

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

March 31, 2008

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1934 Act Registration No. 1-14700  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549  
**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the month of March 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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**SIGNATURES**

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**SIGNATURES**

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

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: March 18, 2008

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

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**Taiwan Semiconductor Manufacturing  
Company Limited  
Financial Statements for the  
Years Ended December 31, 2007 and 2006 and  
Independent Auditors Report**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2007 and 2006, and have expressed an unqualified opinion on the consolidated financial statements. January 10, 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 jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

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

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**Table of Contents****Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars, Except Par Value)**

	2007		2006	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 72,422,102	13	\$ 100,139,709	17
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	42,083		44,601	
Available-for-sale financial assets (Notes 2, 3 and 6)	22,267,223	4	25,967,061	5
Held-to-maturity financial assets (Notes 2 and 7)	11,526,946	2	8,510,823	2
Receivables from related parties (Note 24)	26,701,648	5	16,869,509	3
Notes and accounts receivable	17,911,328	3	16,278,164	3
Allowance for doubtful receivables (Notes 2 and 8)	(688,972)		(690,931)	
Allowance for sales returns and others (Notes 2 and 8)	(3,856,685)		(2,751,065)	
Other receivables from related parties (Note 24)	525,308		449,266	
Other financial assets	331,698		653,460	
Inventories, net (Notes 2 and 9)	20,987,142	4	19,152,214	3
Deferred income tax assets (Notes 2 and 17)	5,268,000	1	7,832,000	1
Prepaid expenses and other current assets	861,465		1,221,199	
 Total current assets	 174,299,286	 32	 193,676,010	 34
 <b>LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 10 and 11)</b>				
Investments accounted for using equity method	113,048,081	21	101,044,356	18
Available-for-sale financial assets	1,397,186		6,647,511	1
Held-to-maturity financial assets	8,697,726	2	28,973,495	5
Financial assets carried at cost	748,160		712,843	
 Total long-term investments	 123,891,153	 23	 137,378,205	 24
 <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
<b>Cost</b>				
Buildings	101,907,892	18	96,961,851	17
Machinery and equipment	589,131,625	107	527,850,728	92
Office equipment	9,167,107	2	8,659,225	2



	700,206,624	127	633,471,804	111
Accumulated depreciation	(486,725,019)	(88)	(417,467,250)	(73)
Advance payments and construction in progress	21,082,953	4	12,230,805	2
Net property, plant and equipment	234,564,558	43	228,235,359	40
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	7,172,413	1	5,593,068	1
Total intangible assets	8,740,169	1	7,160,824	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 17)	7,241,933	1	5,761,127	1
Refundable deposits	2,741,538		1,306,234	
Others (Note 2)	293,986		67,145	
Total other assets	10,277,457	1	7,134,506	1
<b>TOTAL</b>	<b>\$ 551,772,623</b>	<b>100</b>	<b>\$ 573,584,904</b>	<b>100</b>

## **LIABILITIES AND SHAREHOLDERS EQUITY**

### **CURRENT LIABILITIES**

Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 247,646		\$ 10,751	
Accounts payable	9,485,818	2	6,143,679	1
Payables to related parties (Note 24)	2,999,630		3,326,916	1
Income tax payable (Notes 2 and 17)	10,977,963	2	7,850,418	1
Accrued expenses and other current liabilities (Note 15)	14,700,013	3	7,903,867	1
Payables to contractors and equipment suppliers	5,389,740	1	10,669,523	2
Current portion of bonds payable (Note 14)			7,000,000	1
Total current liabilities	43,800,810	8	42,905,154	7

### **LONG-TERM LIABILITIES**

Bonds payable (Note 14)	12,500,000	3	12,500,000	2
Other long-term payables (Note 15)	1,501,462		1,271,896	
Other payables to related parties (Notes 24 and 26)			403,375	

Total long-term liabilities	14,001,462	3	14,175,271	2
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 16)	3,657,679	1	3,530,116	1
Guarantee deposits (Note 26)	2,240,677		3,809,961	1
Deferred credits (Notes 2 and 24)	980,593		1,183,118	
Total other liabilities	6,878,949	1	8,523,195	2
Total liabilities	64,681,221	12	65,603,620	11
<b>CAPITAL STOCK NT\$10 PAR VALUE</b>				
Authorized: 28,050,000 thousand shares in 2007				
27,050,000 thousand shares in 2006				
Issued: 26,427,104 thousand shares in 2007				
25,829,688 thousand shares in 2006	264,271,037	48	258,296,879	45
CAPITAL SURPLUS (Notes 2 and 19)	53,732,682	10	54,107,498	10
<b>RETAINED EARNINGS (Note 19)</b>				
Appropriated as legal capital reserve	56,406,684	10	43,705,711	8
Appropriated as special capital reserve	629,550		640,742	
Unappropriated earnings	161,828,337	29	152,778,079	26
	218,864,571	39	197,124,532	34
<b>OTHERS (Notes 2, 3, 21 and 23)</b>				
Cumulative translation adjustments	(1,072,853)		(1,191,165)	
Unrealized gains on financial instruments	680,997		561,615	
Treasury stock: 834,096 thousand shares in 2007				
33,926 thousand shares in 2006	(49,385,032)	(9)	(918,075)	
	(49,776,888)	(9)	(1,547,625)	
Total shareholders' equity	487,091,402	88	507,981,284	89
<b>TOTAL</b>	<b>\$ 551,772,623</b>	<b>100</b>	<b>\$ 573,584,904</b>	<b>100</b>

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



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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 24)	\$ 319,167,299		\$ 319,210,148	
SALES RETURNS AND ALLOWANCES (Note 2)	5,519,655		5,328,513	
NET SALES	313,647,644	100	313,881,635	100
COST OF SALES (Notes 18 and 24)	176,223,224	56	164,163,235	52
GROSS PROFIT	137,424,420	44	149,718,400	48
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	265,106			
REALIZED GROSS PROFIT	137,159,314	44	149,718,400	48
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	15,913,834	5	14,601,385	5
General and administrative	7,660,776	3	7,190,422	2
Marketing	1,332,657		1,626,734	1
Total operating expenses	24,907,267	8	23,418,541	8
INCOME FROM OPERATIONS	112,252,047	36	126,299,859	40
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	5,468,230	2	5,526,727	2
Interest income (Note 2)	2,634,636	1	3,382,868	1
Settlement income (Note 26)	985,114		967,506	1
Technical service income (Notes 24 and 26)	712,162		670,297	
Rental income (Note 24)	368,748		224,281	
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24)	305,201		596,459	
Foreign exchange gain, net (Note 2)	71,128			

Valuation gain on financial instruments, net (Notes 2, 5 and 23)			33,850	
Others (Note 24)	289,479		194,739	
Total non-operating income and gains	10,834,698	3	11,596,727	4
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Provision for litigation loss (Note 26j)	1,008,635			
Interest expense	584,736		661,200	
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 23)	413,809		1,623,882	1
				(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Valuation loss on financial instruments, net (Notes 2, 5, and 23)	\$ 239,413		\$	
Loss on disposal of property, plant and equipment and other assets (Note 2)	4,814		240,985	
Foreign exchange loss, net (Note 2)			412,726	
Others	83,932		151,294	
 Total non-operating expenses and losses	 2,335,339		 3,090,087	 1
 INCOME BEFORE INCOME TAX	 120,751,406	 39	 134,806,499	 43
INCOME TAX EXPENSE (Notes 2 and 17)	(11,574,313)	(4)	(7,550,582)	(2)
 NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	 109,177,093	 35	 127,255,917	 41
 CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3)			 (246,186)	
 NET INCOME	 \$ 109,177,093	 35	 \$ 127,009,731	 41

	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	\$ 4.58	\$ 4.14	\$ 5.10	\$ 4.82
Diluted earnings per share	\$ 4.58	\$ 4.14	\$ 5.09	\$ 4.81

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):

**2007****2006**

NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 109,278,855	\$ 127,338,237
NET INCOME	\$ 109,278,855	\$ 127,092,051
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 4.14	\$ 4.81
Diluted earnings per share	\$ 4.14	\$ 4.81

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

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

Shares (in thousands)	Capital Stock Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Cumulative Translation Adjustments	Others Unrealized Gain on Financial Instruments	Treasury Stock
				Special Capital Reserve	Unappropriated Earnings				
730,025	\$ 247,300,246	\$ 57,117,886	\$ 34,348,208	\$ 2,226,427	\$ 106,196,399	\$ 142,771,034	\$ (640,742)	\$	\$ (9,357,503)
			9,357,503		(9,357,503)				
				(1,585,685)	1,585,685				
					(3,432,129)	(3,432,129)			
343,213	3,432,129				(3,432,129)	(3,432,129)			
					(61,825,061)	(61,825,061)			
370,950	3,709,504				(3,709,504)	(3,709,504)			
					(257,410)	(257,410)			
370,950	3,709,504	(3,709,504)							
		187,095			127,009,731	127,009,731			



							(550,423)		
14,550	145,496	429,701							
		82,320							
									242,248
									319,367
829,688	258,296,879	54,107,498	43,705,711	640,742	152,778,079	197,124,532	(1,191,165)	561,615	(9)
			12,700,973		(12,700,973)				
				(11,192)	11,192				
					(4,572,798)	(4,572,798)			
457,280	4,572,798				(4,572,798)	(4,572,798)			
					(77,489,064)	(77,489,064)			
51,659	516,594				(516,594)	(516,594)			
					(285,800)	(285,800)			

77,489	774,891	(774,891)							
					109,177,093	109,177,093			
		(28,639)						118,312	
10,988	109,875	326,952							
		101,762							
									24,325
									95,057
									(48,400)
427,104	\$ 264,271,037	\$ 53,732,682	\$ 56,406,684	\$ 629,550	\$ 161,828,337	\$ 218,864,571	\$ (1,072,853)	\$ 680,997	\$ (49,300)

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 109,177,093	\$ 127,009,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,820,579	66,699,455
Unrealized gross profit from affiliates	265,106	
Amortization of premium/discount of financial assets	(117,159)	2,399
Loss (gain) on disposal of available-for-sale financial assets, net	(271,094)	485
Equity in earnings of equity method investees, net	(5,468,230)	(5,526,727)
Dividends received from equity method investees	677,147	626,367
Gain on disposal of investments accounted for using equity method investees, net		(26,031)
Gain on disposal of financial assets carried at cost, net		(212)
Loss on impairment of financial assets carried at cost		36,608
Gain on disposal of property, plant and equipment and other assets, net	(300,387)	(355,474)
Deferred income tax	1,083,194	179,828
Loss on idle assets		44,072
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	239,413	1,112,776
Receivables from related parties	(9,832,139)	4,181,095
Notes and accounts receivable	(1,633,164)	4,313,654
Allowance for doubtful receivables	(1,959)	(285,413)
Allowance for sales returns and others	1,105,620	(1,518,904)
Other receivables from related parties	(76,042)	985,419
Other financial assets	321,762	(99,109)
Inventories	(1,834,928)	(2,894,259)
Prepaid expenses and other current assets	359,734	(49,426)
Increase (decrease) in:		
Accounts payable	3,342,139	(1,908,427)
Payables to related parties	(327,286)	(612,381)
Income tax payable	3,127,545	4,034,530
Accrued expenses and other current liabilities	1,259,738	157,262
Accrued pension cost	127,563	68,724
Deferred credits	72,747	(95,745)
Net cash provided by operating activities	174,116,992	196,080,297
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(9,547,253)	(98,679,832)

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Held-to-maturity financial assets		(18,554,027)
Investments accounted for using equity method	(7,358,685)	(5,515,466)
Financial assets carried at cost	(36,333)	(12,940)
Property, plant and equipment	(81,303,047)	(77,215,811)
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 18,844,520	\$ 73,212,019
Held-to-maturity financial assets	17,325,120	10,410,000
Financial assets carried at cost		71,191
Investments accounted for using equity method		37,946
Property, plant and equipment and other assets	54,509	1,277,729
Proceeds from return of capital by investees	433,551	162,354
Increase in deferred charges	(2,685,610)	(1,272,355)
Increase in refundable deposits	(1,435,304)	(1,222,592)
Increase in other asset	(232,575)	
 Net cash used in investing activities	 (65,941,107)	 (117,301,784)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bonds payable	(7,000,000)	
Increase (decrease) in guarantee deposits	(1,569,284)	917,016
Cash dividends	(77,489,064)	(61,825,061)
Cash bonus paid to employees	(4,572,798)	(3,432,129)
Bonus to directors and supervisors	(285,800)	(257,410)
Repurchase of treasury stock	(45,413,373)	
Proceeds from exercise of employee stock options	436,827	575,197
 Net cash used in financing activities	 (135,893,492)	 (64,022,387)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 (27,717,607)	 14,756,126
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 100,139,709	 85,383,583
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 \$ 72,422,102	 \$ 100,139,709
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 661,200	\$ 661,200
Income tax paid	\$ 7,330,401	\$ 3,189,528

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

Acquisition of property, plant, and equipment	\$ 76,023,264	\$ 79,026,104
Decrease (increase) in payables to contractors and equipment suppliers	5,279,783	(1,810,293)
Cash paid	\$ 81,303,047	\$ 77,215,811
Repurchase of treasury stock	\$ 48,466,957	\$
Increase in accrued expenses and other current liabilities	(3,053,584)	
Cash paid	\$ 45,413,373	\$

(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of bonds payable	\$	\$ 7,000,000
Current portion of other payables to related parties (under payables to related parties)	\$	\$ 688,591
Current portion of other long-term payable (under accrued expenses and other current liabilities)	\$ 3,673,182	\$ 617,892
Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method (Note 6)	\$	\$ 39,687,637
The accompanying notes are an integral part of the financial statements.		(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

**1. GENERAL**

Taiwan Semiconductor Manufacturing Company Limited (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated 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 December 31, 2007 and 2006, the Company had 20,555 and 20,202 employees, respectively.

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



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

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

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

**Available-for-Sale Financial Assets**

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

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

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 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**

Financial instruments 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 generally 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. Year-end inventories are evaluated for estimated excess quantities and obsolescence based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

**Investments Accounted for Using Equity Method**

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. Prior to January 1, 2006, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was amortized by the straight-line method over five years, with the amortization recorded 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 (SFAS No. 5), 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

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

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

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

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

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

### **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 (SFAS No. 25), goodwill is no longer amortized and instead is tested for impairment annually. If

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an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized over the following periods: Technology license fees – the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges – 3 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Effective January 1, 2007, the Company adopted the newly released Statement of Financial Accounting Standards No. 37, Accounting for Intangible Assets. The Company had reassessed the useful lives and the amortization method of its recognized intangible assets at the effective date. 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 intra-period and inter-period allocations for its income tax whereby (1) a portion of current year's income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

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. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.



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**Stock-based Compensation**

Employee stock option plans that are amended or have options granted on or after January 1, 2004 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.

**Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus treasury stock transactions and to retained earnings for any remaining amount. The Company's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by subsidiaries and cash dividends received by subsidiaries from the Company are recorded under capital surplus treasury stock transactions.

**Foreign-currency Transactions**

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

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

**Recent Accounting Pronouncements**

In March 2007, the Accounting Research and Development Foundation of the R.O.C. issued an interpretation that requires companies to record the bonus paid to directors, supervisors and employees as an expense rather than an appropriation of earnings. This interpretation should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. issued Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment (SFAS No. 39) in August 2007, which requires companies to record share-based payment transactions in the financial statements at fair value. SFAS No.39 should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation 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**

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Financial Instruments: Recognition and Measurement (SFAS No. 34) and No. 36, Financial Instruments: Disclosure and Presentation.



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The Company had categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effect of adopting the newly released SFASs is summarized as follows:

	<b>Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)</b>	<b>Recognized as a Separate Component of Shareholders Equity</b>
Financial assets or liabilities at fair value through profit or loss	\$ (246,186)	\$
Available-for-sale financial assets		
	\$ (246,186)	\$

The adoption of the newly released SFASs resulted in an increase in net income before cumulative effect of changes in accounting principles of NT\$280,036 thousand, an increase in net income of NT\$33,850 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.001, for the year ended December 31, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's financial statements as of and for the year ended December 31, 2006.

**4. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Cash and deposits in banks	\$ 61,832,143	\$ 68,898,115
Repurchase agreements collateralized by government bonds	10,067,843	31,241,594
Asset-backed commercial papers	522,116	
	\$ 72,422,102	\$ 100,139,709

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

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Derivatives financial assets		
Forward exchange contracts	\$ 6,516	\$
Cross currency swap contracts	35,567	44,601
	\$ 42,083	\$ 44,601
Derivatives financial liabilities		
Forward exchange contracts	\$ 183,916	\$
Cross currency swap contracts	63,730	10,751
	\$ 247,646	\$ 10,751

The Company entered into derivative contracts during the years ended December 31, 2007 and 2006 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 prescribed by SFAS No. 34. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts as of December 31, 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
December 31, 2007		
Sell US\$/buy NT\$	January 2008	US\$100,000
Sell EUR/buy NT\$	February 2008 to July 2008	EUR 48,000
Outstanding cross currency swap contracts as of December 31, 2007 and 2006:		

For the years ended December 31, 2007 and 2006, net losses arising from derivative financial instruments were NT\$924,316 thousand (including realized settlement losses of NT\$684,903 thousand and valuation losses of NT\$239,413 thousand) and NT\$1,615,796 thousand (including realized settlement losses of NT\$1,649,646 thousand and valuation gains of NT\$33,850 thousand), respectively.

**Table of Contents****6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Open-end mutual funds	\$ 14,966,675	\$ 25,967,061
Government bonds	4,146,082	1,998,067
Corporate bonds	4,052,242	4,150,202
Structured time deposits	499,410	499,242
	23,664,409	32,614,572
Current portion	(22,267,223)	(25,967,061)
	\$ 1,397,186	\$ 6,647,511

In 2004, the Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. In the second half year of 2006, the Company transferred investment portfolios managed by the fund managers of US\$1,277,789 thousand to TSMC Global Ltd. (TSMC-Global), a subsidiary of TSMC. The transferred investment portfolios held by TSMC Global are still being managed by the same fund managers in accordance with the aforementioned investment guidelines and terms.

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

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
December 31, 2007				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 499,410	1.76%	March 2008
December 31, 2006				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 499,242	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>December 31</b>	
	<b>2007</b>	<b>2006</b>
Corporate bonds	\$ 10,900,247	\$ 13,742,541
Government bonds	7,824,425	12,070,657
Structured time deposits	1,500,000	11,671,120

Current portion	20,224,672 (11,526,946)	37,484,318 (8,510,823)
	\$ 8,697,726	\$ 28,973,495

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As of December 31, 2007 and 2006, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
December 31, 2007				
Step-up callable deposits				
Domestic deposits	\$ 1,500,000	\$ 5,585	1.77%-1.83%	April 2008 to October 2008
December 31, 2006				
Step-up callable deposits				
Domestic deposits	\$ 4,500,000	\$ 13,928	1.40%-1.83%	June 2007 to October 2008
Callable range accrual deposits				
Domestic deposits	3,911,520	4,808	(See below)	September 2009 to December 2009
Foreign deposits	3,259,600	4,998	(See below)	October 2009 to January 2010
	\$ 11,671,120	\$ 23,734		

The amount of interest earned from the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based on the terms of the contracts, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate 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 December 31, 2007, no structured time deposit was resided in banks located in foreign countries. As of December 31, 2006, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$80,000 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>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 690,931	\$ 976,344
Write-off	(1,959)	(285,413)
Balance, end of year	\$ 688,972	\$ 690,931

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

**Years Ended December 31**

	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 2,751,065	\$ 4,269,969
Provision	5,519,655	5,328,513
Write-off	(4,414,035)	(6,847,417)
Balance, end of year	\$ 3,856,685	\$ 2,751,065

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**Table of Contents****9. INVENTORIES, NET**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Finished goods	\$ 3,811,212	\$ 4,754,342
Work in process	15,867,005	13,251,174
Raw materials	1,428,592	1,515,996
Supplies and spare parts	612,128	421,648
	21,718,937	19,943,160
Allowance for losses	(731,795)	(790,946)
	<b>\$ 20,987,142</b>	<b>\$ 19,152,214</b>

**10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	<b>December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
TSMC Global (Note 6)	\$ 44,204,188	100	\$ 42,496,592	100
TSMC International Investment Ltd. (TSMC International)	27,688,565	100	26,593,749	100
Vanguard International Semiconductor Corporation (VIS)	11,024,568	36	5,741,870	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	9,092,741	39	7,960,869	39
TSMC (Shanghai) Company Limited (TSMC-Shanghai)	8,622,715	100	9,027,984	100
TSMC Partners, Ltd. (TSMC Partners)	4,734,180	100	4,433,819	100
TSMC North America (TSMC-North America)	2,255,647	100	2,014,990	100
Xintec Inc. (Xintec)	1,501,521	43		
VentureTech Alliance Fund II, L.P. (VTAF II)	1,170,841	98	733,130	98
VentureTech Alliance Fund III, L.P. (VTAF III)	906,536	98	228,005	98
Global UniChip Corporation (GUC)	823,552	37	629,755	38
Emerging Alliance Fund, L.P. (Emerging Alliance)	467,873	99	793,585	99
Chi Cherng Investment Co., Ltd. (Chi Cherng)	173,429	36	115,507	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	171,658	36	114,297	36
TSMC Japan Limited (TSMC-Japan)	104,929	100	95,757	100
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe)	88,702	100	49,741	100
TSMC Korea Limited (TSMC-Korea)	16,436	100	14,706	100
	<b>\$ 113,048,081</b>		<b>\$ 101,044,356</b>	

In November 2006, the Company acquired 81 thousand shares in SSMC for SGD115,227 thousand from EDB Investments Pte Ltd. under a Shareholders Agreement. After the acquisition, the number of SSMC shares owned by the Company increased to 463 thousand and the Company's percentage of ownership increased from 32% to 39%.

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.

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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 years ended December 31, 2007 and 2006, net equity in earnings of equity method investees of NT\$5,468,230 thousand and NT\$5,526,727 thousand were recognized, respectively. The related equity in earnings of equity method investees were determined based on the audited financial statements of the investees for the same periods as the Company.

As of December 31, 2007 and 2006, fair values of publicly traded stocks in investments accounted for using equity method were NT\$24,319,275 thousand and NT\$17,044,040 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 years ended December 31, 2007 and 2006 were as follows:

	<b>Year Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 943,277	\$ (17,764)
Addition	2,081,282	1,010,846
Reduction	(347,171)	(49,805)
Balance, end of year	\$ 2,677,388	\$ 943,277

Movements of the aforementioned difference allocated to goodwill for the years ended December 31, 2007 and 2006 were as follows:

	<b>Year Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 213,984	\$
Addition	773,365	213,984
Balance, end of year	\$ 987,349	\$ 213,984

**11. FINANCIAL ASSETS CARRIED AT COST**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Non-publicly traded stocks	\$ 364,913	\$ 364,913
Mutual funds	383,247	347,930
	\$ 748,160	\$ 712,843

**Table of Contents****12. PROPERTY, PLANT AND EQUIPMENT****Year Ended December 31, 2007**

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

**Year Ended December 31, 2006**

	<b>Balance, Beginning of Year</b>	<b>Additions (Deduction)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost					
Buildings	\$ 90,769,622	\$ 7,160,975	\$ (964,370)	\$ (4,376)	\$ 96,961,851
Machinery and equipment	459,850,773	73,454,632	(5,218,678)	(235,999)	527,850,728
Office equipment	7,850,035	1,046,724	(196,984)	(40,550)	8,659,225
	558,470,430	\$ 81,662,331	\$ (6,380,032)	\$ (280,925)	633,471,804
Accumulated depreciation					
Buildings	42,902,526	7,441,573	(748,011)	(171)	49,595,917
Machinery and equipment	310,626,317	55,880,978	(4,869,587)	(235,908)	361,401,800
Office equipment	5,662,986	1,009,599	(196,629)	(6,423)	6,469,533
	359,191,829	\$ 64,332,150	\$ (5,814,227)	\$ (242,502)	417,467,250
Advance payments and construction in progress	14,867,032	\$ (2,636,227)	\$	\$	12,230,805

Net \$ 214,145,633 \$ 228,235,359

No interest was capitalized during the years ended December 31, 2007 and 2006.

### 13. DEFERRED CHARGES, NET

	Year Ended December 31, 2007					Balance, End of Year
	Balance, Beginning of Year	Additions	Amortization	Deduction	Reclassification	
Technology license fees	\$ 4,038,551	\$ 3,263,950	\$ (1,656,113)	\$	\$ (296,451)	\$ 5,349,937
Software and system design costs	1,517,575	1,181,579	(820,183)	(51)	(569,648)	1,309,272
Others	36,942	283,990	(104,179)		296,451	513,204
	\$ 5,593,068	\$ 4,729,519	\$ (2,580,475)	\$ (51)	\$ (569,648)	\$ 7,172,413

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	<b>Year Ended December 31, 2006</b>					<b>Balance, End of Year</b>
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Deduction</b>	<b>Reclassification</b>	
Technology license fees	\$ 4,985,806	\$ 373,054	\$ (1,320,309)	\$	\$	\$ 4,038,551
Software and system design costs	1,623,276	899,301	(1,006,141)		1,139	1,517,575
Others	72,062		(35,120)			36,942
	<b>\$ 6,681,144</b>	<b>\$ 1,272,355</b>	<b>\$ (2,361,570)</b>	<b>\$</b>	<b>\$ 1,139</b>	<b>\$ 5,593,068</b>

**14. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</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 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	12,500,000	15,000,000
	12,500,000	19,500,000
Current portion		(7,000,000)
	<b>\$ 12,500,000</b>	<b>\$ 12,500,000</b>

As of December 31, 2007, 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
	<b>\$ 12,500,000</b>

**15. OTHER LONG-TERM PAYABLES**

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of December 31, 2007, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
------------------------	---------------

2008	\$ 3,673,182
2009	582,027
2010	497,676
2011	421,759
	5,174,644
Current portion (classified under accrued expenses and other current liabilities)	(3,673,182)
	\$ 1,501,462

**Table of Contents****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 costs of NT\$616,548 thousand and NT\$618,975 thousand for the years ended December 31, 2007 and 2006, 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 pension fund monitoring 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).

