

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

October 31, 2007

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 October 2007**

**Taiwan Semiconductor Manufacturing Company Ltd.**

(Translation of Registrant's Name Into English)

**No. 8, Li-Hsin Rd. 6,  
Hsinchu Science Park,  
Taiwan**

(Address of Principal Executive Offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**Financial Statements for the**  
**Nine Months Ended September 30, 2007 and 2006 and**  
**Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of September 30, 2007 and 2006, and the related statements of income and cash flows for the nine months then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China. October 9, 2007

Notice to Readers

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

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

**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

|  | 2007               |           | 2006               |           |
|--|--------------------|-----------|--------------------|-----------|
|  | Amount             | %         | Amount             | %         |
| <b>ASSETS</b>  |                    |           |                    |           |
| <b>CURRENT ASSETS</b>  |                    |           |                    |           |
| Cash and cash equivalents (Notes 2 and 4)                                | \$ 76,504,025      | 13        | \$ 77,785,750      | 14        |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 6) | 366,445            |           | 45,295             |           |
| Available-for-sale financial assets (Notes 2, 3 and 7)                   | 19,945,922         | 4         | 35,749,909         | 7         |
| Held-to-maturity financial assets (Notes 2 and 8)                        | 12,168,201         | 2         | 6,220,737          | 1         |
| Receivables from related parties (Note 24)                               | 23,833,351         | 4         | 22,030,420         | 4         |
| Notes and accounts receivable  | 20,622,354         | 4         | 19,339,939         | 4         |
| Allowance for doubtful receivables (Notes 2 and 5)                       | (688,972)          |           | (975,705)          |           |
| Allowance for sales returns and others (Notes 2 and 5)                   | (3,739,026)        | (1)       | (5,012,934)        | (1)       |
| Other receivables from related parties (Note 24)                         | 505,914            |           | 1,042,223          |           |
| Other financial assets   | 476,026            |           | 747,755            |           |
| Inventories, net (Notes 2 and 9)   | 22,013,215         | 4         | 18,369,130         | 3         |
| Deferred income tax assets (Notes 2 and 17)                              | 3,068,708          | 1         | 2,683,412          | 1         |
| Prepaid expenses and other current assets                                | 967,180            |           | 704,492            |           |
| <b>Total current assets</b>  | <b>176,043,343</b> | <b>31</b> | <b>178,730,423</b> | <b>33</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 7, 8, 10 and 11)</b>                  |                    |           |                    |           |
| Investments accounted for using equity method                            | 111,895,495        | 20        | 84,640,267         | 15        |
| Available-for-sale financial assets                                      | 4,134,882          | 1         | 4,893,355          | 1         |
| Held-to-maturity financial assets  | 16,167,443         | 3         | 30,747,122         | 6         |
| Financial assets carried at cost   | 747,206            |           | 769,411            |           |
| <b>Total long-term investments</b>                                       | <b>132,945,026</b> | <b>24</b> | <b>121,050,155</b> | <b>22</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>                |                    |           |                    |           |
| <b>Cost</b>  |                    |           |                    |           |
| Buildings  | 100,832,628        | 18        | 95,576,337         | 17        |
| Machinery and equipment  | 578,009,705        | 102       | 508,975,810        | 92        |
| Office equipment   | 9,095,417          | 1         | 8,443,812          | 2         |
|  | 687,937,750        | 121       | 612,995,959        | 111       |
| Accumulated depreciation   | (469,874,398)      | (83)      | (401,098,736)      | (73)      |
| Advance payments and construction in progress                            | 20,940,284         | 4         | 21,069,769         | 4         |

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|   |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
| Net property, plant and equipment           | 239,003,636           | 42         | 232,966,992           | 42         |
| <b>INTANGIBLE ASSETS</b>                    |                       |            |                       |            |
| Goodwill (Note 2)                           | 1,567,756             |            | 1,567,756             |            |
| Deferred charges, net (Notes 2 and 13)      | 5,166,482             | 1          | 5,639,776             | 1          |
| Total intangible assets                     | 6,734,238             | 1          | 7,207,532             | 1          |
| <b>OTHER ASSETS</b>                         |                       |            |                       |            |
| Deferred income tax assets (Notes 2 and 17) | 10,436,868            | 2          | 10,989,791            | 2          |
| Refundable deposits                         | 2,688,320             |            | 83,738                |            |
| Assets leased to others, net (Note 2)       | 62,845                |            | 68,579                |            |
| Others                                      |                       |            | 6,789                 |            |
| Total other assets                          | 13,188,033            | 2          | 11,148,897            | 2          |
| <b>TOTAL</b>                                | <b>\$ 567,914,276</b> | <b>100</b> | <b>\$ 551,103,999</b> | <b>100</b> |

