919     | 2        | 8,972,363     | 1        |
| Payables to related parties (Note 26)   | 956,105       |          | 1,156,273     |          |
| Income tax payable (Notes 2 and 19)   | 13,947,003    | 2        | 10,017,889    | 2        |
| Accrued bonuses to employees, directors and supervisors (Notes 3 and 21)        | 4,371,892     | 1        |               |          |
| Accrued expenses and other current liabilities (Notes 17 and 29)                | 12,599,255    | 2        | 10,949,947    | 2        |
| Payables to contractors and equipment suppliers                                 | 12,256,151    | 2        | 9,093,878     | 1        |
| Current portion of bonds payable and long-term bank loans (Notes 15, 16 and 27) | 8,279,587     | 1        | 4,714,060     | 1        |

|  |             |     |             |    |
|--|-------------|-----|-------------|----|
| Total current liabilities                                | 62,036,195  | 10  | 45,117,438  | 7  |
| <b>LONG-TERM LIABILITIES</b>                             |             |     |             |    |
| Bonds payable (Note 15)                                  | 4,500,000   | 1   | 12,500,000  | 2  |
| Long-term bank loans (Notes 16 and 27)                   | 1,736,617   |     | 1,328,238   |    |
| Other long-term payables (Notes 17 and 29)               | 9,055,790   | 2   | 9,243,274   | 2  |
| Obligations under capital leases (Note 2)                | 649,941     |     | 628,506     |    |
| Total long-term liabilities                              | 15,942,348  | 3   | 23,700,018  | 4  |
| <b>OTHER LIABILITIES</b>                                 |             |     |             |    |
| Accrued pension cost (Notes 2 and 18)                    | 3,673,505   | 1   | 3,555,621   | 1  |
| Guarantee deposits (Note 29)                             | 1,871,897   |     | 3,429,267   | 1  |
| Deferred credits (Notes 2 and 26)                        | 510,540     |     | 1,160,248   |    |
| Others   | 38,072      |     | 69,660      |    |
| Total other liabilities                                  | 6,094,014   | 1   | 8,214,796   | 2  |
| Total liabilities  | 84,072,557  | 14  | 77,032,252  | 13 |
| <b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b> |             |     |             |    |
| Capital stock \$10 par value                             |             |     |             |    |
| Authorized: 28,050,000 thousand shares in 2008           |             |     |             |    |
| 27,050,000 thousand shares in 2007                       |             |     |             |    |
| Issued: 25,629,242 thousand shares in 2008               |             |     |             |    |
| 25,832,959 thousand shares in 2007                       | 256,292,416 | 43  | 258,329,592 | 43 |
| Capital surplus (Notes 2 and 21)                         | 51,696,165  | 9   | 54,231,465  | 9  |
| Retained earnings (Note 21)                              |             |     |             |    |
| Appropriated as legal capital reserve                    | 56,406,684  | 10  | 43,705,711  | 7  |
| Appropriated as special capital reserve                  | 629,550     |     | 640,742     |    |
| Unappropriated earnings                                  | 151,596,813 | 25  | 171,616,718 | 28 |
|  | 208,633,047 | 35  | 215,963,171 | 35 |
| Others (Notes 2, 23 and 25)                              |             |     |             |    |
| Cumulative translation adjustments                       | (6,810,720) | (1) | 299,332     |    |
| Unrealized gains on financial instruments                | 400,861     |     | 720,134     |    |
| Treasury stock: 34,096 thousand shares in 2008           |             |     |             |    |
| 33,926 thousand shares in 2007                           | (918,075)   |     | (918,075)   |    |
|  | (7,327,934) | (1) | 101,391     |    |

|   |                |     |                |     |
|---|----------------|-----|----------------|-----|
| Equity attributable to shareholders of the parent | 509,293,694    | 86  | 528,625,619    | 87  |
| MINORITY INTERESTS (Note 2)                       | 3,676,594      |     | 3,112,766      |     |
| Total shareholders equity                         | 512,970,288    | 86  | 531,738,385    | 87  |
| TOTAL   | \$ 597,042,845 | 100 | \$ 608,770,637 | 100 |

The accompanying notes are an integral part of the consolidated financial statements.  
 (With Deloitte & Touche review report dated April 9, 2008)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|   | 2008          |     | 2007          |     |
|---|---------------|-----|---------------|-----|
|   | Amount        | %   | Amount        | %   |
| GROSS SALES (Notes 2 and 26)  | \$ 89,408,089 |     | \$ 65,643,011 |     |
| SALES RETURNS AND ALLOWANCES (Note 2 and 8)   | 1,928,123     |     | 745,631       |     |
| NET SALES   | 87,479,966    | 100 | 64,897,380    | 100 |
| COST OF SALES (Notes 20 and 26)   | 49,240,688    | 57  | 40,286,911    | 62  |
| GROSS PROFIT  | 38,239,278    | 43  | 24,610,469    | 38  |
| OPERATING EXPENSES (Notes 20 and 26)  |               |     |               |     |
| Research and development  | 5,270,006     | 6   | 3,942,435     | 6   |
| General and administrative  | 2,662,529     | 3   | 1,901,597     | 3   |
| Marketing   | 1,183,545     | 1   | 889,164       | 1   |
| Total operating expenses  | 9,116,080     | 10  | 6,733,196     | 10  |
| INCOME FROM OPERATIONS  | 29,123,198    | 33  | 17,877,273    | 28  |
| NON-OPERATING INCOME AND GAINS  |               |     |               |     |
| Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 25)   | 1,770,715     | 2   |               |     |
| Interest income (Note 2)  | 1,348,910     | 2   | 1,372,056     | 2   |
| Technical service income (Notes 26 and 29)  | 841,894       | 1   | 137,980       |     |
| Equity in earnings of equity method investees, net (Notes 2 and 10)                 | 577,322       | 1   | 360,683       | 1   |
| Rental income   | 67,553        |     | 58,200        |     |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26) | 16,648        |     | 16,659        |     |
| Subsidy income (Note 2)   | 1,027         |     | 352,006       |     |
| Foreign exchange gain, net (Note 2)   |               |     | 449,509       | 1   |
|   |               |     | 16,688        |     |

Valuation gain on financial instruments, net (Notes 2,  
5 and 25)

|                  |         |  |         |  |
|------------------|---------|--|---------|--|
| Others (Note 26) | 104,542 |  | 105,954 |  |
|------------------|---------|--|---------|--|

|                                      |           |   |           |   |
|--------------------------------------|-----------|---|-----------|---|
| Total non-operating income and gains | 4,728,611 | 6 | 2,869,735 | 4 |
|--------------------------------------|-----------|---|-----------|---|

(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|   | 2008   |                         | 2007   |                         |
|---|--|-------------------------|--|-------------------------|
|   | Amount   | %                       | Amount   | %                       |
| <b>NON-OPERATING EXPENSES AND LOSSES</b>  |  |                         |  |                         |
| Foreign exchange loss, net (Note 2)   | \$ 1,764,482   | 2                       | \$   |                         |
| Valuation loss on financial instruments, net (Notes 2, 5 and 25)                  | 163,750  | 1                       |  |                         |
| Interest expense  | 155,064  |                         | 210,229  |                         |
| Loss on impairment of financial assets (Note 2)                                   | 79,844   |                         | 8,242  |                         |
| Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 25) |  |                         | 436,371  | 1                       |
| Others (Note 2)   | 116,840  |                         | 24,205   |                         |
| <b>Total non-operating expenses and losses</b>                                    | <b>2,279,980</b>   | <b>3</b>                | <b>679,047</b>   | <b>1</b>                |
| <b>INCOME BEFORE INCOME TAX EXPENSE</b>   | <b>31,571,829</b>  | <b>36</b>               | <b>20,067,961</b>  | <b>31</b>               |
| <b>INCOME TAX EXPENSE (Notes 2 and 19)</b>  | <b>3,335,798</b>   | <b>4</b>                | <b>1,107,293</b>   | <b>2</b>                |
| <b>NET INCOME</b>   | <b>\$ 28,236,031</b>                                     | <b>32</b>               | <b>\$ 18,960,668</b>                                     | <b>29</b>               |
| <b>ATTRIBUTABLE TO:</b>   |  |                         |  |                         |
| Shareholders of the parent  | \$ 28,143,382  | 32                      | \$ 18,838,639  | 29                      |
| Minority interests  | 92,649   |                         | 122,029  |                         |
|   | \$ 28,236,031  | 32                      | \$ 18,960,668  | 29                      |
| <b>EARNINGS PER SHARE (NT\$, Note 24)</b>   |  |                         |  |                         |
|   | <b>2008</b>  |                         | <b>2007</b>  |                         |
|   | <b>Income Attributable to Shareholders of the Parent</b> |                         | <b>Income Attributable to Shareholders of the Parent</b> |                         |
|   | <b>Before Income Tax</b>                                 | <b>After Income Tax</b> | <b>Before Income Tax</b>                                 | <b>After Income Tax</b> |
| Basic earnings per share  | \$ 1.23  | \$ 1.10                 | \$ 0.76  | \$ 0.71                 |

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|                            |         |         |         |         |
|----------------------------|---------|---------|---------|---------|
| Diluted earnings per share | \$ 1.23 | \$ 1.10 | \$ 0.76 | \$ 0.71 |
|----------------------------|---------|---------|---------|---------|

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

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

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|   | <b>2008</b>   | <b>2007</b>   |
|---|---------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |               |               |
| Net income attributable to shareholders of the parent                             | \$ 28,143,382 | \$ 18,838,639 |
| Net income attributable to minority interests                                     | 92,649        | 122,029       |
| Adjustments to reconcile net income to net cash provided by operating activities: |               |               |
| Depreciation and amortization   | 19,830,859    | 20,251,242    |
| Amortization of premium/discount of financial assets                              | (25,931)      | (31,517)      |
| Loss on impairment of financial assets  | 79,844        | 8,242         |
| Gain on disposal of available-for-sale financial assets, net                      | (118,061)     | (63,631)      |
| Gain on disposal of financial assets carried at cost                              | (12,652)      |               |
| Equity in earnings of equity method investees, net                                | (577,322)     | (360,683)     |
| Gain on disposal of property, plant and equipment and other assets, net           | (16,648)      | (14,395)      |
| Dividends received from equity method investees                                   | 589,071       |               |
| Deferred income tax   | 435,333       | (971,816)     |
| Changes in operating assets and liabilities:                                      |               |               |
| Decrease (increase) in:   |               |               |
| Financial assets and liabilities at fair value through profit or loss             | 251,664       | (34,527)      |
| Receivables from related parties  | 3,095         | 277,805       |
| Notes and accounts receivable   | 3,992,633     | (1,048,160)   |
| Allowance for doubtful receivables  | 244           | 15,838        |
| Allowance for sales returns and others  | 477,602       | (263,173)     |
| Other receivables from related parties  | 27,975        | (22,232)      |
| Other financial assets  | 62,456        | 797,787       |
| Inventories   | 1,972,623     | (623,286)     |
| Prepaid expenses and other current assets   | 214,836       | (98,121)      |
| Increase (decrease) in:   |               |               |
| Accounts payable  | (2,192,963)   | 616,141       |
| Payables to related parties   | (547,271)     | (722,834)     |
| Income tax payable  | 2,820,875     | 2,071,416     |
| Accrued bonuses to employees, directors and supervisors                           | 4,371,892     |               |
| Accrued expenses and other current liabilities                                    | (1,877,982)   | (605,110)     |
| Accrued pension cost  | 7,983         | 15,561        |
| Deferred credits  | (710,789)     | (11,704)      |
| <br>  |               |               |
| Net cash provided by operating activities   | 57,295,397    | 38,143,511    |
| <br>  |               |               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |               |               |
| Acquisitions of:  |               |               |
| Available-for-sale financial assets   | (13,902,016)  | (15,795,755)  |

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|  |              |              |
|--|--------------|--------------|
| Financial assets carried at cost         | (213,296)    | (211,891)    |
| Property, plant and equipment            | (15,313,111) | (13,958,572) |
| Proceeds from disposal or redemption of: |              |              |
| Available-for-sale financial assets      | 24,577,826   | 14,976,488   |
| Held-to-maturity financial assets        | 2,238,000    | 4,282,320    |
| Financial assets carried at cost         | 92,540       | 14,087       |
| Property, plant and equipment            | 1,157        | 1,165        |
|  |              | (Continued)  |

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|   | <b>2008</b>        | <b>2007</b>        |
|---|--------------------|--------------------|
| Net cash paid for acquisition of XinTec                                 | \$                 | \$ (422,098)       |
| Increase in deferred charges  | (591,841)          | (1,025,874)        |
| Increase in refundable deposits   | (12,333)           | (1,270,450)        |
| Decrease (increase) in other assets                                     | (2,893)            | 1,011              |
| <br>Net cash used in investing activities                               | <br>(3,125,967)    | <br>(13,409,569)   |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                    |                    |
| Increase in long-term bank loans  | 54,144             |                    |
| Repayment of short-term bank loans                                      |                    | (10,500)           |
| Repayment of long-term bank loans                                       | (696)              | (23,305)           |
| Repayment of bonds payable  |                    | (2,500,000)        |
| Decrease in guarantee deposits  | (371,112)          | (387,873)          |
| Proceeds from exercise of employee stock options                        | 80,948             | 122,009            |
| Payment for repurchase of treasury stock                                | (3,053,584)        |                    |
| Increase in minority interests  | 3,925              | 5,486              |
| <br>Net cash used in financing activities                               | <br>(3,286,375)    | <br>(2,794,183)    |
| <br><b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                    | <br>50,883,055     | <br>21,939,759     |
| <br><b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | <br>(1,592,517)    | <br>496,828        |
| <br><b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>               | <br>94,986,488     | <br>117,837,192    |
| <br><b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                     | <br>\$ 144,277,026 | <br>\$ 140,273,779 |
| <br><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>            |                    |                    |
| Interest paid   | \$ 481,972         | \$ 491,606         |
| Income tax paid   | \$ 73,542          | \$ 81,260          |

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

|  |               |               |
|--|---------------|---------------|
| Acquisition of property, plant and equipment                           | \$ 21,325,964 | \$ 11,976,741 |
| Decrease (increase) in payables to contractors and equipment suppliers | (5,999,419)   | 1,981,831     |
| Increase in accrued expenses and other current liabilities             | (13,434)      |               |

|           |               |               |
|-----------|---------------|---------------|
| Cash paid | \$ 15,313,111 | \$ 13,958,572 |
|-----------|---------------|---------------|

NON-CASH FINANCING ACTIVITIES

|  |              |              |
|--|--------------|--------------|
| Current portion of long-term liabilities | \$ 8,279,587 | \$ 4,714,060 |
|--|--------------|--------------|

|   |              |              |
|---|--------------|--------------|
| Current portion of other long-term payables (classified under accrued expenses and other current liabilities) | \$ 3,308,040 | \$ 2,371,524 |
|---|--------------|--------------|

(Continued)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

The Company acquired a controlling interest in XinTec Inc. (XinTec) in March 2007 and then commenced to include its income and expenses in consolidated financial statements. Fair values of assets acquired and liabilities assumed when the Company acquired the controlling interest were as follows:

|   |              |
|---|--------------|
| Current assets                              | \$ 3,027,910 |
| Property, plant and equipment               | 2,335,158    |
| Other assets                                | 432,937      |
| Current liabilities                         | (1,936,266)  |
| Long-term liabilities                       | (701,855)    |
| Net amount                                  | 3,157,884    |
| Percentage of ownership acquired            | 43%          |
| Purchase price for XinTec                   | 1,357,890    |
| Less: Cash balance of XinTec at acquisition | (935,792)    |
| Net cash paid for acquisition of XinTec     | \$ 422,098   |

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

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**1. GENERAL**

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

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

As of March 31, 2008 and 2007, TSMC and its subsidiaries had 25,107 and 23,983 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, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the R.O.C.

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

Significant accounting policies are summarized as follows:

**Principles of Consolidation**

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

The consolidated entities were as follows:

| Name of Investor | Name of Investee   | Percentage of Ownership |                | Remark   |
|------------------|--|-------------------------|----------------|--|
|                  |  | March 31, 2008          | March 31, 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%                     | 36%            | TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of March 31, 2008, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.07% of outstanding common shares). |
|                  | Hsin Ruey Investment Co., Ltd. (Hsin Ruey)                           | 36%                     | 36%            | TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey. As of March 31, 2008, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately                                       |

|                    |   |         |         |  |
|--------------------|---|---------|---------|--|
|                    |   |         |         | 0.07% of outstanding common shares).   |
|                    | VentureTech Alliance Fund III, L.P. (VTAF III)                    | 98%     | 98%     |  |
|                    | VentureTech Alliance Fund II, L.P. (VTAF II)                      | 98%     | 98%     |  |
|                    | Emerging Alliance Fund, L.P. (Emerging Alliance)                  | 99.5%   | 99.5%   |  |
|                    | Global Unichip Corporation (GUC)                                  | 37%     | 38%     | GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of GUC. |
|                    | XinTec Inc. (XinTec)  | 43%     | 43%     | TSMC obtained three out of five director positions in March 2007 and TSMC has a controlling interest in XinTec.  |
|                    | TSMC Partners, Ltd. (TSMC Partners)                               | 100%    | 100%    |  |
| TSMC International | TSMC Technology, Inc. (TSMC Technology)                           | 100%    | 100%    |  |
|                    | TSMC Development, Inc. (TSMC Development)                         | 100%    | 100%    |  |
|                    | InveStar Semiconductor Development Fund, Inc. (ISDF)              | 97%     | 97%     |  |
|                    | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | 97%     | 97%     |  |
| TSMC Development   | WaferTech, LLC (WaferTech)  | 99.996% | 99.996% |  |

(Continued)

| Name of Investor                        | Name of Investee                                     | Percentage of Ownership |                | Remark   |
|---|--|-------------------------|----------------|--|
|   |  | March 31, 2008          | March 31, 2007 |  |
| VTAF III                                | Mutual-Pak Technology Co., Ltd. (Mutual-Pak)         | 51%                     | 13%            | TSMC has a controlling interest in Mutual-Pak since July 2007. |
| VTAF III, VTAF II and Emerging Alliance | VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | 100%                    |                | Newly acquired in April 2007.                                  |
| GUC                                     | Global Unichip Corporation-NA (GUC-NA)               | 100%                    | 100%           |  |
|   | Global Unichip Japan Co., Ltd. (GUC-Japan)           | 100%                    | 100%           |  |
| TSMC Partners                           | TSMC Design Technology Canada Inc. (TSMC Canada)     | 100%                    |                | Newly acquired in May 2007.                                    |

(Concluded)

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

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

Minority 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, law and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

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

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

### **Cash Equivalents**

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

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

Derivatives that do not meet the criteria for hedge accounting and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting. Fair value is determined as follows: Publicly traded stocks - closing prices at the end of the period; derivatives - using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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

Investments designated as available-for-sale financial assets include debt securities and equity securities. Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting. Fair value is determined as follows: Structured time deposits - using valuation techniques; open-end mutual funds and money market funds - net asset values at the end of the period; publicly traded stocks - closing prices at the end of the period; and other debt securities - average of bid and asked prices at the end of the period. Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

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

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

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

#### **Allowance for Doubtful Receivables**

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

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

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

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

#### **Inventories**

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

### **Investments Accounted for Using Equity Method**

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

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

Gains or losses on sales from the Company to equity method investees or 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.