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

a. Components of net periodic pension cost for the year

	<b>2007</b>	<b>2006</b>
Service cost	\$ 184,232	\$ 178,432
Interest cost	155,297	163,740
Projected return on plan assets	(50,326)	(49,115)
Amortization	35,596	12,339
Net periodic pension cost	\$ 324,799	\$ 305,396

b. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Benefit obligation		
Vested benefit obligation	\$ 120,146	\$ 102,920
Nonvested benefit obligation	3,450,818	3,873,239
Accumulated benefit obligation	3,570,964	3,976,159
Additional benefits based on future salaries	2,428,786	2,964,923
Projected benefit obligation	5,999,750	6,941,082
Fair value of plan assets	(2,199,189)	(1,945,572)
Funded status	3,800,561	4,995,510
Unrecognized net transition obligation	(107,891)	(116,191)
Unrecognized net loss	(34,991)	(1,349,203)

Accrued pension cost	\$ 3,657,679	\$ 3,530,116
Vested benefits	\$ 125,443	\$ 106,645

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	<b>2007</b>	<b>2006</b>
c. Actuarial assumptions at December 31, 2007 and 2006		
Discount rate used in determining present values	2.75%	2.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.00%	2.50%
d. Contributions to the Fund for the year	\$ 200,732	\$ 230,577
e. Payments from the Fund for the year	\$ 15,003	\$ 10,823

**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>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 30,187,852	\$ 33,701,625
Tax effect of the following:		
Tax-exempt income	(7,602,675)	(12,274,041)
Temporary and permanent differences	(789,073)	(2,080,110)
Cumulative effect of changes in accounting principles		(82,062)
Additional tax at 10% on unappropriated earnings	2,686,561	1,156,130
Income tax credits used	(13,740,683)	(12,715,377)
Income tax currently payable	\$ 10,741,982	\$ 7,706,165

- b. Income tax expense consisted of the following:

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Income tax currently payable	\$ 10,741,982	\$ 7,706,165
Other income tax adjustments	(250,863)	(335,411)
Net change in deferred income tax assets		
Investment tax credits	5,120,137	3,908,879
Temporary differences	(302,847)	(1,522,734)
Valuation allowance	(3,734,096)	(2,206,317)
Income tax expense	\$ 11,574,313	\$ 7,550,582





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

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,268,000	\$ 7,832,000
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 9,568,755	\$ 12,124,892
Temporary differences	1,143,311	840,464
Valuation allowance	(3,470,133)	(7,204,229)
	<b>\$ 7,241,933</b>	<b>\$ 5,761,127</b>

- d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2007 and 2006 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

The estimated 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 imputation credit is made.

- e. All earnings generated prior to December 31, 1997 have been appropriated.  
f. As of December 31, 2007, investment tax credits consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 238,012	\$	2007
		3,177,254		2008
		6,029,704		2009
		6,508,673	6,508,673	2010
		3,696,375	3,696,375	2011
		<b>\$ 19,650,018</b>	<b>\$ 10,205,048</b>	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,245,142	\$	2007
		2,560,454		2008
		1,486,845	1,029,080	2009
		1,781,376	1,781,376	2010

1,654,065 1,654,065 2011

\$ 8,727,882 \$ 4,464,521

(Continued)

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<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Personnel training expenditures	\$ 16,197	\$	2007
		16,155		2008
		46,130	46,130	2009
		41,252	41,252	2010
		\$ 119,734	\$ 87,382	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010

(Concluded)

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

	<b>Tax-exemption Period</b>
Construction of Fab 12 module A	2004 to 2007
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 2004.

**18. LABOR COST, DEPRECIATION AND AMORTIZATION**

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

Amortization	\$ 1,801,193	\$ 778,185	\$ 2,579,378
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	<b>Year Ended December 31, 2006</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost of</b>		
	<b>Sales</b>		
Labor cost			
Salary	\$ 9,877,603	\$ 4,172,915	\$ 14,050,518
Labor and health insurance	686,125	352,085	1,038,210
Pension	610,873	313,416	924,289
Meal	449,505	159,302	608,807
Welfare	184,560	99,323	283,883
Others	225,615	19,784	245,399
	\$ 12,034,281	\$ 5,116,825	\$ 17,151,106
Depreciation	\$ 61,028,727	\$ 3,296,764	\$ 64,325,491
Amortization	\$ 1,430,069	\$ 918,011	\$ 2,348,080

**19. SHAREHOLDERS EQUITY**

As of December 31, 2007, 1,132,867 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs is 5,664,337 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>December 31</b>	
	<b>2007</b>	<b>2006</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	19,526,492	19,974,431
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	490,950	389,188
From long-term investments	351,215	379,854
Donations	55	55
	\$ 53,732,682	\$ 54,107,498

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 bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are recorded in the year of shareholder approval and given effect to in the financial statements of that year.

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 assets, 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 2006 and 2005 had been approved in the shareholders' meetings held on May 7, 2007 and May 16, 2006, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
			<b>(NT\$)</b>	
	<b>For Fiscal Year 2006</b>	<b>For Fiscal Year 2005</b>	<b>For Fiscal Year 2006</b>	<b>For Fiscal Year 2005</b>
Legal capital reserve	\$ 12,700,973	\$ 9,357,503		
Special capital reserve	(11,192)	(1,585,685)		
Bonus to employees in cash	4,572,798	3,432,129		
Bonus to employees in stock	4,572,798	3,432,129		
Cash dividends to shareholders	77,489,064	61,825,061	\$ 3.00	\$ 2.50
Stock dividends to shareholders	516,594	3,709,504	0.02	0.15
Bonus to directors and supervisors	285,800	257,410		



\$ 100,126,835      \$ 80,428,051

The shareholders meeting held on May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$774,891 thousand.

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The amounts of the appropriations of earnings for 2006 and 2005 were consistent with the resolutions of the meetings of the Board of Directors held on February 6, 2007 and February 14, 2006, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic earnings per share (after income tax) for the years ended December 31, 2006 and 2005 shown in the respective financial statements would have decreased from NT\$4.93 to NT\$4.56 and NT\$3.79 to NT\$3.50, respectively. The shares distributed as a bonus to employees represented 1.77 % and 1.39% of the Company's total outstanding common shares as of December 31, 2006 and 2005, respectively.

As of January 10, 2008, the Board of Directors had not resolved the appropriation for earnings of 2007.

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

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

**20. STOCK-BASED COMPENSATION PLANS**

The Company's Employee Stock Option Plans 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 plans that had never been granted or had been granted but were subsequently cancelled had expired as of December 31, 2007.

Information about outstanding options for the years ended December 31, 2007 and 2006 was as follows:

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

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	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
Year ended December 31, 2006		
Balance, beginning of year	67,758	\$39.4
Options granted	2,758	40.1
Options exercised	(14,550)	40.1
Options cancelled	(3,152)	43.7
Balance, end of year	52,814	39.6

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

As of December 31, 2007, information about outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$25.9-\$36.4	28,527	5.16	\$33.1	28,528	\$33.1
\$38.9-\$51.3	13,348	6.89	46.6	6,838	46.4
	41,875		37.4	35,366	35.6

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2007 and 2006. Had the Company used the fair value based method to evaluate the options granted after January 1, 2004, using the Black-Scholes model, the assumptions and pro forma results of the Company would have been as follows:

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</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	\$109,177,093	\$127,009,731
Pro forma net income	109,095,663	126,889,209
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$4.14	\$ 4.82
Pro forma basic EPS	4.14	4.81
Diluted EPS as reported	4.14	4.81
Pro forma diluted EPS	4.14	4.81

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**Table of Contents****21. TREASURY STOCK**

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Ending Shares
Year ended December 31, 2007				
Parent company stock held by subsidiaries	33,926		170	34,096
Repurchase under share buyback plan		800,000		800,000
	33,926	800,000	170	834,096
Year ended December 31, 2006				
Parent company stock held by subsidiaries	32,938		988	33,926

As of December 31, 2007 and 2006, the book value of the treasury stock was NT\$49,385,032 thousand and NT\$918,075 thousand; the market value was NT\$51,713,947 thousand and NT\$2,290,026 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 for a total cost of NT\$48,466,957 thousand. All the treasury stock repurchased will be retired in 2008.

**22. EARNINGS PER SHARE**

	Years Ended December 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 4.58	\$ 4.14	\$ 5.11	\$ 4.83
Cumulative effect of changes in accounting principles			(0.01)	(0.01)
Income for the year	\$ 4.58	\$ 4.14	\$ 5.10	\$ 4.82
Diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 4.58	\$ 4.14	\$ 5.10	\$ 4.82
Cumulative effect of changes in accounting principles			(0.01)	(0.01)

Income for the year	\$ 4.58	\$ 4.14	\$ 5.09	\$ 4.81
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EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Year ended December 31, 2007					
Basic EPS					
Income available to common shareholders	\$ 120,751,406	\$ 109,177,093	26,346,582	\$ 4.58	\$ 4.14
Effect of dilutive potential common stock stock options			21,668		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 120,751,406	\$ 109,177,093	26,368,250	\$ 4.58	\$ 4.14
Year ended December 31, 2006					
Basic EPS					
Income available to common shareholders	\$ 134,478,251	\$ 127,009,731	26,374,757	\$ 5.10	\$ 4.82
Effect of dilutive potential common stock stock options			24,101		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 134,478,251	\$ 127,009,731	26,398,858	\$ 5.09	\$ 4.81

**23. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	\$ 42,083	\$ 42,083	\$ 44,601	\$ 44,601

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Available-for-sale financial assets	23,664,409	23,664,409	32,614,572	32,614,572
Held-to-maturity financial assets	20,224,672	20,192,188	37,484,318	37,375,517

Liabilities

Financial liabilities at fair value through profit or loss	\$ 247,646	\$ 247,646	\$ 10,751	\$ 10,751
Bonds payable (including current portion)	12,500,000	12,669,987	19,500,000	19,817,149
Other long-term payables (including current portion)	5,174,644	5,174,644	2,981,754	2,981,754

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.

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- 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; except for structured time deposits of which the fair values were estimated using valuation techniques.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value during the years ended December 31, 2007 and 2006 of derivatives estimated using valuation techniques were recognized as losses of NT\$239,413 thousand and gains of NT\$33,850 thousand, respectively.
- d. As of December 31, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$43,931,164 thousand and NT\$70,143,491 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$247,646 thousand and NT\$10,751 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$7,171,120 thousand, respectively.
- e. Movements of the unrealized gain on financial instruments for the years ended December 31, 2007 and 2006 were as follows:

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

	<b>Year Ended December 31, 2006</b>		
	<b>Valuation Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>

Balance, beginning of year	\$	\$	\$
Recognized directly in shareholders' equity	241,763	319,367	561,130
Removed from shareholders' equity and recognized in losses	485		485
Balance, end of year	\$ 242,248	\$ 319,367	\$ 561,615

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f. Information about financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities.
- 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 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. Philips, one of the major shareholders of the Company, which has become a non-related party since March 2007.
- b. Subsidiaries
  - TSMC-North America
  - TSMC-Europe
  - TSMC-Japan
  - TSMC-Shanghai
  - TSMC-Korea
- c. Investees
  - GUC (with a controlling interest)
  - VIS (accounted for using equity method)
  - SSMC (accounted for using equity method)

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## f. 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:

	2007		2006	
	Amount	%	Amount	%
For the year				
Sales				
TSMC-North America	\$ 192,846,641	61	\$ 190,459,073	60
Philips			4,024,990	1
Others	1,072,708		972,872	
	\$ 193,919,349	61	\$ 195,456,935	61
Purchases				
WaferTech	\$ 8,774,750	18	\$ 12,530,552	27
TSMC-Shanghai	5,828,541	12	4,405,843	10
SSMC	5,468,410	11	6,820,632	15
VIS	4,188,107	9	3,911,838	8
Others	1,028			
	\$ 24,260,836	50	\$ 27,668,865	60
Manufacturing expenses				
VisEra	\$ 39,078		\$	
Philips			755,904	1
	\$ 39,078		\$ 755,904	1
Marketing expenses - commission				
TSMC-Europe	\$ 316,748	24	\$ 236,454	15
TSMC-Japan	220,858	16	254,758	16
TSMC-Korea	26,818	2	9,981	
	\$ 564,424	42	\$ 501,193	31

General and administrative expenses - rental

GUC	\$	6,139		\$	14,606
Research and development expenses					
TSMC Technology (primarily consulting fees)	\$	354,423	2	\$	37,559
TSMC Canada (primarily consulting fees)		129,665	1		
GUC		56,887	1		39,421
Others		44,168			
	\$	585,143	4	\$	76,980

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	2007		2006	
	Amount	%	Amount	%
Sales of property, plant and equipment				
TSMC-Shanghai	\$ 3,295	6	\$ 401,561	44
WaferTech	546	1		
	\$ 3,841	7	\$ 401,561	44
Non-operating income and gains				
VIS (primarily technical service income, see Note 26h)	\$ 346,260	3	\$ 261,237	2
TSMC-Shanghai (primarily technical service income)	338,038	3	278,295	2
VisEra (primarily rental income)	321,799	3	246,242	2
SSMC (primarily technical service income, see Note 26e)	290,586	3	314,953	3
Others	1,731			
	\$ 1,298,414	12	\$ 1,100,727	9
As of December 31				
Receivables				
TSMC-North America	\$ 26,626,880	100	\$ 16,461,956	97
Philips			250,919	2
Others	74,768		156,634	1
	\$ 26,701,648	100	\$ 16,869,509	100
Other receivables				
TSMC-Shanghai	\$ 151,037	29	\$ 123,853	28
VIS	118,749	22	121,911	27
TSMC-North America	98,885	19	59,547	13
SSMC	84,778	16	69,568	15
VisEra	40,101	8	58,980	13
Others	31,758	6	15,407	4
	\$ 525,308	100	\$ 449,266	100

Payables

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VIS	\$ 838,584	28	\$ 717,562	22
WaferTech	784,280	26	864,733	26
SSMC	655,029	22	459,305	14
TSMC-Shanghai	596,581	20	478,714	14
Philips			688,591	21
Others	125,156	4	118,011	3
	\$ 2,999,630	100	\$ 3,326,916	100
Other long-term payables Philips (Note 25a)	\$		\$ 403,375	100

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	2007		2006	
	Amount	%	Amount	%
Deferred credits				
TSMC-Shanghai	\$ 510,564	52	\$ 723,661	61
VisEra	62,175	6	124,350	11
	\$ 572,739	58	\$ 848,011	72

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 the 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 March 2008 to December 2027 and can be renewed upon expiration.

As of December 31, 2007, future lease payments were as follows:

Year	Amount
2008	\$ 325,608
2009	304,578
2010	255,380
2011	253,798
2012	253,798
2013 and thereafter	1,741,955
	\$ 3,135,117

**26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The significant commitments and contingencies of the Company as of December 31, 2007, 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.

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- 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. The agreement was automatically renewed in 1992, 1997, 2002, and on January 1, 2007.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2007, the Company had a total of US\$68,391 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 B.V.) 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 falls 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) entered into on May 12, 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 will 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 has 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 will 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 will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- 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.

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- 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 December 31, 2007, 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.
- j. In April 2004, UniRAM Technology, Inc. filed an action with the US District Court in the Northern District of California against TSMC and TSMC North America, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. A jury in the District Court made a verdict in September 2007, awarding US\$30.5 million to the plaintiff. TSMC intends 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;



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- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 6 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC-Shanghai entered into forward exchange contracts during the year ended December 31, 2007 to manage exposures due to foreign exchange rate fluctuations. As of December 31, 2007, no forward exchange contract was outstanding.

For the year ended December 31, 2007, net gains arising from forward exchange contracts of TSMC-Shanghai were NT\$2,181 thousand (including realized settlement gains of NT\$2,064 thousand and valuation losses of NT\$117 thousand).

Xintec entered into forward exchange contracts during the year ended December 31, 2007 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell US\$/buy NT\$	January 2008	US\$11,000
For the year ended December 31, 2007, net losses arising from forward exchange contracts of Xintec were NT\$2,834 thousand (including realized settlement losses of NT\$1,283 thousand and valuation losses of NT\$1,551 thousand).		

- k. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 24.

**28. SEGMENT FINANCIAL INFORMATION**

- a. Industry financial information

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

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## b. Geographic information

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

## c. Export sales

Area	Years Ended December 31	
	2007	2006
Americas	\$ 159,721,699	\$ 153,974,683
Asia	77,616,258	102,121,046
Europe and others	40,287,628	29,109,649
	\$ 277,625,585	\$ 285,205,378

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

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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Customer A	\$37,350,210	12	\$33,610,918	11

Sales to Customer A above were made through TSMC-North America.

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**Table of Contents****TABLE1****Taiwan Semiconductor Manufacturing Company Limited and Investees****MARKETABLE SECURITIES HELD****DECEMBER 31, 2007****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****December 31, 2007**

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership
<b>Equity securities</b>					
<b>Common stock</b>					
<b>Equity mutual funds</b>					
ABC Bond Fund		Available-for-sale financial assets	12,239	\$2,045,935	
ABC Hwa Bond		"	132,997	1,801,674	
ABC Taiwan Bond		"	103,016	1,474,856	
ABC Taiwan Bond Fund		"	85,581	1,310,030	
ABC Potential Financial Bond Fund		"	83,306	1,236,728	
ABC Independent James Bond		"	77,128	1,208,799	
ABC Taiwan Bond Fund		"	59,049	915,252	
ABC Taiwan Income Fund		"	54,621	878,682	
ABC Main Lucky Fund		"	68,945	718,556	
ABC Taiwan Bond Fund		"	54,469	705,033	
ABC Day Bond Fund		"	60,126	703,824	
ABC Gardner Bond DAM Fund		"	54,319	639,542	
ABC First Bond Fund		"	35,324	504,206	
ABC Taiwan Money Management Fund		"	27,416	413,504	
ABC ESCO Bond Fund		"	27,176	410,054	
<b>Government bond</b>					
Government Bond Series B		Available-for-sale financial assets		2,349,163	
Government Bond Series B		"		1,197,121	
Government Bond Series D		"		399,733	
Government Bond Series G		"		200,065	
Government Bond Series D		Held-to-maturity financial assets		3,651,840	
Government Bond Series B		"		1,647,947	
Asian Development Bank Govt. Bond Series A		"		855,088	
Government Bond Series F		"		799,049	
Government Bond Series H		"		400,709	
European Investment Bank Bonds		"		379,829	
European Bank for Reconstruction and Development Govt. Bond Series A		"		89,963	



<u>Corporate bond</u>		
Nan Bank	Available-for-sale financial assets	1,573,338
ay Bank	"	1,180,440
an Power Company	"	899,200
osa Petrochemical Corporation	"	399,264
osa Petrochemical Corporation	Held-to-maturity financial assets	3,581,667
an Power Company	"	2,630,064
Ya Plastics Corporation	"	1,804,346
Corporation, Taiwan	"	1,200,318
a Steel Corporation	"	1,000,000
osa Plastic Corporation	"	391,134
ghai commercial & Saving Bank	"	292,718
		(Continued)

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			<b>December 31, 2019</b>		
<b>Table Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Shares/Unit</b>	<b>Carrying Value</b>	<b>Percent</b>
			<b>(in Thousands)</b>	<b>(US\$ in Thousands)</b>	<b>of Ownership</b>
Global	Subsidiary	Investment accounted for using equity method	1	\$44,204,188	100
International	Subsidiary	"	987,968	27,688,565	100
	Investee accounted for using equity method	"	616,240	11,024,568	30
	Investee accounted for using equity method	"	463	9,092,741	35
Partners	Subsidiary	"	300	4,734,180	100
North America	Subsidiary	"	11,000	2,255,647	100
	Investee with a controlling financial interest	"	91,703	1,501,521	43
	Investee with a controlling financial interest	"	42,572	823,552	31
Japan	Subsidiary	"	6	104,929	100
Europe	Subsidiary	"		88,702	100
Korea	Subsidiary	"	80	16,436	100
Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	100
Hu Handotai Taiwan Co., Ltd.		"	10,500	105,000	100
Technology Fund IV		"	4,000	40,000	100
Venture Capital Co., Ltd.		"	2,633	26,329	100
Ventures Fund		Financial assets carried at cost		312,949	100
Asia Capital		"		70,298	100
Shanghai	Subsidiary	Investment accounted for using equity method		8,622,715	100
	Subsidiary	"		1,170,841	99
I	Subsidiary	"		906,536	99
g Alliance	Subsidiary	"		467,873	99
ng	Subsidiary	"		173,429	30

	Subsidiary	"		171,658	3
	Parent Company	Available-for-sale financial assets	17,032	1,055,984	
	Investee accounted for using equity method	Investments accounted for using equity method	5,082	109,815	
	Parent Company	Available-for-sale financial assets	17,064	1,057,963	
	Investee accounted for using equity method	Investments accounted for using equity method	3,748	85,718	
	Subsidiary	Investments accounted for using equity method	8,721	US\$ 42,038	9
II	Subsidiary	"	43,048	US\$ 57,594	9
Development	Subsidiary	"	1	US\$ 674,084	10
Technology	Subsidiary	"	1	US\$ 6,592	10

(Continued)

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			December 31, 2019		
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Percentage Owned
			Shares/Units (in Thousands)	Value (US\$ in Thousands)	
AS					
AS Tech	Subsidiary	Investments accounted for using equity method		US\$227,469	
<u>Common stock</u>					
AS Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 67,948	
AS Canada	Subsidiary	"	2,300	US\$ 2,877	
<u>Common stock</u>					
AS, Inc.		Financial assets carried at cost	1,036	US\$ 275	
AS Wave Technology Corp.		"	4,247	US\$ 1,648	
AS Investment Holding Inc.		"	10,800	\$ 100,000	
<u>Preferred stock</u>					
AS, Inc.		Financial assets carried cost	1,654	US\$ 250	
AS Microdevices, Inc.		"	1,000	US\$ 1,000	
AS, Inc.		"	3,040	US\$ 1,000	
AS ygen		"	1,415	US\$ 750	
AS ic Systems, Inc.		"	2,481	US\$ 12	
AS IO, Inc.		"	800	US\$ 500	
AS hron, Inc.		"	714	US\$ 1,000	
AS al Corporation		"		US\$ 229	
AS, Inc.		"	3,606	US\$ 862	
AS ovus, Inc.		"	6,977	US\$ 1,327	
<u>Preferred stock</u>					
AS Tech Alliance Holdings	Subsidiary	Investments accounted for using equity method			
<u>Common stock</u>					
AS n		Financial assets carried at cost	1,875	US\$ 919	
AS lic		"	1,200	US\$ 2,040	
AS rend		"	1,265	US\$ 660	
AS Wave Technology Corp.		"	1,043	US\$ 730	
<u>Preferred stock</u>					
AS echnologies, Inc.		Financial assets carried cost	2,357	US\$ 1,768	
AS echnologies, Inc.		"	2,030	US\$ 2,074	
AS ntia Corporation		"	1,786	US\$ 2,273	
AS ence, Inc.		"	2,989	US\$ 814	

n Microdevices, Inc.	"	5,044	US\$	2,088
m Communications	"	650	US\$	1,600
Fire Corporation	"	600	US\$	68
j, Inc.	"	475	US\$	1,000
lia, Inc.	"	3,416	US\$	3,106
lygen	"	569	US\$	149
IO, Inc.	"	216	US\$	182
hron, Inc.	"	1,050	US\$	1,844
, Inc.	"	3,279	US\$	641
r Analog Microelectronics	"	3,039	US\$	2,409
Holding, LLC	"		US\$	145
ovus, Inc.	"	1,599	US\$	454

(Continued)

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		<b>December 31, 2019</b>	
		<b>Carrying</b>	<b>Per</b>
<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Shares/Units</b>	<b>Value</b>
		<b>(in thousands)</b>	<b>(US\$ in thousands)</b>
Xzero Technologies, Inc.		730	US\$ 1,500
Xceive		714	US\$ 1,000
<b>Capital</b>			
VentureTech Alliance Holdings	Subsidiary		Investments accounted for using equity method
<b>Common stock</b>			
Mutual-pak Technology Co., Ltd.	Subsidiary	4,590	US\$ 1,672
<b>Preferred stock</b>			
Advasure Sensors, Inc.		1,929	US\$ 1,834
Auramicro, Inc.		2,500	US\$ 750
Exclara, Inc. (Formerly Synpitech, Inc.)		14,513	US\$ 2,412
M2000, Inc.		3,000	US\$ 3,000
Neoconix, Inc.		2,458	US\$ 4,000
Powervation, Ltd.		191	US\$ 2,930
Quellan, Inc.		3,106	US\$ 3,500
Silicon Technical Services, LLC		1,055	US\$ 1,208
Tilera, Inc.		1,698	US\$ 2,360
Validity Sensors, Inc.		6,424	US\$ 2,545
<b>Convertible bond</b>			
GTBF, Inc.			US\$ 1,500
<b>Capital</b>			
VentureTech Alliance Holdings	Subsidiary		Investments accounted for using equity method
<b>Common stock</b>			
Monolithic Power Systems, Inc.		1,352	US\$ 29,024
Memsic, Inc.		1,364	US\$ 13,812
Capella Microsystems (Taiwan), Inc.		530	US\$ 154
<b>Preferred stock</b>			
Integrated Memory Logic, Inc.		2,872	US\$ 1,221
IP Unity, Inc.		1,008	US\$ 494