**LIABILITIES AND SHAREHOLDERS EQUITY**

**CURRENT LIABILITIES**

|   |            |   |            |   |
|---|------------|---|------------|---|
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 6) | \$ 130,828 |   | \$ 458,808 |   |
| Accounts payable  | 8,722,415  | 1 | 6,641,641  | 1 |
| Payables to related parties (Note 24)   | 3,308,642  | 1 | 3,894,488  | 1 |
| Income tax payable (Notes 2 and 17)   | 7,395,744  | 1 | 6,535,446  | 1 |
| Accrued expenses and other current liabilities (Notes 15 and 26)              | 11,163,015 | 2 | 7,477,769  | 2 |
| Payables to contractors and equipment suppliers                               | 10,711,333 | 2 | 15,299,614 | 3 |
| Current portion of bonds payable (Note 14)                                    | 4,500,000  | 1 | 2,500,000  |   |
| Total current liabilities   | 45,931,977 | 8 | 42,807,766 | 8 |

**LONG-TERM LIABILITIES**

|   |            |   |            |   |
|---|------------|---|------------|---|
| Bonds payable (Note 14)                             | 12,500,000 | 2 | 17,000,000 | 3 |
| Other long-term payables (Note 15)                  | 1,021,824  |   | 1,291,484  |   |
| Other payables to related parties (Notes 24 and 26) |            |   | 409,588    |   |
| Total long-term liabilities                         | 13,521,824 | 2 | 18,701,072 | 3 |

**OTHER LIABILITIES**

|                                       |           |   |           |   |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 16) | 3,621,795 | 1 | 3,502,475 | 1 |
|---------------------------------------|-----------|---|-----------|---|

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|  |                |     |                |     |
|--|----------------|-----|----------------|-----|
| Guarantee deposits (Note 26)                   | 2,560,554      | 1   | 3,680,687      | 1   |
| Deferred credits (Notes 2 and 24)              | 1,003,256      |     | 1,275,872      |     |
| Total other liabilities                        | 7,185,605      | 2   | 8,459,034      | 2   |
| Total liabilities                              | 66,639,406     | 12  | 69,967,872     | 13  |
| CAPITAL STOCK NT\$10 PAR VALUE                 |                |     |                |     |
| Authorized: 28,050,000 thousand shares in 2007 |                |     |                |     |
| 27,050,000 thousand shares in 2006             |                |     |                |     |
| Issued: 26,426,202 thousand shares in 2007     | 264,262,018    | 47  | 258,258,398    | 47  |
| 25,825,840 thousand shares in 2006             |                |     |                |     |
| CAPITAL SURPLUS (Notes 2 and 19)               | 53,713,165     | 9   | 53,857,667     | 10  |
| RETAINED EARNINGS (Note 19)                    |                |     |                |     |
| Appropriated as legal capital reserve          | 56,406,684     | 10  | 43,705,711     | 8   |
| Appropriated as special capital reserve        | 629,550        |     | 640,742        |     |
| Unappropriated earnings                        | 127,343,560    | 22  | 124,866,387    | 22  |
|  | 184,379,794    | 32  | 169,212,840    | 30  |
| OTHERS (Notes 2, 3, 21 and 23)                 |                |     |                |     |
| Cumulative translation adjustments             | (690,056)      |     | 223,105        |     |
| Unrealized gain on financial instruments       | 528,024        |     | 502,192        |     |
| Treasury stock: 34,096 thousand shares in 2007 |                |     |                |     |
| 33,926 thousand shares in 2006                 | (918,075)      |     | (918,075)      |     |
|  | (1,080,107)    |     | (192,778)      |     |
| Total shareholders' equity                     | 501,274,870    | 88  | 481,136,127    | 87  |
| TOTAL  | \$ 567,914,276 | 100 | \$ 551,103,999 | 100 |