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

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

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

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

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

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

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



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

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

#### **Intangible Assets**

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

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

#### **Pension Costs**

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

#### **Government Subsidies**

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

#### **Income Tax**

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

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

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision. Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated. The R.O.C. government enacted the Alternative Minimum Tax Act (the AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the tax-exempt income under various laws and statutes. TSMC and subsidiaries domiciled in the R.O.C. have considered the impact of the AMT Act in the determination of their tax liabilities.

#### **Stock-based Compensation**

Employee stock options that were modified or granted 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 during the three months ended March 31, 2008.

#### **Treasury Stock**

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

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

#### **Foreign-currency Transactions**

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

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

**Translation of Foreign-currency Financial Statements**

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

**Recent Accounting Pronouncements**

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

**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\$3,632,644 thousand and NT\$0.14, respectively, for the three months ended March 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 three months ended March 31, 2008.

**4. CASH AND CASH EQUIVALENTS**

|  | <b>March 31</b>       |                       |
|--|-----------------------|-----------------------|
|  | <b>2008</b>           | <b>2007</b>           |
| Cash and deposits in banks                               | \$ 137,769,493        | \$ 97,040,591         |
| Repurchase agreements collateralized by government bonds | 5,995,378             | 41,985,407            |
| Asset-backed commercial papers                           | 512,155               | 597,361               |
| Corporate notes  |                       | 364,848               |
| Treasury bills   |                       | 285,572               |
|  | <b>\$ 144,277,026</b> | <b>\$ 140,273,779</b> |

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

|                               | <b>March 31</b>     |                     |
|-------------------------------|---------------------|---------------------|
|                               | <b>2008</b>         | <b>2007</b>         |
| Trading financial assets      |                     |                     |
| Publicly traded stocks        | \$ 1,212,611        | \$ 1,364,166        |
| Forward exchange contracts    | 2,833               |                     |
| Cross currency swap contracts | 160,249             | 159                 |
|                               | <b>\$ 1,375,693</b> | <b>\$ 1,364,325</b> |
| Trading financial liabilities |                     |                     |
| Forward exchange contracts    | \$ 125,989          | \$ 18,723           |
| Cross currency swap contracts | 118,294             | 115,085             |
|                               | <b>\$ 244,283</b>   | <b>\$ 133,808</b>   |

The Company entered into derivative contracts during the three months ended March 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 as of March 31, 2008 and 2007:

|                    | <b>Maturity Date</b>    | <b>Contract Amount<br/>(in<br/>Thousands)</b> |
|--------------------|-------------------------|---|
| March 31, 2008     |                         |   |
| Sell RMB/Buy US\$  | April 2008 to July 2008 | RMB 369,259                                   |
| Sell EUR/Buy NT\$  | April 2008 to July 2008 | EUR 44,500                                    |
| Sell US\$/Buy NT\$ | April 2008              | US\$ 5,000                                    |
| Sell US\$/Buy JPY  | April 2008              | US\$ 886                                      |
| March 31, 2007     |                         |   |
| Sell EUR/Buy US\$  | April 2007              | EUR 23,000                                    |
| Sell US\$/Buy JPY  | April 2007              | JPY 11,000                                    |

Outstanding cross currency swap contracts as of March 31, 2008 and 2007:

| <b>Contract Amount</b> | <b>Range of</b> | <b>Range of Interest Rates</b> |
|------------------------|-----------------|--------------------------------|
|------------------------|-----------------|--------------------------------|

| <b>Maturity Date</b>    | <b>(In Thousands)</b> | <b>Interest Rates<br/>Paid</b> | <b>Received</b> |
|-------------------------|-----------------------|--------------------------------|-----------------|
| March 31, 2008          |                       |                                |                 |
| April 2008              | US\$ 883,000          | 2.60%-3.75%                    | 1.28%-2.42%     |
| March 31, 2007          |                       |                                |                 |
| April 2007 to June 2007 | US\$ 835,000          | 2.65%-5.35%                    | 1.65%-5.16%     |

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For the three months ended March 31, 2008 and 2007, derivative transactions resulted in net gains of NT\$1,751,280 thousand (including realized settlement gains of NT\$1,626,968 thousand and valuation gains of NT\$124,312 thousand) and net losses of NT\$678,015 thousand (including realized settlement losses of NT\$510,632 thousand and valuation losses of NT\$167,383 thousand), respectively.

#### 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|  | <b>March 31</b> |               |
|--|-----------------|---------------|
|  | <b>2008</b>     | <b>2007</b>   |
| Open-end mutual funds                    | \$ 14,146,226   | \$ 24,092,104 |
| Money market funds                       | 13,960,741      | 246,588       |
| Corporate bonds                          | 10,139,449      | 15,612,472    |
| Agency bonds                             | 7,426,193       | 13,690,016    |
| Corporate issued asset-backed securities | 4,545,210       | 10,491,137    |
| Government bonds                         | 3,941,554       | 10,835,734    |
| Publicly-traded stocks                   | 524,695         | 210,226       |
| Structured time deposits                 |                 | 499,288       |
|  | 54,684,068      | 75,677,565    |
| Current portion                          | (54,681,566)    | (69,208,468)  |
|  | \$ 2,502        | \$ 6,469,097  |

As of March 31, 2007, structured time deposits categorized as available-for-sale financial assets consisted of the following:

|   | <b>Principal<br/>Amount</b> | <b>Carrying<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> |
|---|-----------------------------|----------------------------|--------------------------|--------------------------|
| Step-up callable deposits Domestic deposits | \$ 500,000                  | \$ 499,288                 | 1.76%                    | March<br>2008            |

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

#### 7. HELD-TO-MATURITY FINANCIAL ASSETS

|                          | <b>March 31</b> |               |
|--------------------------|-----------------|---------------|
|                          | <b>2008</b>     | <b>2007</b>   |
| Corporate bonds          | \$ 10,908,455   | \$ 13,426,614 |
| Government bonds         | 6,091,684       | 8,676,382     |
| Structured time deposits | 1,000,000       | 11,117,800    |
|                          | 18,000,139      | 33,220,796    |
| Current portion          | (9,976,745)     | (6,523,668)   |
|                          | \$ 8,023,394    | \$ 26,697,128 |



As of March 31, 2008 and 2007, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

|                                 | <b>Principal<br/>Amount</b> | <b>Interest<br/>Receivable</b> | <b>Range of<br/>Interest<br/>Rates</b> | <b>Maturity Date</b>            |
|---------------------------------|-----------------------------|--------------------------------|--|---------------------------------|
| March 31, 2008                  |                             |                                |  |                                 |
| Step-up callable deposits       |                             |                                |  |                                 |
| Domestic deposits               | \$ 1,000,000                | \$ 3,844                       | 1.77%-1.83%                            | April 2008 to October 2008      |
| March 31, 2007                  |                             |                                |  |                                 |
| Step-up callable deposits       |                             |                                |  |                                 |
| Domestic deposits               | \$ 4,500,000                | \$ 13,593                      | 1.50%-1.83%                            | June 2007 to October 2008       |
| Callable range accrual deposits |                             |                                |  | September 2009 to December 2009 |
| Domestic deposits               | 3,970,680                   | 14,752                         | (See below)                            | October 2009 to December 2009   |
| Foreign deposits                | 2,647,120                   | 7,390                          | (See below)                            | 2009                            |
|                                 | \$ 11,117,800               | \$ 35,735                      |  |                                 |

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

As of March 31, 2008, no structured time deposit resided in banks located in foreign countries. As of March 31, 2007, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$60,000 thousand and US\$20,000 thousand, respectively.

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

Movements of the allowance for doubtful receivables were as follows:

|  | <b>Three Months Ended<br/>March 31</b> |             |
|--|--|-------------|
|  | <b>2008</b>                            | <b>2007</b> |
| Balance, beginning of period                           | \$ 701,807                             | \$ 749,888  |
| Effect of inclusion of newly consolidated subsidiaries |  | 45          |
| Provision  | 1,596                                  | 75,519      |
| Write-off  | (1,352)                                | (59,681)    |



|                        |            |            |
|------------------------|------------|------------|
| Balance, end of period | \$ 702,051 | \$ 765,771 |
|------------------------|------------|------------|

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

|  | <b>Three Months Ended</b> |              |
|--|---------------------------|--------------|
|  | <b>March 31</b>           |              |
|  | <b>2008</b>               | <b>2007</b>  |
| Balance, beginning of period                           | \$ 4,089,035              | \$ 2,870,802 |
| Effect of inclusion of newly consolidated subsidiaries |                           | 12,956       |
| Provision  | 1,928,123                 | 745,631      |
| Write-off  | (1,450,521)               | (1,008,804)  |
| Balance, end of period                                 | \$ 4,566,637              | \$ 2,620,585 |

## 9. INVENTORIES, NET

|                          | <b>March 31</b> |               |
|--------------------------|-----------------|---------------|
|                          | <b>2008</b>     | <b>2007</b>   |
| Finished goods           | \$ 4,455,890    | \$ 4,023,260  |
| Work in process          | 15,555,780      | 16,664,898    |
| Raw materials            | 1,683,835       | 1,545,848     |
| Supplies and spare parts | 1,219,813       | 1,014,851     |
|                          | 22,915,318      | 23,248,857    |
| Allowance for losses     | (1,025,681)     | (989,417)     |
|                          | \$ 21,889,637   | \$ 22,259,440 |

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|  | <b>March 31</b> |               |                 |               |
|--|-----------------|---------------|-----------------|---------------|
|  | <b>2008</b>     |               | <b>2007</b>     |               |
|  | <b>Carrying</b> | <b>% of</b>   | <b>Carrying</b> | <b>% of</b>   |
|  | <b>Amount</b>   | <b>Owner-</b> | <b>Amount</b>   | <b>Owner-</b> |
|  |                 | <b>ship</b>   |                 | <b>ship</b>   |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | \$ 8,352,727    | 39            | \$ 8,134,439    | 39            |
| Vanguard International Semiconductor Corporation (VIS)   | 11,382,764      | 37            | 6,193,462       | 27            |
| VisEra Holding Company (VisEra Holding)                  | 2,208,268       | 49            | 1,168,338       | 49            |
|  | \$ 21,943,759   |               | \$ 15,496,239   |               |

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

For the three months ended March 31, 2008 and 2007, net equity in earnings of equity method investees of NT\$577,322 thousand and NT\$360,683 thousand was recognized, respectively. The related equity in earnings of equity method investees was determined based on the reviewed financial statements of the investees for the same periods as the Company.

As of March 31, 2008 and 2007, fair values of publicly traded stocks in investments accounted for using equity method was NT\$13,626,526 thousand and NT\$12,583,031 thousand, respectively.

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Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to depreciable assets for the three months ended March 31, 2008 and 2007 were as follows:

|                              | <b>Three Months Ended<br/>March 31</b> |             |
|------------------------------|--|-------------|
|                              | <b>2008</b>                            | <b>2007</b> |
| Balance, beginning of period | \$ 2,589,742                           | \$ 952,159  |
| Depreciation/Amortization    | (149,780)                              | (49,250)    |
| Balance, end of period       | \$ 2,439,962                           | \$ 902,909  |

Movements of the aforementioned difference allocated to goodwill for the three months ended March 31, 2008 and 2007 were as follows:

|                              | <b>Three Months Ended<br/>March 31</b> |             |
|------------------------------|--|-------------|
|                              | <b>2008</b>                            | <b>2007</b> |
| Balance, beginning of period | \$ 987,349                             | \$ 213,984  |
| Additions                    |  |             |
| Balance, end of period       | \$ 987,349                             | \$ 213,984  |

## 11. FINANCIAL ASSETS CARRIED AT COST

|                            | <b>March 31</b> |              |
|----------------------------|-----------------|--------------|
|                            | <b>2008</b>     | <b>2007</b>  |
| Non-publicly traded stocks | \$ 3,340,342    | \$ 3,140,631 |
| Mutual funds               | 383,247         | 381,492      |
|                            | \$ 3,723,589    | \$ 3,522,123 |

## 12. PROPERTY, PLANT AND EQUIPMENT

|                            | <b>Balance,<br/>Beginning<br/>of Period</b> | <b>Three Months Ended March 31, 2008</b> |                               |                         |  | <b>Balance,<br/>End of<br/>Period</b> |
|----------------------------|---|--|-------------------------------|-------------------------|--|---------------------------------------|
|                            |   | <b>Additions</b>                         | <b>Sales or<br/>Disposals</b> | <b>Reclassification</b> | <b>Effect of<br/>Exchange<br/>Rate<br/>Changes</b> |                                       |
| Cost                       |   |  |                               |                         |  |                                       |
| Land and land improvements | \$ 942,197                                  | \$                                       | \$                            | \$                      | \$ (52,810)  | \$ 889,387                            |
| Buildings                  | 118,640,027                                 | 864,969                                  |                               | 410,215                 | (680,387)  | 119,234,824                           |
| Machinery and equipment    | 646,419,427                                 | 11,854,624                               | (395,747)                     | 614,983                 | (4,672,108)  | 653,821,179                           |

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|   |                |               |              |              |                |                |
|---|----------------|---------------|--------------|--------------|----------------|----------------|
| Office equipment                              | 11,829,640     | 277,463       | (6,277)      | (204,318)    | (94,058)       | 11,802,450     |
| Leased asset                                  | 652,296        |               |              | 13,433       | (15,788)       | 649,941        |
|   | 778,483,587    | \$ 12,997,056 | \$ (402,024) | \$ 834,313   | \$ (5,515,151) | 786,397,781    |
| Accumulated depreciation                      |                |               |              |              |                |                |
| Land and land improvements                    | 262,703        | \$ 7,169      | \$           | \$           | \$ (16,777)    | 253,095        |
| Buildings                                     | 63,239,922     | 2,198,305     |              | (4)          | (271,740)      | 65,166,483     |
| Machinery and equipment                       | 467,665,072    | 16,637,661    | (395,747)    | 116,346      | (2,637,584)    | 481,385,748    |
| Office equipment                              | 8,796,752      | 309,149       | (6,224)      | (116,318)    | (74,739)       | 8,908,620      |
| Leased asset                                  | 135,118        | 8,231         |              |              | (3,361)        | 139,988        |
|   | 540,099,567    | \$ 19,160,515 | \$ (401,971) | \$ 24        | \$ (3,004,201) | 555,853,934    |
| Advance payments and construction in progress | 21,868,167     | \$ 8,328,908  | \$           | \$ (851,874) | \$ 1,720,611   | 31,065,812     |
|   | \$ 260,252,187 |               |              |              |                | \$ 261,609,659 |

## Three Months Ended March 31, 2007

|   | Balance,<br>Beginning<br>of Period | Effect of<br>Inclusion<br>of Newly<br>Consolidated<br>Subsidiaries | Additions     | Sales or<br>Disposals | Reclassification | Effect of<br>Exchange<br>Rate<br>Changes | Balance,<br>End of<br>Period |
|---|------------------------------------|--|---------------|-----------------------|------------------|--|------------------------------|
| Cost  |                                    |  |               |                       |                  |  |                              |
| Land and land improvements                    | \$ 844,644                         | \$ 101,518   | \$            | \$                    | \$               | \$ 12,774                                | \$ 958,936                   |
| Buildings                                     | 112,595,124                        | 71,053   | 1,869,340     | (31,789)              | 851              | 325,453                                  | 114,830,032                  |
| Machinery and equipment                       | 579,825,289                        | 2,412,632  | 10,727,221    | (10,299)              | 147,691          | 919,358                                  | 594,021,892                  |
| Office equipment                              | 10,646,725                         | 546,654  | 270,067       | (134,621)             | 2,046            | 34,636                                   | 11,365,507                   |
| Leased asset                                  | 612,941                            |  |               |                       |                  | 15,565                                   | 628,506                      |
|   | 704,524,723                        | \$ 3,131,857   | \$ 12,866,628 | \$ (176,709)          | \$ 150,588       | \$ 1,307,786                             | 721,804,873                  |
| Accumulated depreciation                      |                                    |  |               |                       |                  |  |                              |
| Land and land improvements                    | 234,377                            | \$   | \$ 7,458      | \$                    | \$               | \$ 3,590                                 | 245,425                      |
| Buildings                                     | 54,288,225                         | 1,111  | 2,199,833     | (30,911)              |                  | 72,657                                   | 56,530,915                   |
| Machinery and equipment                       | 400,579,587                        | 584,246  | 17,008,482    | (9,197)               | (47)             | 653,841                                  | 418,816,912                  |
| Office equipment                              | 7,839,303                          | 76,062   | 319,986       | (134,569)             | 47               | 32,829                                   | 8,133,658                    |
| Leased asset                                  | 96,592                             |  | 7,710         |                       |                  | 2,529                                    | 106,831                      |
|   | 463,038,084                        | \$ 661,419   | \$ 19,543,469 | \$ (174,677)          | \$               | \$ 765,446                               | 483,833,741                  |
| Advance payments and construction in progress | 12,607,551                         | \$ 480,130   | \$ (889,887)  | \$                    | \$ 174,946       | \$ 3,926                                 | 12,376,666                   |
|   | \$ 254,094,190                     |  |               |                       |                  |  | \$ 250,347,798               |

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of March 31, 2008 is NT\$723,059 thousand.