NanoAmp Solutions, Inc.	"	541	US\$	853
Sonics, Inc.	"	1,844	US\$	3,530
<u>Common stock</u>				
Monolithic Power Systems, Inc	Financial assets at fair value through profit or loss	864	US\$	18,561
Rich Tek Technology Corp.	"	152	US\$	1,371
Geo Vision, Inc.	"	6	US\$	59
Memsic, Inc.	Available-for-sale financial assets	1,145	US\$	11,594
Rich Tek Technology Corp.	"	261	US\$	2,362
Geo Vision, Inc.	"	15	US\$	135
eLCOS Microdisplay Technology, Ltd.	Financial assets carried at cost	270	US\$	27
EoNEX Technologies, Inc.	"	55	US\$	3,048
Sonics, Inc.	"	2,220	US\$	32
Epic Communication, Inc.	"	191	US\$	37
EON Technology, Corp.	"	4,243	US\$	1,175
Goyatek Technology, Corp.	"	2,088	US\$	545
Trendchip Technologies Corp.	"	1,000	US\$	574

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Percentage Owned
			Shares/Units (in thousands)	(US\$ in thousands)	
Apella Microsystems (Taiwan), Inc		Financial assets carried at cost	534	US\$ 210	
Link Technology (Taiwan), Inc.		"	2,383	US\$ 791	
Aden Technology MFG. Co., Ltd		"	1,049	US\$ 223	
<b>Preferred stock</b>					
Chip Technologies Limited		Financial assets carried at cost	6,128	US\$2,950	
COS Microdisplay Technology, Ltd.		"	3,500	US\$3,500	
ingTek, Inc.		"	6,931	US\$3,250	
lopass Technology, Inc.		"	3,887	US\$2,000	
anoAmp Solutions, Inc.		"	375	US\$1,500	
ics, Inc.		"	2,115	US\$3,082	
<b>Agency bonds</b>					
d Hm Ln Pc Pool 1b1225		Available-for-sale financial assets		US\$ 139	
d Hm Ln Pc Pool 1b2566		"		US\$ 157	
d Hm Ln Pc Pool 1b2632		"		US\$ 178	
d Hm Ln Pc Pool 1b2642		"		US\$ 234	
d Hm Ln Pc Pool 1b2776		"		US\$ 340	
d Hm Ln Pc Pool 1b2792		"		US\$ 223	
d Hm Ln Pc Pool 1b2810		"		US\$ 296	
d Hm Ln Pc Pool 1b7453		"		US\$2,805	
d Hm Ln Pc Pool 1g0038		"		US\$ 296	
d Hm Ln Pc Pool 1g0053		"		US\$ 367	
d Hm Ln Pc Pool 1g0104		"		US\$ 142	
d Hm Ln Pc Pool 1g1282		"		US\$4,077	
d Hm Ln Pc Pool 1g1411		"		US\$3,618	
d Hm Ln Pc Pool 1h2520		"		US\$2,669	
d Hm Ln Pc Pool 1h2524		"		US\$1,970	
d Hm Ln Pc Pool 780870		"		US\$ 721	
d Hm Ln Pc Pool 781959		"		US\$3,834	
d Hm Ln Pc Pool 782785		"		US\$ 254	
d Hm Ln Pc Pool 782837		"		US\$ 494	
d Hm Ln Pc Pool 782968		"		US\$1,147	
d Hm Ln Pc Pool 783022		"		US\$ 536	
d Hm Ln Pc Pool 783026		"		US\$ 303	
d Hm Ln Pc Pool B19205		"		US\$7,103	
d Hm Ln Pc Pool E89857		"		US\$1,347	
d Hm Ln Pc Pool G11295		"		US\$1,126	
d Hm Ln Pc Pool M80855		"		US\$2,942	



ederal Home Ln Mtg Corp.	"	US\$1,784	M
ederal Home Ln Mtg Corp.	"	US\$1,832	M
ederal Home Ln Mtg Corp.	"	US\$2,360	M
ederal Home Ln Mtg Corp.	"	US\$2,742	M
ederal Home Ln Mtg Corp.	"	US\$2,178	M
ederal Home Ln Mtg Corp.	"	US\$3,665	M
ederal Home Ln Mtg Corp.	"	US\$2,136	M
ederal Home Ln Mtg Corp.	"	US\$3,275	M
ederal Home Ln Mtg Corp.	"	US\$3,044	M
ederal National Mort Assoc	"	US\$2,844	M
ederal Natl Mtg Assn	"	US\$2,059	M
ederal Natl Mtg Assn	"	US\$2,194	M
ederal Natl Mtg Assn	"	US\$2,011	M
ederal Natl Mtg Assn	"	US\$3,567	M
ederal Natl Mtg Assn Gtd	"	US\$1,717	M

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying	Percent
			Shares/Units (in US\$ in Thousands)	
Fnma Pool 255883		Available-for-sale financial assets	US\$3,126	N/A
Fnma Pool 555549		"	US\$1,385	N/A
Fnma Pool 555715		"	US\$ 171	N/A
Fnma Pool 632399		"	US\$ 390	N/A
Fnma Pool 662401		"	US\$ 560	N/A
Fnma Pool 667766		"	US\$1,310	N/A
Fnma Pool 680932		"	US\$1,110	N/A
Fnma Pool 681393		"	US\$2,388	N/A
Fnma Pool 685116		"	US\$ 599	N/A
Fnma Pool 691283		"	US\$3,442	N/A
Fnma Pool 694287		"	US\$ 20	N/A
Fnma Pool 703711		"	US\$ 467	N/A
Fnma Pool 725095		"	US\$1,023	N/A
Fnma Pool 730033		"	US\$ 169	N/A
Fnma Pool 740934		"	US\$1,110	N/A
Fnma Pool 742232		"	US\$ 23	N/A
Fnma Pool 750798		"	US\$ 22	N/A
Fnma Pool 773246		"	US\$ 229	N/A
Fnma Pool 790828		"	US\$2,009	N/A
Fnma Pool 793932		"	US\$ 438	N/A
Fnma Pool 794040		"	US\$ 608	N/A
Fnma Pool 795548		"	US\$ 234	N/A
Fnma Pool 799664		"	US\$ 94	N/A
Fnma Pool 799868		"	US\$ 32	N/A
Fnma Pool 804764		"	US\$ 396	N/A
Fnma Pool 804852		"	US\$ 330	N/A
Fnma Pool 804962		"	US\$ 388	N/A
Fnma Pool 805163		"	US\$ 408	N/A
Fnma Pool 806642		"	US\$ 777	N/A
Fnma Pool 806721		"	US\$ 635	N/A
Fnma Pool 814418		"	US\$ 343	N/A
Fnma Pool 815626		"	US\$2,301	N/A
Fnma Pool 819423		"	US\$ 538	N/A
Fnma Pool 821129		"	US\$ 512	N/A
Fnma Pool 888249		"	US\$ 60	N/A
Fnma Pool 888499		"	US\$2,438	N/A
Fnma Pool 888502		"	US\$ 236	N/A
Fnma Pool 888507		"	US\$ 911	N/A
Fnma Pool 888515		"	US\$1,730	N/A

Fnma Pool 888519	"	US\$ 123	N/A
Fnma Pool 888527	"	US\$ 69	N/A
Fnma Pool 888738	"	US\$4,935	N/A
Fnma Pool 888793	"	US\$5,697	N/A
Fnma Pool 900296	"	US\$3,276	N/A
Gnma Ii Pool 081150	"	US\$ 470	N/A
Gnma Ii Pool 081153	"	US\$1,423	N/A
Fed Home Ln Bank	"	US\$5,175	N/A
Federal Farm Cr Bks	"	US\$3,511	N/A
Federal Home Ln Bks	"	US\$8,977	N/A
Federal Home Ln Bks	"	US\$8,939	N/A
Federal Home Ln Bks	"	US\$4,965	N/A
Federal Home Ln Bks	"	US\$5,969	N/A
Federal Home Ln Bks	"	US\$4,980	N/A

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (in US\$ in Thousands)	Shares/Units (in US\$ in Thousands)	Percent Owned
Federal Home Ln Bks		Available-for-sale financial assets	US\$ 19,023		N/A
Federal Home Ln Bks		"	US\$ 5,134		N/A
Federal Home Ln Mtg Disc Nts		"	US\$ 22,342		N/A
Federal Home Loan Bank		"	US\$ 4,621		N/A
Federal Home Loan Banks		"	US\$ 21,500		N/A
Federal Natl Mtg Assn		"	US\$ 5,169		N/A
Federal Natl Mtg Assn Medium		"	US\$ 3,512		N/A
Federal Natl Mtg Assn Mtn		"	US\$ 2,982		N/A
Federal Natl Mtg Assn Mtn		"	US\$ 3,171		N/A
Federal Natl Mtg Assn Mtn		"	US\$ 3,398		N/A
Federal Natl Mtg Assn Mtn		"	US\$ 3,066		N/A
Tennessee Valley Auth		"	US\$ 6,068		N/A
<u>Corporate bonds</u>					
Abbott Labs		Available-for-sale financial assets	US\$ 1,510		N/A
American Gen Fin Corp.		"	US\$ 3,139		N/A
American Gen Fin Corp. Mtn		"	US\$ 3,451		N/A
American Gen Fin Corp. Mtn		"	US\$ 1,962		N/A
American Honda Fin Corp. Mtn		"	US\$ 3,107		N/A
Ameritech Capital Funding Co.		"	US\$ 489		N/A
Amgen Inc.		"	US\$ 2,978		N/A
Amgen Cap Tr I		"	US\$ 984		N/A
Atlantic Richfield Co.		"	US\$ 2,216		N/A
Avaya Finl Inc.		"	US\$ 2,147		N/A
Beneficial Corp. Mtn Bk Entry		"	US\$ 2,274		N/A
Burlington Res Inc.		"	US\$ 3,653		N/A
Chase Manhattan Corp. New		"	US\$ 1,520		N/A
Chase Manhattan Corp. New		"	US\$ 2,099		N/A
Chase Manhattan Corp. New		"	US\$ 3,483		N/A
Cit Group Hldgs Inc.		"	US\$ 2,982		N/A
Cit Group Inc. New		"	US\$ 2,435		N/A
Consolidated Edison Inc.		"	US\$ 2,990		N/A
Credit Suisse First Boston Usa		"	US\$ 2,229		N/A
Deere John Cap Corp. Mtn Bk Ent		"	US\$ 2,215		N/A
Depfa Acs Bank		"	US\$ 20,402		N/A
Fleet Boston Corp.		"	US\$ 2,620		N/A
The Global Ins Hldg Corp.		"	US\$ 1,914		N/A

General Dynamics Corp.	"	US\$ 2,133	N/A
General Elec Cap Corp. Mtn	"	US\$ 3,978	N/A
General Elec Cap Corp. Mtn	"	US\$ 3,047	N/A
General Elec Cap Corp. Mtn	"	US\$ 2,118	N/A
General Re Corp.	"	US\$ 3,263	N/A
Genworth Finl Inc.	"	US\$ 3,279	N/A
Hancock John Global Fdg Ii Mtn	"	US\$ 5,111	N/A
Hancock John Global Fdg Mtn	"	US\$ 993	N/A
Hartford Finl Svcs Group Inc.	"	US\$ 1,336	N/A
Hobos Plc Medium Term Sr Nts	"	US\$ 3,001	N/A
Heller Finl Inc.	"	US\$ 1,950	N/A
Hewlett Packard Co.	"	US\$ 1,884	N/A
Household Fin Corp.	"	US\$ 2,950	N/A
Household Fin Corp.	"	US\$ 3,046	N/A
ing Sec Life Instl Fdg	"	US\$ 2,582	N/A
International Business Machs	"	US\$ 3,555	N/A
Intl Lease Fin Corp. Mtn	"	US\$ 2,985	N/A

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December 31, 2011

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value (in US\$ in Thousands)	Shares/Units	Percent Owned
JP Morgan Chase		Available-for-sale financial assets	US\$2,001		N/A
Keycorp Mtn Book Entry		"	US\$3,053		N/A
Lehman Brothers Hldgs Inc.		"	US\$1,643		N/A
Lehman Brothers Hldgs Inc.		"	US\$ 490		N/A
Lehman Brothers Hldgs Inc.		"	US\$ 989		N/A
Lehman Brothers Hldgs Inc.		"	US\$3,052		N/A
Lehman Brothers Hldgs Inc.		"	US\$1,060		N/A
Massmutual Global Fdg Ii Mtn		"	US\$3,737		N/A
Metropolitan Life Golbal Mtn		"	US\$3,366		N/A
Mgic Invt Corp.		"	US\$1,059		N/A
Mizuho Fin (Cayman)		"	US\$2,148		N/A
Monumental Global Fdg Ii		"	US\$1,494		N/A
Monunmetal Global Fdg Ii		"	US\$2,000		N/A
Mony Group Inc.		"	US\$2,137		N/A
Morgan Stanley		"	US\$5,531		N/A
Morgan Stanley		"	US\$1,951		N/A
National City Corp.		"	US\$3,488		N/A
Nationwide Life Global Fdg I		"	US\$3,631		N/A
Oracle Corp. / Ozark Hldg Inc.		"	US\$2,019		N/A
Pepsico Inc. Mtn Book Entry		"	US\$3,607		N/A
Praxair Inc.		"	US\$3,111		N/A
Premark Intl Inc.		"	US\$2,679		N/A
Pricoa Global Fdg I Mtn		"	US\$3,462		N/A
Principal Finl Group Australia		"	US\$1,008		N/A
Protective Life Secd Trs Mtn		"	US\$3,484		N/A
Sbc Communications Inc.		"	US\$3,372		N/A
Sbc Communications Inc.		"	US\$ 711		N/A
Simon Pty Group LP		"	US\$2,513		N/A
Simon Pty Group LP		"	US\$1,010		N/A
Sp Powerassests Ltd. Global		"	US\$ 993		N/A
Suntrust Bk Atlanta Ga Medium		"	US\$3,482		N/A
Unitedhealth Group Inc.		"	US\$1,408		N/A
Wachovia Corp. New		"	US\$3,168		N/A
Washington Post Co.		"	US\$3,018		N/A
Wells Fargo + Co. New Med Trm		"	US\$4,413		N/A
<b>Corporate issued asset-backed securities</b>					
Americredit Auto Rec Tr		Available-for-sale financial assets	US\$1,001		N/A

Americredit Automobile Rec Tr	"	US\$ 894	N/A
Americredit Automobile Receiva	"	US\$1,176	N/A
Atlantic City Ele Trns Fdglc	"	US\$ 162	N/A
Banc Amer Coml Mtg Inc.	"	US\$4,591	N/A
Banc Amer Fdg 2006 I Tr	"	US\$3,762	N/A
Bear Stearns Adjustable Rate	"	US\$ 110	N/A
Bear Stearns Arm Tr	"	US\$3,081	N/A
Bear Stearns Arm Tr	"	US\$1,951	N/A
Bear Stearns Arm Tr	"	US\$ 247	N/A
Bear Stearns Coml Mtg Secs Inc.	"	US\$3,179	N/A
Bear Stearns Coml Mtg Secs Inc.	"	US\$5,099	N/A
Capital One Auto Fin Tr	"	US\$ 906	N/A
Capital One Auto Fin Tr	"	US\$3,685	N/A
Capital One Multi Asset Exec	"	US\$9,118	N/A
Capital One Multi Asset Execut	"	US\$3,991	N/A

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December 31, 2013

<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Carrying Value (in US\$ in Thousands)</b>	<b>Shares/Units</b>	<b>Percent Owned</b>
Capital One Multi Asset Execut		Available-for-sale financial assets	US\$2,995		N/A
Capital One Prime Auto Receiva		"	US\$3,498		N/A
Capital One Prime Auto Receiv		"	US\$ 464		N/A
Cbass Tr		"	US\$1,297		N/A
Cendant Rent Car Fdg Aesop LLC.		"	US\$2,663		N/A
Chase Mtg Fin Tr		"	US\$ 887		N/A
Chase Mtg Fin Tr		"	US\$1,745		N/A
Chase Mtg Fin Tr		"	US\$2,605		N/A
Chase Mtge Finance Corp.		"	US\$1,678		N/A
Cit Equip Coll Tr		"	US\$4,033		N/A
Citicorp Mtg Secs		"	US\$ 261		N/A
Credit Suisse First Boston Mtg		"	US\$1,738		N/A
Credit Suisse First Boston Mtg		"	US\$6,842		N/A
Credit Suisse First Boston Mtg		"	US\$6,704		N/A
Daimlerchrysler Auto Tr		"	US\$4,337		N/A
Daimlerchrysler Auto Tr		"	US\$1,698		N/A
Deere John Owner Tr		"	US\$2,488		N/A
First Franklin Mtg Ln Tr		"	US\$1,659		N/A
First Horizon		"	US\$ 45		N/A
First Un Natl Bk Coml Mtg Tr		"	US\$2,595		N/A
First Un Natl Bk Coml Mtg Tr		"	US\$5,172		N/A
First Un Natl Bk Coml Mtg Tr		"	US\$2,186		N/A
Gs Mtg Secs Corp.		"	US\$1,709		N/A
Home Equity Mortgage Trust		"	US\$2,659		N/A
Home Equity Mtg Tr 2006 4		"	US\$ 970		N/A
Hyundai Auto Receivables Tr		"	US\$1,519		N/A
JP Morgan Mtg Tr		"	US\$ 888		N/A
JP Morgan Mtg Tr		"	US\$ 910		N/A
JP Morgan Mtg Tr		"	US\$ 863		N/A
Lb Ubs Coml Mtg Tr		"	US\$3,884		N/A
Nomura Asset Accep Corp.		"	US\$1,542		N/A
Residential Asset Mtg Prods		"	US\$2,200		N/A
Residential Fdg Mtg Secs I Inc.		"	US\$1,594		N/A
Residential Fdg Mtg Secs I Inc.		"	US\$3,454		N/A
Sequoia Mtg Tr		"	US\$ 265		N/A
Sequoia Mtg Tr		"	US\$ 340		N/A
Sequoia Mtg Tr		"	US\$ 433		N/A
Terwin Mtg Tr		"	US\$3,317		N/A
Tiaa Seasoned Coml Mtg Tr		"	US\$4,016		N/A



Usaa Auto Owner Tr	"	US\$4,998	N/A
Wamu Mtg	"	US\$3,242	N/A
Wamu Mtg Pass Through Ctfs	"	US\$ 166	N/A
Washington Mut Mtg Secs Corp.	"	US\$2,422	N/A
Wells Fargo Finl Auto Owner Tr	"	US\$4,956	N/A
Wells Fargo Mtg Backed Secs	"	US\$3,816	N/A
Wells Fargo Mtg Backed Secs	"	US\$3,865	N/A
Wells Fargo Mtg Backed Secs	"	US\$3,931	N/A
Wells Fargo Mtg Bkd Secs	"	US\$3,029	N/A
Wells Fargo Mtg Bkd Secs	"	US\$1,763	N/A
Whole Auto Ln Tr	"	US\$1,828	N/A

Government bonds

United States Treas Nts	Available-for-sale financial assets	US\$5,070	N/A
United States Treas Nts	"	US\$5,613	N/A

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December 31, 2013

Marketable Securities	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Unit Value (in US\$ in thousands)	Carrying Value (US\$ in thousands)	Percent Owned
	United States Treas Nts		Available-for-sale financial assets		US\$ 42,509	N/A
	United States Treas Nts		"		US\$ 5,160	N/A
	United States Treas Nts		"		US\$ 3,359	N/A
	United States Treas Nts		"		US\$ 7,758	N/A
	United States Treas Nts		"		US\$ 25,924	N/A
	United States Treas Nts		"		US\$ 9,735	N/A
	United States Treasury Sec		"		US\$ 6,500	N/A
<u>Money market funds</u>						
	Alga Cash Mgmt Global Offshore		Available-for-sale financial assets		US\$ 592,180	N/A
						(Concluded)

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**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 YEAR ENDED DECEMBER 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Type	Financial	Statement	Account	Counter-party Relationship	Nature of Shares/Units (in Thousands)	Beginning Balance		Acquisition		Disposal (Note 2)	
						Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value
					(US\$ in Thousands)	(in Thousands)	(US\$ in Thousands)	(In Thousands)	(US\$ in Thousands)	(US\$ in Thousands)	(US\$ in Thousands)
Available-for-sale financial assets			National Investment Trust Co., Ltd.		22,219	\$3,655,939		\$	9,980	\$1,650,000	\$1,621,800
"			Fuh Hwa Investment Trust Co., Ltd.		125,122	1,667,908	41,289	556,000	33,414	450,000	442,900
"			National Investment Trust Co., Ltd.		93,312	1,314,669	23,884	340,000	14,180	200,000	197,500
"			ING Securities Investment Trust Co., Ltd.		175,156	2,639,459	85,581	1,300,000	175,156	2,656,012	2,604,800
"			Prudential Financial Securities Investment Trust Enterprise		103,751	1,516,294			20,445	300,000	295,500
"			Uni-President Assets Management Corp.		65,496	1,010,426	77,128	1,200,000	65,496	1,016,917	1,000,500
"			JF Asset Management (Taiwan) Ltd.		85,145	1,299,088	32,507	500,000	58,603	900,000	883,300
"			ING Securities Investment Trust Co., Ltd.		63,947	1,012,377			9,326	150,000	145,800
"			Taishin Investment Trust Co., Ltd.		78,624	806,386			9,679	100,000	98,400

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"	AIG Global Asset management Corporation (Taiwan) Ltd.	78,629	1,002,595	54,469	700,000	78,629	1,008,733	1,000,000
"	Cathay Securities Investment Trust Co., Ltd	109,720	1,265,092	60,126	700,000	109,720	1,271,995	1,251,200
"	Allianz Global Investors Taiwan Ltd.	95,553	1,107,206	17,082	200,000	58,316	680,000	668,100
"	JF Asset Management (Taiwan) Limited	66,826	939,082	42,360	600,000	73,862	1,044,083	1,026,600
"	HSBC Asset Management (Taiwan) Ltd.	34,093	506,250			6,677	100,000	98,000
"	ING Securities Investment Trust Co., Ltd	76,593	868,076			76,593	872,639	857,600
"	Shinkong Investment Trust Co., Ltd	62,183	890,660			62,183	896,299	879,900
"	Taiwan International Investment management	44,685	554,863			44,685	557,263	550,700
"	JIH SUN Securities Investment Trust Co., Ltd	88,165	1,202,901			88,165	1,209,618	1,200,000
"	Mega Investment Trust Co., Ltd	139,333	1,602,947	94,744	1,100,000	234,077	2,721,023	2,700,000
"	Polaris International Securities Investment Trust Co., Ltd	63,273	701,069	17,862	200,000	81,135	909,936	900,000
Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions		998,288		1,348,634			
"	"		999,779		200,280			

"	"	400,778
"	"	201,561

(Continued)

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Financial Statement	Account	Counter-party	Relationship	Nature of Shares/Units (in Thousands)	Beginning Balance	Acquisition	Disposal (Note 2)	Carrying Value
					Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands) (In Thousands)	Amount (US\$ in Thousands)
Held-to-maturity financial assets	Chung Shing Bills Finance Corp. and several financial institutions				\$3,049,919	\$	\$3,050,000	\$3,050,000
"	"				350,399		350,000	350,000
"	"				620,000		620,000	620,000
"	"				249,998		250,000	250,000
Available-for-sale financial assets	Chung Shing Bills Finance Corp.				1,046,799		150,000	150,000
Held-to-maturity financial assets	"				4,080,391		1,460,000	1,460,000
"	"				2,773,810		970,000	970,000
"	"				1,451,378		250,000	250,000
"	"				516,663		136,000	136,000
Investee accounted for using equity method		Investment accounted for using equity method	442,262	5,741,870	173,979	4,927,865		
"		Investee with a controlling financial interest			91,703	1,357,890		
Investee accounted for using equity method		Subsidiary		733,130		310,157		
"		"		228,005		729,914		

Available-for-sale			US\$	4,378				
financial assets								
"			US\$	4,424				
"			US\$	4,436	US\$	4,329	US\$	4
"			US\$	4,404	US\$	4,276	US\$	4
"			US\$	5,757	US\$	5,749	US\$	5
"			US\$	5,600	US\$	5,587	US\$	5
"			US\$	6,024	US\$	5,650	US\$	5
"	US\$	3,796			US\$	3,101	US\$	3
"			US\$	3,935	US\$	3,603	US\$	3
"			US\$	6,513	US\$	5,270	US\$	5
"	US\$	3,917			US\$	3,257	US\$	3
"	US\$	4,464			US\$	3,194	US\$	3
"	US\$	8,535			US\$	6,783	US\$	6
"	US\$	3,743			US\$	3,511	US\$	3
"			US\$	3,868	US\$	3,258	US\$	3
"			US\$	4,354	US\$	3,626	US\$	3
"			US\$	3,250				
"	US\$	4,290			US\$	3,170	US\$	3

(Continued)