The accompanying notes are an integral part of the financial statements

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|  | 2007           |     | 2006           |     |
|--|----------------|-----|----------------|-----|
|  | Amount         | %   | Amount         | %   |
| GROSS SALES (Notes 2 and 24)   | \$ 226,395,474 |     | \$ 245,148,192 |     |
| SALES RETURNS AND ALLOWANCES (Note 2)  | 3,736,354      |     | 5,202,252      |     |
| NET SALES  | 222,659,120    | 100 | 239,945,940    | 100 |
| COST OF SALES (Notes 18 and 24)  | 128,356,018    | 58  | 123,155,982    | 51  |
| GROSS PROFIT   | 94,303,102     | 42  | 116,789,958    | 49  |
| UNREALIZED GROSS PROFIT FROM<br>AFFILIATES (Note 2)                                    | 285,784        |     |                |     |
| REALIZED GROSS PROFIT  | 94,017,318     | 42  | 116,789,958    | 49  |
| OPERATING EXPENSES (Notes 18 and 24)   |                |     |                |     |
| Research and development   | 11,476,303     | 5   | 11,206,265     | 5   |
| General and administrative   | 5,929,869      | 3   | 5,348,876      | 2   |
| Marketing  | 911,225        |     | 1,360,794      | 1   |
| Total operating expenses   | 18,317,397     | 8   | 17,915,935     | 8   |
| INCOME FROM OPERATIONS   | 75,699,921     | 34  | 98,874,023     | 41  |
| NON-OPERATING INCOME AND GAINS   |                |     |                |     |
| Equity in earnings of equity method investees, net<br>(Notes 2 and 10)                 | 3,931,127      | 2   | 4,696,522      | 2   |
| Interest income (Note 2)   | 1,989,402      | 1   | 2,734,401      | 1   |
| Technical service income (Notes 24 and 26)   | 527,868        |     | 514,995        | 1   |
| Settlement income (Note 26)  | 491,385        |     | 483,734        |     |
| Rental income (Note 24)  | 290,660        |     | 153,059        |     |
| Foreign exchange gain, net (Note 2)  | 231,584        |     | 28,165         |     |
| Gain on disposal of property, plant and equipment<br>and other assets (Notes 2 and 24) | 214,918        |     | 480,944        |     |



|  |           |   |           |   |
|--|-----------|---|-----------|---|
| Valuation gain on financial instruments, net (Notes 2, 6 and 23) | 201,767   |   |           |   |
| Others (Note 24)   | 335,694   |   | 189,175   |   |
| Total non-operating income and gains                             | 8,214,405 | 3 | 9,280,995 | 4 |

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|   | 2007          |    | 2006          |    |
|---|---------------|----|---------------|----|
|   | Amount        | %  | Amount        | %  |
| <b>NON-OPERATING EXPENSES AND LOSSES</b>  |               |    |               |    |
| Provision for litigation loss (Note 26j)  | \$ 1,008,635  |    | \$            |    |
| Loss on settlement and disposal of financial instruments, net (Notes 2, 6 and 23)                       | 717,329       |    | 1,395,264     | 1  |
| Interest expense  | 450,023       |    | 495,900       |    |
| Valuation loss on financial instruments, net (Notes 2, 6 and 23)  |               |    | 413,514       |    |
| Loss on disposal of property, plant and equipment (Note 2)  | 4,778         |    | 225,781       |    |
| Others (Note 2)   | 45,175        |    | 129,031       |    |
| <br>  |               |    |               |    |
| Total non-operating expenses and losses   | 2,225,940     |    | 2,659,490     | 1  |
| <br>  |               |    |               |    |
| INCOME BEFORE INCOME TAX  | 81,688,386    | 37 | 105,495,528   | 44 |
| INCOME TAX EXPENSE (Notes 2 and 17)   | 6,996,070     | 3  | 6,151,303     | 3  |
| <br>  |               |    |               |    |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES                                 | 74,692,316    | 34 | 99,344,225    | 41 |
| <br>  |               |    |               |    |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF \$82,062 THOUSAND (Note 3) |               |    | (246,186)     |    |
| <br>  |               |    |               |    |
| NET INCOME  | \$ 74,692,316 | 34 | \$ 99,098,039 | 41 |

|   | 2007              |                  | 2006              |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| <b>EARNINGS PER SHARE (NT\$, Note 22)</b> |                   |                  |                   |                  |
| Basic earnings per share                  | \$ 3.10           | \$ 2.83          | \$ 3.99           | \$ 3.76          |
| Diluted earnings per share                | \$ 3.09           | \$ 2.83          | \$ 3.98           | \$ 3.75          |

(Continued)



**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**  
**(Reviewed, Not Audited)**

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 an investment instead of treasury stock (Notes 2 and 21):

|   | <b>2007</b>   | <b>2006</b>   |
|---|---------------|---------------|
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | \$ 74,794,078 | \$ 99,426,545 |
| NET INCOME  | \$ 74,794,078 | \$ 99,180,359 |
| EARNINGS PER SHARE (NT\$)   |               |               |
| Basic earnings per share  | \$ 2.83       | \$ 3.76       |
| Diluted earnings per share  | \$ 2.83       | \$ 3.75       |