## 13. DEFERRED CHARGES, NET

## Three Months Ended March 31, 2008

| Balance, | Effect of |
|----------|-----------|
|----------|-----------|

|                                  | <b>Beginning</b> |                  |                     |                         | <b>Exchange</b> |                | <b>Balance, End</b> |
|----------------------------------|------------------|------------------|---------------------|-------------------------|-----------------|----------------|---------------------|
|                                  | <b>of Period</b> | <b>Additions</b> | <b>Amortization</b> | <b>Reclassification</b> | <b>Rate</b>     | <b>Changes</b> | <b>of</b>           |
|                                  |                  |                  |                     |                         |                 |                | <b>Period</b>       |
| Technology license fee           | \$ 5,819,148     | \$ 1,217         | \$ (422,039)        | \$                      | \$              | (7,197)        | \$ 5,391,129        |
| Software and system design costs | 1,449,603        | 219,553          | (205,627)           | (74)                    |                 | (323)          | 1,463,132           |
| Others                           | 654,850          | 2,527            | (41,244)            |                         |                 | (2,416)        | 613,717             |
|                                  | \$ 7,923,601     | \$ 223,297       | \$ (668,910)        | \$ (74)                 | \$              | (9,936)        | \$ 7,467,978        |

**Three Months Ended March 31, 2007**

|                                  | <b>Balance,</b>  | <b>Effect of</b>    |                  |                     |                  | <b>Effect of</b> |                | <b>Balance,</b> |
|----------------------------------|------------------|---------------------|------------------|---------------------|------------------|------------------|----------------|-----------------|
|                                  | <b>Beginning</b> | <b>Inclusion</b>    |                  |                     |                  | <b>Exchange</b>  |                | <b>End of</b>   |
|                                  | <b>of Period</b> | <b>of Newly</b>     | <b>Additions</b> | <b>Amortization</b> | <b>Disposals</b> | <b>Rate</b>      | <b>Changes</b> | <b>Period</b>   |
|                                  |                  | <b>Consolidated</b> |                  |                     |                  |                  |                |                 |
| Technology license fee           | \$ 4,132,174     | \$ 360,081          | \$ 841,850       | \$ (451,240)        | \$               | \$               | (5,737)        | \$ 4,877,128    |
| Software and system design costs | 1,669,781        | 2,778               | 182,415          | (244,441)           | (282)            | (325,534)        | 1,055          | 1,285,772       |
| Others                           | 134,960          | 29,312              | 1,609            | (12,722)            |                  |                  | 6,627          | 159,786         |
|                                  | \$ 5,936,915     | \$ 392,171          | \$ 1,025,874     | \$ (708,403)        | \$ (282)         | \$ (325,534)     | \$ 1,945       | \$ 6,322,686    |

**14. SHORT-TERM BANK LOANS**

|   | <b>March 31</b> |
|---|-----------------|
|   | <b>2008</b>     |
|   | <b>2007</b>     |
| Unsecured loans:  |                 |
| Repayable by September 2007, annual interest at 2.43%-6.81% | \$ 79,220       |

**15. BONDS PAYABLE**

|  | <b>March 31</b> |               |
|--|-----------------|---------------|
|  | <b>2008</b>     | <b>2007</b>   |
| Domestic unsecured bonds:  |                 |               |
| Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually  | \$              | \$ 4,500,000  |
| Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively | 12,500,000      | 12,500,000    |
|  | 12,500,000      | 17,000,000    |
| Current portion  | (8,000,000)     | (4,500,000)   |
|  | \$ 4,500,000    | \$ 12,500,000 |

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

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

**16. LONG-TERM BANK LOANS**

|   | <b>March 31</b> |             |
|---|-----------------|-------------|
|   | <b>2008</b>     | <b>2007</b> |
| Secured loans:  |                 |             |
| Repayable from August 2009 in 17 quarterly installments, annual interest at 2.91%-2.99%   | \$ 721,200      | \$          |
| US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 5.88% in 2008 and 5.77% in 2007 | 608,688         | 662,047     |
| Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.39%-3.20% in 2008 and 2.39%-2.56% in 2007          | 456,750         | 499,000     |
| Repayable from March 2007 in 12 quarterly installments, annual interest at 2.79%-3.16% in 2008 and 2.79% in 2007                    | 109,326         | 171,798     |
| Repayable from May 2007 in 16 quarterly installments, annual interest at 2.48%-2.85% in 2008 and 2.48%-2.51% in 2007                | 50,438          | 67,250      |
| Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.85% in 2008 and 2.51% in 2007                    | 35,980          | 71,960      |
| Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53%   | 32,430          | 65,390      |
| Unsecured loans:  |                 |             |
| Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free                 | 1,392           | 4,177       |



|   |              |              |
|---|--------------|--------------|
| SPA DSP loan, repayable from July 2002 in 20 quarterly installments,<br>interest-free |              | 676          |
|   | 2,016,204    | 1,542,298    |
| Current portion   | (279,587)    | (214,060)    |
|   | \$ 1,736,617 | \$ 1,328,238 |

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 March 31, 2008, TSMC Shanghai and XinTec were in compliance with all such financial covenants. As of March 31, 2008, future principal repayments for the long-term bank loans were as follows:

| <b>Year of Repayment</b>                          | <b>Amount</b> |
|---|---------------|
| 2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter) | \$ 243,061    |
| 2009  | 313,034       |
| 2010  | 929,088       |
| 2011  | 242,541       |
| 2012 and thereafter                               | 288,480       |
|   | \$ 2,016,204  |

## 17. OTHER LONG-TERM PAYABLES

|   | <b>March 31</b> |              |
|---|-----------------|--------------|
|   | <b>2008</b>     | <b>2007</b>  |
| Payables for acquisition of property, plant and equipment (Note 29I)              | \$ 7,719,794    | \$ 7,620,093 |
| Payables for royalties  | 4,644,036       | 3,994,705    |
|   | 12,363,830      | 11,614,798   |
| Current portion (classified under accrued expenses and other current liabilities) | (3,308,040)     | (2,371,524)  |
|   | \$ 9,055,790    | \$ 9,243,274 |

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

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

| <b>Year of Payment</b>                            | <b>Amount</b> |
|---|---------------|
| 2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter) | \$ 3,236,893  |
| 2009  | 545,466       |
| 2010  | 466,412       |
| 2011  | 395,265       |
| 2012 and thereafter                               | 7,719,794     |
|   | \$ 12,363,830 |

## 18. PENSION PLANS

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

mechanism under the Labor Standards Law. Employees who joined TSMC, GUC, XinTec and Mutual-Pak after July 1, 2005 can only be subject to the pension mechanism under the Act.

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The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, XinTec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005. Furthermore, TSMC North America, TSMC Shanghai, TSMC Europe, and TSMC Canada are required by local regulations to make monthly contributions, at a certain percentages of the monthly basic salary of their local employees. Pursuant to the aforementioned Act and local regulations, the Company made monthly contributions and recognized pension cost of NT\$203,360 thousand and NT\$171,440 thousand for the three months ended March 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 length of service and average monthly salary for the six-month period prior to retirement. TSMC, GUC and XinTec contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committees (the Committees) and deposited in the name of the Committees in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007). The Company recognized pension cost of NT\$67,462 thousand and NT\$81,236 thousand for the three months ended March 31, 2008 and 2007, respectively. As of March 31, 2008 and 2007, the balance of the Funds was NT\$2,319,688 thousand and NT\$2,060,634 thousand, respectively.

#### 19. INCOME TAX

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

|   | <b>Three Months Ended<br/>March 31</b> |              |
|---|--|--------------|
|   | <b>2008</b>                            | <b>2007</b>  |
| Income tax expense based on income before income tax at statutory rates | \$ 7,968,898                           | \$ 5,053,273 |
| Tax effect of the following   |  |              |
| Tax-exempt income   | (2,648,723)                            | (1,004,095)  |
| Temporary and permanent differences                                     | 550,838                                | 3,006        |
| Others  | 41,235                                 |              |
| Additional tax at 10% on unappropriated earnings                        | 13,926                                 |              |
| Income tax credits used   | (3,014,023)                            | (1,973,283)  |
| <br>  |  |              |
| Income tax currently payable  | \$ 2,912,151                           | \$ 2,078,901 |

- b. Income tax expense consisted of the following:

|  |              |              |
|--|--------------|--------------|
| Income tax currently payable             | \$ 2,912,151 | \$ 2,078,901 |
| Other income tax adjustments             | 5,547        | 1,004        |
| Net change in deferred income tax assets |              |              |
| Investment tax credits                   | 1,357,191    | 485,059      |
| Net operating loss carryforwards         | 100,564      | 172,735      |
| Temporary differences                    | (284,807)    | (850,859)    |
| Valuation allowance                      | (754,848)    | (779,547)    |
| <br>                                     |              |              |
| Income tax expense                       | \$ 3,335,798 | \$ 1,107,293 |

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

|  | <b>March 31</b> |               |
|--|-----------------|---------------|
|  | <b>2008</b>     | <b>2007</b>   |
| Current deferred income tax assets, net    |                 |               |
| Investment tax credits                     | \$ 8,217,617    | \$ 9,604,294  |
| Temporary differences                      | 783,544         | 677,152       |
| Valuation allowance                        | (521,197)       | (523,758)     |
|  | \$ 8,479,964    | \$ 9,757,688  |
| Noncurrent deferred income tax assets, net |                 |               |
| Investment tax credits                     | \$ 5,683,405    | \$ 10,275,634 |
| Net operating loss carryforwards           | 3,617,579       | 4,707,146     |
| Temporary differences                      | (2,471,405)     | (2,812,883)   |
| Valuation allowance                        | (2,859,259)     | (7,129,635)   |
|  | \$ 3,970,320    | \$ 5,040,262  |

As of March 31, 2008, the net operating loss carryforwards were generated by WaferTech, TSMC Development, TSMC Technology and XinTec and would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account of TSMC as of March 31, 2008 and 2007 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

The estimated and actual creditable ratio for distribution of TSMC's earnings of 2007 and 2006 was 1.86% and 5.23%, respectively.

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

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

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

| <b>Law/Statute</b>                  | <b>Item</b>                            | <b>Total<br/>Creditable<br/>Amount</b> | <b>Remaining<br/>Creditable<br/>Amount</b> | <b>Expiry<br/>Year</b> |
|-------------------------------------|--|--|--|------------------------|
| Statute for Upgrading<br>Industries | Purchase of machinery and<br>equipment | \$ 24,335                              | \$ 24,335                                  | 2008                   |
|                                     |  | 14,328                                 | 14,328                                     | 2009                   |
|                                     |  | 6,192,393                              | 4,958,114                                  | 2010                   |
|                                     |  | 4,490,475                              | 4,490,475                                  | 2011                   |
|                                     |  | 13,756                                 | 13,756                                     | 2012                   |
|                                     |  | \$ 10,735,287                          | \$ 9,501,008                               |                        |



| Law/Statute                      | Item  | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---|-------------------------|-----------------------------|-------------|
| Statute for Upgrading Industries | Research and development expenditures                 | \$ 6,601                | \$ 6,601                    | 2008        |
|                                  |   | 1,555,706               | 19,339                      | 2009        |
|                                  |   | 1,887,404               | 1,884,823                   | 2010        |
|                                  |   | 1,798,583               | 1,798,583                   | 2011        |
|                                  |   | 563,418                 | 563,418                     | 2012        |
|                                  |   | \$ 5,811,712            | \$ 4,272,764                |             |
| Statute for Upgrading Industries | Personnel training expenditures                       | \$ 21,998               | \$ 20                       | 2009        |
|                                  |   | 47,024                  | 47,023                      | 2010        |
|                                  |   | 278                     | 278                         | 2011        |
|                                  |   | 125                     | 125                         | 2012        |
|                                  |   |                         |                             | \$ 69,425   |
| Statute for Upgrading Industries | Investments in important technology-based enterprises | \$ 79,804               | \$ 79,804                   | 2010        |

(Concluded)

- 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 14 Module B | 2007 to 2011         |
| 2003 plant expansion of GUC     | 2007 to 2011         |
| 2003 plant expansion of XinTec  | 2007 to 2011         |

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

## 20. LABOR COST, DEPRECIATION AND AMORTIZATION

|            | Three Months Ended March 31, 2008 |                                  |       |
|------------|-----------------------------------|----------------------------------|-------|
|            | Classified as Cost of Sales       | Classified as Operating Expenses | Total |
| Labor cost |                                   |                                  |       |

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|                            |               |              |               |
|----------------------------|---------------|--------------|---------------|
| Salary                     | \$ 5,158,642  | \$ 3,637,477 | \$ 8,796,119  |
| Labor and health insurance | 195,934       | 118,910      | 314,844       |
| Pension                    | 160,441       | 95,604       | 256,045       |
| Meal                       | 117,432       | 50,203       | 167,635       |
| Welfare                    | 168,638       | 68,000       | 236,638       |
| Others                     | 55,492        | 49,239       | 104,731       |
|                            | \$ 5,856,579  | \$ 4,019,433 | \$ 9,876,012  |
| Depreciation               | \$ 18,058,836 | \$ 1,094,587 | \$ 19,153,423 |
| Amortization               | \$ 463,671    | \$ 205,239   | \$ 668,910    |

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|                            | <b>Three Months Ended March 31, 2007</b> |                     |                     |
|----------------------------|--|---------------------|---------------------|
|                            | <b>Classified</b>                        |                     |                     |
|                            | <b>as</b>                                |                     |                     |
|                            | <b>Classified</b>                        | <b>as</b>           |                     |
|                            | <b>Cost of</b>                           | <b>Operating</b>    |                     |
|                            | <b>Sales</b>                             | <b>Expenses</b>     | <b>Total</b>        |
| Labor cost                 |  |                     |                     |
| Salary                     | \$ 2,744,246                             | \$ 1,761,454        | \$ 4,505,700        |
| Labor and health insurance | 172,104                                  | 101,911             | 274,015             |
| Pension                    | 156,185                                  | 96,491              | 252,676             |
| Meal                       | 109,922                                  | 40,837              | 150,759             |
| Welfare                    | 70,730                                   | 61,298              | 132,028             |
| Others                     | 30,586                                   | 22,465              | 53,051              |
|                            | <b>\$ 3,283,773</b>                      | <b>\$ 2,084,456</b> | <b>\$ 5,368,229</b> |
| Depreciation               | \$ 18,514,745                            | \$ 1,023,105        | \$ 19,537,850       |
| Amortization               | \$ 466,723                               | \$ 241,381          | \$ 708,104          |

## 21. SHAREHOLDERS EQUITY

As of March 31, 2008, 1,110,083 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,550,414 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

|                                  | <b>March 31</b>      |                      |
|----------------------------------|----------------------|----------------------|
|                                  | <b>2008</b>          | <b>2007</b>          |
| From merger                      | \$ 23,276,911        | \$ 24,003,546        |
| Additional paid-in capital       | 18,994,954           | 20,063,728           |
| From convertible bonds           | 9,077,065            | 9,360,424            |
| From long-term investments       | 347,180              | 414,524              |
| Donations                        | 55                   | 55                   |
| From treasury stock transactions |                      | 389,188              |
|                                  | <b>\$ 51,696,165</b> | <b>\$ 54,231,465</b> |

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

a.

Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled TSMC's paid-in capital;

- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

c. Bonus to directors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting. TSMC's Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

For the three months ended March 31, 2008, TSMC has recorded bonuses to employees and directors with a charge to earnings of approximately 15.3% of its net income. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequently are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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

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

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

The appropriations of earnings for 2007 and 2006 had been approved in TSMC's Board of Directors' meeting held on February 19, 2008 and a shareholders' meeting held on May 7, 2007, respectively. The appropriations and dividends per share were as follows:

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



The Board of Directors meeting held on February 19, 2008 and the shareholders meeting held on 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 2006 are consistent with the resolutions of the meetings of the Board of Directors held on February 6, 2007. The amounts of the appropriations of earnings for 2007 and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. If the above bonuses to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2007 and 2006, the basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of TSMC's total outstanding common shares as of December 31, 2007 and 2006, respectively.

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

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

## 22. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans under the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share 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 aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2008.

Information about TSMC's outstanding stock options for the three months ended March 31, 2008 and 2007 was as follows:

|                                   | <b>Number of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------------------------------|---|--|
| Three months ended March 31, 2008 |   |  |
| Balance, beginning of period      | 41,875  | \$ 37.4  |
| Options exercised                 | (2,138)   | 37.9   |
| Options cancelled                 | (193)   | 46.8   |
| Balance, end of period            | 39,544  | 37.3   |

(Continued)

|                                   | <b>Number of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------------------------------|---|--|
| Three months ended March 31, 2007 |   |  |
| Balance, beginning of period      | 52,814  | \$ 39.6  |
| Options exercised                 | (3,271)   | 37.3   |
| Options cancelled                 | (252)   | 47.2   |
| Balance, end of period            | 49,291  | 39.7   |

(Concluded)

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

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

| <b>Range of<br/>Exercise<br/>Price (NT\$)</b> | <b>Options Outstanding</b>                      |   |  | <b>Options Exercisable</b>                      |  |
|---|---|---|--|---|--|
|   | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Remaining<br/>Contractual<br/>Life (Years)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
| \$25.9-\$36.4                                 | 27,070  | 4.91  | \$33.0   | 27,070  | \$33.0   |
| 38.9-51.3                                     | 12,474  | 6.65  | 46.6   | 6,162   | 46.4   |
|   | 39,544  |   | 37.3   | 33,232  | 35.5   |

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 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 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 stock options for the three months ended March 31, 2008 and 2007 was as follows:

|                                   | <b>Number of<br/>Options</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------------------------------|------------------------------|--|
| Three months ended March 31, 2008 |                              |  |
| Balance, beginning of period      | 7,598                        | \$ 60.3  |
| Options exercised                 | (302)                        | 10.2   |
| Options cancelled                 | (66)                         | 194.0  |
| Balance, end of period            | 7,230                        | 60.4   |
| Three months ended March 31, 2007 |                              |  |
| Balance, beginning of period      | 7,342                        | \$ 14.0  |
| Options exercised                 | (696)                        | 10.2   |
| Options cancelled                 | (65)                         | 16.2   |
| Balance, end of period            | 6,581                        | 14.4   |

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

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

| <b>Range of<br/>Exercise<br/>Price (NT\$)</b> | <b>Number of<br/>Options</b> | <b>Options Outstanding</b>  |  | <b>Options Exercisable</b>       |  |
|---|------------------------------|---|--|----------------------------------|--|
|   |                              | <b>Weighted-<br/>average<br/>Remaining<br/>Contractual<br/>Life (Years)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number<br/>of<br/>Options</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
| \$9.6-\$10.5                                  | 1,973                        | 0.33-3.50   | \$ 9.9   | 737                              | \$10.3   |
| 17.7  | 3,419                        | 3.42  | 17.7   |                                  |  |
| 194.0   | 1,838                        | 5.75  | 194.0  |                                  |  |
|   | 7,230                        |   | 60.4   | 737                              | 10.3   |

XinTec's Employee Stock Option Plans, consisting of the XinTec 2007 Plan and XinTec 2006 Plan, were approved by the SFB on June 26, 2007 and July 3, 2006, respectively. The maximum number of options authorized to be granted under the XinTec 2007 Plan and XinTec 2006 Plan was 6,000 thousand each, with each option eligible to subscribe

for one common share of XinTec when exercisable. The options may be granted to qualified employees of XinTec 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.