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Financial Securities Type	Statement	Nature	Beginning Balance Amount (US\$ in thousands)	Acquisition Amount (US\$ in thousands)	Disposal (Note 2) Carrying Value (US\$ in thousands)
Account	Counter-party	Relationship	(Note 1)	(Note 1)	(Note 1)
Mtg Assn Mtn	Available-for-sale financial assets		US\$	US\$ 3,733	US\$ 3,489
91283	"			US\$ 3,486	
13641	"		US\$ 3,720		US\$ 3,004
25398	"		US\$ 4,224		US\$ 3,606
88249	"		US\$	US\$ 4,822	US\$ 4,402
88388	"			US\$ 6,530	US\$ 6,270
88738	"			US\$ 5,062	
88793	"			US\$ 5,823	
00296	"			US\$ 4,336	
n Bank	"			US\$ 5,035	
Cr Bks	"			US\$ 3,411	
e Ln Bks	"		US\$ 4,920		US\$ 4,938
e Ln Bks	"		US\$ 2,991		US\$ 3,027
e Ln Bks	"		US\$ 12,279		US\$ 12,367
e Ln Bks	"			US\$ 5,365	US\$ 5,532
e Ln Bks	"		US\$ 6,905		US\$ 6,947
e Ln Bks	"		US\$ 5,898		US\$ 6,032
e Ln Bks	"			US\$ 18,951	
e Ln Bks	"			US\$ 5,098	
e Ln Bks	"			US\$ 4,494	US\$ 4,610
e Ln Bks	"			US\$ 8,983	US\$ 9,000
e Ln Bks	"			US\$ 8,137	US\$ 8,235
e Ln Bks	"		US\$ 7,506		US\$ 7,500
e Ln Mtg Corp	"		US\$ 5,948		US\$ 5,966
e Ln Mtg Corp	"		US\$ 6,440		US\$ 6,453
e Ln Mtg Corp	"			US\$ 6,000	
e Ln Mtg Corp	"			US\$ 3,199	US\$ 3,236
e Ln Mtg Disc	"			US\$ 21,985	
e Loan Bank	"			US\$ 5,075	US\$ 5,158
e Loan Bank	"			US\$ 5,083	US\$ 4,981
e Loan Bank	"			US\$ 4,518	
e Loan Bank	"			US\$ 3,453	US\$ 3,472
e Loan Banks	"		US\$ 8,049	US\$ 21,356	US\$ 8,201
Mtg Assn	"		US\$ 4,365		US\$ 4,440
Mtg Assn	"		US\$ 5,915		US\$ 5,933
Mtg Assn	"		US\$ 19,766		US\$ 19,844



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Mtg Assn	"		US\$ 4,595	US\$ 4,652	US\$ 4,595	US\$
Mtg Assn	"		US\$ 4,982	US\$ 5,093	US\$ 4,982	US\$
Mtg Assn	"		US\$ 4,500	US\$ 4,509	US\$ 4,500	US\$
Mtg Assn	"		US\$ 5,102			
Mtg Assn	"	US\$ 10,467		US\$ 10,477	US\$ 10,459	US\$
Mtg Assn	"	US\$ 7,868		US\$ 7,926	US\$ 7,834	US\$
Mtg Assn	"	US\$ 14,974		US\$ 14,993	US\$ 14,931	US\$
Mtg Assn	"	US\$ 3,943		US\$ 3,957	US\$ 3,950	US\$
Mtg Assn	"		US\$ 6,500	US\$ 6,505	US\$ 6,500	US\$
Mtg Assn	"		US\$ 4,982	US\$ 5,002	US\$ 4,982	US\$
Mtg Assn	"		US\$ 8,458	US\$ 8,542	US\$ 8,458	US\$
Mtg Assn	"		US\$ 4,997	US\$ 5,027	US\$ 4,997	US\$
Mtg Assn	"		US\$ 4,994	US\$ 5,024	US\$ 4,994	US\$
Mtg Assn	"	US\$ 6,511		US\$ 6,514	US\$ 6,516	US\$
Mtg Assn	"		US\$ 4,368	US\$ 4,319	US\$ 4,368	US\$
Mtg Assn	"		US\$ 4,500			

(Continued)

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Bond Name	Financial Statement Account	Counter-party	Relationship	Nature	Beginning	Acquisition	Disposal (Note 2)			
					Amount	Amount	Amount	Carrying Value	Gain (Loss)	
Securities Type	Statement				Shares/Units (in thousands)	Amount (US\$ Thousands)	Shares/Units (in thousands)	Amount (US\$ Thousands)	Value (US\$ Thousands)	Disposal (US\$ Thousands)
<b>Bonds</b>										
Express Co	Available-for-sale financial assets					US\$3,452	US\$	US\$3,466	US\$3,431	US\$
Honda Fin Corp	"									
						US\$3,092	US\$ 6,220	US\$6,297	US\$6,220	US\$
Corp	"					US\$3,365		US\$3,422	US\$3,325	US\$
ns Cos Inc	"					US\$3,379		US\$3,395	US\$3,340	US\$
ts P L C	"						US\$ 4,496	US\$4,575	US\$4,496	US\$
Res Inc	"						US\$ 3,648			
hattan Corp New	"					US\$5,077		US\$3,536	US\$3,565	US\$
hattan Corp New	"						US\$ 3,480			
Fdg Inc	"						US\$ 4,587	US\$4,591	US\$4,587	US\$
esse First Boston	"									
							US\$ 3,175	US\$3,105	US\$3,175	US\$
n Cap Corp	"					US\$4,928		US\$4,945	US\$4,899	US\$
n Cap Corp	"						US\$ 5,900	US\$6,005	US\$5,900	US\$
Bank	"						US\$19,985			
lec Co	"					US\$3,215		US\$3,217	US\$3,222	US\$
nvnt Bk	"					US\$3,970		US\$3,973	US\$3,930	US\$
nvnt Bk	"					US\$6,057		US\$6,317	US\$5,994	US\$
ome Ln Bks	"					US\$7,937		US\$7,964	US\$7,937	US\$
ec Cap Corp Mtn	"					US\$8,759		US\$8,793	US\$8,716	US\$
ec Cap Corp Mtn	"						US\$ 4,816	US\$4,816	US\$4,816	
ec Cap Corp Mtn	"					US\$8,282	US\$ 2,993	US\$8,414	US\$8,268	US\$
Finl Inc	"						US\$ 3,250			
Sachs Group Inc	"					US\$4,989		US\$5,011	US\$4,941	US\$
Sachs Group Inc	"					US\$3,456		US\$3,471	US\$3,453	US\$
inl Svcs Group Inc	"					US\$5,037		US\$5,023	US\$5,048	US\$
Medium Term Sr	"									
						US\$3,205		US\$3,215	US\$3,182	US\$
Fin Corp	"						US\$ 3,120			
Corp	"					US\$3,028		US\$3,028	US\$3,028	
Corp	"						US\$ 4,468	US\$4,469	US\$4,468	US\$
Corp Mtn	"					US\$5,096		US\$5,114	US\$5,066	US\$
al Business Machs	"						US\$ 3,496			
Fin Corp Mtn	"					US\$4,138		US\$4,161	US\$4,118	US\$
n Chase + Co	"					US\$3,298		US\$3,288	US\$3,310	US\$
a Med Term Nts Bk	"							US\$4,435	US\$4,393	US\$

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Brothers Hldgs Inc	"	US\$3,150		US\$3,152	US\$3,150	US\$
Brothers Hldgs Inc	"		US\$ 3,150			
Willsley Corp	"	US\$8,420		US\$8,487	US\$8,453	US\$
Global Global Fdg Ii	"					
			US\$ 3,647			
Merica Bank Na Y	"	US\$6,403		US\$6,490	US\$6,437	US\$
Ch + Co Inc	"	US\$3,453		US\$3,464	US\$3,426	US\$
Ch + Co Inc	"	US\$4,865		US\$4,880	US\$4,842	US\$
an Life Global Mtn	"	US\$3,369		US\$3,452	US\$3,361	US\$
an Life Golbal Mtn	"		US\$ 3,325			
anley	"	US\$2,126	US\$ 3,337			
p	"	US\$3,797		US\$3,790	US\$3,811	US\$
Elec Gas Co	"	US\$3,682		US\$3,735	US\$3,684	US\$
Medium Term Nts	"	US\$8,998		US\$9,008	US\$8,949	US\$
Airtouch Plc	"	US\$4,449		US\$4,403	US\$4,477	US\$
Corp New	"		US\$ 3,100			
Corp New	"		US\$ 3,491	US\$3,484	US\$3,491	US\$

(Continued)

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Securities Type	Financial Statement	Counter-party	Nature of Relationship	Beginning Balance	Acquisition	Disposal (Note 2)	
				Amount	Amount	Carrying Value	Value
				(US\$ Thousands)	(US\$ Thousands)	(US\$ Thousands)	(US\$ Thousands)
to New	Available-for-sale financial assets			US\$2,040	US\$ 1,534	US\$ 3,563	US\$ 3,582
ut Bk Fa	"			US\$3,997		US\$ 3,998	US\$ 4,000
ed asset-backed							
ne Mtg Assets Tr	Available-for-sale financial assets				US\$ 3,382	US\$ 3,187	US\$ 3,380
utomobile Rec Tr	"			US\$3,269		US\$ 3,196	US\$ 3,216
	"			US\$4,300		US\$ 4,260	US\$ 4,350
ml Mtg Inc	"				US\$ 4,591		
oml Mtg Secs Inc	"				US\$ 5,259		
receivables Asset	"			US\$3,243		US\$ 3,243	US\$ 3,232
ulti Asset Exec	"				US\$ 8,998		
ime Auto Rec	"			US\$3,981		US\$ 3,995	US\$ 3,999
ime Auto Receiva	"				US\$ 3,500		
Asset Tr	"			US\$8,142		US\$ 8,181	US\$ 8,089
Car Fdg Aesop Llc	"			US\$9,297		US\$ 4,493	US\$ 4,433
irst Boston Mtg	"				US\$ 7,613		
irst Boston Mtg	"				US\$ 7,637		
nk Coml Mtg Tr	"				US\$ 5,188		
to Owner Trust	"			US\$4,324		US\$ 4,321	US\$ 4,310
	"			US\$4,251		US\$ 3,868	US\$ 4,241
on Motorcycle Tr	"			US\$5,825		US\$ 3,933	US\$ 3,904
g Llc	"			US\$5,319		US\$ 5,278	US\$ 5,284
receivables	"				US\$ 3,373	US\$ 3,381	US\$ 3,373
Receivables Tr	"			US\$3,928		US\$ 3,460	US\$ 3,443
Mtg Tr	"			US\$3,493		US\$ 3,177	US\$ 3,101
Mtg Tr	"				US\$ 3,884		
Master Nt Tr	"				US\$ 4,500	US\$ 4,449	US\$ 4,500
Cr Card Tr Ii	"			US\$7,605		US\$ 7,552	US\$ 7,653
Mtg Invs Inc	"			US\$5,887		US\$ 4,630	US\$ 4,988
receivables	"			US\$3,928		US\$ 3,928	US\$ 3,943
way Owner Tr	"			US\$3,942		US\$ 3,961	US\$ 3,911
Rate Mtg Ln Tr	"				US\$ 3,981	US\$ 3,786	US\$ 3,887
Coml Mtg Tr	"				US\$ 4,171		
2005 Llc	"			US\$4,103		US\$ 3,325	US\$ 3,338
ner Tr	"				US\$ 4,999		
ner Tr	"			US\$4,238		US\$ 4,260	US\$ 4,246

	"		US\$ 3,656		
ss Thru Ctf Tr	"		US\$ 4,854	US\$ 3,760	US\$ 4,048
nl Auto Owner Tr	"	US\$4,986		US\$ 3,535	US\$ 3,515
tg Backed Secs	"		US\$ 3,935		
tg Backed Secs	"		US\$ 4,008		
<u>onds</u>					
reas Nt	Available-for-sale financial assets		US\$42,302	US\$42,891	US\$42,302
reas Nt	"		US\$ 5,059	US\$ 5,007	US\$ 5,059
reas Nts	"		US\$60,837	US\$34,754	US\$34,896
reas Nts	"		US\$ 6,837	US\$ 7,052	US\$ 6,837
reas Nts	"		US\$ 8,073	US\$ 3,037	US\$ 3,036
reas Nts	"		US\$33,800	US\$34,440	US\$33,800
reas Nts	"		US\$25,041	US\$25,606	US\$25,041

(Continued)

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Securities Type	Financial Statement	Counter-party Relationship	Nature of Shares/Units (in thousands)	Beginning Balance	Acquisition	Disposal (Note 2)	
				Amount (US\$ in thousands)	Shares/Units (in thousands)	Amount (US\$ in thousands)	Carrying Value (US\$ in thousands)
Equities	Available-for-sale financial assets			US\$	US\$ 11,676	US\$ 6,121	US\$ 6,092
Equities	"			US\$ 5,936		US\$ 5,936	US\$ 5,944
Equities	"				US\$ 12,876	US\$ 13,318	US\$ 12,876
Equities	"				US\$ 6,957	US\$ 6,935	US\$ 6,957
Equities	"				US\$ 15,113	US\$ 10,313	US\$ 10,056
Equities	"				US\$ 10,746	US\$ 10,768	US\$ 10,746
Equities	"				US\$ 5,078	US\$ 5,170	US\$ 5,078
Equities	"			US\$12,350		US\$ 12,363	US\$ 12,295
Equities	"				US\$109,310	US\$ 67,657	US\$ 67,440
Equities	"				US\$ 46,901	US\$ 44,003	US\$ 43,603
Equities	"				US\$ 20,692	US\$ 21,138	US\$ 20,692
Equities	"				US\$ 34,573	US\$ 34,574	US\$ 34,573
Equities	"			US\$60,929		US\$ 60,813	US\$ 61,165
Equities	"				US\$ 19,628	US\$ 19,903	US\$ 19,628
Equities	"				US\$ 26,131	US\$ 26,501	US\$ 26,131
Equities	"				US\$146,634	US\$139,925	US\$138,892
Equities	"				US\$ 16,788	US\$ 16,766	US\$ 16,788
Equities	"				US\$271,758	US\$271,969	US\$271,758
Equities	"			US\$ 4,009		US\$ 4,019	US\$ 3,996
Equities	"				US\$ 29,438	US\$ 20,089	US\$ 19,959
Equities	"			US\$56,526	US\$131,185	US\$187,636	US\$187,804
Equities	"				US\$ 8,596	US\$ 8,552	US\$ 8,596
Equities	"				US\$ 14,102	US\$ 14,203	US\$ 14,102
Equities	"			US\$ 4,834		US\$ 4,927	US\$ 4,827
Equities	"				US\$ 30,867	US\$ 31,573	US\$ 30,867
Equities	"			US\$ 5,467		US\$ 5,517	US\$ 5,456
Equities	"				US\$ 10,362	US\$ 10,369	US\$ 10,362
Equities	"				US\$ 59,595	US\$ 53,577	US\$ 53,189

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 (Concluded)  
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  
 ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100  
 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction Owner	Related Counter-party Relationships	Transfer Date	Amount	Re
January 4, 2007	\$198,000	By the construction progress	Lead Fu Industry Corp.		N/A	N/A	N/A	N/A	Pu bid

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**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details		% to Total	Abnormal Transaction Unit Payment Price Terms (Note)	Notes/Accounts Payable or Receivable Ending Balance	% to Total Note
			Purchases/Sales	Amount				
The Company	TSMC-Subsidiary America	Subsidiary	Sales	\$192,846,641	61	Net 30 days after invoice date	\$ 26,626,880	60
	GUC	Investee with a controlling financial interest	Sales	795,232		Net 30 days after monthly closing	74,003	
	TSMC-Subsidiary	Subsidiary	Sales	155,799		Net 30 days after monthly closing		
	WaferTech	Direct subsidiary	Purchases	8,774,750	18	Net 30 days after monthly closing	(784,280)	6
	TSMC-Subsidiary	Subsidiary	Purchases	5,828,541	12	Net 30 days after monthly closing	(596,581)	5
	SSMC	Investee accounted for using equity method	Purchases	5,468,410	11	Net 30 days after monthly closing	(655,029)	5
	VIS	Investee accounted for using	Purchases	4,188,107	9	Net 30 days after	(838,584)	7

	equity method				monthly closing		
GUC	TSMC-South America parent company	Purchases	1,766,788	54	Net 30 days after invoice date/net 45 days after monthly closing	(139,402)	16
Xintec	VisEra Same president	Sales	1,050,497	31	Net 45 days after shipping	10,120	2
	OmniVR parent company of director (represented for Xintec)	Sales	1,813,412	54	Net 45 days after shipping	431,801	84

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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**Taiwan Semiconductor Manufacturing Company Limited and Investees  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%  
OF THE PAID-IN CAPITAL  
DECEMBER 31, 2007  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note)	Overdue Amounts	Action Taken	Amounts Received in Subsequent Period	Allowance for Debts
Company	TSMC-North America	Subsidiary	\$26,725,765	41	\$8,164,297	Accelerate demand on account receivable	\$4,521,960	\$
	TSMC-Shanghai GUC	Subsidiary Investee with a controlling financial interest	151,037 118,749		8,081	Accelerate demand on account receivable		
	VisEra	Same president	10,120	69	1,075	Accelerate demand on account receivable		
	OmniVision	Parent company of director (represented for Xintec)	431,801	43				

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**DECEMBER 31, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2007			Net Income (Loss) for the Investment
			December 31, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)	
Global	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$44,204,188	\$2,321,000
International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	27,688,565	562,000
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,047,681	8,119,816	616,240	36	11,024,568	4,321,000
	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	9,092,741	3,552,000
Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	8,622,715	(952,000)
Investors	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,734,180	302,000
North	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,255,647	252,000

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	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890		91,703	43	1,501,521	501
	Cayman Islands	Investing in new start-up technology companies	1,095,622	785,465		98	1,170,841	140
	Cayman Islands	Investing in new start-up technology companies	973,459	243,545		98	906,536	(4)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	42,572	37	823,552	732
Alliance	Cayman Islands	Investing in new start-up technology companies	1,019,042	1,418,717		99	467,873	137
g	Taipei, Taiwan	Investment activities	300,000	300,000		36	173,429	59
	Taipei, Taiwan	Investment activities	300,000	300,000		36	171,658	58
an	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	104,929	3
ope	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	88,702	31
rea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	16,436	2

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.

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**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Business and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand)	Investment Flows Outflow (US\$ in Thousand)	Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2007 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
ring and integrated the order of nt to sign ons y customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$	\$12,180,367 (US\$371,000)	100%	\$(957,835)

Accumulated Investment in Mainland China as of December 31, 2007 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

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

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

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**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Years Ended December 31, 2007 and 2006 and  
Independent Auditors Report**

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**REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2007, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, Consolidated Financial Statements . In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

/s/ MORRIS CHANG

MORRIS CHANG

Chairman

January 10, 2008

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2007 and 2006, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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.

January 10, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 94,986,488	16	\$ 117,837,192	20
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	1,632,387		1,206,854	
Available-for-sale financial assets (Notes 2, 3 and 6)	66,688,368	12	67,523,858	12
Held-to-maturity financial assets (Notes 2 and 7)	11,526,946	2	8,510,823	2
Receivables from related parties (Note 25)	10,885		252,339	
Notes and accounts receivable	47,204,126	8	34,957,650	6
Allowance for doubtful receivables (Notes 2 and 8)	(701,807)		(749,888)	
Allowance for sales returns and others (Notes 2 and 8)	(4,089,035)	(1)	(2,870,802)	(1)
Other receivables from related parties (Note 25)	243,620		256,863	
Other financial assets (Note 26)	1,515,527		2,356,542	1
Inventories, net (Notes 2 and 9)	23,862,260	4	21,430,728	4
Deferred income tax assets, net (Notes 2 and 18)	5,572,334	1	8,013,992	1
Prepaid expenses and other current assets	1,370,230		1,591,017	
<b>Total current assets</b>	<b>249,822,329</b>	<b>42</b>	<b>260,317,168</b>	<b>45</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 10 and 11)</b>				
Investments accounted for using equity method	22,517,289	4	15,000,891	2
Available-for-sale financial assets	1,400,691		6,648,485	1
Held-to-maturity financial assets	8,697,726	2	28,973,495	5
Financial assets carried at cost	3,845,619	1	3,272,280	1
<b>Total long-term investments</b>	<b>36,461,325</b>	<b>7</b>	<b>53,895,151</b>	<b>9</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>				
Cost				
Land and land improvements	942,197		844,644	
Buildings	118,640,027	21	112,595,124	19
Machinery and equipment	646,419,427	113	579,825,289	99
Office equipment	11,829,640	2	10,646,725	2

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Leased assets	652,296		612,941	
	778,483,587	136	704,524,723	120
Accumulated depreciation	(540,099,567)	(94)	(463,038,084)	(79)
Advance payments and construction in progress	21,868,167	4	12,607,551	2
Net property, plant and equipment	260,252,187	46	254,094,190	43
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	5,987,582	1	5,984,993	1
Deferred charges, net (Notes 2 and 13)	7,923,601	2	5,936,915	1
Total intangible assets	13,911,183	3	11,921,908	2
<b>OTHER ASSETS</b>				
Deferred income tax assets, net (Notes 2 and 18)	7,313,283	1	5,802,142	1
Refundable deposits	2,777,769	1	1,331,245	
Others	327,150		123,355	
Total other assets	10,418,202	2	7,256,742	1
<b>TOTAL</b>	<b>\$ 570,865,226</b>	<b>100</b>	<b>\$ 587,485,159</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 249,313		\$ 10,864	
Notes and accounts payable	11,574,882	2	7,934,388	1
Payables to related parties (Note 25)	1,503,376	1	1,867,728	
Income tax payable (Notes 2 and 18)	11,126,128	2	7,946,473	2
Accrued expenses and other current liabilities (Notes 16 and 28)	17,714,763	3	11,328,350	2
Payables to contractors and equipment suppliers	6,256,732	1	10,768,591	2
Current portion of bonds payable and long-term liabilities (Notes 14, 15 and 26)	280,813		7,004,137	1
Total current liabilities	48,706,007	9	46,860,531	8

**LONG-TERM LIABILITIES**

Bonds payable (Note 14)	12,500,000	2	12,500,000	2
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Long-term bank loans (Notes 15 and 26)	1,722,196		653,959	
Other long-term payables (Notes 16 and 28)	9,409,978	2	8,703,267	2
Other payables to related parties (Notes 25 and 28)			403,375	
Obligations under capital leases (Note 2)	652,296		612,941	
Total long-term liabilities	24,284,470	4	22,873,542	4
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,665,522	1	3,540,060	1
Guarantee deposits (Note 28)	2,243,009		3,817,132	1
Deferred credits (Notes 2 and 25)	1,236,873		1,177,138	
Others	43,774		78,640	
Total other liabilities	7,189,178	1	8,612,970	2
Total liabilities	80,179,655	14	78,347,043	14
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock \$10 par value				
Authorized: 28,050,000 thousand shares in 2007				
27,050,000 thousand shares in 2006				
Issued: 26,427,104 thousand shares in 2007				
25,829,688 thousand shares in 2006	264,271,037	46	258,296,879	44
Capital surplus (Notes 2 and 20)	53,732,682	9	54,107,498	9
Retained earnings (Note 20)				
Appropriated as legal capital reserve	56,406,684	10	43,705,711	7
Appropriated as special capital reserve	629,550		640,742	
Unappropriated earnings	161,828,337	28	152,778,079	26
	218,864,571	38	197,124,532	33
Others (Notes 2, 3, 22 and 24)				
Cumulative translation adjustments	(1,072,853)		(1,191,165)	
Unrealized gain on financial instruments	680,997		561,615	
Treasury stock: 834,096 thousand shares in 2007				
33,926 thousand shares in 2006	(49,385,032)	(8)	(918,075)	
	(49,776,888)	(8)	(1,547,625)	
Equity attributable to shareholders of the parent	487,091,402	85	507,981,284	86
MINORITY INTERESTS (Note 2)	3,594,169	1	1,156,832	

Total shareholders equity	490,685,571	86	509,138,116	86
TOTAL	\$ 570,865,226	100	\$ 587,485,159	100

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

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**Table of Contents****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)**

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 25)	\$ 328,336,172		\$ 322,883,499	
SALES RETURNS AND ALLOWANCES (Note 2)	5,705,576		5,476,328	
NET SALES	322,630,596	100	317,407,171	100
COST OF SALES (Notes 19 and 25)	180,280,385	56	161,597,081	51
GROSS PROFIT	142,350,211	44	155,810,090	49
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	17,946,322	5	16,076,432	5
General and administrative	8,963,836	3	8,716,653	3
Marketing	3,718,146	1	3,752,311	1
Total operating expenses	30,628,304	9	28,545,396	9
INCOME FROM OPERATIONS	111,721,907	35	127,264,694	40
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	5,651,700	2	4,542,149	2
Equity in earnings of equity method investees, net (Notes 2 and 10)	2,507,869	1	2,347,153	1
Settlement income (Note 28)	985,114	1	979,214	
Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 24)	633,109			
Technical service income (Notes 25 and 28)	590,391		571,500	
Rental income (Note 25)	378,643		224,290	
Subsidy income (Note 2)	364,321		334,478	
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	304,578			
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 25)	91,210		421,051	
Foreign exchange gain, net (Note 2)	80,922			
Others (Note 25)	345,946		285,757	

Total non-operating income and gains	11,933,803	4	9,705,592	3
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Provision for litigation loss (Note 28k)	1,008,635	1		
Interest expense	842,242		890,602	1
Loss on impairment of financial assets (Note 2)	54,208		279,690	
Loss on disposal of property, plant and equipment (Note 2)	6,190		241,397	
				(Continued)

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**Table of Contents****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)**