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Information about XinTec's outstanding stock options for the three months ended March 31, 2008 and 2007 was as follows:

|                                   | <b>Number of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|-----------------------------------|---|--|
| Three months ended March 31, 2008 |   |  |
| Balance, beginning of period      | 9,642   | \$ 15.1  |
| Options cancelled                 | (144)   | 14.5   |
| Balance, end of period            | 9,498   | 15.1   |
| Three months ended March 31, 2007 |   |  |
| Balance, beginning of period      | 4,968   | \$ 13.0  |
| Options exercised                 | 975   | 15.0   |
| Options cancelled                 | (371)   | 13.6   |
| Balance, end of period            | 5,572   | 13.3   |

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

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

| <b>Range of<br/>Exercise<br/>Price (NT\$)</b> | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Options Outstanding</b>  |  | <b>Options Exercisable</b>                              |  |
|---|---|---|--|---|--|
|   |   | <b>Weighted-<br/>average<br/>Remaining<br/>Contractual<br/>Life (Years)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number<br/>of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
| \$12.7-\$14.7                                 | 5,206   | 1.50-1.79   | \$13.0   |   |  |
| 15.8-\$20.0                                   | 4,292   | 2.24-2.71   | 17.8   |   |  |
|   | 9,498   |   | 15.2   |   |  |

No compensation cost was recognized under the intrinsic value method for the three months ended March 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 three months ended March 31, 2008 and 2007 would have been as follows:

|              |                         | <b>2008</b>   | <b>2007</b>   |
|--------------|-------------------------|---------------|---------------|
| Assumptions: |                         |               |               |
| TSMC         | Expected dividend yield | 1.00%-3.44%   | 1.00%-3.44%   |
|              | Expected volatility     | 43.77%-46.15% | 43.77%-46.15% |
|              | Risk free interest rate | 3.07%-3.85%   | 3.07%-3.85%   |
|              | Expected life           | 5 years       | 5 years       |
| GUC          | Expected dividend yield | 0.00%-0.60%   |               |
|              | Expected volatility     | 22.65%-45.47% | 22.65%-41.74% |
|              | Risk free interest rate | 2.12%-2.56%   | 2.23%-2.56%   |
|              | Expected life           | 3-6 years     | 3-6 years     |

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|  |                         | <b>2008</b>   | <b>2007</b>   |
|--|-------------------------|---------------|---------------|
| XinTec   | Expected dividend yield | 0.80%         |               |
|  | Expected volatility     | 31.79%-47.42% | 38.47%-47.42% |
|  | Risk free interest rate | 1.88%-2.45%   | 1.88%-1.94%   |
|  | Expected life           | 3 years       | 3 years       |
| Net income attributable to shareholders of the parent: |                         |               |               |
|  | As reported             | \$28,143,382  | \$18,838,639  |
|  | Pro forma               | 28,081,304    | 18,790,682    |
| Earnings per share (EPS) after income tax (NT\$):      |                         |               |               |
|  | Basic EPS as reported   | \$ 1.10       | \$ 0.71       |
|  | Pro forma basic EPS     | \$ 1.10       | \$ 0.71       |
|  | Diluted EPS as reported | \$ 1.10       | \$ 0.71       |
|  | Pro forma diluted EPS   | \$ 1.10       | \$ 0.71       |

**23. TREASURY STOCK**

(Shares in Thousands)

|   | <b>Beginning<br/>Shares</b> | <b>Addition</b> | <b>Retirement</b> | <b>Ending<br/>Shares</b> |
|---|-----------------------------|-----------------|-------------------|--------------------------|
| Three months ended March 31, 2008         |                             |                 |                   |                          |
| Parent company stock held by subsidiaries | 34,096                      |                 |                   | 34,096                   |
| Repurchase under share buyback plan       | 800,000                     |                 | 800,000           |                          |
|   | 834,096                     |                 | 800,000           | 34,096                   |
| Three months ended March 31, 2007         |                             |                 |                   |                          |
| Parent company stock held by subsidiaries | 33,926                      |                 |                   | 33,926                   |

As of March 31, 2008 and 2007, the book value of the treasury stock was NT\$918,075 thousand each and its market value was NT\$2,151,452 thousand and NT\$2,303,596 thousand, respectively. TSMC's common shares held by subsidiaries is 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 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. As of December 31, 2007, TSMC had repurchased 800,000 thousand common shares. All the treasury stock repurchased was retired on February 27, 2008.

**24. EARNINGS PER SHARE**

EPS was computed as follows:

|  | Amounts (Numerator)  |                     | Number of<br>Shares<br>(Denominator)<br>(in<br>Thousands) | EPS (NT\$)              |                        |
|--|----------------------|---------------------|---|-------------------------|------------------------|
|  | Before<br>Income Tax | After<br>Income Tax |   | Before<br>Income<br>Tax | After<br>Income<br>Tax |
| Three months ended March 31,<br>2008   |                      |                     |   |                         |                        |
| Basic EPS  |                      |                     |   |                         |                        |
| Income available to common<br>shareholders of the parent   | \$ 31,471,701        | \$ 28,143,382       | 25,593,835  | \$ 1.23                 | \$ 1.10                |
| Effect of dilutive potential common<br>stock stock options   |                      |                     | 16,225  |                         |                        |
| Diluted EPS  |                      |                     |   |                         |                        |
| Income available to common<br>shareholders of the parent<br>(including effect of dilutive<br>potential common stock) | \$ 31,471,701        | \$ 28,143,382       | 25,610,060  | \$ 1.23                 | \$ 1.10                |
| Three months ended March 31,<br>2007   |                      |                     |   |                         |                        |
| Basic EPS  |                      |                     |   |                         |                        |
| Income available to common<br>shareholders of the parent   | \$ 19,944,094        | \$ 18,838,639       | 26,384,121  | \$ 0.76                 | \$ 0.71                |
| Effect of dilutive potential common<br>stock stock options   |                      |                     | 21,538  |                         |                        |
| Diluted EPS  |                      |                     |   |                         |                        |
| Income available to common<br>shareholders of the parent<br>(including effect of dilutive<br>potential common stock) | \$ 19,944,094        | \$ 18,838,639       | 26,405,659  | \$ 0.76                 | \$ 0.71                |

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2007 to decrease from NT\$0.73 to NT\$0.71.

**25. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

|   | <b>March 31</b>            |                   |                            |                   |
|---|----------------------------|-------------------|----------------------------|-------------------|
|   | <b>2008</b>                |                   | <b>2007</b>                |                   |
|   | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> | <b>Carrying<br/>Amount</b> | <b>Fair Value</b> |
| <b>Assets</b>   |                            |                   |                            |                   |
| Financial assets at fair value through<br>profit or loss      | \$ 1,375,693               | \$ 1,375,693      | \$ 1,364,325               | \$ 1,364,325      |
| Available-for-sale financial assets                           | 54,684,068                 | 54,684,068        | 75,677,565                 | 75,677,565        |
| Held-to-maturity financial assets                             | 18,000,139                 | 18,001,071        | 33,220,796                 | 33,203,292        |
| <b>Liabilities</b>  |                            |                   |                            |                   |
| Financial liabilities at fair value through<br>profit or loss | 244,283                    | 244,283           | 133,808                    | 133,808           |
| Bonds payable (including current<br>portion)                  | 12,500,000                 | 12,657,936        | 17,000,000                 | 17,279,497        |
| Long-term bank loans (including<br>current portion)           | 2,016,204                  | 2,016,204         | 1,542,298                  | 1,542,298         |
| Other long-term payables (including<br>current portion)       | 12,363,830                 | 12,363,830        | 11,614,798                 | 11,614,798        |
| Obligations under capital leases                              | 649,941                    | 649,941           | 628,506                    | 628,506           |
|   | -36-                       |                   |                            |                   |

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- 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, short-term bank loans, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) Fair values of financial assets/liabilities at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices.
  - 3) Fair values of derivatives and structured time deposits were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value during the three months ended March 31, 2008 and 2007 of financial assets/liabilities at fair value through profit or loss, including derivatives estimated using valuation techniques and publicly traded stocks, were recognized as losses of NT\$163,750 thousand and gains of NT\$16,688 thousand, respectively.
- d. As of March 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$72,322,594 thousand and NT\$108,688,294 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$244,283 thousand and NT\$133,808 thousand, respectively. Financial assets exposed to cash flow interest rate risk as of March 31, 2007 were NT\$6,617,800 thousand.
- e. Movements of the unrealized gain on financial instruments for the three months ended March 31, 2008 and 2007 were as follows:

|   | <b>Three Months Ended March 31, 2008</b>  |   |              |
|---|---|---|--------------|
|   | <b>Valuation<br/>Gain on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity in<br/>Valuation<br/>Gain on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets Held<br/>by<br/>Investees</b> | <b>Total</b> |
| Balance, beginning of period                                | \$ 627,838  | \$ 53,159   | \$ 680,997   |
| Recognized directly in shareholders equity                  | (151,003)   | (11,821)  | (162,824)    |
| Removed from shareholders equity and recognized in earnings | (117,312)   |   | (117,312)    |
| Balance, end of period                                      | \$ 359,523  | \$ 41,338   | \$ 400,861   |



|  | <b>Three Months Ended March 31, 2007</b>  |   |              |
|--|---|---|--------------|
|  | <b>Valuation<br/>Gain on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity in<br/>Valuation<br/>Gain on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets Held<br/>by<br/>Investees</b> | <b>Total</b> |
| Balance, beginning of period                                 | \$ 386,017  | \$ 175,598  | \$ 561,615   |
| Recognized directly in shareholders' equity                  | 219,731   | 2,102   | 221,833      |
| Removed from shareholders' equity and recognized in earnings | (63,314)  |   | (63,314)     |
| <br>   |   |   |              |
| Balance, end of period                                       | \$ 542,434  | \$ 177,700  | \$ 720,134   |

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. The fair value of asset-backed securities is subject to price fluctuations in an unstable United States credit environment.
- 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. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

## 26. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere 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 by TSMC
- d. Others: Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions

|  | <b>2008</b>   |          | <b>2007</b>   |          |
|--|---------------|----------|---------------|----------|
|  | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| For the three months ended March 31                      |               |          |               |          |
| Sales  |               |          |               |          |
| VIS  | \$ 22,577     |          | \$            |          |
| VisEra   | 16,324        |          | 186,491       |          |
| SSMC   | 461           |          |               |          |
|  | \$ 39,362     |          | \$ 186,491    |          |
| Purchases  |               |          |               |          |
| SSMC   | \$ 1,358,468  | 3        | \$ 1,386,200  | 3        |
| VIS  | 798,344       | 1        | 695,624       | 2        |
| VisEra   | 594           |          |               |          |
|  | \$ 2,157,406  | 4        | \$ 2,081,824  | 5        |
| Manufacturing expenses                                   |               |          |               |          |
| VisEra   | \$ 4,741      |          | \$ 3,668      |          |
| Research and development expenses                        |               |          |               |          |
| VisEra   | \$ 8,632      |          | \$            |          |
| Non-operating income and gains                           |               |          |               |          |
| VIS (primarily technical service income; see Note 29h.)  | \$ 106,748    | 2        | \$ 86,762     | 3        |
| VisEra   | 66,101        | 2        | 42,089        | 1        |
| SSMC (primarily technical service income; see Note 29e.) | 61,712        | 1        | 58,483        | 2        |
| Others   |               |          | 3             |          |
|  | \$ 234,561    | 5        | \$ 187,337    | 6        |

As of March 31

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|                   |            |     |            |     |
|-------------------|------------|-----|------------|-----|
| Receivables       |            |     |            |     |
| VisEra            | \$ 7,758   | 100 | \$ 362,061 | 100 |
| VIS               | 32         |     | 486        |     |
|                   | \$ 7,790   | 100 | \$ 362,547 | 100 |
| Other receivables |            |     |            |     |
| VIS               | \$ 108,629 | 50  | \$ 155,657 | 55  |
| SSMC              | 77,688     | 36  | 82,868     | 30  |
| VisEra            | 29,328     | 14  | 40,570     | 15  |
|                   | \$ 215,645 | 100 | \$ 279,095 | 100 |

|                  | 2008       |     | 2007         |     |
|------------------|------------|-----|--------------|-----|
|                  | Amount     | %   | Amount       | %   |
| Payables         |            |     |              |     |
| VIS              | \$ 479,180 | 50  | \$ 446,667   | 39  |
| SSMC             | 465,295    | 49  | 694,554      | 60  |
| VisEra           | 11,630     | 1   | 15,052       | 1   |
|                  | \$ 956,105 | 100 | \$ 1,156,273 | 100 |
| Deferred credits |            |     |              |     |
| VisEra           | \$ 46,631  | 9   | \$ 108,806   | 9   |

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

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

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

#### **27. PLEDGED OR MORTGAGED ASSETS**

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

|                                    | March 31     |              |
|------------------------------------|--------------|--------------|
|                                    | 2008         | 2007         |
| Other financial assets             | \$ 28,511    | \$ 62,166    |
| Property, plant and equipment, net | 5,206,652    | 5,355,056    |
|                                    | \$ 5,235,163 | \$ 5,417,222 |

#### **28. SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from September 2008 to December 2028 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in the United States, Europe, Japan, Shanghai and Taiwan. These operating leases expire between 2008 and 2016 and can be renewed upon expiration.

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

| Year  | Amount       |
|---|--------------|
| 2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter) | \$ 441,645   |
| 2009  | 557,832      |
| 2010  | 474,950      |
| 2011  | 331,678      |
| 2012 and thereafter                               | 2,703,159    |
|   | \$ 4,509,264 |

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of March 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 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 March 31, 2008, TSMC had a total of US\$60,730 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. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, TSMC would be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request prior to January 2008 the transfer of certain technologies under the same terms and conditions as the terminated TTA. National did not make such request by the deadline, therefore the option expired in January 2008.
- g. In December 2003, TSMC entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC would also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC would pay royalties to Freescale Semiconductor, Inc. and would share a portion of the costs associated with the joint development project. The agreement expired in December 2007. TSMC did not capitalize related intellectual properties arising from the co-development project because those intellectual properties did not meet the capitalization criteria set forth in Statement of Financial Accounting Standards No. 37 Accounting for Intangible Assets .
- h. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- i. Effective January 1, 2006, The Company entered into the Joint Technology Cooperation Agreement with Philips (now NXP B.V.), Freescale Semiconductor, Inc. and STMicroelectronics to jointly develop 45-nm and beyond advanced CMOS Logic and e-DRAM technologies. The Company would contribute process technologies and share a portion of the costs associated with this joint development project. This agreement was to expire on December 31, 2008, but the Company had ended its participation in the project. For the Company, this agreement had terminated as of January 26, 2008.
- j. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as SMIC ). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech s trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech s claims. As of March 31, 2008, SMIC had paid US\$90 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and

monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation

and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement with SMIC. The Court also found TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case. Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. The result of the above-mentioned litigation cannot be determined at this time.

- k. In April 2004, UniRAM Technology, Inc. ( 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. UniRAM later dropped its patent infringement claims during the course of litigation, but TSMC's inequitable conduct counterclaim against UniRAM's asserted patents remained. In 2007, the trade secret misappropriation portion of the case went to trial, and in September 2007, a jury-rendered a verdict awarding US\$30.5 million to UniRAM Technology, Inc. The court held a separate bench trial on the inequitable conduct counterclaims in January 2008, but has yet to issue a decision as of March 25, 2008. During the January bench trial, UniRAM has also raised anew its motion to enjoin TSMC from offering certain technologies that UniRAM alleges to contain its confidential information. This issue has also not been decided. As a procedural matter, the jury verdict cannot be entered into the record while the inequitable conduct issues remain undecided. Nevertheless, as a result of the verdict, TSMC has accrued the full amount of the jury award in September 2007 as part of the non-operating expenses. TSMC intends to continue to pursue remedies against this verdict.
- l. 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\$7,719,794 thousand and NT\$7,620,093 thousand as of March 31, 2008 and 2007, respectively, which is included in other long-term payables on the Company's consolidated balance sheets.
- m. Amounts available under unused letters of credit as of March 31, 2008 were NT\$474 thousand.

### **30. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;





- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;
- j. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on 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.

**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****MARCH 31, 2008****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Held<br>Company Name | Marketable Securities<br>Type and Name | Relationship with<br>the Company | Financial Statement Account         | March 31, 2008                 |                                       |                                   |   |
|----------------------|--|----------------------------------|-------------------------------------|--------------------------------|---------------------------------------|-----------------------------------|---|
|                      |  |                                  |                                     | Shares/Units<br>(in Thousands) | Carrying Value<br>(US\$ in Thousands) | Percentage<br>of Ownership<br>(%) | Market Value or<br>Net Asset Value<br>(US\$ in Thousands) |
|                      | Open-end mutual funds                  |                                  |                                     |                                |                                       |                                   |   |
|                      | Fuh Hwa Bond                           |                                  | Available-for-sale financial assets | 132,997                        | \$ 1,809,322                          | N/A                               | \$ 1,809,322  |
|                      | NITC Bond Fund                         |                                  |                                     | 10,449                         | 1,753,671                             | N/A                               | 1,753,671   |
|                      | ING Taiwan Bond Fund                   |                                  |                                     | 85,581                         | 1,315,559                             | N/A                               | 1,315,559   |
|                      | NITC Taiwan Bond                       |                                  |                                     | 89,078                         | 1,280,609                             | N/A                               | 1,280,609   |
|                      | President James Bond                   |                                  |                                     | 77,128                         | 1,213,913                             | N/A                               | 1,213,913   |
|                      | Prudential Financial Bond Fund         |                                  |                                     | 69,864                         | 1,041,330                             | N/A                               | 1,041,330   |
|                      | JF Taiwan Bond Fund                    |                                  |                                     | 59,049                         | 918,978                               | N/A                               | 918,978   |
|                      | ING Taiwan Income Fund                 |                                  |                                     | 54,621                         | 882,358                               | N/A                               | 882,358   |
|                      | Taishin Lucky Fund                     |                                  |                                     | 68,945                         | 721,555                               | N/A                               | 721,555   |
|                      | Cathay Bond Fund                       |                                  |                                     | 60,126                         | 706,650                               | N/A                               | 706,650   |
|                      | Dresdner Bond DAM Fund                 |                                  |                                     | 54,319                         | 642,089                               | N/A                               | 642,089   |
|                      | AIG Taiwan Bond Fund                   |                                  |                                     | 39,028                         | 507,080                               | N/A                               | 507,080   |
|                      | JF First Bond Fund                     |                                  |                                     | 35,324                         | 506,251                               | N/A                               | 506,251   |
|                      | HSBC Taiwan Money Management Fund      |                                  |                                     | 27,416                         | 415,187                               | N/A                               | 415,187   |
|                      | INVESCO Bond Fund                      |                                  |                                     | 27,176                         | 411,619                               | N/A                               | 411,619   |
|                      | Corporate bond                         |                                  |                                     |                                |                                       |                                   |   |
|                      | Hua Nan Bank                           |                                  | Available-for-sale financial assets |                                | 1,580,206                             | N/A                               | 1,580,206   |
|                      | Cathay Bank                            |                                  |                                     |                                | 1,185,660                             | N/A                               | 1,185,660   |
|                      | Taiwan Power Company                   |                                  |                                     |                                | 899,778                               | N/A                               | 899,778   |
|                      | Formosa Petrochemical Corporation      |                                  |                                     |                                | 399,589                               | N/A                               | 399,589   |

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|  |                                     |           |     |           |
|--|-------------------------------------|-----------|-----|-----------|
| Formosa Plastic Corporation            | Held-to-maturity financial assets   | 3,585,384 | N/A | 3,556,817 |
| Taiwan Power Company                   |                                     | 2,631,183 | N/A | 2,631,100 |
| Nan Ya Plastics Corporation            |                                     | 1,804,129 | N/A | 1,797,254 |
| CPC Corporation, Taiwan                |                                     | 1,200,269 | N/A | 1,199,503 |
| China Steel Corporation                |                                     | 1,000,000 | N/A | 988,303   |
| Formosa Petrochemical Corporation      |                                     | 393,200   | N/A | 393,077   |
| Shanghai Commercial & Saving Bank      |                                     | 294,290   | N/A | 294,209   |
| Government bond                        |                                     |           |     |           |
| 2006 Government Bond Series D          | Available-for-sale financial assets | 400,317   | N/A | 400,317   |
| 2006 Government Bond Series D          | Held-to-maturity financial assets   | 3,650,463 | N/A | 3,652,895 |
| 2003 Asian Development Bank Govt. Bond |                                     | 859,900   | N/A | 893,103   |
| 2003 Government Bond Series F          |                                     | 799,488   | N/A | 800,097   |
| 2003 Government Bond Series H          |                                     | 400,493   | N/A | 401,252   |
| European Investment Bank Bonds         |                                     | 381,340   | N/A | 400,000   |

| Held | Company                | Marketable Securities                      | Relationship with                            | Financial Statement Account | March 31, 2008      |                |                         | Market Value or Net |
|------|------------------------|--|--|-----------------------------|---------------------|----------------|-------------------------|---------------------|
|      |                        |  |  |                             | Shares/Units        | Carrying Value | Percentage of Ownership |                     |
| Name | Type and Name          | the Company                                |  | (in Thousands)              | (US\$ in Thousands) | (%)            | (US\$ in Thousands)     | No                  |
|      | Stocks                 |  |  |                             |                     |                |                         |                     |
|      | TSMC Global            | Subsidiary                                 | Investment accounted for using equity method | 1                           | 41,971,629          | 100            | 41,971,629              |                     |
|      | TSMC International VIS | Subsidiary                                 | Investee accounted for using equity method   | 987,968                     | 27,063,207          | 100            | 27,063,207              |                     |
|      | SSMC                   | Investee accounted for using equity method |  | 616,240                     | 11,183,477          | 36             | 13,434,042              |                     |
|      | TSMC Partners          | Subsidiary                                 |  | 463                         | 8,352,727           | 39             | 7,432,832               |                     |
|      |                        |  |  | 300                         | 3,528,732           | 100            | 3,528,732               |                     |

(Continued)

|    |  |  |  |                   |                        |                                       | March 31, 2008         |  |
|----|--|--|--|-------------------|------------------------|---------------------------------------|------------------------|--|
|    |  |  |  |                   |                        | Market Value<br>or Net<br>Asset Value |                        |  |
| ny | Marketable Securities<br><br>Type and Name | Relationship with<br><br>the Company           | Financial Statement Account                  | Shares/Units      | Carrying Value         | Percentage of<br>Ownership            | Asset Value            |  |
|    |  |  |  | (in<br>Thousands) | (US\$ in<br>Thousands) | (%)                                   | (US\$ in<br>Thousands) |  |
|    | TSMC North America                         | Subsidiary                                     | Investment accounted for using equity method | 11,000            | \$2,184,900            | 100                                   | \$2,184,900            |  |
|    | XinTec                                     | Investee with a controlling financial interest |  | 91,703            | 1,483,429              | 43                                    | 1,407,789              |  |
|    | GUC  | Investee with a controlling financial interest |  | 42,572            | 891,488                | 37                                    | 8,833,763              |  |
|    | TSMC Japan                                 | Subsidiary                                     |  | 6                 | 112,111                | 100                                   | 112,111                |  |
|    | TSMC Europe                                | Subsidiary                                     |  |                   | 97,152                 | 100                                   | 97,152                 |  |
|    | TSMC Korea                                 | Subsidiary                                     |  | 80                | 15,533                 | 100                                   | 15,533                 |  |
|    | United Industrial Gases Co., Ltd.          |  | Financial assets carried at cost             | 16,783            | 193,584                | 10                                    | 312,834                |  |
|    | Shin-Etsu Handotai Taiwan Co., Ltd.        |  |  | 10,500            | 105,000                | 7                                     | 348,240                |  |
|    | W.K. Technology Fund IV                    |  |  | 4,000             | 40,000                 | 2                                     | 51,603                 |  |
|    | Hontung Venture Capital Co., Ltd.          |  |  | 2,633             | 26,329                 | 10                                    | 20,270                 |  |
|    | Fund                                       |  |  |                   |                        |                                       |                        |  |
|    | Horizon Ventures Fund                      |  | Financial assets carried at cost             |                   | 312,949                | 12                                    | 312,949                |  |
|    | Crimson Asia Capital                       |  |  |                   | 70,298                 | 1                                     | 70,298                 |  |
|    | Capital                                    |  |  |                   |                        |                                       |                        |  |
|    | TSMC Shanghai                              | Subsidiary                                     | Investment accounted for using equity method |                   | 7,895,259              | 100                                   | 7,853,344              |  |
|    | VTAF II                                    | Subsidiary                                     |  |                   | 1,039,699              | 98                                    | 1,035,244              |  |
|    | VTAF III                                   | Subsidiary                                     |  |                   | 1,037,387              | 98                                    | 1,025,484              |  |
|    | Emerging Alliance                          | Subsidiary                                     |  |                   | 390,518                | 99                                    | 390,518                |  |
|    | Chi Cheng                                  | Subsidiary                                     |  |                   | 175,689                | 36                                    | 634,253                |  |
|    | Hsin Ruey                                  | Subsidiary                                     |  |                   | 173,804                | 36                                    | 633,315                |  |

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|-----|---|--|---|--------|--------------|-----|--------------|
| g   | Stocks<br>TSMC  | Parent company                             | Available-for-sale financial assets           | 17,032 | 1,074,719    |     | 1,074,719    |
|     | VIS   | Investee accounted for using equity method | Investments accounted for using equity method | 5,082  | 111,992      |     | 110,786      |
| y   | Stocks<br>TSMC  | Parent company                             | Available-for-sale financial assets           | 17,064 | 1,076,733    |     | 1,076,733    |
|     | VIS   | Investee accounted for using equity method | Investments accounted for using equity method | 3,748  | 87,295       |     | 81,698       |
| al  | Stocks  |  |   |        |              |     |              |
|     | InveStar Semiconductor Development Fund, Inc. (ISDF)              | Subsidiary                                 | Investments accounted for using equity method | 8,721  | US\$ 33,117  | 97  | US\$ 33,117  |
|     | InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II) | Subsidiary                                 |   | 43,048 | US\$ 49,250  | 97  | US\$ 49,250  |
|     | TSMC Development, Inc. (TSMC Development)                         | Subsidiary                                 |   | 1      | US\$ 675,384 | 100 | US\$ 675,384 |
|     | TSMC Technology   | Subsidiary                                 |   | 1      | US\$ 8,000   | 100 | US\$ 8,000   |
| ent | Stocks  |  |   |        |              |     |              |
|     | WaferTech   | Subsidiary                                 | Investments accounted for using equity method |        | US\$ 235,394 | 100 | US\$ 235,394 |
|     | Common stock  |  |   |        |              |     |              |

|                        |                       |  |   | March 31, 2008 |             |            |                |        |
|------------------------|-----------------------|--|---|----------------|-------------|------------|----------------|--------|
| Held                   |                       |  |   | Carrying       |             | Percentage |                | Market |
| Company                | Marketable Securities | Relationship with                          | Financial Statement Account                   | Shares/Units   | Value       | of         | Asset Value    |        |
| Name                   | Type and Name         | the Company                                | Financial Statement Account                   | (in            | (US\$ in    | Ownership  | (US\$ in       |        |
|                        |                       |  |   | thousands)     | thousands)  | (%)        | Thousands) Not |        |
| VisEra Holding Company |                       | Investee accounted for using equity method | Investments accounted for using equity method | 43,000         | US\$ 72,628 | 49         | US\$ 72,628    |        |
| TSMC Canada            |                       | Subsidiary                                 |   | 2,300          | US\$ 2,749  | 100        | US\$ 2,749     |        |

(Continued)



| Held                | Company Name | Marketable Securities Type and Name  | Relationship with the Company | Financial Statement Account      | March 31, 2008              |  |                             |   |       |            |    |            |
|---------------------|--------------|--|-------------------------------|----------------------------------|-----------------------------|--|-----------------------------|---|-------|------------|----|------------|
|                     |              |  |                               |                                  | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands)   | Percentage of Ownership (%) | Market Value or Net Asset Value (US\$ in Thousands) |       |            |    |            |
| merging<br>Alliance | Common stock | Pixim, Inc.<br>RichWave Technology Corp.<br>Global Investment Holding Inc. |                               | Financial assets carried at cost | 1,036                       | US\$ 275   |                             | US\$ 275  |       |            |    |            |
|                     |              |  |                               |                                  | 4,247                       | US\$ 1,648   | 12                          | US\$ 1,648  |       |            |    |            |
|                     |              |  |                               |                                  | 10,800                      | \$100,000  | 6                           | \$100,000   |       |            |    |            |
|                     |              |  |                               |                                  | Preferred stock             | Audience, Inc.<br>Axiom Microdevices, Inc.<br>Miradia, Inc.<br>Mobilygen<br>Mosaic Systems, Inc.<br>Next IO, Inc.<br>Optichron, Inc.<br>Optimal Corporation<br>Pixim, Inc.<br>QST Holding, LLC<br>Teknovus, Inc. |                             | Financial assets carried cost                       | 1,654 | US\$ 250   | 1  | US\$ 250   |
|                     |              |  |                               |                                  |                             |  |                             |   | 1,000 | US\$ 1,000 | 1  | US\$ 1,000 |
|                     |              |  |                               |                                  |                             |  |                             |   | 3,040 | US\$ 1,000 | 3  | US\$ 1,000 |
|                     |              |  |                               |                                  |                             |  |                             |   | 1,415 | US\$ 750   | 1  | US\$ 750   |
|                     |              |  |                               |                                  |                             |  |                             |   | 2,481 | US\$ 12    | 6  | US\$ 12    |
|                     |              |  |                               |                                  |                             |  |                             |   | 800   | US\$ 500   | 4  | US\$ 500   |
|                     |              |  |                               |                                  |                             |  |                             |   | 714   | US\$ 1,000 | 3  | US\$ 1,000 |
|                     |              |  |                               |                                  |                             |  |                             |   |       | US\$ 229   |    | US\$ 229   |
|                     |              |  |                               |                                  |                             |  |                             |   | 3,606 | US\$ 862   | 2  | US\$ 862   |
|                     |              |  |                               |                                  |                             |  |                             |   |       | US\$ 131   | 3  | US\$ 131   |
|                     |              |  |                               |                                  | 6,977                       | US\$ 1,327   | 2                           | US\$ 1,327  |       |            |    |            |
|                     |              |  |                               |                                  | Capital                     | VentureTech Alliance Holdings, L.L.C. (VTA Holdings)   | Subsidiary                  | Investments accounted for using equity method       |       |            | 9  |            |
| TAF II              | Common stock | Yobon<br>Sentelic<br>Leadtrend<br>RichWave Technology Corp.                |                               | Financial assets carried at cost | 1,875                       | US\$ 919   | 13                          | US\$ 919  |       |            |    |            |
|                     |              |  |                               |                                  | 1,200                       | US\$ 2,040   | 15                          | US\$ 2,040  |       |            |    |            |
|                     |              |  |                               |                                  | 1,265                       | US\$ 660   | 5                           | US\$ 660  |       |            |    |            |
|                     |              |  |                               |                                  | 1,043                       | US\$ 730   | 2                           | US\$ 730  |       |            |    |            |
|                     |              |  |                               |                                  | Preferred stock             | 5V Technologies, Inc.<br>Aquantia Corporation<br>Audience, Inc.<br>Axiom Microdevices, Inc.  |                             | Financial assets carried cost                       | 2,357 | US\$ 1,768 | 11 | US\$ 1,768 |
|                     |              |  |                               |                                  |                             |  |                             |   | 2,108 | US\$ 2,573 | 5  | US\$ 2,573 |
|                     |              |  |                               |                                  |                             |  |                             |   | 5,335 | US\$ 1,390 | 2  | US\$ 1,390 |
|                     |              |  |                               |                                  |                             |  |                             |   | 5,044 | US\$ 2,088 | 4  | US\$ 2,088 |
|                     |              |  |                               |                                  |                             |  |                             |   |       |            |    |            |

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|                     |       |            |    |            |  |  |
|---------------------|-------|------------|----|------------|--|--|
| Beceem              |       |            |    |            |  |  |
| Communications      | 650   | US\$ 1,600 | 1  | US\$ 1,600 |  |  |
| GemFire Corporation | 600   | US\$ 68    | 1  | US\$ 68    |  |  |
| Impinj, Inc.        | 475   | US\$ 1,000 |    | US\$ 1,000 |  |  |
| Miradia, Inc.       | 3,416 | US\$ 3,106 | 5  | US\$ 3,106 |  |  |
| Mobilygen           | 569   | US\$ 149   | 1  | US\$ 149   |  |  |
| Next IO, Inc.       | 1,915 | US\$ 607   | 2  | US\$ 607   |  |  |
| Optichron, Inc.     | 1,050 | US\$ 1,844 | 4  | US\$ 1,844 |  |  |
| Pixim, Inc.         | 6,348 | US\$ 1,141 | 2  | US\$ 1,141 |  |  |
| Power Analog        |       |            |    |            |  |  |
| Microelectronics    | 3,324 | US\$ 2,409 | 14 | US\$ 2,409 |  |  |
| QST Holding, LLC    |       | US\$ 145   | 3  | US\$ 145   |  |  |
| Teknovus, Inc.      | 1,599 | US\$ 454   |    | US\$ 454   |  |  |
| Tzero Technologies, |       |            |    |            |  |  |
| Inc.                | 1,167 | US\$ 2,007 | 2  | US\$ 2,007 |  |  |
| Xceive              | 714   | US\$ 1,000 | 2  | US\$ 1,000 |  |  |

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March 31, 2008

Market  
Value or  
Net

Carrying  
Percentage  
Asset

Value of  
Value

(US\$ in  
Ownership  
US\$ in

(%)  
Thousands)

Note

Held

| Company Name | Marketable Securities Type and Name          | Relationship with the Company | Financial Statement Account                   | Shares/Units (in thousands) | Value (US\$ in thousands) | Ownership (%) | Asset Value (US\$ in thousands) | Note |
|--------------|--|-------------------------------|---|-----------------------------|---------------------------|---------------|---------------------------------|------|
|              | Capital VTA Holdings                         | Subsidiary                    | Investments accounted for using equity method |                             |                           | 10            |                                 |      |
| VTAF III     | Common stock Mutual-pak Technology Co., Ltd. | Subsidiary                    | Investments accounted for using equity method | 4,590                       | US\$ 1,720                | 51            | US\$ 1,720                      |      |
|              | Preferred stock Advasense Sensors, Inc.      |                               | Financial assets carried at cost              | 1,929                       | US\$ 1,834                | 6             | US\$ 1,834                      |      |

(Continued)

|              |  |                               |   | March 31, 2008              |                           |                         |                                 |                     |
|--------------|--|-------------------------------|---|-----------------------------|---------------------------|-------------------------|---------------------------------|---------------------|
| Held         |  |                               |   | Carrying Value              |                           | Percentage of Ownership |                                 | Market Value or Net |
| Company Name | Marketable Securities Type and Name      | Relationship with the Company | Financial Statement Account                           | Shares/Units (in thousands) | Value (US\$ in thousands) | (%)                     | Asset Value (US\$ in thousands) | Not                 |
|              | Auramicro, Inc.                          |                               | Financial assets carried at cost                      | 2,500                       | US\$ 750                  | 17                      | US\$ 750                        |                     |
|              | BridgeLux, Inc.                          |                               |   | 3,333                       | US\$ 5,000                | 3                       | US\$ 5,000                      |                     |
|              | Exclara, Inc. (formerly Synpitech, Inc.) |                               |   | 14,513                      | US\$ 2,412                | 19                      | US\$ 2,412                      |                     |
|              | GTBF, Inc.                               |                               |   |                             | US\$ 1,500                | N/A                     | US\$ 1,500                      |                     |
|              | M2000, Inc.                              |                               |   | 3,000                       | US\$ 3,000                | 5                       | US\$ 3,000                      |                     |
|              | Neoconix, Inc.                           |                               |   | 2,458                       | US\$ 4,000                | 6                       | US\$ 4,000                      |                     |
|              | Powervation, Ltd.                        |                               |   | 191                         | US\$ 2,930                | 19                      | US\$ 2,930                      |                     |
|              | Quellan, Inc.                            |                               |   | 3,106                       | US\$ 3,500                | 6                       | US\$ 3,500                      |                     |
|              | Silicon Technical Services, LLC          |                               |   | 1,055                       | US\$ 1,208                | 2                       | US\$ 1,208                      |                     |
|              | Tilera, Inc.                             |                               |   | 1,698                       | US\$ 2,360                | 3                       | US\$ 2,360                      |                     |
|              | Validity Sensors, Inc.                   |                               |   | 6,424                       | US\$ 2,545                | 3                       | US\$ 2,545                      |                     |
|              | Capital VTA Holdings                     | Subsidiary                    | Investments accounted for using equity method         |                             |                           | 81                      |                                 |                     |
| SDF          | Common stock                             |                               |   |                             |                           |                         |                                 |                     |
|              | Monolithic Power Systems, Inc.           |                               | Financial assets at fair value through profit or loss | 1,352                       | US\$23,833                | 4                       | US\$23,833                      |                     |
|              | Memsic, Inc.                             |                               | Available-for-sale financial assets                   | 1,364                       | US\$ 8,195                | 6                       | US\$ 8,195                      |                     |
|              | Capella Microsystems (Taiwan), Inc.      |                               | Financial assets carried at cost                      | 530                         | US\$ 154                  | 2                       | US\$ 154                        |                     |
|              | Preferred stock                          |                               |   |                             |                           |                         |                                 |                     |
|              | Integrated Memory Logic, Inc.            |                               | Financial assets carried at cost                      | 2,872                       | US\$ 1,221                | 9                       | US\$ 1,221                      |                     |
|              | IP Unity, Inc.                           |                               |   | 1,008                       | US\$ 494                  | 1                       | US\$ 494                        |                     |
|              | NanoAmp Solutions, Inc.                  |                               |   | 541                         | US\$ 853                  | 2                       | US\$ 853                        |                     |
|              | Sonics, Inc.                             |                               |   | 1,843                       | US\$ 3,530                | 18                      | US\$ 3,530                      |                     |
| SDF II       | Common stock                             |                               |   |                             |                           |                         |                                 |                     |
|              | Monolithic Power Systems, Inc.           |                               | Financial assets at fair value through profit or loss | 864                         | US\$15,241                | 3                       | US\$15,241                      |                     |
|              | Rich Tek Technology Corp.                |                               |   | 96                          | US\$ 763                  |                         | US\$ 763                        |                     |

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|   |                                     |       |      |       |    |      |       |
|---|-------------------------------------|-------|------|-------|----|------|-------|
| Geo Vision, Inc.                            |                                     | 6     | US\$ | 45    |    | US\$ | 45    |
| Memsic, Inc.                                | Available-for-sale financial assets | 1,145 | US\$ | 6,879 | 5  | US\$ | 6,879 |
| Rich Tek Technology Corp.                   |                                     | 261   | US\$ | 2,081 |    | US\$ | 2,081 |
| Geo Vision, Inc.                            |                                     | 3     | US\$ | 21    |    | US\$ | 21    |
| eLCOS Microdisplay Technology, Ltd.         | Financial assets carried at cost    | 270   | US\$ | 14    | 1  | US\$ | 14    |
| EoNEX Technologies, Inc.                    |                                     | 55    | US\$ | 2,286 | 5  | US\$ | 2,286 |
| Sonics, Inc.                                |                                     | 2,220 | US\$ | 32    | 21 | US\$ | 32    |
| Epic Communication, Inc.                    |                                     | 191   | US\$ | 37    | 1  | US\$ | 37    |
| EON Technology, Corp.                       |                                     | 3,074 | US\$ | 851   | 4  | US\$ | 851   |
| Goyatek Technology, Corp.                   |                                     | 2,088 | US\$ | 545   | 7  | US\$ | 545   |
| Trendchip Technologies Corp.                |                                     | 1,000 | US\$ | 574   | 3  | US\$ | 574   |
| Capella Microsystems (Taiwan), Inc.         |                                     | 534   | US\$ | 210   | 2  | US\$ | 210   |
| Ralink Technology (Taiwan), Inc.            |                                     | 2,094 | US\$ | 662   | 2  | US\$ | 662   |
| Auden Technology MFG. Co., Ltd.             |                                     | 1,049 | US\$ | 223   | 3  | US\$ | 223   |
| Preferred stock Alchip Technologies Limited | Financial assets carried at cost    | 5,194 | US\$ | 2,950 | 15 | US\$ | 2,950 |