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 24)	\$		\$ 798,610	
Valuation loss on financial instruments, net (Notes 2, 5 and 24)			812,937	
Foreign exchange loss, net (Note 2)			400,863	
Others	102,409		183,979	
 Total non-operating expenses and losses	 2,013,684	 1	 3,608,078	 1
 INCOME BEFORE INCOME TAX	 121,642,026	 38	 133,362,208	 42
INCOME TAX EXPENSE (Notes 2 and 18)	(11,709,626)	(4)	(7,773,711)	(2)
 NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	 109,932,400	 34	 125,588,497	 40
 CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3)			 1,606,749	
 NET INCOME	 \$ 109,932,400	 34	 \$ 127,195,246	 40
 ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 109,177,093	34	\$ 127,009,731	40
Minority interests	755,307		185,515	
	 \$ 109,932,400	 34	 \$ 127,195,246	 40
	<b>2007</b>		<b>2006</b>	
	<b>Income Attributable to Shareholders of the Parent</b>		<b>Income Attributable to Shareholders of the Parent</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>



	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 23)				
Basic earnings per share	\$ 4.59	\$ 4.14	\$ 5.11	\$ 4.82
Diluted earnings per share	\$ 4.58	\$ 4.14	\$ 5.10	\$ 4.81

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

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

	Equity Attributable to Shareholders of the Parent					Others		Total
	Capital Surplus	Legal Capital Reserve	Retained Earnings Special	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	
46	\$ 57,117,886	\$ 34,348,208	\$ 2,226,427	\$ 106,196,399	\$ 142,771,034	\$ (640,742)	\$ (918,075)	\$ (1,558,814)
		9,357,503		(9,357,503)				
			(1,585,685)	1,585,685				
				(3,432,129)	(3,432,129)			
29				(3,432,129)	(3,432,129)			
				(61,825,061)	(61,825,061)			
04				(3,709,504)	(3,709,504)			
				(257,410)	(257,410)			
04	(3,709,504)			127,009,731	127,009,731			
	187,095							
						(550,423)		(550,423)
96	429,701							

	82,320								
							386,017		386,017
							175,598		175,598
79	54,107,498	43,705,711	640,742	152,778,079	197,124,532	(1,191,165)	561,615	(918,075)	(1,547,620)
		12,700,973		(12,700,973)					
			(11,192)	11,192					
				(4,572,798)	(4,572,798)				
98				(4,572,798)	(4,572,798)				
				(77,489,064)	(77,489,064)				
94				(516,594)	(516,594)				
				(285,800)	(285,800)				
91	(774,891)			109,177,093	109,177,093				
	(28,639)								
75	326,952						118,312		118,312

101,762

241,821

241,821

(122,439)

(122,439)

(48,466,957) (48,466,957)

37 \$ 53,732,682 \$ 56,406,684 \$ 629,550 \$ 161,828,337 \$ 218,864,571 \$ (1,072,853) \$ 680,997 \$ (49,385,032) \$ (49,776,88

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 109,177,093	\$ 127,009,731
Net income attributable to minority interests	755,307	185,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,005,395	73,715,242
Amortization of premium/discount of financial assets	(117,159)	2,399
Loss on impairment of financial assets	54,208	279,690
Gain on disposal of available-for-sale financial assets, net	(610,167)	(90,826)
Equity in earnings of equity method investees, net	(2,507,869)	(2,347,153)
Dividends received from equity method investees	625,130	614,567
Gain on disposal of financial assets carried at cost, net	(264,503)	(16,210)
Gain on disposal of property, plant and equipment and other assets, net	(85,020)	(179,654)
Deferred income tax	943,797	121,590
Loss on idle assets		44,072
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(187,084)	340,176
Receivables from related parties	629,467	440,927
Notes and accounts receivable	(12,134,176)	8,124,625
Allowance for doubtful receivables	(48,126)	(230,706)
Allowance for sales returns and others	1,205,277	(1,446,611)
Other receivables from related parties	13,243	341,047
Other financial assets	842,136	(738,745)
Inventories	(2,226,106)	(3,702,425)
Prepaid expenses and other current assets	290,434	(170,576)
Increase (decrease) in:		
Notes and accounts payable	3,218,255	(1,487,064)
Payables to related parties	(375,731)	(572,441)
Income tax payable	3,179,655	3,931,022
Accrued expenses and other current liabilities	913,872	862,428
Accrued pension cost	125,462	65,676
Deferred credits	343,878	(99,310)
Net cash provided by operating activities	183,766,668	204,996,986
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(87,550,197)	(119,291,685)
Held-to-maturity financial assets		(18,554,027)

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Investments accounted for using equity method	(5,803,826)	(2,613,009)
Financial assets carried at cost	(911,323)	(511,632)
Property, plant and equipment	(84,000,985)	(78,737,265)
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars)

	<b>2007</b>	<b>2006</b>
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 94,908,666	\$ 91,620,367
Held-to-maturity financial assets	17,325,120	10,410,000
Financial assets carried at cost	410,465	126,465
Property, plant and equipment and other assets	60,535	518,705
Increase in deferred charges	(3,059,155)	(1,414,742)
Increase in refundable deposits	(1,434,895)	(1,224,443)
Net cash paid for acquisition of subsidiaries	(404,445)	
Increase in other assets	(228,747)	(52,086)
Net cash used in investing activities	(70,688,787)	(119,723,352)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	(89,720)	(328,500)
Increase in long-term bank loans	653,000	
Repayments of:		
Bonds payable	(7,000,000)	
Long-term bank loans	(196,173)	(5,489)
Increase (decrease) in guarantee deposits	(1,574,131)	920,702
Cash dividends	(77,387,302)	(61,742,741)
Cash bonus paid to employees	(4,572,798)	(3,432,129)
Bonus to directors and supervisors	(285,800)	(257,410)
Repurchase of treasury stock	(45,413,373)	
Proceeds from exercise of employee stock options	436,827	575,197
Increase in minority interests	19,004	487,017
Net cash used in financing activities	(135,410,466)	(63,783,353)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(22,332,585)	21,490,281
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(518,119)	(136,796)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	117,837,192	96,483,707
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 94,986,488	\$ 117,837,192

SUPPLEMENTAL INFORMATION

Interest paid	\$ 922,079	\$ 951,450
Income tax paid	\$ 7,585,727	\$ 3,630,029

(Continued)



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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars)

	2007	2006
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 78,889,954	\$ 80,675,310
Decrease (increase) in payables to contractors and equipment suppliers	5,111,031	(1,702,555)
Increase in other long-term payables		(235,490)
Cash paid	\$ 84,000,985	\$ 78,737,265
Repurchase of treasury stock	\$ 48,466,957	\$
Increase in accrued expenses and other current liabilities	(3,053,584)	
Cash paid	\$ 45,413,373	\$
NONCASH FINANCING ACTIVITIES		
Current portion of bonds payable and long-term liabilities	\$ 280,813	\$ 7,004,137
Current portion of other payables to related parties (under payables to related parties)	\$	\$ 688,591
Current portion of other long-term payables and other liabilities (under accrued expenses and other current liabilities)	\$ 3,735,875	\$ 617,892

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

Current assets	\$ 3,101,718
Property, plant and equipment	2,339,546
Other assets	436,692
Current liabilities	(1,937,407)
Long-term liabilities	(701,855)
Net amount	\$ 3,238,694
Purchase price for Xintec and Mutual-Pak	\$ 1,413,585
Less: Cash balance of Xintec and Mutual-Pak at acquisition	(1,009,140)

Net cash paid for acquisition of Xintec and Mutual-Pak \$ 404,445

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

**1. GENERAL**

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated 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 December 31, 2007 and 2006, TSMC and its subsidiaries had 25,258 and 22,969 employees, respectively.

**2. 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.

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The consolidated entities were as follows:

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		December 31, 2007	December 31, 2006	
TSMC	TSMC North America (TSMC-NA)	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 December 31, 2007, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.06% of issued 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 December 31, 2007, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately 0.06% of issued 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%	
		37%	38%	

	Global Unichip Corporation (GUC)			GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC. TSMC obtained three out of five director positions in March 2007, and TSMC has a controlling interest over Xintec.
	Xintec Inc. (Xintec)	43%		
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	100%	
	TSMC Development, Inc. (TSMC Development)	100%	100%	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	
	InveStar Semiconductor Development Fund, Inc. (II) LDC (ISDF II)	97%	97%	
TSMC Development	WaferTech, LLC (WaferTech)	99.996%	99.996%	

(Continued)

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Name of Investor	Name of Investee	Percentage of Ownership		Remark
		December 31, 2007	December 31, 2006	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	51%	13%	VTAF III acquired a controlling interest in Mutual-Pak in July 2007.
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%		Newly established.
GUC	Global Unichip Corp.-North America (GUC-NA)	100%	100%	
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	
TSMC Partners	TSMC Design Technology Canada, Inc. (TSMC Canada)	100%		Newly established.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its subsidiaries as of December 31, 2007:

TSMC-NA 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.

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

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

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

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

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

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

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

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

Financial instruments 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 generally 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. Year-end inventories are evaluated for estimated excess quantities and obsolescence based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses

on scrap and slow-moving items are recognized and included in the allowance for losses.

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**Investments Accounted for Using Equity Method**

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. Prior to January 1, 2006, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was amortized by the straight-line method over five years, with the amortization recorded 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 (SFAS No. 5), 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 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 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.

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.

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**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.

Effective January 1, 2007, the Company adopted the newly released Statement of Financial Accounting Standards No. 37, Accounting for Intangible Assets. The Company had reassessed the useful lives and the amortization method of its recognized intangible assets at the effective date. 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.



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### **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 intra-period and inter-period allocations for its income tax whereby (1) a portion of current year's income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, net operating loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

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 option plans that are amended or have options granted on or after January 1, 2004 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.

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### **Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When TSMC retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus and additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus and treasury stock transactions and to retained earnings for any remaining amount. TSMC's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by subsidiaries and cash dividends received by subsidiaries from TSMC are recorded under capital surplus and treasury stock transactions.

### **Foreign-currency Transactions**

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

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

### **Translation of Foreign-currency Financial Statements**

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

### **Recent Accounting Pronouncements**

In March 2007, the Accounting Research and Development Foundation of the R.O.C. issued an interpretation that requires companies to record the bonus paid to directors, supervisors and employees as an expense rather than an appropriation of earnings. This interpretation should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. also issued Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment (SFAS No. 39) in August 2007, which requires companies to record share-based payment transactions in the financial statements at fair value. SFAS No. 39 should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation 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**

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Financial Instruments: Recognition and Measurement (SFAS No. 34) and No. 36, Financial Instruments: Disclosure and Presentation .





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The Company had categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effect of adopting the newly released SFASs is summarized as follows:

	<b>Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)</b>	<b>Recognized as a Separate Component of Shareholders Equity</b>
Financial assets or liabilities at fair value through profit or loss	\$ 1,606,749	\$
Available-for-sale financial assets		306,531
	\$ 1,606,749	\$ 306,531

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$1,083,574 thousand, an increase in net income of NT\$523,175 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.02, for the year ended December 31, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's consolidated financial statements as of and for the year ended December 31, 2006.

**4. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Cash and deposits in banks	\$ 84,105,377	\$ 85,496,085
Repurchase agreements collateralized by government bonds	10,067,843	31,241,594
Asset-backed commercial papers	522,116	
Corporate notes	291,152	1,026,522
Treasury bills		72,991
	\$ 94,986,488	\$ 117,837,192

**Table of Contents****5. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Trading financial assets		
Publicly-traded stocks	\$ 1,590,188	\$ 1,162,253
Cross currency swap contracts	35,567	44,601
Forward exchange contracts	6,632	
	<b>\$ 1,632,387</b>	<b>\$ 1,206,854</b>
Trading financial liabilities		
Forward exchange contracts	\$ 185,583	\$ 113
Cross currency swap contracts	63,730	10,751
	<b>\$ 249,313</b>	<b>\$ 10,864</b>

The Company entered into derivative contracts during the years ended December 31, 2007 and 2006 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 prescribed by SFAS No. 34. Therefore, the Company did not apply hedge accounting treatment for its derivative financial contracts.

Outstanding forward contracts as of December 31, 2007 and 2006:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
December 31, 2007		
Sell US\$/Buy NT\$	January 2008	US\$111,000
Sell EUR\$/Buy NT\$	February 2008 to July 2008	EUR 48,000
December 31, 2006		
Sell JPY\$/Buy US\$	January 2007	JPY 38,610

Outstanding cross currency swap contracts as of December 31, 2007 and 2006:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
December 31, 2007			
January 2008 to February 2008	US\$975,000	3.53%-5.60%	0.02%-3.01%
December 31, 2006			

January 2007 to February 2007

US\$820,000

3.19%-5.91%

0.90%-3.25%

For the years ended December 31, 2007 and 2006, net losses arising from derivative financial instruments were NT\$924,969 thousand (including realized settlement losses of NT\$684,122 thousand and valuation losses of NT\$240,847 thousand) and NT\$1,613,366 thousand (including realized settlement losses of NT\$1,647,103 thousand and valuation gain of NT\$33,737 thousand), respectively.

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**Table of Contents****6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Money market funds	\$ 19,212,110	\$ 667,828
Open-end mutual funds	14,966,675	26,147,276
Corporate bonds	10,745,145	16,494,244
Agency bonds	8,635,796	12,691,612
Government bonds	7,767,637	6,921,532
Corporate issued asset-backed securities	5,357,032	10,541,679
Publicly-traded stocks	905,254	208,930
Structured time deposits	499,410	499,242
	68,089,059	74,172,343
Current portion	(66,688,368)	(67,523,858)
	<b>\$ 1,400,691</b>	<b>\$ 6,648,485</b>

In 2004, the Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. The investment portfolios included securities such as corporate bonds, agency bonds, government bonds, asset-backed securities and others. Securities acquired with maturities of less than three months from the date of purchase were classified as cash equivalents.

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

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
December 31, 2007				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 499,410	1.76%	March 2008
December 31, 2006				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 499,242	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>December 31</b>	
	<b>2007</b>	<b>2006</b>
Corporate bonds	\$ 10,900,247	\$ 13,742,541

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Government bonds	7,824,425	12,070,657
Structured time deposits	1,500,000	11,671,120
	20,224,672	37,484,318
Current portion	(11,526,946)	(8,510,823)
	\$ 8,697,726	\$ 28,973,495

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As of December 31, 2007 and 2006, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
December 31, 2007				
Step-up callable deposits				
Domestic deposits	\$ 1,500,000	\$ 5,585	1.77%-1.83%	April 2008 to October 2008
December 31, 2006				
Step-up callable deposits				
Domestic deposits	\$ 4,500,000	\$ 13,928	1.40%-1.83%	June 2007 to October 2008
Callable range accrual deposits				
Domestic deposits	3,911,520	4,808	(See below)	September 2009 to December 2009
Foreign deposits	3,259,600	4,998	(See below)	October 2009 to January 2010
	\$ 11,671,120	\$ 23,734		

The amount of interest earned from the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based on the terms of the contracts, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate 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 December 31, 2007, no structured time deposit resided in banks located in foreign countries. As of December 31, 2006, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$80,000 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>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 749,888	\$ 980,594
Effect of inclusion of newly consolidated subsidiaries	45	
Provision	2,964	54,713
Write-off	(51,090)	(285,419)
Balance, end of year	\$ 701,807	\$ 749,888

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

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 2,870,802	\$ 4,317,413
Effect of inclusion of newly consolidated subsidiaries	12,956	
Provision	5,773,383	5,382,146
Write-off	(4,568,106)	(6,828,757)
Balance, end of year	\$ 4,089,035	\$ 2,870,802

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**Table of Contents****9. INVENTORIES, NET**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Finished goods	\$ 4,321,870	\$ 5,146,839
Work in process	17,346,862	14,688,719
Raw materials	1,862,543	1,673,982
Supplies and spare parts	1,261,715	926,120
	24,792,990	22,435,660
Allowance for losses	(930,730)	(1,004,932)
	<b>\$ 23,862,260</b>	<b>\$ 21,430,728</b>

**10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	<b>December 31</b>			
	<b>2007</b>			<b>2006</b>
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
Vanguard International Semiconductor Corporation (VIS)	\$ 11,220,101	37	\$ 5,931,755	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	9,092,741	39	7,960,869	39
VisEra Holding Company (VisEra Holding)	2,204,447	49	1,108,267	49
	<b>\$ 22,517,289</b>		<b>\$ 15,000,891</b>	

In November 2006, the Company acquired 81 thousand shares in SSMC for SGD115,227 thousand from EDB Investments Pte Ltd. under a Shareholders Agreement. After the acquisition, the number of SSMC shares owned by the Company increased to 463 thousand and the Company's percentage of ownership increased from 32% to 39%.

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

For the years ended December 31, 2007 and 2006, net equity in earnings of NT\$2,507,869 thousand and NT\$2,347,153 thousand were recognized, respectively. The related equity in earnings of equity method investees were determined based on the audited financial statements of the investees for the same periods as the Company.

As of December 31, 2007 and 2006, fair values of publicly traded stocks in investments accounted for using equity method were NT\$15,189,200 thousand and NT\$11,027,066 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 for the years ended December 31, 2007 and 2006 were as follows:

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 952,159	\$
Addition	1,968,622	1,010,846
Reduction	(331,039)	(58,687)
Balance, end of year	\$ 2,589,742	\$ 952,159

Movements of the aforementioned difference allocated to goodwill for the years ended December 31, 2007 and 2006 were as follows:

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Balance, beginning of year	\$ 213,984	\$
Addition	773,365	213,984
Balance, end of year	\$ 987,349	\$ 213,984

**11. FINANCIAL ASSETS CARRIED AT COST**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Non-publicly traded stocks	\$ 3,462,372	\$ 2,924,350
Mutual funds	383,247	347,930
	\$ 3,845,619	\$ 3,272,280

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Year Ended December 31, 2007</b>						
	<b>Balance,</b>	<b>Effect of</b>				<b>Effect of</b>	<b>Balance,</b>
	<b>Beginning</b>	<b>Inclusion</b>				<b>Exchange</b>	<b>Ending of</b>
	<b>of Year</b>	<b>of</b>				<b>Rate</b>	<b>Year</b>
	<b>of Year</b>	<b>Newly</b>	<b>Additions</b>	<b>Sale or</b>	<b>Reclassification</b>	<b>Changes</b>	<b>Year</b>
	<b>of Year</b>	<b>Consolidated</b>	<b>Additions</b>	<b>Disposal</b>	<b>Reclassification</b>	<b>Changes</b>	<b>Year</b>
	<b>of Year</b>	<b>Subsidiaries</b>	<b>Additions</b>	<b>Disposal</b>	<b>Reclassification</b>	<b>Changes</b>	<b>Year</b>
Cost							
Land and land							
improvements	\$ 844,644	\$ 101,518	\$	\$	\$	(3,965)	\$ 942,197

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

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	<b>Year Ended December 31, 2006</b>					
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Sale or Disposal</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	<b>Balance, Ending of Year</b>
Cost						
Land and land improvements	\$ 851,225	\$	\$	\$	\$ (6,581)	\$ 844,644
Buildings	105,832,028	7,595,171	(964,370)	2,393	129,902	112,595,124
Machinery and equipment	510,922,064	74,313,257	(4,876,809)	(235,999)	(297,224)	579,825,289
Office equipment	9,670,611	1,236,205	(204,200)	(40,550)	(15,341)	10,646,725
Leased asset	597,669				15,272	612,941
<b>Total</b>	<b>627,873,597</b>	<b>\$ 83,144,633</b>	<b>\$ (6,045,379)</b>	<b>\$ (274,156)</b>	<b>\$ (173,972)</b>	<b>704,524,723</b>
Accumulated depreciation						
Land and land improvements	206,408	\$ 29,499	\$	\$	\$ (1,530)	234,377
Buildings	46,560,127	8,465,728	(748,011)	81	10,300	54,288,225
Machinery and equipment	344,431,001	61,516,317	(4,748,334)	(235,908)	(383,489)	400,579,587
Office equipment	6,862,502	1,190,650	(203,404)	(6,423)	(4,022)	7,839,303
Leased asset	64,569	29,682			2,341	96,592
<b>Total</b>	<b>398,124,607</b>	<b>\$ 71,231,876</b>	<b>\$ (5,699,749)</b>	<b>\$ (242,250)</b>	<b>\$ (376,400)</b>	<b>463,038,084</b>
Advance payments and construction in progress	15,074,302	\$ (2,469,323)	\$	\$	\$ 2,572	12,607,551
<b>Net</b>	<b>\$ 244,823,292</b>					<b>\$ 254,094,190</b>

**13. DEFERRED CHARGES, NET**

	<b>Year Ended December 31, 2007</b>					
	<b>Balance, Beginning of Year</b>	<b>Effect of Inclusion of Newly Consolidated Subsidiaries Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>

Technology license fee	\$ 4,132,174	\$ 201,941	\$ 3,515,908	\$ (1,739,949)	\$	\$ (296,423)	\$ 5,497	\$ 5,819,148
Software and system design costs	1,669,781	2,778	1,275,329	(929,920)	(321)	(569,648)	1,604	1,449,603
Others	134,960	29,779	311,827	(124,209)	(134)	296,423	6,204	654,850
Total	\$ 5,936,915	\$ 234,498	\$ 5,103,064	\$ (2,794,078)	\$ (455)	\$ (569,648)	\$ 13,305	\$ 7,923,601

## Year Ended December 31, 2006

	Balance, Beginning of Year	Additions	Amortization	Reclassification	Effect of Exchange Rate Changes	Balance, Ending of Year
Technology license fee	\$ 5,099,227	\$ 402,001	\$ (1,365,685)	\$	\$ (3,369)	\$ 4,132,174
Software and system design costs	1,737,384	1,012,741	(1,083,083)	1,139	1,600	1,669,781
Others	169,639		(37,113)		2,434	134,960
Total	\$ 7,006,250	\$ 1,414,742	\$ (2,485,881)	\$ 1,139	\$ 665	\$ 5,936,915

## 14. BONDS PAYABLE

	December 31 2007	December 31 2006
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 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	12,500,000	15,000,000
	12,500,000	19,500,000
Current portion		(7,000,000)
	\$ 12,500,000	\$ 12,500,000

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As of December 31, 2007, future principal repayments for the bonds payable were as follows:

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

**15. LONG-TERM BANK LOANS**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Secured loans:		
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 5.88% in 2007 and 5.91% in 2006	\$ 648,941	\$ 651,871
Repayable from August 2009 in 17 quarterly installments, annual interest at 2.91%-2.99%	630,000	
Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.39%-3.20%	456,750	
Repayable from March 2007 in 12 quarterly installments, annual interest at 2.79%-3.16%	124,944	
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.48%-2.85%	54,641	
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.85%	44,975	
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53%	40,670	
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	2,088	4,873
SPA DSP loan, repayable from July 2002 in 20 quarterly installments, interest-free		1,352
	2,003,009	658,096
Current portion	(280,813)	(4,137)
	\$ 1,722,196	\$ 653,959

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 certain financial covenants. As of December 31, 2007, TSMC-Shanghai and Xintec were in compliance with all such financial covenants.

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As of December 31, 2007, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2008	\$ 280,813
2009	302,090
2010	947,453
2011	220,653
2012 and thereafter	252,000
	\$ 2,003,009

**16. OTHER LONG-TERM PAYABLES**

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Payables for acquisition of property, plant and equipment (Note 281)	\$ 7,908,516	\$ 7,431,371
Payables for royalties	5,174,644	1,889,788
	13,083,160	9,321,159
Current portion (classified under accrued expenses and other current liabilities)	(3,673,182)	(617,892)
	\$ 9,409,978	\$ 8,703,267

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

As of December 31, 2007, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2008	\$ 3,673,182
2009	582,027
2010	497,676
2011	421,759
2012 and thereafter	7,908,516
	\$ 13,083,160

**17. 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-NA, TSMC-Shanghai, TSMC-Europe and TSMC Canada are required by local regulations to make contributions at certain percentages of the monthly basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$725,789 thousand and NT\$679,919 thousand for the years ended December 31, 2007 and 2006, 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 pension fund monitoring 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).

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

a. Components of net periodic pension cost for the year

	<b>2007</b>	<b>2006</b>
Service cost	\$ 184,275	\$ 178,460
Interest cost	156,391	164,168
Projected return on plan assets	(51,309)	(49,399)
Amortization	35,853	12,096
Net periodic pension cost	\$ 325,210	\$ 305,325

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Benefit obligation		
Vested benefit obligation	\$ 120,146	\$ 102,920
Nonvested benefit obligation	3,479,132	3,883,344
Accumulated benefit obligation	3,599,278	3,986,264
Additional benefits based on future salaries	2,444,451	2,969,830
Projected benefit obligation	6,043,729	6,956,094
Fair value of plan assets	(2,238,997)	(1,958,595)
Funded status	3,804,732	4,997,499
Unrecognized net transition obligation	(109,873)	(118,420)
Unrecognized net loss	(41,995)	(1,339,019)
Accrued pension cost	\$ 3,652,864	\$ 3,540,060



Vested benefit	\$ 120,146	\$ 106,645
c. Actuarial assumptions at December 31, 2007 and 2006		
Discount rate used in determining present values	2.75%-3.00%	2.25%-3.50%
Future salary increase rate	2.00%-3.00%	2.00%-3.00%
Expected rate of return on plan assets	2.50%-3.00%	2.50%
d. Contributions to the Funds for the year	\$ 209,423	\$ 233,111
e. Payments from the Funds for the year	\$ 15,003	\$ 7,407

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**Table of Contents****18. INCOME TAX**

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

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Income tax expense based on income before income tax at statutory rates	\$ 30,829,431	\$ 34,786,278
The effect of the following:		
Tax-exempt income	(7,668,367)	(12,281,413)
Temporary and permanent differences	(150,946)	(2,817,104)
Cumulative effect of changes in accounting principles		(82,062)
Additional tax at 10% on unappropriated earnings	2,710,909	1,170,108
Investment tax credits used	(14,713,748)	(12,769,386)
Income tax currently payable	\$ 11,007,279	\$ 8,006,421

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 11,007,279	\$ 8,006,421
Other income tax adjustments	(240,779)	(328,152)
Net change in deferred income tax assets		
Investment tax credits	5,122,450	3,914,757
Temporary differences	(800,374)	(2,181,558)
Net operating loss carryforwards	841,502	1,412,946
Valuation allowance	(4,220,452)	(3,050,703)
Income tax expense	\$ 11,709,626	\$ 7,773,711

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

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets, net		
Investment tax credits	\$ 5,372,761	\$ 7,870,800
Temporary differences	674,154	584,210
Valuation allowance	(474,581)	(441,018)
	\$ 5,572,334	\$ 8,013,992
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 9,885,452	\$ 12,252,389
Temporary differences	(2,848,052)	(3,580,754)
Net operating loss carryforwards	3,963,123	4,816,846
Valuation allowance	(3,687,240)	(7,686,339)

\$ 7,313,283      \$ 5,802,142

As of December 31, 2007, the net operating loss carryforwards were generated by WaferTech, TSMC Development and TSMC Technology and would expire on various dates through 2026.