March 31, 2008

Market  
Value or  
Net

Carrying Percentage Asset

Shares/Units Value of Value  
(in (US\$ in Ownership US\$ in

thousands) (%) Thousands) Note

Held

Company Marketable Securities Relationship with

| Name | Type and Name                          | the Company | Financial Statement Account | Shares/Units<br>(in thousands) | Value<br>(US\$ in thousands) | Ownership<br>(%) | Value<br>(US\$ in thousands) | Note |
|------|--|-------------|-----------------------------|--------------------------------|------------------------------|------------------|------------------------------|------|
|      | eLCOS Microdisplay<br>Technology, Ltd. |             |                             | 3,500                          | US\$1,950                    | 8                | US\$1,950                    |      |
|      | FangTek, Inc.                          |             |                             | 6,806                          | US\$3,250                    | 15               | US\$3,250                    |      |
|      | Kilopass Technology,<br>Inc.           |             |                             | 3,887                          | US\$2,000                    | 5                | US\$2,000                    |      |
|      | NanoAmp Solutions,<br>Inc.             |             |                             | 375                            | US\$1,500                    | 1                | US\$1,500                    |      |
|      | Sonics, Inc.                           |             |                             | 2,115                          | US\$3,082                    | 21               | US\$3,082                    |      |

(Continued)

|                |                                   | March 31, 2008      |  |                                |                              |                     |                                    |      |
|----------------|-----------------------------------|---------------------|--|--------------------------------|------------------------------|---------------------|------------------------------------|------|
| Held           |                                   | Market              |  |                                |                              |                     |                                    |      |
|                |                                   | Value or Net        |  |                                |                              |                     |                                    |      |
|                |                                   | Carrying Percentage |  |                                |                              |                     |                                    |      |
| Company        | Marketable Securities             | Relationship with   | Financial Statement Accounts           | Shares/Units<br>(in Thousands) | Value<br>(US\$ in Thousands) | of Ownership<br>(%) | Asset Value<br>(US\$ in Thousands) | Note |
| Name           | Type and Name                     | the Company         |  |                                |                              |                     |                                    |      |
| Tsmc<br>Global | Money market funds                |                     |  |                                |                              |                     |                                    |      |
|                | Ssga Cash Mgmt<br>Global Offshore |                     | Available-for-sale financial<br>assets |                                | US\$459,159                  | N/A                 | US\$459,159                        |      |
|                | Agency bonds                      |                     |  |                                |                              |                     |                                    |      |
|                | Fed Hm Ln Pc Pool<br>1b1225       |                     | Available-for-sale financial<br>assets |                                | US\$ 131                     | N/A                 | US\$ 131                           |      |
|                | Fed Hm Ln Pc Pool<br>1b2566       |                     |  |                                | US\$ 148                     | N/A                 | US\$ 148                           |      |
|                | Fed Hm Ln Pc Pool<br>1b2632       |                     |  |                                | US\$ 171                     | N/A                 | US\$ 171                           |      |
|                | Fed Hm Ln Pc Pool<br>1b2642       |                     |  |                                | US\$ 221                     | N/A                 | US\$ 221                           |      |
|                | Fed Hm Ln Pc Pool<br>1b2776       |                     |  |                                | US\$ 338                     | N/A                 | US\$ 338                           |      |
|                | Fed Hm Ln Pc Pool<br>1b2792       |                     |  |                                | US\$ 219                     | N/A                 | US\$ 219                           |      |
|                | Fed Hm Ln Pc Pool<br>1b2810       |                     |  |                                | US\$ 278                     | N/A                 | US\$ 278                           |      |
|                | Fed Hm Ln Pc Pool<br>1b7453       |                     |  |                                | US\$ 2,632                   | N/A                 | US\$ 2,632                         |      |
|                | Fed Hm Ln Pc Pool<br>1g0038       |                     |  |                                | US\$ 288                     | N/A                 | US\$ 288                           |      |
|                | Fed Hm Ln Pc Pool<br>1g0053       |                     |  |                                | US\$ 357                     | N/A                 | US\$ 357                           |      |
|                | Fed Hm Ln Pc Pool<br>1g0104       |                     |  |                                | US\$ 140                     | N/A                 | US\$ 140                           |      |
|                | Fed Hm Ln Pc Pool<br>1g1282       |                     |  |                                | US\$ 3,865                   | N/A                 | US\$ 3,865                         |      |
|                | Fed Hm Ln Pc Pool<br>1g1411       |                     |  |                                | US\$ 3,292                   | N/A                 | US\$ 3,292                         |      |
|                | Fed Hm Ln Pc Pool<br>1h2520       |                     |  |                                | US\$ 2,589                   | N/A                 | US\$ 2,589                         |      |
|                | Fed Hm Ln Pc Pool<br>1h2524       |                     |  |                                | US\$ 1,912                   | N/A                 | US\$ 1,912                         |      |
|                | Fed Hm Ln Pc Pool<br>780870       |                     |  |                                | US\$ 656                     | N/A                 | US\$ 656                           |      |
|                | Fed Hm Ln Pc Pool<br>781959       |                     |  |                                | US\$ 3,569                   | N/A                 | US\$ 3,569                         |      |

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|                                |      |       |     |      |       |
|--------------------------------|------|-------|-----|------|-------|
| Fed Hm Ln Pc Pool<br>782785    | US\$ | 245   | N/A | US\$ | 245   |
| Fed Hm Ln Pc Pool<br>782837    | US\$ | 480   | N/A | US\$ | 480   |
| Fed Hm Ln Pc Pool<br>782968    | US\$ | 23    | N/A | US\$ | 23    |
| Fed Hm Ln Pc Pool<br>783022    | US\$ | 521   | N/A | US\$ | 521   |
| Fed Hm Ln Pc Pool<br>783026    | US\$ | 292   | N/A | US\$ | 292   |
| Fed Hm Ln Pc Pool<br>B19205    | US\$ | 6,731 | N/A | US\$ | 6,731 |
| Fed Hm Ln Pc Pool<br>E01492    | US\$ | 1,749 | N/A | US\$ | 1,749 |
| Fed Hm Ln Pc Pool<br>E89857    | US\$ | 1,294 | N/A | US\$ | 1,294 |
| Fed Hm Ln Pc Pool<br>G11295    | US\$ | 1,082 | N/A | US\$ | 1,082 |
| Fed Hm Ln Pc Pool<br>M80855    | US\$ | 2,903 | N/A | US\$ | 2,903 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,370 | N/A | US\$ | 1,370 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,426 | N/A | US\$ | 1,426 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 2,189 | N/A | US\$ | 2,189 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 2,486 | N/A | US\$ | 2,486 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,954 | N/A | US\$ | 1,954 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 3,526 | N/A | US\$ | 3,526 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 1,941 | N/A | US\$ | 1,941 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 3,058 | N/A | US\$ | 3,058 |
| Federal Home Ln Mtg<br>Corp.   | US\$ | 2,849 | N/A | US\$ | 2,849 |
| Federal National Mort<br>Assoc | US\$ | 2,655 | N/A | US\$ | 2,655 |
| Federal Natl Mtg Assn          | US\$ | 1,869 | N/A | US\$ | 1,869 |
| Federal Natl Mtg Assn          | US\$ | 1,980 | N/A | US\$ | 1,980 |



|         |                       |                   |                             | March 31, 2008 |                     |                     |                     |
|---------|-----------------------|-------------------|-----------------------------|----------------|---------------------|---------------------|---------------------|
|         |                       |                   |                             |                |                     | Market Value or Net |                     |
| Held    |                       |                   |                             | Carrying       | Percentage          | Asset               |                     |
| Company | Marketable Securities | Relationship with | Financial Statement Account | Shares/Units   | Value               | of Value            |                     |
| Name    | Type and Name         | the Company       | Financial Statement Account | (in Thousands) | (US\$ in Thousands) | Ownership (%)       | (US\$ in Thousands) |
|         |                       |                   |                             |                |                     |                     | Note                |
|         | Federal Natl Mtg Assn |                   |                             |                | US\$2,014           | N/A                 | US\$2,014           |
|         | Federal Natl Mtg Assn |                   |                             |                | US\$3,425           | N/A                 | US\$3,425           |
|         | Federal Natl Mtg Assn |                   |                             |                |                     |                     |                     |
|         | Gtd                   |                   |                             |                | US\$1,607           | N/A                 | US\$1,607           |
|         | Fnma Pool 255883      |                   |                             |                | US\$3,094           | N/A                 | US\$3,094           |
|         | Fnma Pool 555549      |                   |                             |                | US\$1,340           | N/A                 | US\$1,340           |
|         | Fnma Pool 555715      |                   |                             |                | US\$ 168            | N/A                 | US\$ 168            |
|         | Fnma Pool 632399      |                   |                             |                | US\$ 382            | N/A                 | US\$ 382            |
|         | Fnma Pool 662401      |                   |                             |                | US\$ 533            | N/A                 | US\$ 533            |
|         | Fnma Pool 667766      |                   |                             |                | US\$1,288           | N/A                 | US\$1,288           |
|         | Fnma Pool 680932      |                   |                             |                | US\$1,050           | N/A                 | US\$1,050           |
|         | Fnma Pool 681393      |                   |                             |                | US\$2,307           | N/A                 | US\$2,307           |

(Continued)

March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Shares/Units (in Thousands) | Value (US\$ in Thousands) | Percentage of Ownership (%) | Asset Value (US\$ in Thousands) | Note |
|--------------|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------------|------|
|              | Fnma Pool 685116                    |                               | Available-for-sale financial assets |                             | US\$ 546                  | N/A                         | US\$ 546                        |      |
|              | Fnma Pool 691283                    |                               |                                     |                             | US\$ 3,396                | N/A                         | US\$ 3,396                      |      |
|              | Fnma Pool 694287                    |                               |                                     |                             | US\$ 20                   | N/A                         | US\$ 20                         |      |
|              | Fnma Pool 703711                    |                               |                                     |                             | US\$ 454                  | N/A                         | US\$ 454                        |      |
|              | Fnma Pool 725095                    |                               |                                     |                             | US\$ 1,002                | N/A                         | US\$ 1,002                      |      |
|              | Fnma Pool 730033                    |                               |                                     |                             | US\$ 161                  | N/A                         | US\$ 161                        |      |
|              | Fnma Pool 740934                    |                               |                                     |                             | US\$ 1,078                | N/A                         | US\$ 1,078                      |      |
|              | Fnma Pool 742232                    |                               |                                     |                             | US\$ 22                   | N/A                         | US\$ 22                         |      |
|              | Fnma Pool 750798                    |                               |                                     |                             | US\$ 22                   | N/A                         | US\$ 22                         |      |
|              | Fnma Pool 773246                    |                               |                                     |                             | US\$ 218                  | N/A                         | US\$ 218                        |      |
|              | Fnma Pool 790828                    |                               |                                     |                             | US\$ 1,951                | N/A                         | US\$ 1,951                      |      |
|              | Fnma Pool 793932                    |                               |                                     |                             | US\$ 432                  | N/A                         | US\$ 432                        |      |
|              | Fnma Pool 794040                    |                               |                                     |                             | US\$ 605                  | N/A                         | US\$ 605                        |      |
|              | Fnma Pool 795548                    |                               |                                     |                             | US\$ 179                  | N/A                         | US\$ 179                        |      |
|              | Fnma Pool 799664                    |                               |                                     |                             | US\$ 88                   | N/A                         | US\$ 88                         |      |
|              | Fnma Pool 799868                    |                               |                                     |                             | US\$ 31                   | N/A                         | US\$ 31                         |      |
|              | Fnma Pool 804764                    |                               |                                     |                             | US\$ 381                  | N/A                         | US\$ 381                        |      |
|              | Fnma Pool 804852                    |                               |                                     |                             | US\$ 312                  | N/A                         | US\$ 312                        |      |
|              | Fnma Pool 804962                    |                               |                                     |                             | US\$ 370                  | N/A                         | US\$ 370                        |      |
|              | Fnma Pool 805163                    |                               |                                     |                             | US\$ 401                  | N/A                         | US\$ 401                        |      |
|              | Fnma Pool 806642                    |                               |                                     |                             | US\$ 594                  | N/A                         | US\$ 594                        |      |
|              | Fnma Pool 806721                    |                               |                                     |                             | US\$ 619                  | N/A                         | US\$ 619                        |      |
|              | Fnma Pool 814418                    |                               |                                     |                             | US\$ 340                  | N/A                         | US\$ 340                        |      |
|              | Fnma Pool 815626                    |                               |                                     |                             | US\$ 2,173                | N/A                         | US\$ 2,173                      |      |
|              | Fnma Pool 819423                    |                               |                                     |                             | US\$ 522                  | N/A                         | US\$ 522                        |      |
|              | Fnma Pool 821129                    |                               |                                     |                             | US\$ 495                  | N/A                         | US\$ 495                        |      |
|              | Fnma Pool 888499                    |                               |                                     |                             | US\$ 2,100                | N/A                         | US\$ 2,100                      |      |
|              | Fnma Pool 888502                    |                               |                                     |                             | US\$ 229                  | N/A                         | US\$ 229                        |      |
|              | Fnma Pool 888507                    |                               |                                     |                             | US\$ 881                  | N/A                         | US\$ 881                        |      |
|              | Fnma Pool 888515                    |                               |                                     |                             | US\$ 1,210                | N/A                         | US\$ 1,210                      |      |
|              | Fnma Pool 888519                    |                               |                                     |                             | US\$ 118                  | N/A                         | US\$ 118                        |      |
|              | Fnma Pool 888527                    |                               |                                     |                             | US\$ 67                   | N/A                         | US\$ 67                         |      |
|              | Fnma Pool 888738                    |                               |                                     |                             | US\$ 4,656                | N/A                         | US\$ 4,656                      |      |
|              | Fnma Pool 888793                    |                               |                                     |                             | US\$ 5,279                | N/A                         | US\$ 5,279                      |      |
|              | Fnma Pool 900296                    |                               |                                     |                             | US\$ 3,130                | N/A                         | US\$ 3,130                      |      |
|              | Gnma Ii Pool 081150                 |                               |                                     |                             | US\$ 432                  | N/A                         | US\$ 432                        |      |
|              | Gnma Ii Pool 081153                 |                               |                                     |                             | US\$ 1,322                | N/A                         | US\$ 1,322                      |      |
|              | Gnma Pool 646061                    |                               |                                     |                             | US\$ 3,906                | N/A                         | US\$ 3,906                      |      |

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|                     |            |     |            |
|---------------------|------------|-----|------------|
| Fed Home Ln Bank    | US\$ 5,307 | N/A | US\$ 5,307 |
| Federal Farm Cr Bks | US\$ 3,602 | N/A | US\$ 3,602 |
| Federal Home Ln Bks | US\$17,652 | N/A | US\$17,652 |

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March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Value (US\$ in Thousands) | Percentage of Ownership (%) | Asset Value (US\$ in Thousands) | Note |
|--------------|-------------------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------------|------|
|              | Federal Home Ln Bks                 |                               |                             |                             | US\$ 5,289                | N/A                         | US\$ 5,289                      |      |
|              | Federal Home Ln Bks                 |                               |                             |                             | US\$12,628                | N/A                         | US\$12,628                      |      |
|              | Federal Home Ln Mtg                 |                               |                             |                             | US\$ 5,228                | N/A                         | US\$ 5,228                      |      |
|              | Federal Home Ln Mtg Corp.           |                               |                             |                             | US\$ 7,627                | N/A                         | US\$ 7,627                      |      |
|              | Federal Home Ln Mtg Disc Nts        |                               |                             |                             | US\$17,646                | N/A                         | US\$17,646                      |      |
|              | Federal Home Loan Bank              |                               |                             |                             | US\$ 4,720                | N/A                         | US\$ 4,720                      |      |
|              | Federal Home Loan Banks             |                               |                             |                             | US\$17,714                | N/A                         | US\$17,714                      |      |
|              | Federal Natl Mtg Assn               |                               |                             |                             | US\$10,468                | N/A                         | US\$10,468                      |      |
|              | Federal Natl Mtg Assn               |                               |                             |                             | US\$ 2,660                | N/A                         | US\$ 2,660                      |      |
|              | Federal Natl Mtg Assn               |                               |                             |                             | US\$ 4,102                | N/A                         | US\$ 4,102                      |      |
|              | Federal Natl Mtg Assn Mtn           |                               |                             |                             | US\$ 3,107                | N/A                         | US\$ 3,107                      |      |
|              | Tennessee Valley Auth               |                               |                             |                             | US\$ 6,114                | N/A                         | US\$ 6,114                      |      |