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## d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of December 31, 2007 and 2006 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

The estimated 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 imputation credit is made.

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

## f. As of December 31, 2007, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 306,118	\$	2007
		3,202,103	24,335	2008
		6,044,032	14,328	2009
		6,625,081	6,625,081	2010
		3,703,939	3,703,939	2011
		\$ 19,881,273	\$ 10,367,683	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,295,681	\$	2007
		2,599,538	6,600	2008
		1,546,606	1,078,326	2009
		1,887,404	1,887,404	2010
		1,749,252	1,749,252	2011
		\$ 9,078,481	\$ 4,721,582	
Statute for Upgrading Industries	Personnel training expenditures	\$ 16,379	\$	2007
		16,218	20	2008
		46,353	46,353	2009
		42,271	42,271	2010
		500	500	2011

\$ 121,721      \$ 89,144

Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010
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- g. The profits generated from the following projects of TSMC, GUC and Xintec are exempt from income tax for a four- or five-year period:

	<b>Tax-Exemption Period</b>
Construction of Fab 12 Module A	2004 to 2007
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 2004.

**19. LABOR COST, DEPRECIATION AND AMORTIZATION**

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

	<b>Year Ended December 31, 2006</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified as</b>	<b>Operating</b>	
	<b>Cost of Sales</b>	<b>Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 11,713,445	\$ 6,692,437	\$ 18,405,882
Labor and health insurance	714,170	404,845	1,119,015
Pension	627,731	369,398	997,129
Meal	460,980	173,185	634,165
Welfare	236,022	211,272	447,294
Others	226,032	217,045	443,077

	\$ 13,978,380	\$ 8,068,182	\$ 22,046,562
Depreciation	\$ 67,685,744	\$ 3,539,472	\$ 71,225,216
Amortization	\$ 1,436,908	\$ 1,035,482	\$ 2,472,390

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**Table of Contents****20. SHAREHOLDERS EQUITY**

As of December 31, 2007, 1,132,867 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,664,337 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>December 31</b>	
	<b>2007</b>	<b>2006</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	19,526,492	19,974,431
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	490,950	389,188
From long-term investments	351,215	379,854
Donations	55	55
	<b>\$ 53,732,682</b>	<b>\$ 54,107,498</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 recorded in the year of shareholder approval and given effect to in the financial statements of that year.

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





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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 assets, 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 2006 and 2005 had been approved in TSMC's shareholders' meetings held on May 7, 2007 and May 16, 2006, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal</b>	<b>For Fiscal</b>	<b>For</b>	<b>For</b>
	<b>Year 2006</b>	<b>Year 2005</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2005</b>
Legal capital reserve	\$ 12,700,973	\$ 9,357,503		
Special capital reserve	(11,192)	(1,585,685)		
Bonus to employees in cash	4,572,798	3,432,129		
Bonus to employees in stock	4,572,798	3,432,129		
Cash dividends to shareholders	77,489,064	61,825,061	\$ 3.00	\$ 2.50
Stock dividends to shareholders	516,594	3,709,504	0.02	0.15
Bonus to directors and supervisors	285,800	257,410		
	\$ 100,126,835	\$ 80,428,051		

The shareholders' meeting held on May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$774,891 thousand.

The amounts of the appropriations of earnings for 2006 and 2005 were consistent with the resolutions of the meetings of the Board of Directors held on February 6, 2007 and February 14, 2006, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic earnings per share (after income tax) for the years ended December 31, 2006 and 2005 shown in the respective financial statements would have decreased from NT\$4.93 to NT\$4.56 and NT\$3.79 to NT\$3.50, respectively. The shares distributed as a bonus to employees represented 1.77% and 1.39% of TSMC's total outstanding common shares as of December 31, 2006 and 2005, respectively.

As of January 10, 2008, the Board of Directors had not resolved the appropriation for earnings of 2007.

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

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

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**Table of Contents****21. 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 plans that had never been granted or had been granted but subsequently cancelled had expired as of December 31, 2007.

Information about TSMC's outstanding options for the years ended December 31, 2007 and 2006 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Year ended December 31, 2007		
Balance, beginning of year	52,814	\$ 37.9
Options granted	1,094	37.9
Options exercised	(10,988)	39.8
Options cancelled	(1,045)	45.9
Balance, end of year	41,875	37.4
Year ended December 31, 2006		
Balance, beginning of year	67,758	\$ 39.4
Options granted	2,758	40.1
Options exercised	(14,550)	40.1
Options cancelled	(3,152)	43.7
Balance, end of year	52,814	39.6

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

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As of December 31, 2007, information about TSMC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (in Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
\$25.9 - \$36.4	28,527	5.16	\$33.1	28,528	\$33.1
38.9 - 51.3	13,348	6.89	46.6	6,838	46.4
	41,875		37.4	35,366	35.6

GUC's Employee Stock Option Plans, consisting of the GUC 2003 Plan and GUC 2002 Plan, were approved by its Board of Directors on January 23, 2003 and July 1, 2002, respectively. The maximum number of options authorized to be granted under the GUC 2003 Plan and GUC 2002 Plan was 7,535 and 5,000, respectively, with each option eligible to subscribe for one thousand common shares 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 options for the years ended December 31, 2007 and 2006 was as follows:

	Number of Options	Weighted-average Exercise Prices (NT\$)
Year ended December 31, 2007		
Balance, beginning of year	7,342	\$ 14.0
Options granted	2,053	183.6
Options exercised	(1,563)	10.2
Options cancelled	(234)	13.5
Balance, end of year	7,598	60.3

Year ended December 31, 2006

Balance, beginning of year	7,132	\$ 10.7
Options granted	3,689	19.5
Options exercised	(2,862)	10.5
Options cancelled	(617)	12.1
Balance, end of year	7,342	14.0

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The number of outstanding options and exercise prices have been adjusted to reflect the distribution of earnings by GUC in accordance with the plans. The options granted shown above included options resulting from the aforementioned adjustment and options newly granted in accordance with the plans.

As of December 31, 2007, information about GUC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Number of Options	Options Outstanding		Options Exercisable	
		Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
\$9.6 - \$10.5	2,247	0.58 - 3.75	\$ 10.0	850	\$10.2
17.7	3,418	3.67	17.7		
194.0	1,933	6.00	194.0		
	7,598		60.3	850	10.2

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

Information about Xintec's outstanding options for the year ended December 31, 2007 was as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
Year ended December 31, 2007		
Balance, beginning of year	4,968	\$ 13.0
Options granted	5,555	17.3
Options cancelled	(881)	14.1
Balance, end of year	9,642	15.1

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 December 31, 2007, information about Xintec's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Number of Options (in Thousands)	Options Outstanding	Weighted- average	Weighted- average	Options Exercisable	Weighted- average
		Remaining Contractual Life (Years)	Exercise Price (NT\$)	Number of Options (in Thousands)	Exercise Price (NT\$)	
\$12.7 \$20.0	9,642	8.75-9.96	\$15.1		\$	

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No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2007 and 2006. Had the Company used the fair value based method to evaluate the options granted after January 1, 2004 using the Black-Scholes model, the assumptions and pro forma results of the Company would have been as follows:

		2007		2006	
Assumptions:					
TSMC	Expected dividend yield	1.00%	3.44%	1.00%	3.44%
	Expected volatility	43.77%	46.15%	43.77%	46.15%
	Risk free interest rate	3.07%	3.85%	3.07%	3.85%
	Expected life	5 years		5 years	
GUC	Expected dividend yield	0.00%	0.60%		
	Expected volatility	22.65%	45.47%	22.65%	41.74%
	Risk free interest rate	2.12%	2.56%	2.23%	2.56%
	Expected life	3 6 years		3 6 years	
Xintec	Expected dividend yield	0.80%			
	Expected volatility	31.79%	47.42%		
	Risk free interest rate	1.88% 2.45%			
	Expected life	3 years			
Net income attributable to shareholders of the parent:					
As reported		\$109,177,093		\$127,009,731	
Pro forma		109,089,016		126,887,247	
Earnings per share (EPS) after income tax (NT\$):					
Basic EPS as reported		\$4.14		\$4.82	
Pro forma basic EPS		4.14		4.81	
Diluted EPS as reported		4.14		4.81	
Pro forma diluted EPS		4.14		4.81	

**22. TREASURY STOCK**

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Ending Shares
Year ended December 31, 2007				
Parent company stock held by subsidiaries	33,926		170	34,096
Repurchase under share buyback plan		800,000		800,000
	33,926	800,000	170	834,096
Year ended December 31, 2006				
Parent company stock held by subsidiaries	32,938		988	33,926

As of December 31, 2007 and 2006, the book value of the treasury stock was NT\$49,385,032 thousand and NT\$918,075 thousand, respectively; the market value was NT\$51,713,947 thousand and NT\$2,290,026 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.

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TSMC held a meeting of the Board of Directors and approved a share buyback plan to repurchase 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 for a total cost of NT\$48,466,957 thousand. All the treasury stock repurchased will be retired in 2008.

**23. EARNINGS PER SHARE**

	<b>Years Ended December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>Basic EPS (NT\$)</b>				
Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent	\$ 4.59	\$ 4.14	\$ 5.05	\$ 4.76
Cumulative effect of changes in accounting principles attributable to shareholders of the parent			0.06	0.06
Income attributable to shareholders of the parent	\$ 4.59	\$ 4.14	\$ 5.11	\$ 4.82
<b>Diluted EPS (NT\$)</b>				
Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent	\$ 4.58	\$ 4.14	\$ 5.04	\$ 4.75
Cumulative effect of changes in accounting principles attributable to shareholders of the parent			0.06	0.06
Income attributable to shareholders of the parent	\$ 4.58	\$ 4.14	\$ 5.10	\$ 4.81

Consolidated EPS is computed as follows:

	<b>Amounts (Numerator)</b>		<b>Number of Shares (Denominator) (in Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>		<b>Before Income Tax</b>	<b>After Income Tax</b>
Year ended December 31, 2007					
<b>Basic EPS</b>					
Income attributable to shareholders of the parent	\$ 120,890,678	\$ 109,177,093	26,346,582	\$ 4.59	\$ 4.14
Effect of dilutive potential common stock					
stock options			21,668		

Diluted EPS

Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	\$ 120,890,678	\$ 109,177,093	26,368,250	\$ 4.58	\$ 4.14
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Year ended December 31, 2006

Basic EPS Income attributable to shareholders of the parent	\$ 134,698,725	\$ 127,009,731	26,374,757	\$ 5.11	\$ 4.82
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Effect of dilutive potential common stock    stock options			24,101		
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Diluted EPS Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	\$ 134,698,725	\$ 127,009,731	26,398,858	\$ 5.10	\$ 4.81
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**Table of Contents****24. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Financial assets at fair value through profit or loss	\$ 1,632,387	\$ 1,632,387	\$ 1,206,854	\$ 1,206,854
Available-for-sale financial assets	68,089,059	68,089,059	74,172,343	74,172,343
Held-to-maturity financial assets	20,224,672	20,192,188	37,484,318	37,375,517
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	249,313	249,313	10,864	10,864
Bonds payable (including current portion)	12,500,000	12,669,987	19,500,000	19,817,149
Long-term bank loans (including current portion)	2,003,009	2,003,009	658,096	658,096
Other long-term payables (including current portion)	13,083,160	13,083,160	10,413,125	10,413,125
Obligations under capital leases	652,296	652,296	612,941	612,941

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, 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 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 approximate their carrying amounts.

c. The changes in fair value during the years ended December 31, 2007 and 2006 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\$240,847 thousand and gains of NT\$33,737 thousand, respectively.

- d. As of December 31, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$87,450,676 thousand and NT\$111,492,332 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$249,313 thousand and NT\$10,864 thousand, respectively. As of December 31, 2006, financial assets exposed to cash flow interest rate risk were NT\$7,171,120 thousand.

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- e. Movements of the unrealized gain/loss on financial instruments for the years ended December 31, 2007 and 2006 were as follows:

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

	<b>Year Ended December 31, 2006</b>		
	<b>Valuation Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 302,376	\$	\$ 302,376
Recognized directly in shareholders' equity	174,212	175,598	349,810
Removed from shareholders' equity and recognized in earnings	(90,571)		(90,571)
Balance, end of year	\$ 386,017	\$ 175,598	\$ 561,615

- 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.

- 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, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

**25. RELATED PARTY TRANSACTIONS**

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

- a. Philips, one of the major shareholders of TSMC, which has become a non-related party since March, 2007.
- b. Investees of TSMC
- VIS (accounted for using equity method)  
SSMC (accounted for using equity method)
- c. VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method by TSMC
- d. Others: Related parties over which the Company exercises significant influence but with which the Company had no material transactions

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
For the year				
Sales				
VisEra	\$ 739,879		\$ 99,367	
VIS	59,163		14,454	
SSMC	2,928		6,514	
Philips			4,024,990	1
Others			42,008	
	\$ 801,970		\$ 4,187,333	1
Purchases				
SSMC	\$ 5,468,410	3	\$ 6,820,632	4
VIS	4,208,207	2	3,919,566	3
VisEra	594			
	\$ 9,677,211	5	\$ 10,740,198	7
Manufacturing expenses				
technical assistance fees				
VisEra	\$ 63,933		\$	
VIS	366			
Philips			755,904	

\$ 64,299

\$ 755,904

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	2007		2006	
	Amount	%	Amount	%
Research and development expenses VisEra	\$ 43,056		\$	
Non-operating income and gains				
VIS (primarily technical service income; see Note 28h)	\$ 346,260	3	\$ 261,245	3
VisEra	321,819	3	246,242	2
SSMC (primarily technical service income; see Note 28e)	290,586	2	314,953	3
	\$ 958,665	8	\$ 822,440	8
As of December 31				
Receivables				
VisEra	\$ 10,885	100	\$ 1,033	
Philips			250,919	99
Others			387	1
	\$ 10,885	100	\$ 252,339	100
Other receivables				
VIS	\$ 118,749	49	\$ 121,911	47
SSMC	84,778	35	69,568	27
VisEra	40,093	16	58,989	23
Others			6,395	3
	\$ 243,620	100	\$ 256,863	100
Payables				
VIS	\$ 839,624	56	\$ 719,832	38
SSMC	655,029	44	459,305	25
VisEra	8,723			
Philips			688,591	37
	\$ 1,503,376	100	\$ 1,867,728	100

Other long-term payables				
Philips (see Note 28a)	\$		\$ 403,375	100
Deferred credits				
VisEra	\$	62,175	1	\$ 124,350 11

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 the 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.

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**Table of Contents****26. PLEDGED OR MORTGAGED ASSETS**

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

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Other financial assets	\$ 48,929	\$ 52,858
Property, plant and equipment, net	5,733,263	4,293,595
	<b>\$ 5,782,192</b>	<b>\$ 4,346,453</b>

**27. SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from March 2008 to December 2027 and can be renewed upon expiration.

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

As of December 31, 2007, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2008	\$ 556,943
2009	544,866
2010	458,770
2011	319,274
2012 and thereafter	2,582,888
	<b>\$ 4,462,741</b>

**28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Significant commitments and contingencies of the Company as of December 31, 2007, 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.

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- 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. The agreement was automatically renewed in 1992, 1997, 2002 and on January 1, 2007.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2007, TSMC had a total of US\$68,391 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. The Company 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) entered into on May 12, 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 will 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 has 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 will 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 will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- 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



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- 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 will 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 has ended its participation in the project. For the Company, this agreement will terminate 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 December 31, 2007, 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. filed an action with the US District Court in the Northern District of California against TSMC and TSMC North America, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. A jury in the District Court made a verdict in September 2007, awarding US\$30.5 million to the plaintiff. TSMC intends to pursue remedies against this verdict.
- l. TSMC-Shanghai entered into an agreement with a certain foreign company. In accordance with the agreement, 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.
- m. Amounts available under unused letters of credit as of December 31, 2007 were NT\$36,589 thousand.



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**29. 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.

**30. SEGMENT FINANCIAL INFORMATION**

- a. Industry financial information  
The Company is engaged mainly in the manufacturing, selling, packaging and testing of integrated circuits. Therefore, the disclosure of industry financial information is not applicable to the Company.

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## b. Geographic information:

	<b>North America  and Others</b>	<b>Taiwan</b>	<b>Adjustments and Elimination</b>	<b>Consolidated</b>
2007				
Sales to other than consolidated entities	\$ 193,066,238	\$ 129,564,358	\$	\$ 322,630,596
Sales among consolidated entities	18,084,068	194,035,526	(212,119,594)	
Total sales	\$ 211,150,306	\$ 323,599,884	\$ (212,119,594)	\$ 322,630,596
Gross profit	\$ 3,895,144	\$ 139,227,508	\$ (772,441)	\$ 142,350,211
Operating expenses				(30,628,304)
Non-operating income and gains				11,933,803
Non-operating expenses and losses				(2,013,684)
Income before income tax				\$ 121,642,026
Identifiable assets	\$ 145,483,411	\$ 439,675,938	\$ (50,755,448)	\$ 534,403,901
Long-term investments				36,461,325
Total assets				\$ 570,865,226
2006				
Sales to other than consolidated entities	\$ 191,511,929	\$ 125,895,242	\$	\$ 317,407,171
Sales among consolidated entities	18,998,614	191,345,140	(210,343,754)	
Total sales	\$ 210,510,543	\$ 317,240,382	\$ (210,343,754)	\$ 317,407,171
Gross profit	\$ 5,641,405	\$ 150,498,038	\$ (329,353)	\$ 155,810,090
Operating expenses				(28,545,396)
Non-operating income and gains				9,705,592
Non-operating expenses and losses				(3,608,078)

Income before income tax				\$ 133,362,208
Identifiable assets	\$ 133,341,631	\$ 441,339,388	\$ (41,091,011)	\$ 533,590,008
Long-term investments				53,895,151
Total assets				\$ 587,485,159

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## c. Export sales

Area	Years Ended December 31	
	2007	2006
Asia	\$ 40,609,413	\$ 62,434,071
Europe and others	34,518,668	23,764,877
	\$ 75,128,081	\$ 86,198,948

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

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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Customer A	\$37,731,028	11	\$33,950,441	11
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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

December 31, 2007

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units Carrying Per Value	
			(in Thousands)	(US\$ in Thousands)
<u>Open end mutual funds</u>				
NITC Bond Fund		Available-for-sale financial assets	12,239	\$2,045,935
Fuh Hwa Bond		"	132,997	1,801,674
NITC Taiwan Bond		"	103,016	1,474,856
ING Taiwan Bond Fund		"	85,581	1,310,030
Prudential Financial Bond Fund		"	83,306	1,236,728
President James Bond		"	77,128	1,208,799
F Taiwan Bond Fund		"	59,049	915,252
ING Taiwan Income Fund		"	54,621	878,682
Taishin Lucky Fund		"	68,945	718,556
AIG Taiwan Bond Fund		"	54,469	705,033
Cathay Bond Fund		"	60,126	703,824
Dresdner Bond DAM Fund		"	54,319	639,542
F First Bond Fund		"	35,324	504,206
HSBC Taiwan Money Management Fund		"	27,416	413,504
INVESCO Bond Fund		"	27,176	410,054
<u>Government bond</u>				
2003 Government Bond Series B		Available-for-sale financial assets		2,349,163
2004 Government Bond Series B		"		1,197,121
2006 Government Bond Series D		"		399,733
2004 Government Bond Series G		"		200,065
2006 Government Bond Series D		Held-to-maturity financial assets		3,651,840
2003 Government Bond Series B		"		1,647,947
2003 Asian Development Bank Govt. Bond		"		855,088
2003 Government Bond Series F		"		799,049
2003 Government Bond Series H		"		400,709
European Investment Bank Bonds		"		379,829
		"		89,963

2003 European Bank for Reconstruction  
and Development Govt. Bond Series A

Corporate bond

Hua Nan Bank	Available-for-sale financial assets	1,573,338
Cathay Bank	"	1,180,440
Taiwan Power Company	"	899,200
Formosa Petrochemical Corporation	"	399,264
Formosa Petrochemical Corporation	Held-to-maturity financial assets	3,581,667
Taiwan Power Company	"	2,630,064
Nan Ya Plastics Corporation	"	1,804,346
CPC Corporation, Taiwan	"	1,200,318
China Steel Corporation	"	1,000,000
Formosa Plastic Corporation	"	391,134
Shanghai commercial & Saving Bank	"	292,718

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			December 31, 20		
Table Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Unit (in Thousands)	Carrying Value (US\$ in Thousands)	Percent of Owner
Global	Subsidiary	Investment accounted for using equity method	1	\$44,204,188	100
International	Subsidiary	"	987,968	27,688,565	100
	Investee accounted for using equity method	"	616,240	11,024,568	36
	Investee accounted for using equity method	"	463	9,092,741	39
Partners	Subsidiary	"	300	4,734,180	100
North America	Subsidiary	"	11,000	2,255,647	100
	Investee with a controlling financial interest	"	91,703	1,501,521	43
	Investee with a controlling financial interest	"	42,572	823,552	37
Japan	Subsidiary	"	6	104,929	100
Europe	Subsidiary	"		88,702	100
Korea	Subsidiary	"	80	16,436	100
Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	10
Su Handotai Taiwan Co., Ltd.		"	10,500	105,000	7
Technology Fund IV		"	4,000	40,000	2
Venture Capital Co., Ltd.		"	2,633	26,329	10
Ventures Fund		Financial assets carried at cost		312,949	12
Asia Capital		"		70,298	1
Shanghai	Subsidiary	Investment accounted for using equity method		8,622,715	100
	Subsidiary	"		1,170,841	98
I	Subsidiary	"		906,536	98
g Alliance	Subsidiary	"		467,873	99
g	Subsidiary	"		173,429	36

	Subsidiary	"		171,658	36
	Parent Company	Available-for-sale financial assets	17,032	1,055,984	
	Investee accounted for using equity method	Investments accounted for using equity method	5,082	109,815	
	Parent Company	Available-for-sale financial assets	17,064	1,057,963	
	Investee accounted for using equity method	Investments accounted for using equity method	3,748	85,718	
	Subsidiary	Investments accounted for using equity method	8,721	US\$ 42,038	97
II	Subsidiary	"	43,048	US\$ 57,594	97
development	Subsidiary	"	1	US\$ 674,084	100
technology	Subsidiary	"	1	US\$ 6,592	100

(Continued)



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			December 31, 2019	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units Carrying Per Value (in Thousands)	(US\$ in Thousands)
<b>Equity securities</b>				
WaferTech	Subsidiary	Investments accounted for using equity method		US\$227,469
<b>Common stock</b>				
VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 67,948
SMC Canada	Subsidiary	"	2,300	US\$ 2,877
<b>Common stock</b>				
ixim, Inc.		Financial assets carried at cost	1,036	US\$ 275
RichWave Technology Corp.		"	4,247	US\$ 1,648
Global Investment Holding Inc.		"	10,800	\$100,000
<b>Preferred stock</b>				
audience, Inc.		Financial assets carried cost	1,654	US\$ 250
axiom Microdevices, Inc.		"	1,000	US\$ 1,000
Miradia, Inc.		"	3,040	US\$ 1,000
Mobilygen		"	1,415	US\$ 750
Mosaic Systems, Inc.		"	2,481	US\$ 12
Text IO, Inc.		"	800	US\$ 500
Optichron, Inc.		"	714	US\$ 1,000
Optimal Corporation		"		US\$ 229
ixim, Inc.		"	3,606	US\$ 862
teknovus, Inc.		"	6,977	US\$ 1,327
<b>Capital</b>				
VentureTech Alliance Holdings	Subsidiary	Investments accounted for using equity method		
<b>Common stock</b>				
Yobon		Financial assets carried at cost	1,875	US\$ 919
entelic		"	1,200	US\$ 2,040
eadtrend		"	1,265	US\$ 660
RichWave Technology Corp.		"	1,043	US\$ 730
<b>Preferred stock</b>				
V Technologies, Inc.		Financial assets carried cost	2,357	US\$ 1,768
Ageia Technologies, Inc.		"	2,030	US\$ 2,074