(Continued)

|         |                                 |                                     | March 31, 2008      |                     |                     |
|---------|---------------------------------|-------------------------------------|---------------------|---------------------|---------------------|
|         |                                 |                                     | Market Value or Net |                     |                     |
| Held    |                                 |                                     | Carrying Percentage |                     |                     |
| Company | Marketable Securities           | Relationship with                   | Shares/Units        | Value of Ownership  | Asset Value         |
| Name    | Type and Name                   | the Company                         | (in Thousands)      | (US\$ in Thousands) | (US\$ in Thousands) |
|         |                                 | Financial Statement Account         |                     | (%)                 | Note                |
|         | Corporate bonds                 |                                     |                     |                     |                     |
|         | Abbott Labs                     | Available-for-sale financial assets | US\$ 2,005          | N/A                 | US\$ 2,005          |
|         | Abbott Labs                     |                                     | US\$ 1,519          | N/A                 | US\$ 1,519          |
|         | American Gen Fin Corp.          |                                     | US\$ 3,162          | N/A                 | US\$ 3,162          |
|         | American Gen Fin Corp. Mtn      |                                     | US\$ 3,498          | N/A                 | US\$ 3,498          |
|         | American Gen Fin Corp. Mtn      |                                     | US\$ 1,998          | N/A                 | US\$ 1,998          |
|         | American Honda Fin Corp. Mtn    |                                     | US\$ 3,136          | N/A                 | US\$ 3,136          |
|         | Ameritech Capital Funding Co.   |                                     | US\$ 494            | N/A                 | US\$ 494            |
|         | Amgen Inc.                      |                                     | US\$ 3,017          | N/A                 | US\$ 3,017          |
|         | Anz Cap Tr I                    |                                     | US\$ 988            | N/A                 | US\$ 988            |
|         | Atlantic Richfield Co.          |                                     | US\$ 2,252          | N/A                 | US\$ 2,252          |
|         | Axa Finl Inc.                   |                                     | US\$ 2,193          | N/A                 | US\$ 2,193          |
|         | Beneficial Corp. Mtn Bk Entry   |                                     | US\$ 2,279          | N/A                 | US\$ 2,279          |
|         | Bp Cap Mkts P L C               |                                     | US\$ 2,833          | N/A                 | US\$ 2,833          |
|         | Burlington Res Inc.             |                                     | US\$ 3,723          | N/A                 | US\$ 3,723          |
|         | Chase Manhattan Corp. New       |                                     | US\$ 1,529          | N/A                 | US\$ 1,529          |
|         | Chase Manhattan Corp. New       |                                     | US\$ 2,108          | N/A                 | US\$ 2,108          |
|         | Chase Manhattan Corp. New       |                                     | US\$ 3,514          | N/A                 | US\$ 3,514          |
|         | Consolidated Edison Inc.        |                                     | US\$ 3,011          | N/A                 | US\$ 3,011          |
|         | Credit Suisse First Boston USA  |                                     | US\$ 2,261          | N/A                 | US\$ 2,261          |
|         | Deere John Cap Corp. Mtn Bk Ent |                                     | US\$ 2,269          | N/A                 | US\$ 2,269          |
|         | Depfa Acs Bank                  |                                     | US\$ 17,809         | N/A                 | US\$ 17,809         |
|         | European Invt Bk                |                                     | US\$ 10,842         | N/A                 | US\$ 10,842         |
|         | Fleet Boston Corp.              |                                     | US\$ 2,626          | N/A                 | US\$ 2,626          |
|         | Ge Global Ins Hldg Corp.        |                                     | US\$ 1,944          | N/A                 | US\$ 1,944          |

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|                                |            |     |            |
|--------------------------------|------------|-----|------------|
| General Dynamics Corp.         | US\$ 2,182 | N/A | US\$ 2,182 |
| General Elec Cap Corp. Mtn     | US\$ 4,050 | N/A | US\$ 4,050 |
| General Elec Cap Corp. Mtn     | US\$ 3,102 | N/A | US\$ 3,102 |
| General Elec Cap Corp. Mtn     | US\$ 2,149 | N/A | US\$ 2,149 |
| General Re Corp.               | US\$ 3,280 | N/A | US\$ 3,280 |
| Genworth Finl Inc.             | US\$ 3,281 | N/A | US\$ 3,281 |
| Hancock John Global Fdg II Mtn | US\$ 5,228 | N/A | US\$ 5,228 |
| Hancock John Global Fdg Mtn    | US\$ 1,005 | N/A | US\$ 1,005 |
| Hartford Finl Svcs Group Inc.  | US\$ 1,341 | N/A | US\$ 1,341 |
| Heller Finl Inc.               | US\$ 1,979 | N/A | US\$ 1,979 |
| Hewlett Packard Co.            | US\$ 1,936 | N/A | US\$ 1,936 |
| Household Fin Corp.            | US\$ 2,975 | N/A | US\$ 2,975 |
| Household Fin Corp.            | US\$ 3,123 | N/A | US\$ 3,123 |
| Ing Sec Life Instl Fdg         | US\$ 2,572 | N/A | US\$ 2,572 |
| International Business Machs   | US\$ 3,637 | N/A | US\$ 3,637 |
| Intl Lease Fin Corp. Mtn       | US\$ 2,989 | N/A | US\$ 2,989 |
| JP Morgan Chase                | US\$ 2,034 | N/A | US\$ 2,034 |

|      |                              |                       |                             | March 31, 2008            |                     |     |                     |
|------|------------------------------|-----------------------|-----------------------------|---------------------------|---------------------|-----|---------------------|
|      |                              |                       |                             | Market Value or Net       |                     |     |                     |
|      |                              |                       |                             | Carrying Percentage Asset |                     |     |                     |
| Held | Company                      | Marketable Securities | Relationship with           | Shares/Units              | Value               | of  | Value               |
| Name | Type and Name                | the Company           | Financial Statement Account | (in Thousands)            | (US\$ in Thousands) | (%) | (US\$ in Thousands) |
|      | Keycorp Mtn Book Entry       |                       |                             |                           | US\$3,081           | N/A | US\$3,081           |
|      | Lehman Brothers Hldgs Inc.   |                       |                             |                           | US\$2,005           | N/A | US\$2,005           |
|      | Lehman Brothers Hldgs Inc.   |                       |                             |                           | US\$ 948            | N/A | US\$ 948            |
|      | Lehman Brothers Hldgs Inc.   |                       |                             |                           | US\$ 631            | N/A | US\$ 631            |
|      | Massmutual Global Fdg II Mtn |                       |                             |                           | US\$3,851           | N/A | US\$3,851           |
|      | Metropolitan Life Global Mtn |                       |                             |                           | US\$3,399           | N/A | US\$3,399           |
|      | Mgic Invt Corp.              |                       |                             |                           | US\$ 932            | N/A | US\$ 932            |
|      | Mizuho Fin (Cayman)          |                       |                             |                           | US\$2,103           | N/A | US\$2,103           |
|      | Monumental Global Fdg II     |                       |                             |                           | US\$1,517           | N/A | US\$1,517           |
|      | Monunmetal Global Fdg II     |                       |                             |                           | US\$2,029           | N/A | US\$2,029           |
|      | Mony Group Inc.              |                       |                             |                           | US\$2,179           | N/A | US\$2,179           |
|      | Morgan Stanley               |                       |                             |                           | US\$1,579           | N/A | US\$1,579           |

(Continued)

|         |  |                   | March 31, 2008                      |                     |                     |                     |
|---------|--|-------------------|-------------------------------------|---------------------|---------------------|---------------------|
|         |  |                   |                                     |                     | Market Value or Net |                     |
| Held    |  |                   |                                     | Carrying            | Percentage          | Asset               |
| Company | Marketable Securities                    | Relationship with | Financial Statement Account         | Shares/Units        | Value               | of Value            |
| Name    | Type and Name                            | the Company       |                                     | (in US\$ Thousands) | (in US\$ Thousands) | (US\$ in Thousands) |
|         |  |                   |                                     | Thousands           | Thousands           | Note                |
|         | Morgan Stanley                           |                   | Available-for-sale financial assets | US\$3,382           | N/A                 | US\$3,382           |
|         | National City Corp.                      |                   |                                     | US\$3,500           | N/A                 | US\$3,500           |
|         | Nationwide Life Global Fdg I             |                   |                                     | US\$3,690           | N/A                 | US\$3,690           |
|         | Oracle Corp./Ozark Hldg Inc.             |                   |                                     | US\$2,053           | N/A                 | US\$2,053           |
|         | Premark Intl Inc.                        |                   |                                     | US\$2,694           | N/A                 | US\$2,694           |
|         | Pricoa Global Fdg I Mtn                  |                   |                                     | US\$3,512           | N/A                 | US\$3,512           |
|         | Principal Finl Group Australia           |                   |                                     | US\$1,009           | N/A                 | US\$1,009           |
|         | Protective Life Secd Trs Mtn             |                   |                                     | US\$3,510           | N/A                 | US\$3,510           |
|         | Sbc Communications Inc.                  |                   |                                     | US\$3,417           | N/A                 | US\$3,417           |
|         | Sbc Communications Inc.                  |                   |                                     | US\$ 720            | N/A                 | US\$ 720            |
|         | Simon Pty Group L P                      |                   |                                     | US\$2,484           | N/A                 | US\$2,484           |
|         | Simon Pty Group Lp                       |                   |                                     | US\$ 991            | N/A                 | US\$ 991            |
|         | Sp Powerassests Ltd. Global              |                   |                                     | US\$1,003           | N/A                 | US\$1,003           |
|         | Suntrust Bk Atlanta Ga Medium            |                   |                                     | US\$3,504           | N/A                 | US\$3,504           |
|         | Unitedhealth Group Inc.                  |                   |                                     | US\$1,420           | N/A                 | US\$1,420           |
|         | Wachovia Corp. New                       |                   |                                     | US\$3,207           | N/A                 | US\$3,207           |
|         | Washington Post Co.                      |                   |                                     | US\$3,051           | N/A                 | US\$3,051           |
|         | Wells Fargo + Co. New Med Trm            |                   |                                     | US\$4,503           | N/A                 | US\$4,503           |
|         | Corporate issued asset-backed securities |                   |                                     |                     |                     |                     |
|         | Atlantic City Elc Trns Fdgllc            |                   | Available-for-sale financial assets | US\$ 96             | N/A                 | US\$ 96             |
|         | Banc Amer Coml Mtg Inc.                  |                   |                                     | US\$5,592           | N/A                 | US\$5,592           |
|         | Banc Amer Fdg 2006 I Tr                  |                   |                                     | US\$3,656           | N/A                 | US\$3,656           |



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|                                    |           |     |           |
|------------------------------------|-----------|-----|-----------|
| Bear Stearns                       |           |     |           |
| Adjustable Rate                    | US\$ 91   | N/A | US\$ 91   |
| Bear Stearns Arm Tr                | US\$2,972 | N/A | US\$2,972 |
| Bear Stearns Arm Tr                | US\$1,831 | N/A | US\$1,831 |
| Bear Stearns Arm Tr                | US\$ 234  | N/A | US\$ 234  |
| Bear Stearns Coml Mtg<br>Secs Inc. | US\$2,164 | N/A | US\$2,164 |
| Bear Stearns Coml Mtg<br>Secs Inc. | US\$4,948 | N/A | US\$4,948 |
| Capital One Multi<br>Asset Exec    | US\$9,155 | N/A | US\$9,155 |
| Capital One Multi<br>Asset Execut  | US\$4,000 | N/A | US\$4,000 |
| Capital One Multi<br>Asset Execut  | US\$3,008 | N/A | US\$3,008 |
| Capital One Prime<br>Auto Receive  | US\$3,542 | N/A | US\$3,542 |
| Capital One Prime<br>Auto Receiv   | US\$ 65   | N/A | US\$ 65   |
| Cbass Tr                           | US\$1,358 | N/A | US\$1,358 |
| Chase Mtg Fin Tr                   | US\$ 869  | N/A | US\$ 869  |
| Chase Mtg Fin Tr                   | US\$1,687 | N/A | US\$1,687 |
| Chase Mtg Fin Tr                   | US\$2,523 | N/A | US\$2,523 |
| Chase Mtge Finance<br>Corp.        | US\$1,567 | N/A | US\$1,567 |
| Cit Equip Coll Tr                  | US\$4,071 | N/A | US\$4,071 |
| Citicorp Mtg Secs                  | US\$ 231  | N/A | US\$ 231  |
| Credit Suisse First<br>Boston Mtg  | US\$1,322 | N/A | US\$1,322 |

|         |                                |                   |                             | March 31, 2008            |                     |              |                     |      |
|---------|--------------------------------|-------------------|-----------------------------|---------------------------|---------------------|--------------|---------------------|------|
|         |                                |                   |                             | Market Value or Net       |                     |              |                     |      |
|         |                                |                   |                             | Carrying Percentage Asset |                     |              |                     |      |
| Held    | Marketable Securities          | Relationship with | Financial Statement Account | Shares/Units              | Value               | of Ownership | Value               |      |
| Company | Type and Name                  | the Company       |                             | (in Thousands)            | (US\$ in Thousands) | (%)          | (US\$ in Thousands) | Note |
| Name    |                                |                   |                             |                           |                     |              |                     |      |
|         | Credit Suisse First Boston Mtg |                   |                             |                           | US\$5,051           | N/A          | US\$5,051           |      |
|         | Credit Suisse First Boston Mtg |                   |                             |                           | US\$5,895           | N/A          | US\$5,895           |      |
|         | Daimlerchrysler Auto Tr        |                   |                             |                           | US\$4,393           | N/A          | US\$4,393           |      |
|         | Daimlerchrysler Auto Tr        |                   |                             |                           | US\$1,709           | N/A          | US\$1,709           |      |
|         | Deere John Owner Tr            |                   |                             |                           | US\$2,519           | N/A          | US\$2,519           |      |
|         | First Franklin Mtg Ln Tr       |                   |                             |                           | US\$1,406           | N/A          | US\$1,406           |      |
|         | First Horizon                  |                   |                             |                           | US\$ 43             | N/A          | US\$ 43             |      |
|         | First Un Natl Bk Coml Mtg Tr   |                   |                             |                           | US\$2,498           | N/A          | US\$2,498           |      |
|         | First Un Natl Bk Coml Mtg Tr   |                   |                             |                           | US\$5,097           | N/A          | US\$5,097           |      |
|         | First Un Natl Bk Coml Mtg Tr   |                   |                             |                           | US\$2,159           | N/A          | US\$2,159           |      |
|         | Ford Cr Auto Owner Tr          |                   |                             |                           | US\$2,512           | N/A          | US\$2,512           |      |
|         | Gs Mtg Secs Corp.              |                   |                             |                           | US\$1,481           | N/A          | US\$1,481           |      |
|         | Home Equity Mortgage Trust     |                   |                             |                           | US\$1,798           | N/A          | US\$1,798           |      |

(Continued)

|         |                                    |  | March 31, 2008 |            |            |             |            |      |
|---------|------------------------------------|--|----------------|------------|------------|-------------|------------|------|
| Held    |                                    |  | Carrying       |            | Percentage |             | Market     |      |
| Company | Marketable Securities              | Relationship with                      | Shares/Units   | Value      | of         | Asset Value |            |      |
| Name    | Type and Name                      | the Company                            | (in            | (US\$ in   | Ownership  | (US\$ in    | Value      | Net  |
|         |                                    |  | Thousands)     | Thousands) | (%)        | Thousands)  | Thousands) | Note |
|         |                                    | Financial Statement Account            |                |            |            |             |            |      |
|         | Home Equity Mtg Tr<br>2006 4       | Available-for-sale financial<br>assets | US\$           | 810        | N/A        | US\$        | 810        |      |
|         | Hyundai Auto<br>Receivables Tr     |  | US\$           | 1,221      | N/A        | US\$        | 1,221      |      |
|         | JP Morgan Mtg Tr                   |  | US\$           | 857        | N/A        | US\$        | 857        |      |
|         | JP Morgan Mtg Tr                   |  | US\$           | 886        | N/A        | US\$        | 886        |      |
|         | JP Morgan Mtg Tr                   |  | US\$           | 834        | N/A        | US\$        | 834        |      |
|         | Lb Ubs Coml Mtg Tr                 |  | US\$           | 3,821      | N/A        | US\$        | 3,821      |      |
|         | Nomura Asset Accep<br>Corp.        |  | US\$           | 1,656      | N/A        | US\$        | 1,656      |      |
|         | Residential Asset Mtg<br>Prods     |  | US\$           | 2,129      | N/A        | US\$        | 2,129      |      |
|         | Residential Fdg Mtg<br>Secs I Inc. |  | US\$           | 1,477      | N/A        | US\$        | 1,477      |      |
|         | Residential Fdg Mtg<br>Secs I Inc. |  | US\$           | 3,294      | N/A        | US\$        | 3,294      |      |
|         | Sequoia Mtg Tr                     |  | US\$           | 230        | N/A        | US\$        | 230        |      |
|         | Sequoia Mtg Tr                     |  | US\$           | 310        | N/A        | US\$        | 310        |      |
|         | Sequoia Mtg Tr                     |  | US\$           | 425        | N/A        | US\$        | 425        |      |
|         | Terwin Mtg Tr                      |  | US\$           | 1,454      | N/A        | US\$        | 1,454      |      |
|         | Tiaa Seasoned Coml<br>Mtg Tr       |  | US\$           | 3,912      | N/A        | US\$        | 3,912      |      |
|         | Usaa Auto Owner Tr                 |  | US\$           | 5,059      | N/A        | US\$        | 5,059      |      |
|         | Wamu Mtg                           |  | US\$           | 3,154      | N/A        | US\$        | 3,154      |      |
|         | Wamu Mtg Pass<br>Through Ctfs      |  | US\$           | 162        | N/A        | US\$        | 162        |      |
|         | Wamu Mtg Pass<br>Through Ctfs      |  | US\$           | 2,295      | N/A        | US\$        | 2,295      |      |
|         | Washington Mut Mtg<br>Secs Corp.   |  | US\$           | 2,203      | N/A        | US\$        | 2,203      |      |
|         | Wells Fargo Finl Auto<br>Owner Tr  |  | US\$           | 5,015      | N/A        | US\$        | 5,015      |      |
|         | Wells Fargo Mtg<br>Backed Secs     |  | US\$           | 3,698      | N/A        | US\$        | 3,698      |      |
|         | Wells Fargo Mtg<br>Backed Secs     |  | US\$           | 3,790      | N/A        | US\$        | 3,790      |      |
|         | Wells Fargo Mtg<br>Backed Secs     |  | US\$           | 3,701      | N/A        | US\$        | 3,701      |      |
|         |                                    |  | US\$           | 2,887      | N/A        | US\$        | 2,887      |      |

|                             |  |  |            |                |
|-----------------------------|--|--|------------|----------------|
| Wells Fargo Mtg Bkd<br>Secs |  |  |            |                |
| Wells Fargo Mtg Bkd<br>Secs |  |  | US\$ 1,394 | N/A US\$ 1,394 |
| Whole Auto Ln Tr            |  |  | US\$ 1,272 | N/A US\$ 1,272 |
| Government bonds            |  |  |            |                |
| United States Treas Nts     | Available-for-sale financial<br>assets |  | US\$ 6,082 | N/A US\$ 6,082 |
| United States Treas Nts     |  |  | US\$48,271 | N/A US\$48,271 |
| United States Treas Nts     |  |  | US\$ 5,225 | N/A US\$ 5,225 |
| United States Treas Nts     |  |  | US\$ 3,955 | N/A US\$ 3,955 |
| United States Treas Nts     |  |  | US\$ 5,757 | N/A US\$ 5,757 |
| United States Treas Nts     |  |  | US\$ 4,234 | N/A US\$ 4,234 |
| United States Treas Nts     |  |  | US\$11,159 | N/A US\$11,159 |
| United States Treas Nts     |  |  | US\$ 5,330 | N/A US\$ 5,330 |
| United States Treas Nts     |  |  | US\$10,715 | N/A US\$10,715 |
| United States Treas Nts     |  |  | US\$ 3,453 | N/A US\$ 3,453 |
| United States Treas Nts     |  |  | US\$12,288 | N/A US\$12,288 |

(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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Type                                | Financial Statement Account  | Nature of Relationship | Beginning Balance          |                                      | Acquisition                |                             | Disposal (Note 2)          |                                    |
|-------------------------------------|--|------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|
|                                     |  |                        | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) |
| Available-for-sale financial assets | National Investment Trust Co., Ltd.                                |                        | 12,239                     | \$2,045,935                          | \$                         | 1,790                       | \$ 300,000                 | \$ 291,013                         |
|                                     | National Investment Trust Co., Ltd.                                |                        | 103,016                    | 1,474,856                            |                            | 13,938                      | 200,000                    | 195,162                            |
|                                     | Prudential Financial Securities Investment Trust Enterprise        |                        | 83,306                     | 1,236,728                            |                            | 13,442                      | 200,000                    | 194,349                            |
|                                     | AIG Global Asset management Corporation (Taiwan) Ltd.              |                        | 54,469                     | 705,033                              |                            | 15,441                      | 200,000                    | 198,439                            |
| Available-for-sale financial assets | Chung Shing Bills Finance Corp. and several financial institutions |                        |                            | 2,349,163                            |                            |                             | 2,350,000                  | 2,350,000                          |
|                                     |  |                        |                            | 1,197,121                            |                            |                             | 1,203,435                  | 1,201,661                          |
|                                     |  |                        |                            | 200,065                              |                            |                             | 201,301                    | 200,841                            |
| Held-to-maturity financial assets   |  |                        | 1,647,947                  |                                      |                            | 1,648,000                   | 1,648,000                  |                                    |

|   |            |              |              |              |              |
|---|------------|--------------|--------------|--------------|--------------|
| Investee<br>accounted for<br>using<br>equity method | Subsidiary | 906,536      | 204,884      |              |              |
| Available-for-sale<br>financial assets              |            | US\$ 592,180 | US\$ 198,872 | US\$ 331,893 | US\$ 331,893 |
| Available-for-sale<br>financial assets              |            |              | US\$ 4,352   |              |              |
|   |            | US\$ 8,977   |              | US\$ 9,002   | US\$ 8,716   |
|   |            | US\$ 8,939   |              | US\$ 9,003   | US\$ 8,735   |
|   |            | US\$ 4,965   |              | US\$ 5,003   | US\$ 4,851   |
|   |            | US\$ 4,980   |              | US\$ 4,999   | US\$ 4,882   |
|   |            |              | US\$ 12,464  |              |              |
|   |            |              | US\$ 5,186   |              |              |
|   |            |              | US\$ 7,572   |              |              |
|   |            | US\$ 22,342  |              | US\$ 5,018   | US\$ 4,919   |
|   |            | US\$ 21,500  |              | US\$ 4,111   | US\$ 4,068   |
|   |            |              | US\$ 10,291  |              |              |
|   |            |              | US\$ 4,151   |              |              |
|   |            | US\$ 2,982   |              | US\$ 3,006   | US\$ 2,909   |
|   |            | US\$ 3,171   |              | US\$ 3,201   | US\$ 3,090   |

(Continued)

| Marketable Securities Type and Name | Financial Statement Account         | Counter-party | Beginning Balance<br>Amount<br>(US\$ in thousands)<br>Shares/Units<br>(in thousands) | Acquisition<br>Amount<br>(US\$ in thousands)<br>Shares/Units<br>(in thousands) | Disposal (Note 2)<br>Amount<br>(US\$ in thousands) | Carrying Value<br>(US\$ in thousands) | Gain (Loss) or Disposal<br>(US\$ in thousands) |
|-------------------------------------|-------------------------------------|---------------|--|--|--|---------------------------------------|--|
|                                     |                                     |               |  |  |  |                                       |  |
| Corporate bonds                     |                                     |               |  |  |  |                                       |  |
| Acs Bank                            | Available-for-sale financial assets |               | US\$20,402   | US\$ -<br>US\$10,576   | US\$ 3,074   | US\$ 2,998                            | US\$ 70  |
| Government bonds                    |                                     |               |  |  |  |                                       |  |
| States Treas Nts                    | Available-for-sale financial assets |               |  | US\$17,813   | US\$11,827   | US\$11,803                            | US\$ 24  |
| States Treas Nts                    |                                     |               | US\$25,924   |  | US\$26,091   | US\$25,941                            | US\$150  |
| States Treas Nts                    |                                     |               |  | US\$33,779   | US\$34,000   | US\$33,779                            | US\$221  |
| States Treas Nts                    |                                     |               |  | US\$ 3,958   |  |                                       |  |
| States Treas Nts                    |                                     |               | US\$42,509   |  | US\$42,867   | US\$41,870                            | US\$997  |
| States Treas Nts                    |                                     |               |  | US\$ 4,200   |  |                                       |  |
| States Treas Nts                    |                                     |               |  | US\$11,167   |  |                                       |  |
| States Treas Nts                    |                                     |               |  | US\$10,525   |  |                                       |  |
| States Treas Nts                    |                                     |               | US\$ 7,758   |  | US\$ 7,855   | US\$ 7,743                            | US\$112  |
| States Treas Nts                    |                                     |               | US\$ 9,735   |  | US\$ 9,757   | US\$ 9,479                            | US\$278  |
| States Treas Nts                    |                                     |               |  | US\$12,259   |  |                                       |  |
| States Treas Nts                    |                                     |               |  | US\$60,564   | US\$12,309   | US\$12,294                            | US\$ 15  |
| Asury Sec                           |                                     |               | US\$ 6,500   |  | US\$ 6,594   | US\$ 6,407                            | US\$187  |

(Concluded)

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

Note 2: The data for marketable securities disposed exclude bonds maturities.

Note 3: The ending balance includes the amortization of premium/discount

on bonds  
investments,  
unrealized  
valuation gains/  
losses on financial  
assets or equity in  
earnings of equity  
method investees.

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**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 THREE MONTHS ENDED MARCH 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 to January 19, 2008 | \$4,045,220        | By the construction progress | Tasa Construction Corporation, Fu Tsu Construction, and China Steel Structure Co., Ltd. |                         | N/A                     | N/A                                 | N/A           | N/A    | Public bidding  |

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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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

| e Related Party    | Nature of Relationships                             | Purchases/<br>Sales | Transaction Details |         |  | Abnormal Transaction |                         | Notes/<br>Paya<br>Rece<br>Endin<br>Balanc |
|--------------------|---|---------------------|---------------------|---------|--|----------------------|-------------------------|---|
|                    |   |                     | Amount              | %<br>to | Total Payment Terms  | Unit Price<br>(Note) | Payment Terms<br>(Note) |   |
| TSMC North America | Subsidiary  | Sales               | \$54,293,942        | 63      | Net 30 days after invoice date                                   |                      |                         | \$24,508                                  |
| GUC                | Investee with a controlling financial interest      | Sales               | 289,452             |         | Net 30 days after monthly closing                                |                      |                         | 178                                       |
| WaferTech          | Indirect subsidiary                                 | Purchases           | 2,378,352           | 21      | Net 30 days after monthly closing                                |                      |                         | (602)                                     |
| SSMC               | Investee accounted for using equity method          | Purchases           | 1,358,468           | 12      | Net 30 days after monthly closing                                |                      |                         | (465)                                     |
| TSMC Shanghai      | Subsidiary  | Purchases           | 1,220,202           | 11      | Net 30 days after monthly closing                                |                      |                         | (304)                                     |
| VIS                | Investee accounted for using equity method          | Purchases           | 793,272             | 7       | Net 30 days after monthly closing                                |                      |                         | (476)                                     |
| TSMC North America | Same parent company                                 | Purchases           | 537,761             | 50      | Net 30 days after invoice date/net 45 days after monthly closing |                      |                         | (261)                                     |
| OmniVision         | Parent company of director (represented for XinTec) | Sales               | 540,745             | 79      | Net 30 days after shipping                                       |                      |                         | 183                                       |

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

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

| Company Name | Related Party      | Nature of Relationships                             | Ending Balance | Turnover      | Overdue | Amounts                                 | Action Taken | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|--------------|--------------------|---|----------------|---------------|---------|---|--------------|---------------------------------------|-------------------------|
|              |                    |   |                | Days (Note 1) |         |   |              |                                       |                         |
| e Company    | TSMC North America | Subsidiary  | \$24,553,018   | 43            |         | \$8,153,441                             |              | \$10,557,710                          | \$                      |
|              | TSMC Shanghai      | Subsidiary  | 1,942,566      | (Note 2)      |         |   |              |                                       |                         |
|              | GUC                | Investee with a controlling financial interest      | 178,766        | 40            |         |   |              |                                       |                         |
|              | VIS                | Investee accounted for using equity method          | 108,629        | (Note 2)      | 19,954  | Accelerate demand on account receivable | 12,081       |                                       |                         |
| nTec         | OmniVision         | Parent company of director (represented for XinTec) | 183,301        | 52            | 74,615  |   |              | 111,710                               |                         |

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

| Location                        | Main Businesses and Products   | Original Investment Amount |                   | Balance as of March 31, 2008        |                         |                         | Net Income (Losses) of the Investee |
|---------------------------------|--|----------------------------|-------------------|-------------------------------------|-------------------------|-------------------------|-------------------------------------|
|                                 |  | March 31, 2008             | December 31, 2007 | Shareholders' Equity (in thousands) | Percentage of Ownership | Carrying Value (Note 1) |                                     |
| Tortola, British Virgin Islands | Investment activities  | \$42,327,245               | \$42,327,245      | 1                                   | 100                     | \$41,971,625            | \$ 568                              |
| Tortola, British Virgin Islands | Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry    | 31,445,780                 | 31,445,780        | 987,968                             | 100                     | 27,063,207              | 1,459                               |
| Hsin-Chu, Taiwan                | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 13,047,681                 | 13,047,681        | 616,240                             | 36                      | 11,183,477              | 766                                 |
| Singapore                       | Fabrication and supply of integrated circuits  | 8,840,895                  | 8,840,895         | 463                                 | 39                      | 8,352,727               | 1,096                               |
| Shanghai, China                 | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | 12,180,367                 | 12,180,367        |                                     | 100                     | 7,895,259               | (571)                               |
| Tortola, British Virgin Islands | Investment activities  | 10,350                     | 10,350            | 300                                 | 100                     | 3,528,732               | (1,068)                             |
| San Jose, California, U.S.A.    | Sales and marketing of integrated circuits and semiconductor devices   | 333,718                    | 333,718           | 11,000                              | 100                     | 2,184,900               | 73                                  |
| Taoyuan, Taiwan                 | Wafer level chip size packaging service  | 1,357,890                  | 1,357,890         | 91,703                              | 43                      | 1,483,429               | (27)                                |
| Cayman Islands                  | Investing in new start-up technology companies   | 1,095,622                  | 1,095,622         |                                     | 98                      | 1,039,699               | (61)                                |
| Cayman Islands                  | Investing in new start-up technology companies   | 1,178,343                  | 973,459           |                                     | 98                      | 1,037,387               | (11)                                |
| Hsin-Chu, Taiwan                | Researching, developing, manufacturing, testing and  | 386,568                    | 386,568           | 42,572                              | 37                      | 891,488                 | 187                                 |

|                            |  |         |           |     |         |    |
|----------------------------|--|---------|-----------|-----|---------|----|
|                            | marketing of integrated circuits               |         |           |     |         |    |
| Cayman Islands             | Investing in new start-up technology companies | 976,449 | 1,019,042 | 99  | 390,518 | (6 |
| Taipei, Taiwan             | Investment activities                          | 300,000 | 300,000   | 36  | 175,689 | 2  |
| Taipei, Taiwan             | Investment activities                          | 300,000 | 300,000   | 36  | 173,084 | 2  |
| Yokohama, Japan            | Marketing activities                           | 83,760  | 83,760    | 6   | 112,111 | 7  |
| Amsterdam, the Netherlands | Marketing activities                           | 15,749  | 15,749    | 100 | 97,152  | 7  |
| Seoul, Korea               | Marketing activities                           | 13,656  | 13,656    | 80  | 15,533  | 1  |

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

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

**TABLE 7**

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

| Investee   | Main Businesses and Products   | Total Amount of Paid-in Capital (RMB in Thousand) | Method of Investment  | Accumulated                       | Accumulated                       | Equity in the Earnings (Losses) | Accumulated Carrying Inward Value as of March 31, 2008 | Remittance of Earnings as of March 31, 2008 |
|--|--|---|---|-----------------------------------|-----------------------------------|---------------------------------|--|---|
|  |  |   |   | Outflow of Investment from Taiwan | Outflow of Investment from Taiwan |                                 |  |   |
| Company  |  |   |   | as of January 1, 2007 (US\$)      | as of March 31, 2008 (US\$)       | Percentage of                   |  |   |
| 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)                       | Investment  | \$12,180,367 (US\$371,000)        | \$12,180,367 (US\$371,000)        | 100%                            | \$ (529,639)   | \$ 7,895,259                                |
| <b>Accumulated Investment in Mainland China as of March 31, 2008</b> |  | <b>(US\$ in Thousand)</b>                         | <b>Investment Amounts Authorized by Investment Commission, MOEA</b> |                                   | <b>Upper Limit on Investment</b>  |                                 |  |   |
|  |  | \$12,180,367                                      |   |                                   |                                   |                                 |  |   |
|  |  | (US\$371,000)                                     |   |                                   |                                   |                                 |  |   |

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

Note 2: Amount was recognized based on the reviewed financial

statements.

**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 three months ended March 31, 2008

| No. | Company Name | Counter Party      | Nature of Relationship (Note 1) | Intercompany Transactions              |              | Percentage of Consolidated Total Gross Sales |
|-----|--------------|--------------------|---------------------------------|--|--------------|--|
|     |              |                    |                                 | Financial Statements Item              | Amount       |  |
|     |              |                    |                                 | Sales                                  | \$54,293,942 | 61%  |
|     |              |                    |                                 | Receivables from related parties       | 24,508,626   | 4%   |
|     |              | TSMC North America | 1                               | Other receivables from related parties | 44,392       |  |
|     |              |                    |                                 | Payables to related parties            | 7,147        |  |
|     |              |                    |                                 | Sales                                  | 26,474       |  |
|     |              |                    |                                 | Purchases                              | 1,220,202    | 1%   |
|     |              |                    |                                 | Technical service income               | 88,760       |  |
|     |              | TSMC Shanghai      | 1                               | Other receivables from related parties | 1,942,566    |  |
|     |              |                    |                                 | Payables to related parties            | 304,048      |  |
|     |              |                    |                                 | Deferred credits                       | 457,290      |  |
|     |              |                    |                                 | Marketing expenses                     | 45,186       |  |
|     |              | TSMC Japan         | 1                               | commission                             |              |  |
|     |              |                    |                                 | Payables to related parties            | 16,028       |  |
|     |              |                    |                                 | Marketing expenses                     | 76,949       |  |
|     |              | TSMC Europe        | 1                               | commission                             |              |  |
|     |              |                    |                                 | Payables to related parties            | 47,494       |  |
|     |              | TSMC Korea         | 1                               | Marketing expenses                     | 5,198        |  |
|     |              |                    |                                 | commission                             |              |  |
|     |              | GUC                | 1                               | Sales                                  | 289,453      |  |
|     |              |                    |                                 | Receivables from related parties       | 178,786      |  |
|     |              |                    |                                 | Payables to related parties            | 59,499       |  |
|     |              | TSMC Technology    | 1                               | Research and development expenses      | 89,660       |  |
|     |              |                    |                                 | Sales                                  | 2,524        |  |
|     |              |                    |                                 | Purchases                              | 2,378,252    | 3%   |
|     |              | WaferTech          | 1                               | Other receivables from related parties | 14,923       |  |
|     |              |                    |                                 | Payables to related parties            | 602,332      |  |
|     |              |                    |                                 | Purchases                              | 573,761      |  |
|     |              | TSMC North America | 3                               | Manufacturing expenses                 | 106,325      |  |



|           |   |                             |         |
|-----------|---|-----------------------------|---------|
|           |   | Operating expenses          | 1,458   |
|           |   | Payables to related parties | 261,678 |
| GUC-NA    | 3 | Operating expenses          | 17,959  |
|           |   | Accrued Expenses            | 2,772   |
| GUC-Japan | 3 | Operating expenses          | 5,499   |
|           |   | Other prepaid expenses      | 2,328   |

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

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

(Continued)

B. For the three months ended March 31, 2007

|            |                     | <b>Intercompany Transactions</b> |  |  | <b>Percentage<br/>of<br/>Consolidated<br/>Total<br/>Gross<br/>Sales</b> |   |
|------------|---------------------|----------------------------------|--|--|---|---|
| <b>No.</b> | <b>Company Name</b> | <b>Counter Party</b>             | <b>Nature<br/>of<br/>Relationship<br/>(Note<br/>1)</b> | <b>Financial Statements Item</b>         | <b>Amount</b>   | <b>Terms or<br/>(Note 2)<br/>Total<br/>Assets</b> |
|            |                     |                                  |  | Sales                                    | \$39,207,204  | 60%   |
|            |                     |                                  |  | Receivables from related parties         | 18,993,076  | 3%  |
|            |                     | TSMC North America               | 1  | Other receivables from related parties   | 51,251  |   |
|            |                     |                                  |  | Payables to related parties              | 20,791  |   |
|            |                     |                                  |  | Sales                                    | 8,059   |   |
|            |                     |                                  |  | Purchases                                | 1,233,506   | 2%  |
|            |                     |                                  |  | Technical service income                 | 76,455  |   |
|            |                     | TSMC Shanghai                    | 1  | Other receivables from related parties   | 144,605   |   |
|            |                     |                                  |  | Payables to related parties              | 512,066   |   |
|            |                     |                                  |  | Deferred credits                         | 670,387   |   |
|            |                     |                                  |  | Marketing expenses                       | 45,512  |   |
|            |                     | TSMC Japan                       | 1  | commission                               |   |   |
|            |                     |                                  |  | Payables to related parties              | 15,562  |   |
|            |                     |                                  |  | Marketing expenses                       | 53,775  |   |
| 0          | TSMC                | TSMC Europe                      | 1  | commission                               |   |   |
|            |                     |                                  |  | Payables to related parties              | 21,547  |   |
|            |                     | TSMC Korea                       | 1  | Marketing expenses                       | 4,197   |   |
|            |                     |                                  |  | commission                               |   |   |
|            |                     |                                  |  | Sales                                    | 187,537   |   |
|            |                     |                                  |  | General and administrative expenses -    | 3,473   |   |
|            |                     | GUC                              | 1  | rental Research and development expenses | 6,456   |   |
|            |                     |                                  |  | Receivables from related parties         | 161,679   |   |
|            |                     |                                  |  | Other receivables from related parties   | 5,188   |   |
|            |                     | TSMC Technology                  | 1  | Payables to related parties              | 44,721  |   |
|            |                     |                                  |  | Research and development expenses        | 17,346  |   |
|            |                     |                                  |  | Purchases                                | 2,359,717   | 4%  |
|            |                     | WaferTech                        | 1  | Payables to related parties              | 627,230   |   |
| 1          | TSMC International  | TSMC Technology                  | 3  | Deferred royalty income                  | 653,415   |   |
| 2          | TSMC Partners       | TSMC International               | 3  | Other receivables                        | 10,098,702  | 2%  |

|   |     |                    |                  |                             |         |
|---|-----|--------------------|------------------|-----------------------------|---------|
|   |     |                    | Deferred revenue | 8,948,150                   | 1%      |
|   |     |                    | Purchases        | 309,890                     |         |
| 3 | GUC | TSMC North America | 3                | Manufacturing expenses      | 77,642  |
|   |     |                    |                  | Payables to related parties | 292,345 |
|   |     | GUC-NA             | 3                | Operating expenses          | 11,829  |

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

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

(Concluded)

**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: April 29, 2008

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