Aquantia Corporation	"	1,786	US\$	2,273
Audience, Inc.	"	2,989	US\$	814
Axiom Microdevices, Inc.	"	5,044	US\$	2,088
Beceem Communications	"	650	US\$	1,600
Bemfire Corporation	"	600	US\$	68
Chipin, Inc.	"	475	US\$	1,000
Cirradia, Inc.	"	3,416	US\$	3,106
Cobilygen	"	569	US\$	149
Context IO, Inc.	"	216	US\$	182
Optichron, Inc.	"	1,050	US\$	1,844
Maxim, Inc.	"	3,279	US\$	641
Power Analog Microelectronics	"	3,039	US\$	2,409
QST Holding, LLC	"		US\$	145
Teknovus, Inc.	"	1,599	US\$	454

(Continued)

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			December 31, 2019	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)
<b>Equity</b>				
<u>Common stock</u>				
Tzero Technologies, Inc.		Financial assets carried cost	730	US\$ 1,500
Xceive		"	714	US\$ 1,000
<u>Capital</u>				
VentureTech Alliance Holdings	Subsidiary	Investments accounted for using equity method		
<u>Common stock</u>				
Mutual-pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,672
<u>Preferred stock</u>				
Advasure Sensors, Inc.		"	1,929	US\$ 1,834
Auramicro, Inc.		"	2,500	US\$ 750
Exclara, Inc. (Formerly Synpitem, Inc.)		"	14,513	US\$ 2,412
M2000, Inc.		"	3,000	US\$ 3,000
Neoconix, Inc.		"	2,458	US\$ 4,000
Powervation, Ltd.		"	191	US\$ 2,930
Quellan, Inc		"	3,106	US\$ 3,500
Silicon Technical Services, LLC		"	1,055	US\$ 1,208
Tilera, Inc.		"	1,698	US\$ 2,360
Validity Sensors, Inc.		"	6,424	US\$ 2,545
<u>Convertible bond</u>				
GTBF, Inc.		Financial assets carried at cost		US\$ 1,500
<u>Capital</u>				
VentureTech Alliance Holdings	Subsidiary	Investments accounted for using equity method		
<u>Common stock</u>				
Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	1,352	US\$ 29,024
Memsic, Inc.		Available-for-sale financial assets	1,364	US\$ 13,812
Capella Microsystems (Taiwan), Inc		Financial assets carried at cost	530	US\$ 154
<u>Preferred stock</u>				

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Integrated Memory Logic, Inc.	Financial assets carried at cost	2,872	US\$ 1,221
IP Unity, Inc.	"	1,008	US\$ 494
NanoAmp Solutions, Inc.	"	541	US\$ 853
Sonics, Inc.	"	1,844	US\$ 3,530
<u>Common stock</u>			
Monolithic Power Systems, Inc	Financial assets at fair value through profit or loss	864	US\$ 18,561
Rich Tek Technology Corp.	"	152	US\$ 1,371
Geo Vision, Inc.	"	6	US\$ 59
Memsic, Inc.	Available-for-sale financial assets	1,145	US\$ 11,594
Rich Tek Technology Corp.	"	261	US\$ 2,362
Geo Vision, Inc.	"	15	US\$ 135
eLCOS Microdisplay Technology, Ltd.	Financial assets carried at cost	270	US\$ 27
EoNEX Technologies, Inc.	"	55	US\$ 3,048
Sonics, Inc.	"	2,220	US\$ 32
Epic Communication, Inc.	"	191	US\$ 37
EON Technology, Corp.	"	4,243	US\$ 1,175
Goyatek Technology, Corp.	"	2,088	US\$ 545
Trendchip Technologies Corp.	"	1,000	US\$ 574

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December 31, 2013

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage Owned
Capella Microsystems (Taiwan), Inc		Financial assets carried at cost	534	US\$ 210	
Ralink Technology (Taiwan), Inc.		"	2,383	US\$ 791	
Auden Technology MFG. Co., Ltd		"	1,049	US\$ 223	
<b>Preferred stock</b>					
Alchip Technologies Limited		Financial assets carried at cost	6,128	US\$2,950	
eLCOS Microdisplay Technology, Ltd.		"	3,500	US\$3,500	
FangTek, Inc.		"	6,931	US\$3,250	
Kilopass Technology, Inc.		"	3,887	US\$2,000	
NanoAmp Solutions, Inc.		"	375	US\$1,500	
Sonics, Inc.		"	2,115	US\$3,082	
<b>Agency bonds</b>					
Fed Hm Ln Pc Pool 1b1225		Available-for-sale financial assets		US\$ 139	M
Fed Hm Ln Pc Pool 1b2566		"		US\$ 157	M
Fed Hm Ln Pc Pool 1b2632		"		US\$ 178	M
Fed Hm Ln Pc Pool 1b2642		"		US\$ 234	M
Fed Hm Ln Pc Pool 1b2776		"		US\$ 340	M
Fed Hm Ln Pc Pool 1b2792		"		US\$ 223	M
Fed Hm Ln Pc Pool 1b2810		"		US\$ 296	M
Fed Hm Ln Pc Pool 1b7453		"		US\$2,805	M
Fed Hm Ln Pc Pool 1g0038		"		US\$ 296	M
Fed Hm Ln Pc Pool 1g0053		"		US\$ 367	M
Fed Hm Ln Pc Pool 1g0104		"		US\$ 142	M
Fed Hm Ln Pc Pool 1g1282		"		US\$4,077	M
Fed Hm Ln Pc Pool 1g1411		"		US\$3,618	M
Fed Hm Ln Pc Pool 1h2520		"		US\$2,669	M
Fed Hm Ln Pc Pool 1h2524		"		US\$1,970	M
Fed Hm Ln Pc Pool 780870		"		US\$ 721	M
Fed Hm Ln Pc Pool 781959		"		US\$3,834	M
Fed Hm Ln Pc Pool 782785		"		US\$ 254	M
Fed Hm Ln Pc Pool 782837		"		US\$ 494	M
Fed Hm Ln Pc Pool 782968		"		US\$1,147	M
Fed Hm Ln Pc Pool 783022		"		US\$ 536	M
Fed Hm Ln Pc Pool 783026		"		US\$ 303	M
Fed Hm Ln Pc Pool B19205		"		US\$7,103	M
Fed Hm Ln Pc Pool E89857		"		US\$1,347	M

Fed Hm Ln Pc Pool G11295	"	US\$1,126	M
Fed Hm Ln Pc Pool M80855	"	US\$2,942	M
Federal Home Ln Mtg Corp.	"	US\$1,784	M
Federal Home Ln Mtg Corp.	"	US\$1,832	M
Federal Home Ln Mtg Corp.	"	US\$2,360	M
Federal Home Ln Mtg Corp.	"	US\$2,742	M
Federal Home Ln Mtg Corp.	"	US\$2,178	M
Federal Home Ln Mtg Corp.	"	US\$3,665	M
Federal Home Ln Mtg Corp.	"	US\$2,136	M
Federal Home Ln Mtg Corp.	"	US\$3,275	M
Federal Home Ln Mtg Corp.	"	US\$3,044	M
Federal National Mort Assoc	"	US\$2,844	M
Federal Natl Mtg Assn	"	US\$2,059	M
Federal Natl Mtg Assn	"	US\$2,194	M
Federal Natl Mtg Assn	"	US\$2,011	M
Federal Natl Mtg Assn	"	US\$3,567	M
Federal Natl Mtg Assn Gtd	"	US\$1,717	M

(Continued)

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			December 31, 2013			
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (in Thousands)	Shares/Units	Carrying Value (US\$ in Thousands)	Percentage of Ownership
	Fnma Pool 255883		Available-for-sale financial assets	US\$3,126	N/A	
	Fnma Pool 555549		"	US\$ 1,385	N/A	
	Fnma Pool 555715		"	US\$ 171	N/A	
	Fnma Pool 632399		"	US\$ 390	N/A	
	Fnma Pool 662401		"	US\$ 560	N/A	
	Fnma Pool 667766		"	US\$1,310	N/A	
	Fnma Pool 680932		"	US\$1,110	N/A	
	Fnma Pool 681393		"	US\$2,388	N/A	
	Fnma Pool 685116		"	US\$ 599	N/A	
	Fnma Pool 691283		"	US\$3,442	N/A	
	Fnma Pool 694287		"	US\$ 20	N/A	
	Fnma Pool 703711		"	US\$ 467	N/A	
	Fnma Pool 725095		"	US\$1,023	N/A	
	Fnma Pool 730033		"	US\$ 169	N/A	
	Fnma Pool 740934		"	US\$1,110	N/A	
	Fnma Pool 742232		"	US\$ 23	N/A	
	Fnma Pool 750798		"	US\$ 22	N/A	
	Fnma Pool 773246		"	US\$ 229	N/A	
	Fnma Pool 790828		"	US\$2,009	N/A	
	Fnma Pool 793932		"	US\$ 438	N/A	
	Fnma Pool 794040		"	US\$ 608	N/A	
	Fnma Pool 795548		"	US\$ 234	N/A	
	Fnma Pool 799664		"	US\$ 94	N/A	
	Fnma Pool 799868		"	US\$ 32	N/A	
	Fnma Pool 804764		"	US\$ 396	N/A	
	Fnma Pool 804852		"	US\$ 330	N/A	
	Fnma Pool 804962		"	US\$ 388	N/A	
	Fnma Pool 805163		"	US\$ 408	N/A	
	Fnma Pool 806642		"	US\$ 777	N/A	
	Fnma Pool 806721		"	US\$ 635	N/A	
	Fnma Pool 814418		"	US\$ 343	N/A	
	Fnma Pool 815626		"	US\$2,301	N/A	
	Fnma Pool 819423		"	US\$ 538	N/A	
	Fnma Pool 821129		"	US\$ 512	N/A	
	Fnma Pool 888249		"	US\$ 60	N/A	
	Fnma Pool 888499		"	US\$2,438	N/A	
	Fnma Pool 888502		"	US\$ 236	N/A	

Fnma Pool 888507	"	US\$ 911	N/A
Fnma Pool 888515	"	US\$1,730	N/A
Fnma Pool 888519	"	US\$ 123	N/A
Fnma Pool 888527	"	US\$ 69	N/A
Fnma Pool 888738	"	US\$4,935	N/A
Fnma Pool 888793	"	US\$5,697	N/A
Fnma Pool 900296	"	US\$3,276	N/A
Gnma Ii Pool 081150	"	US\$ 470	N/A
Gnma Ii Pool 081153	"	US\$1,423	N/A
Fed Home Ln Bank	"	US\$5,175	N/A
Federal Farm Cr Bks	"	US\$3,511	N/A
Federal Home Ln Bks	"	US\$8,977	N/A
Federal Home Ln Bks	"	US\$8,939	N/A
Federal Home Ln Bks	"	US\$4,965	N/A
Federal Home Ln Bks	"	US\$5,969	N/A
Federal Home Ln Bks	"	US\$4,980	N/A

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December 31, 2017

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (in Thousands)	Shares/Units Carrying Value (US\$ in Thousands)	Percentage of Ownership
Federal Home Ln Bks		Available-for-sale financial assets	US\$ 19,023	N/A
Federal Home Ln Bks		"	US\$ 5,134	N/A
Federal Home Ln Mtg Disc Nts		"	US\$ 22,342	N/A
Federal Home Loan Bank		"	US\$ 4,621	N/A
Federal Home Loan Banks		"	US\$ 21,500	N/A
Federal Natl Mtg Assn		"	US\$ 5,169	N/A
Federal Natl Mtg Assn Medium		"	US\$ 3,512	N/A
Federal Natl Mtg Assn Mtn		"	US\$ 2,982	N/A
Federal Natl Mtg Assn Mtn		"	US\$ 3,171	N/A
Federal Natl Mtg Assn Mtn		"	US\$ 3,398	N/A
Federal Natl Mtg Assn Mtn		"	US\$ 3,066	N/A
Tennessee Valley Auth		"	US\$ 6,068	N/A
<b>Corporate bonds</b>				
Abbott Labs		Available-for-sale financial assets	US\$ 1,510	N/A
American Gen Fin Corp.		"	US\$ 3,139	N/A
American Gen Fin Corp. Mtn		"	US\$ 3,451	N/A
American Gen Fin Corp. Mtn		"	US\$ 1,962	N/A
American Honda Fin Corp. Mtn		"	US\$ 3,107	N/A
Ameritech Capital Funding Co.		"	US\$ 489	N/A
Amgen Inc.		"	US\$ 2,978	N/A
Anz Cap Tr I		"	US\$ 984	N/A
Atlantic Richfield Co.		"	US\$ 2,216	N/A
Axa Finl Inc.		"	US\$ 2,147	N/A
Beneficial Corp. Mtn Bk Entry		"	US\$ 2,274	N/A
Burlington Res Inc.		"	US\$ 3,653	N/A
Chase Manhattan Corp. New		"	US\$ 1,520	N/A
Chase Manhattan Corp. New		"	US\$ 2,099	N/A
Chase Manhattan Corp. New		"	US\$ 3,483	N/A
Cit Group Hldgs Inc.		"	US\$ 2,982	N/A
Cit Group Inc. New		"	US\$ 2,435	N/A
Consolidated Edison Inc.		"	US\$ 2,990	N/A
Credit Suisse First Boston Usa		"	US\$ 2,229	N/A
Deere John Cap Corp. Mtn Bk Ent		"	US\$ 2,215	N/A
Depfa Acs Bank		"	US\$ 20,402	N/A
Fleet Boston Corp.		"	US\$ 2,620	N/A

Ge Global Ins Hldg Corp.	"	US\$ 1,914	N/A
General Dynamics Corp.	"	US\$ 2,133	N/A
General Elec Cap Corp. Mtn	"	US\$ 3,978	N/A
General Elec Cap Corp. Mtn	"	US\$ 3,047	N/A
General Elec Cap Corp. Mtn	"	US\$ 2,118	N/A
General Re Corp.	"	US\$ 3,263	N/A
Genworth Finl Inc.	"	US\$ 3,279	N/A
Hancock John Global Fdg Ii Mtn	"	US\$ 5,111	N/A
Hancock John Global Fdg Mtn	"	US\$ 993	N/A
Hartford Finl Svcs Group Inc.	"	US\$ 1,336	N/A
Hbos Plc Medium Term Sr Nts	"	US\$ 3,001	N/A
Heller Finl Inc.	"	US\$ 1,950	N/A
Hewlett Packard Co.	"	US\$ 1,884	N/A
Household Fin Corp.	"	US\$ 2,950	N/A
Household Fin Corp.	"	US\$ 3,046	N/A
Ing Sec Life Instl Fdg	"	US\$ 2,582	N/A
International Business Machs	"	US\$ 3,555	N/A
Intl Lease Fin Corp. Mtn	"	US\$ 2,985	N/A

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Value (in US\$ Thousands)	Shares/Units Carrying	Percentage of Ownership
JP Morgan Chase		Available-for-sale financial assets	US\$2,001		N/A
Keycorp Mtn Book Entry		"	US\$3,053		N/A
Lehman Brothers Hldgs Inc.		"	US\$1,643		N/A
Lehman Brothers Hldgs Inc.		"	US\$ 490		N/A
Lehman Brothers Hldgs Inc.		"	US\$ 989		N/A
Lehman Brothers Hldgs Inc.		"	US\$3,052		N/A
Lehman Brothers Hldgs Inc.		"	US\$1,060		N/A
Massmutual Global Fdg Ii Mtn		"	US\$3,737		N/A
Metropolitan Life Golbal Mtn		"	US\$3,366		N/A
Mgic Invt Corp.		"	US\$1,059		N/A
Mizuho Fin (Cayman)		"	US\$2,148		N/A
Monumental Global Fdg Ii		"	US\$1,494		N/A
Monunmetal Global Fdg Ii		"	US\$2,000		N/A
Mony Group Inc.		"	US\$2,137		N/A
Morgan Stanley		"	US\$5,531		N/A
Morgan Stanley		"	US\$1,951		N/A
National City Corp.		"	US\$3,488		N/A
Nationwide Life Global Fdg I		"	US\$3,631		N/A
Oracle Corp. / Ozark Hldg Inc.		"	US\$2,019		N/A
Pepsico Inc. Mtn Book Entry		"	US\$3,607		N/A
Praxair Inc.		"	US\$3,111		N/A
Premark Intl Inc.		"	US\$2,679		N/A
Pricoa Global Fdg I Mtn		"	US\$3,462		N/A
Principal Finl Group Australia		"	US\$1,008		N/A
Protective Life Secd Trs Mtn		"	US\$3,484		N/A
Sbc Communications Inc.		"	US\$3,372		N/A
Sbc Communications Inc.		"	US\$ 711		N/A
Simon Ppty Group LP		"	US\$2,513		N/A
Simon Ppty Group LP		"	US\$1,010		N/A
Sp Powerassests Ltd. Global		"	US\$ 993		N/A
Suntrust Bk Atlanta Ga Medium		"	US\$3,482		N/A
Unitedhealth Group Inc.		"	US\$1,408		N/A
Wachovia Corp. New		"	US\$3,168		N/A
Washington Post Co.		"	US\$3,018		N/A
Wells Fargo + Co. New Med Trm		"	US\$4,413		N/A

Corporate issued asset-backed securities

	Available-for-sale financial assets	US\$1,001	N/A
Americredit Auto Rec Tr			
Americredit Automobile Rec Tr	"	US\$ 894	N/A
Americredit Automobile Receiva	"	US\$1,176	N/A
Atlantic City Elc Trns Fdglc	"	US\$ 162	N/A
Banc Amer Coml Mtg Inc.	"	US\$4,591	N/A
Banc Amer Fdg 2006 I Tr	"	US\$3,762	N/A
Bear Stearns Adjustable Rate	"	US\$ 110	N/A
Bear Stearns Arm Tr	"	US\$3,081	N/A
Bear Stearns Arm Tr	"	US\$1,951	N/A
Bear Stearns Arm Tr	"	US\$ 247	N/A
Bear Stearns Coml Mtg Secs Inc.	"	US\$3,179	N/A
Bear Stearns Coml Mtg Secs Inc.	"	US\$5,099	N/A
Capital One Auto Fin Tr	"	US\$ 906	N/A
Capital One Auto Fin Tr	"	US\$3,685	N/A
Capital One Multi Asset Exec	"	US\$9,118	N/A
Capital One Multi Asset Execut	"	US\$3,991	N/A

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Item	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (in Thousands)	Value (US\$ in Thousands)	Shares/Units Carrying Percentage of Ownership
	Capital One Multi Asset Execut		Available-for-sale financial assets	US\$2,995	N/A
	Capital One Prime Auto Receiva		"	US\$3,498	N/A
	Capital One Prime Auto Receiv		"	US\$ 464	N/A
	Cbass Tr		"	US\$1,297	N/A
	Cendant Rent Car Fdg Aesop LLC.		"	US\$2,663	N/A
	Chase Mtg Fin Tr		"	US\$ 887	N/A
	Chase Mtg Fin Tr		"	US\$1,745	N/A
	Chase Mtg Fin Tr		"	US\$2,605	N/A
	Chase Mtge Finance Corp.		"	US\$1,678	N/A
	Cit Equip Coll Tr		"	US\$4,033	N/A
	Citicorp Mtg Secs		"	US\$ 261	N/A
	Credit Suisse First Boston Mtg		"	US\$1,738	N/A
	Credit Suisse First Boston Mtg		"	US\$6,842	N/A
	Credit Suisse First Boston Mtg		"	US\$6,704	N/A
	Daimlerchrysler Auto Tr		"	US\$4,337	N/A
	Daimlerchrysler Auto Tr		"	US\$1,698	N/A
	Deere John Owner Tr		"	US\$2,488	N/A
	First Franklin Mtg Ln Tr		"	US\$1,659	N/A
	First Horizon		"	US\$ 45	N/A
	First Un Natl Bk Coml Mtg Tr		"	US\$2,595	N/A
	First Un Natl Bk Coml Mtg Tr		"	US\$5,172	N/A
	First Un Natl Bk Coml Mtg Tr		"	US\$2,186	N/A
	Gs Mtg Secs Corp.		"	US\$1,709	N/A
	Home Equity Mortgage Trust		"	US\$2,659	N/A
	Home Equity Mtg Tr 2006 4		"	US\$ 970	N/A
	Hyundai Auto Receivables Tr		"	US\$1,519	N/A
	JP Morgan Mtg Tr		"	US\$ 888	N/A
	JP Morgan Mtg Tr		"	US\$ 910	N/A
	JP Morgan Mtg Tr		"	US\$ 863	N/A
	Lb Ubs Coml Mtg Tr		"	US\$3,884	N/A
	Nomura Asset Accep Corp.		"	US\$1,542	N/A
	Residential Asset Mtg Prods		"	US\$2,200	N/A
	Residential Fdg Mtg Secs I Inc.		"	US\$1,594	N/A
	Residential Fdg Mtg Secs I Inc.		"	US\$3,454	N/A
	Sequoia Mtg Tr		"	US\$ 265	N/A
	Sequoia Mtg Tr		"	US\$ 340	N/A
	Sequoia Mtg Tr		"	US\$ 433	N/A

Terwin Mtg Tr	"	US\$3,317	N/A
Tiaa Seasoned Coml Mtg Tr	"	US\$4,016	N/A
Usaa Auto Owner Tr	"	US\$4,998	N/A
Wamu Mtg	"	US\$3,242	N/A
Wamu Mtg Pass Through Ctfs	"	US\$ 166	N/A
Washington Mut Mtg Secs Corp.	"	US\$2,422	N/A
Wells Fargo Finl Auto Owner Tr	"	US\$4,956	N/A
Wells Fargo Mtg Backed Secs	"	US\$3,816	N/A
Wells Fargo Mtg Backed Secs	"	US\$3,865	N/A
Wells Fargo Mtg Backed Secs	"	US\$3,931	N/A
Wells Fargo Mtg Bkd Secs	"	US\$3,029	N/A
Wells Fargo Mtg Bkd Secs	"	US\$1,763	N/A
Whole Auto Ln Tr	"	US\$1,828	N/A

Government bonds

United States Treas Nts	Available-for-sale financial assets	US\$5,070	N/A
United States Treas Nts	"	US\$5,613	N/A

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Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account (in Thousands)	Shares/Units Carrying Value of (US\$ in Thousands)	Percentage of Ownership
United States Treas Nts		Available-for-sale financial assets	US\$ 42,509	N/A
United States Treas Nts		"	US\$ 5,160	N/A
United States Treas Nts		"	US\$ 3,359	N/A
United States Treas Nts		"	US\$ 7,758	N/A
United States Treas Nts		"	US\$ 25,924	N/A
United States Treas Nts		"	US\$ 9,735	N/A
Wi Treasury Sec		"	US\$ 6,500	N/A
<b><u>Money market funds</u></b>				
Ssga Cash Mgmt Global Offshore		Available-for-sale financial assets	US\$592,180	N/A
			(Concluded)	

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Type	Financial Statement Account	Counter-party Relationship	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value (US\$ in Thousands)
			Amount (in Thousands)	Shares/Units (in Thousands)	Amount (in Thousands)	Shares/Units (in Thousands)	Amount (in Thousands)	Shares/Units (in Thousands)	
Available-for-sale financial assets	National Investment Trust Co., Ltd.		22,219	\$3,655,939	\$		9,980	\$1,650,000	\$1,621,800
"	Fuh Hwa Investment Trust Co., Ltd		125,122	1,667,908	41,289	556,000	33,414	450,000	442,900
"	National Investment Trust Co., Ltd.		93,312	1,314,669	23,884	340,000	14,180	200,000	197,500
"	ING Securities Investment Trust Co., Ltd		175,156	2,639,459	85,581	1,300,000	175,156	2,656,012	2,604,800
"	Prudential Financial Securities Investment Trust Enterprise Assets Management Corp.		103,751	1,516,294			20,445	300,000	295,500
"	Uni-President Assets Management Corp.		65,496	1,010,426	77,128	1,200,000	65,496	1,016,917	1,000,500
"	JF Asset Management (Taiwan) Ltd.		85,145	1,299,088	32,507	500,000	58,603	900,000	883,300
"	ING Securities Investment Trust Co., Ltd		63,947	1,012,377			9,326	150,000	145,800
"	Taishin Investment		78,624	806,386			9,679	100,000	98,400



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"	Trust Co., Ltd AIG Global Asset management Corporation (Taiwan) Ltd.	78,629	1,002,595	54,469	700,000	78,629	1,008,733	1,000,000
"	Cathay Securities Investment Trust Co., Ltd	109,720	1,265,092	60,126	700,000	109,720	1,271,995	1,251,200
"	Allianz Global Investors Taiwan Ltd.	95,553	1,107,206	17,082	200,000	58,316	680,000	668,100
"	JF Asset Management (Taiwan) Limited	66,826	939,082	42,360	600,000	73,862	1,044,083	1,026,600
"	HSBC Asset Management (Taiwan) Ltd.	34,093	506,250			6,677	100,000	98,000
"	ING Securities Investment Trust Co., Ltd	76,593	868,076			76,593	872,639	857,600
"	Shinkong Investment Trust Co., Ltd	62,183	890,660			62,183	896,299	879,900
"	Taiwan International Investment management	44,685	554,863			44,685	557,263	550,700
"	JIH SUN Securities Investment Trust Co., Ltd	88,165	1,202,901			88,165	1,209,618	1,200,000
"	Mega Investment Trust Co., Ltd	139,333	1,602,947	94,744	1,100,000	234,077	2,721,023	2,700,000
"	Polaris Internationa Securities Investment Trust Co., Ltd	63,273	701,069	17,862	200,000	81,135	909,936	900,000
Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions		998,288		1,348,634			
"	"		999,779		200,280			

"	"	400,778
"	"	201,561

(Continued)

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Financial Statement Account	Counter-party Relationship	Nature of Shares/Units (in Thousands)	Beginning Balance		Acquisition		Disposal (Note 2)		Carrying Value (US\$ in Thousands)
			Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)		
Held-to-maturity financial assets	Chung Shing Bills Finance Corp. and several financial institutions		\$3,049,919		\$		\$3,050,000	\$3,050,000	
"	"		350,399				350,000	350,000	
"	"		620,000				620,000	620,000	
"	"		249,998				250,000	250,000	
Available-for-sale financial assets	Chung Shing Bills Finance Corp.		1,046,799				150,000	150,000	
Held-to-maturity financial assets	"		4,080,391				1,460,000	1,460,000	
"	"		2,773,810				970,000	970,000	
"	"		1,451,378				250,000	250,000	
"	"		516,663				136,000	136,000	
Investee accounted for using equity method	Investment accounted for using equity method	442,262	5,741,870	173,979	4,927,865				
"	Investee with a controlling financial interest			91,703	1,357,890				
Investee accounted for using equity method	Subsidiary		733,130		310,157				

"	"	228,005	729,914		
Available-for-sale			US\$	4,378	
financial assets					
"			US\$	4,424	
"			US\$	4,436	US\$ 4,329 US\$ 4
"			US\$	4,404	US\$ 4,276 US\$ 4
"			US\$	5,757	US\$ 5,749 US\$ 5
"			US\$	5,600	US\$ 5,587 US\$ 5
"			US\$	6,024	US\$ 5,650 US\$ 5
"	US\$	3,796			US\$ 3,101 US\$ 3
"			US\$	3,935	US\$ 3,603 US\$ 3
"			US\$	6,513	US\$ 5,270 US\$ 5
"	US\$	3,917			US\$ 3,257 US\$ 3
"	US\$	4,464			US\$ 3,194 US\$ 3
"	US\$	8,535			US\$ 6,783 US\$ 6
"	US\$	3,743			US\$ 3,511 US\$ 3
"			US\$	3,868	US\$ 3,258 US\$ 3
"			US\$	4,354	US\$ 3,626 US\$ 3
"			US\$	3,250	
"	US\$	4,290			US\$ 3,170 US\$ 3

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Securities Type	Financial Statement	Counter-party Relationship	Nature of Shares	Beginning Balance	Acquisition	Disposal (Note 2)		Carrying Value	(US\$ in Thousands)
				Amount	Amount	Amount	Value		
			Shares/Unit	(US\$ in thousands)	(US\$ in thousands)	Shares/Unit	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)
Account Name	Account		(in thousands)	(Note 1)	(In thousands)	(In thousands)	(In thousands)	(In thousands)	(In thousands)
Mtg Assn Mtn	Available-for-sale financial assets			US\$	US\$ 3,733		US\$ 3,489	US\$ 3,464	US\$
91283	"				US\$ 3,486				US\$
13641	"			US\$ 3,720			US\$ 3,004	US\$ 2,989	US\$
25398	"			US\$ 4,224			US\$ 3,606	US\$ 3,555	US\$
88249	"			US\$	US\$ 4,822		US\$ 4,402	US\$ 4,364	US\$
88388	"				US\$ 6,530		US\$ 6,270	US\$ 6,217	US\$
88738	"				US\$ 5,062				US\$
88793	"				US\$ 5,823				US\$
00296	"				US\$ 4,336				US\$
n Bank	"				US\$ 5,035				US\$
Cr Bks	"				US\$ 3,411				US\$
e Ln Bks	"			US\$ 4,920			US\$ 4,938	US\$ 4,872	US\$
e Ln Bks	"			US\$ 2,991			US\$ 3,027	US\$ 2,987	US\$
e Ln Bks	"			US\$ 12,279			US\$ 12,367	US\$ 12,233	US\$
e Ln Bks	"				US\$ 5,365		US\$ 5,532	US\$ 5,365	US\$
e Ln Bks	"			US\$ 6,905			US\$ 6,947	US\$ 6,881	US\$
e Ln Bks	"			US\$ 5,898			US\$ 6,032	US\$ 5,907	US\$
e Ln Bks	"				US\$ 18,951				US\$
e Ln Bks	"				US\$ 5,098				US\$
e Ln Bks	"				US\$ 4,494		US\$ 4,610	US\$ 4,494	US\$
e Ln Bks	"				US\$ 8,983		US\$ 9,000	US\$ 8,983	US\$
e Ln Bks	"				US\$ 8,137		US\$ 8,235	US\$ 8,137	US\$
e Ln Bks	"			US\$ 7,506			US\$ 7,500	US\$ 7,490	US\$
e Ln Mtg Corp	"			US\$ 5,948			US\$ 5,966	US\$ 5,930	US\$
e Ln Mtg Corp	"			US\$ 6,440			US\$ 6,453	US\$ 6,410	US\$
e Ln Mtg Corp	"				US\$ 6,000				US\$
e Ln Mtg Corp	"				US\$ 3,199		US\$ 3,236	US\$ 3,199	US\$
e Ln Mtg Disc	"				US\$ 21,985				US\$
e Loan Bank	"				US\$ 5,075		US\$ 5,158	US\$ 5,075	US\$
e Loan Bank	"				US\$ 5,083		US\$ 4,981	US\$ 5,083	US\$
e Loan Bank	"				US\$ 4,518				US\$
e Loan Bank	"				US\$ 3,453		US\$ 3,472	US\$ 3,453	US\$
e Loan Banks	"			US\$ 8,049	US\$ 21,356		US\$ 8,201	US\$ 8,081	US\$
Mtg Assn	"			US\$ 4,365			US\$ 4,440	US\$ 4,364	US\$
Mtg Assn	"			US\$ 5,915			US\$ 5,933	US\$ 5,885	US\$

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Mtg Assn	"	US\$ 19,766		US\$ 19,844	US\$ 19,702	US
Mtg Assn	"		US\$ 4,595	US\$ 4,652	US\$ 4,595	US
Mtg Assn	"		US\$ 4,982	US\$ 5,093	US\$ 4,982	US
Mtg Assn	"		US\$ 4,500	US\$ 4,509	US\$ 4,500	US
Mtg Assn	"		US\$ 5,102			
Mtg Assn	"	US\$ 10,467		US\$ 10,477	US\$ 10,459	US
Mtg Assn	"	US\$ 7,868		US\$ 7,926	US\$ 7,834	US
Mtg Assn	"	US\$ 14,974		US\$ 14,993	US\$ 14,931	US
Mtg Assn	"	US\$ 3,943		US\$ 3,957	US\$ 3,950	US
Mtg Assn	"		US\$ 6,500	US\$ 6,505	US\$ 6,500	US
Mtg Assn	"		US\$ 4,982	US\$ 5,002	US\$ 4,982	US
Mtg Assn	"		US\$ 8,458	US\$ 8,542	US\$ 8,458	US
Mtg Assn	"		US\$ 4,997	US\$ 5,027	US\$ 4,997	US
Mtg Assn	"		US\$ 4,994	US\$ 5,024	US\$ 4,994	US
Mtg Assn	"	US\$ 6,511		US\$ 6,514	US\$ 6,516	US
Mtg Assn	"		US\$ 4,368	US\$ 4,319	US\$ 4,368	US
Mtg Assn	"		US\$ 4,500			

(Continued)

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Financial Statement Account	Nature Relationship	Beginning Balance Amount (in Thousands)	Acquisition Amount (in Thousands)	Disposal (Note 2) Carrying Value (US\$ in Thousands)	Gross Change (Loss) (US\$ in Thousands)
Express Co	Available-for-sale financial assets	US\$3,452	US\$	US\$3,466	US\$3,431
Honda Fin Corp	"				
Corp	"	US\$3,092	US\$ 6,220	US\$6,297	US\$6,220
ns Cos Inc	"	US\$3,365		US\$3,422	US\$3,325
ts P L C	"	US\$3,379		US\$3,395	US\$3,340
Res Inc	"		US\$ 4,496	US\$4,575	US\$4,496
hattan Corp New	"		US\$ 3,648		
hattan Corp New	"	US\$5,077		US\$3,536	US\$3,565
Edg Inc	"		US\$ 3,480		
se First Boston	"		US\$ 4,587	US\$4,591	US\$4,587
n Cap Corp	"		US\$ 3,175	US\$3,105	US\$3,175
n Cap Corp	"	US\$4,928		US\$4,945	US\$4,899
Bank	"		US\$ 5,900	US\$6,005	US\$5,900
lec Co	"		US\$19,985		
nvnt Bk	"	US\$3,215		US\$3,217	US\$3,222
nvnt Bk	"	US\$3,970		US\$3,973	US\$3,930
ome Ln Bks	"	US\$6,057		US\$6,317	US\$5,994
ec Cap Corp Mtn	"	US\$7,937		US\$7,964	US\$7,937
ec Cap Corp Mtn	"	US\$8,759		US\$8,793	US\$8,716
ec Cap Corp Mtn	"		US\$ 4,816	US\$4,816	US\$4,816
Finl Inc	"	US\$8,282	US\$ 2,993	US\$8,414	US\$8,268
Sachs Group Inc	"		US\$ 3,250		
Sachs Group Inc	"	US\$4,989		US\$5,011	US\$4,941
inl Svcs Group Inc	"	US\$3,456		US\$3,471	US\$3,453
Medium Term Sr	"	US\$5,037		US\$5,023	US\$5,048
Fin Corp	"	US\$3,205		US\$3,215	US\$3,182
Corp	"		US\$ 3,120		
Corp	"	US\$3,028		US\$3,028	US\$3,028
Corp Mtn	"		US\$ 4,468	US\$4,469	US\$4,468
al Business Machs	"	US\$5,096		US\$5,114	US\$5,066
Fin Corp Mtn	"		US\$ 3,496		
n Chase + Co	"	US\$4,138		US\$4,161	US\$4,118
	"	US\$3,298		US\$3,288	US\$3,310
	"	US\$4,401		US\$4,435	US\$4,393

Medium Term Nts Bk

Brothers Hldgs Inc	"	US\$3,150		US\$3,152	US\$3,150	US\$
Brothers Hldgs Inc	"		US\$ 3,150			
Walsley Corp	"	US\$8,420		US\$8,487	US\$8,453	US\$
Global Global Fdg Li	"		US\$ 3,647			
Merica Bank Na Y	"	US\$6,403		US\$6,490	US\$6,437	US\$
Bank + Co Inc	"	US\$3,453		US\$3,464	US\$3,426	US\$
Bank + Co Inc	"	US\$4,865		US\$4,880	US\$4,842	US\$
Man Life Global Mtn	"	US\$3,369		US\$3,452	US\$3,361	US\$
Man Life Golbal Mtn	"		US\$ 3,325			
Manley	"	US\$2,126	US\$ 3,337			
Map	"	US\$3,797		US\$3,790	US\$3,811	US\$
Elec Gas Co	"	US\$3,682		US\$3,735	US\$3,684	US\$
Medium Term Nts	"	US\$8,998		US\$9,008	US\$8,949	US\$
Airtouch Plc	"	US\$4,449		US\$4,403	US\$4,477	US\$
Corp New	"		US\$ 3,100			
Corp New	"		US\$ 3,491	US\$3,484	US\$3,491	US\$

(Continued)



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Financial Securities Type	Financial Statement	Counter-party	Nature of Relationship	Beginning Balance	Acquisition	Disposal (Note 2)	
				Amount	Amount	Carrying Value	Value
				Shares/Units (in thousands)	Shares/Units (in thousands)	Shares/Units (in thousands)	Shares/Units (in thousands)
Account Name	Account	Counter-party	Relationship	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
Up New	Available-for-sale financial assets			US\$2,040	US\$ 1,534	US\$ 3,563	US\$ 3,582
Aut Bk Fa	"			US\$3,997		US\$ 3,998	US\$ 4,000
ed asset-backed							
ne Mtg Assets Tr	Available-for-sale financial assets				US\$ 3,382	US\$ 3,187	US\$ 3,380
utomobile Rec Tr	"			US\$3,269		US\$ 3,196	US\$ 3,216
	"			US\$4,300		US\$ 4,260	US\$ 4,350
ml Mtg Inc	"				US\$ 4,591		
oml Mtg Secs Inc	"				US\$ 5,259		
receivables Asset	"			US\$3,243		US\$ 3,243	US\$ 3,232
ulti Asset Exec	"				US\$ 8,998		
ime Auto Rec	"			US\$3,981		US\$ 3,995	US\$ 3,999
ime Auto Receive	"				US\$ 3,500		
Asset Tr	"			US\$8,142		US\$ 8,181	US\$ 8,089
Car Fdg Aesop Llc	"			US\$9,297		US\$ 4,493	US\$ 4,433
irst Boston Mtg	"				US\$ 7,613		
irst Boston Mtg	"				US\$ 7,637		
nk Coml Mtg Tr	"				US\$ 5,188		
to Owner Trust	"			US\$4,324		US\$ 4,321	US\$ 4,310
	"			US\$4,251		US\$ 3,868	US\$ 4,241
on Motorcycle Tr	"			US\$5,825		US\$ 3,933	US\$ 3,904
g Llc	"			US\$5,319		US\$ 5,278	US\$ 5,284
receivables	"				US\$ 3,373	US\$ 3,381	US\$ 3,373
Receivables Tr	"			US\$3,928		US\$ 3,460	US\$ 3,443
Mtg Tr	"			US\$3,493		US\$ 3,177	US\$ 3,101
Mtg Tr	"				US\$ 3,884		
Master Nt Tr	"				US\$ 4,500	US\$ 4,449	US\$ 4,500
Cr Card Tr Ii	"			US\$7,605		US\$ 7,552	US\$ 7,653
Mtg Invs Inc	"			US\$5,887		US\$ 4,630	US\$ 4,988
receivables	"			US\$3,928		US\$ 3,928	US\$ 3,943
way Owner Tr	"			US\$3,942		US\$ 3,961	US\$ 3,911
Rate Mtg Ln Tr	"				US\$ 3,981	US\$ 3,786	US\$ 3,887
Coml Mtg Tr	"				US\$ 4,171		
2005 Llc	"			US\$4,103		US\$ 3,325	US\$ 3,338
ner Tr	"				US\$ 4,999		

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ner Tr	"	US\$4,238		US\$ 4,260	US\$ 4,246	U
	"		US\$ 3,656			
ss Thru Ctf Tr	"		US\$ 4,854	US\$ 3,760	US\$ 4,048	U
nl Auto Owner Tr	"	US\$4,986		US\$ 3,535	US\$ 3,515	U
tg Backed Secs	"		US\$ 3,935			
tg Backed Secs	"		US\$ 4,008			
<u>bonds</u>						
reas Nt	Available-for-sale financial assets		US\$42,302	US\$42,891	US\$42,302	U
reas Nt	"		US\$ 5,059	US\$ 5,007	US\$ 5,059	U
reas Nts	"		US\$60,837	US\$34,754	US\$34,896	U
reas Nts	"		US\$ 6,837	US\$ 7,052	US\$ 6,837	U
reas Nts	"		US\$ 8,073	US\$ 3,037	US\$ 3,036	U
reas Nts	"		US\$33,800	US\$34,440	US\$33,800	U
reas Nts	"		US\$25,041	US\$25,606	US\$25,041	U

(Continued)

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Securities Type	Financial Statement	Counter-party	Nature of Relationship	Beginning Balance	Acquisition	Disposal (Note 2)	
				Amount	Amount	Carrying Value	Value
				(in thousands)	(in thousands)	(in thousands)	(in thousands)
Equities	Available-for-sale financial assets			US\$ 11,676	US\$ 11,676	US\$ 6,121	US\$ 6,092
Equities	"			US\$ 5,936		US\$ 5,936	US\$ 5,944
Equities	"				US\$ 12,876	US\$ 13,318	US\$ 12,876
Equities	"				US\$ 6,957	US\$ 6,935	US\$ 6,957
Equities	"				US\$ 15,113	US\$ 10,313	US\$ 10,056
Equities	"				US\$ 10,746	US\$ 10,768	US\$ 10,746
Equities	"				US\$ 5,078	US\$ 5,170	US\$ 5,078
Equities	"			US\$ 12,350		US\$ 12,363	US\$ 12,295
Equities	"				US\$ 109,310	US\$ 67,657	US\$ 67,440
Equities	"				US\$ 46,901	US\$ 44,003	US\$ 43,603
Equities	"				US\$ 20,692	US\$ 21,138	US\$ 20,692
Equities	"				US\$ 34,573	US\$ 34,574	US\$ 34,573
Equities	"			US\$ 60,929		US\$ 60,813	US\$ 61,165
Equities	"				US\$ 19,628	US\$ 19,903	US\$ 19,628
Equities	"				US\$ 26,131	US\$ 26,501	US\$ 26,131
Equities	"				US\$ 146,634	US\$ 139,925	US\$ 138,892
Equities	"				US\$ 16,788	US\$ 16,766	US\$ 16,788
Equities	"				US\$ 271,758	US\$ 271,969	US\$ 271,758
Equities	"			US\$ 4,009		US\$ 4,019	US\$ 3,996
Equities	"				US\$ 29,438	US\$ 20,089	US\$ 19,959
Equities	"			US\$ 56,526	US\$ 131,185	US\$ 187,636	US\$ 187,804
Equities	"				US\$ 8,596	US\$ 8,552	US\$ 8,596
Equities	"				US\$ 14,102	US\$ 14,203	US\$ 14,102
Equities	"			US\$ 4,834		US\$ 4,927	US\$ 4,827
Equities	"				US\$ 30,867	US\$ 31,573	US\$ 30,867
Equities	"			US\$ 5,467		US\$ 5,517	US\$ 5,456
Equities	"				US\$ 10,362	US\$ 10,369	US\$ 10,362
Equities	"				US\$ 59,595	US\$ 53,577	US\$ 53,189

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 YEAR ENDED DECEMBER 31, 2007  
 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction Owner	Transaction of Related Counter-party Relationships	Transfer Date	Amount	Price Referen
January 4, 2007	\$ 198,000	By the construction progress	Lead Fu Industry Corp.		N/A	N/A	N/A	N/A	Public bidding

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Notes/Accounts	Ending Balance	Total
				Amount	% to	Payment Terms	Abnormal Transaction Unit Price		
Company	TSMC-North America	Subsidiary	Sales	\$192,846,641	61	Net 30 days after invoice date		\$26,626,880	60
	GUC	Investee with a controlling financial interest	Sales	795,232		Net 30 days after monthly closing		74,003	
	TSMC-Shanghai	Subsidiary	Sales	155,799		Net 30 days after monthly closing			
	WaferTech	Indirect subsidiary	Purchases	8,774,750	18	Net 30 days after monthly closing		(784,280)	6
	TSMC-Shanghai	Subsidiary	Purchases	5,828,541	12	Net 30 days after monthly closing		(596,581)	5
	SSMC	Investee accounted for using equity method	Purchases	5,468,410	11	Net 30 days after monthly closing		(655,029)	5
	VIS	Investee accounted for using equity method	Purchases	4,188,107	9	Net 30 days after monthly closing		(838,584)	7
	TSMC-North America	Same parent company	Purchases	1,766,788	54	Net 30 days after invoice date/net 45 days after monthly closing		(139,402)	16
	VisEra	Same president	Sales	1,050,497	31	Net 45 days after shipping		10,120	2
	OmniVision	Parent company of director (represented for Xintec)	Sales	1,813,412	54	Net 45 days after shipping		431,801	84

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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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days		Overdue Action Taken	Su
				(Note)	Amounts		
	TSMC-North America	Subsidiary	\$26,725,765	41	\$8,164,297	Accelerate demand on account receivable	\$4
	TSMC-Shanghai	Subsidiary	151,037				
	GUC	Investee with a controlling financial interest	118,749		8,081	Accelerate demand on account receivable	
	VisEra	Same president	10,120	69	1,075	Accelerate demand on account receivable	
	OmniVision	Parent company of director (represented for Xintec)	431,801	43			

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



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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 DECEMBER 31, 2007  
 (Amounts in Thousands of New Taiwan Dollars)**

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2007			Net Income (Losses) of the Investee
			December 31, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)	
Global	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$44,204,188	\$2,321,568
International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	27,688,565	562,155
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,047,681	8,119,816	616,240	36	11,024,568	4,321,071
	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	9,092,741	3,552,556
-Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	8,622,715	(959,387)
Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,734,180	302,505
-North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,255,647	253,276
			1,357,890		91,703	43	1,501,521	501,174

	Taoyuan, Taiwan	Wafer level chip size packaging service						
II	Cayman Islands	Investing in new start-up technology companies	1,095,622	785,465		98	1,170,841	140,497
III	Cayman Islands	Investing in new start-up technology companies	973,459	243,545		98	906,536	(41,533)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	42,572	37	823,552	732,585
Investing Alliance	Cayman Islands	Investing in new start-up technology companies	1,019,042	1,418,717		99	467,873	137,202
Cherng	Taipei, Taiwan	Investment activities	300,000	300,000		36	173,429	59,407
Quey	Taipei, Taiwan	Investment activities	300,000	300,000		36	171,658	58,751
E-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	104,929	3,531
E-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	88,702	31,366
E-Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	16,436	2,140

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.

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 INFORMATION OF INVESTMENT IN MAINLAND CHINA  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment (Note 1)	Accumulated	Investment	Accumulated	Equity	Accumulated		
				Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand)	Flows Outflow (US\$ in Thousand)	Outflow of Investment from Taiwan as of December 31, 2007 (US\$ in Thousand)	in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2007	Inward Remittance of Earnings as of December 31, 2007	
						Percentage of Ownership				
TSMC (Shanghai) Company Limited	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$ \$	\$12,180,367 (US\$371,000)	100%	\$(957,835)	\$8,622,715	\$

**Accumulated Investment in Mainland**

**China as of December 31, 2007**  
**(US\$ in Thousand)**  
 \$12,180,367  
 (US\$371,000)

**Investment Amounts  
Authorized by**

**Investment Commission, MOEA**  
**(US\$ in Thousand)**  
 \$12,180,367  
 (US\$371,000)

**Upper Limit on Investment**  
**(US\$ in Thousand)**  
 \$12,180,367  
 (US\$371,000)

Note 1: Direct  
 investments  
 US\$371,000

thousand in  
TSMC-Shanghai.

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)  
A. FOR THE YEAR ENDED DECEMBER 31, 2007

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets (Note 2)
				Financial Statements Item	Amount	
				Sales	\$192,846,641	59%
				Receivables from related parties	26,626,880	5%
		TSMC-NA	1	Other receivables from related parties	98,885	
				Payables to related parties	13,392	
				Sales	155,799	
				Purchases	5,828,541	2%
				Gain on disposal of property, plant and equipment	216,267	
		TSMC-Shanghai	1	Technical service income	121,771	
				Other receivables from related parties	151,037	
				Payables to related parties	596,581	
				Deferred credits	510,564	
				Marketing expenses commission	220,858	
		TSMC-Japan	1	Payables to related parties	18,449	
0	TSMC	TSMC-Europe	1	Marketing expenses commission	316,748	
				Payables to related parties	37,046	
		TSMC-Korea	1	Marketing expenses commission	26,818	
				Sales	795,232	
				General and administrative expenses rental expense	6,139	
Table of Contents	GUC		1			245

			Research and development expenses	56,887	
			Receivables from related parties	74,003	
			Payables to related parties	7,411	
	TSMC Technology	1	Payables to related parties	39,403	
			Research and development expenses	354,423	
	WaferTech	1	Sales	10,301	
			Purchases	8,774,750	3%
			Payables to related parties	784,280	
	TSMC Canada	1	Research and development expenses	129,665	
1	TSMC International	3	Deferred royalty income	640,658	
2	TSMC Partners	3	Other receivables	9,901,544	2%
			Deferred revenue	8,773,454	2%
			Purchases	1,766,788	1%
3	GUC	3	Manufacturing overhead	189,410	
			Payables to related parties	139,402	
	GUC-NA	3	Operating expenses	60,010	

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

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



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B. FOR THE YEAR ENDED DECEMBER 31, 2006

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Gross Sales or Total Assets (Note 2)
				Financial Statements Item	Amount	
				Sales	\$ 190,459,073	60%
				Receivables from related parties	16,461,956	3%
		TSMC-NA	1	Other receivables from related parties	59,547	
				Payables to related parties	27,455	
				Sales	61,951	
				Purchases	4,405,843	1%
				Gain on disposal of property, plant and equipment	179,498	
				Technical service income	98,797	
		TSMC-Shanghai	1	Proceeds from disposal of property, plant and equipment	401,561	
				Other receivables from related parties	123,853	
				Payables to related parties	478,714	
				Deferred credits	723,661	
0	TSMC			Marketing expenses commission	254,758	
		TSMC-Japan	1	Payables to related parties	20,295	
				Marketing expenses commission	236,454	
		TSMC-Europe	1	Payables to related parties	22,158	
				Sales	755,710	
				General and administrative expenses rental expense	14,606	
		GUC	1	Research and development expenses	39,421	
					155,216	



			Receivables from related parties		
			Payables to related parties	2,117	
			Other receivables from related parties	3,785	
	TSMC Technology	1	Payables to related parties	42,389	
			Sales	34,517	
	WaferTech	1	Purchases	12,530,552	4%
			Payables to related parties	864,733	
	TSMC Development	3	Interest income	8,029	
1	TSMC International	3	Deferred royalty income	643,679	
	TSMC Technology	3			
2	TSMC Partners	3	Other receivables	10,003,652	3%
	TSMC International	3	Deferred revenue	8,814,830	3%
3	TSMC Technology	3	Receivables from related parties	1,366	
	WaferTech	3	Purchases	920,045	
			Manufacturing overhead	330,129	
4	GUC	3	Payables to related parties	301,507	
	TSMC-NA	3			
	GUC-NA	3	Operating expenses	41,984	

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.

(Concluded)