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|   | <b>2007</b>     | <b>2006</b>     |
|---|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                 |                 |
| Net income  | \$ 74,692,316   | \$ 99,098,039   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                 |                 |
| Depreciation and amortization   | 54,359,150      | 48,809,141      |
| Unrealized gross profit from affiliates   | 285,784         |                 |
| Amortization of premium/discount of financial assets                              | (90,347)        | 16,004          |
| Loss (gain) on disposal of available-for-sale financial assets, net               | (260,367)       | 11,258          |
| Equity in earnings of equity method investees, net                                | (3,931,127)     | (4,696,522)     |
| Dividends received from equity method investees                                   | 677,147         | 626,367         |
| Gain on disposal of property, plant and equipment and other assets, net           | (210,140)       | (255,163)       |
| Deferred income tax   | 87,551          | 99,752          |
| Loss on idle assets   |                 | 37,283          |
| Changes in operating assets and liabilities:                                      |                 |                 |
| Decrease (increase) in:   |                 |                 |
| Financial assets and liabilities at fair value through profit or loss             | (201,767)       | 1,560,139       |
| Receivables from related parties  | (6,963,842)     | (979,816)       |
| Notes and accounts receivable   | (4,344,190)     | 1,251,879       |
| Allowance for doubtful receivables  | (1,959)         | (639)           |
| Allowance for sales returns and others  | 987,961         | 742,965         |
| Other receivables from related parties  | (56,648)        | 688,353         |
| Other financial assets  | 177,286         | 105,781         |
| Inventories   | (2,861,001)     | (2,111,175)     |
| Prepaid expenses and other current assets   | 254,019         | 467,281         |
| Increase (decrease) in:   |                 |                 |
| Accounts payable  | 2,578,736       | (1,410,465)     |
| Payables to related parties   | (18,274)        | (38,596)        |
| Income tax payable  | (454,674)       | 2,719,558       |
| Accrued expenses and other current liabilities                                    | 2,319,917       | (513,289)       |
| Accrued pension cost  | 91,679          | 41,083          |
| Deferred credits  | 26,592          | (71,808)        |
| <br>Net cash provided by operating activities                                     | <br>117,143,802 | <br>146,197,410 |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |                 |                 |
| Acquisitions of:  |                 |                 |
| Available-for-sale financial assets   | (9,547,253)     | (78,666,694)    |
| Held-to-maturity financial assets   |                 | (16,141,019)    |
| Investments accounted for using equity method                                     | (7,220,679)     | (1,495,552)     |
| Financial assets carried at cost  | (35,379)        | (11,921)        |

|                               |              |              |
|-------------------------------|--------------|--------------|
| Property, plant and equipment | (62,643,771) | (59,945,807) |
|-------------------------------|--------------|--------------|

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

|  | <b>2007</b>       | <b>2006</b>       |
|--|-------------------|-------------------|
| Proceeds from disposal or redemption of:                               |                   |                   |
| Available-for-sale financial assets                                    | \$ 18,344,519     | \$ 57,874,205     |
| Held-to-maturity financial assets                                      | 9,200,400         | 8,512,000         |
| Financial assets carried at cost                                       |                   | 50,000            |
| Property, plant and equipment and others                               | 21,080            | 927,200           |
| Proceeds from return of capital by investees                           | 207,172           | 162,354           |
| Increase in deferred charges   | (2,028,206)       | (755,982)         |
| Increase in refundable deposits  | (1,382,086)       | (96)              |
| <br>Net cash used in investing activities                              | <br>(55,084,203)  | <br>(89,491,312)  |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |                   |                   |
| Repayment of bonds payable   | (2,500,000)       |                   |
| Increase (decrease) in guarantee deposits                              | (1,249,407)       | 787,742           |
| 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)         |
| Proceeds from exercise of employee stock options                       | 401,786           | 422,927           |
| <br>Net cash used in financing activities                              | <br>(85,695,283)  | <br>(64,303,931)  |
| <br><b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                   | <br>(23,635,684)  | <br>(7,597,833)   |
| <br><b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>              | <br>100,139,709   | <br>85,383,583    |
| <br><b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                    | <br>\$ 76,504,025 | <br>\$ 77,785,750 |
| <br><b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>            |                   |                   |
| Interest paid  | \$ 420,000        | \$ 420,000        |
| Income tax paid  | \$ 7,285,717      | \$ 3,146,676      |
| <br><b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b> |                   |                   |
| Acquisition of property, plant, and equipment                          | \$ 62,685,581     | \$ 66,386,191     |
| Increase in payables to contractors and equipment suppliers            | (41,810)          | (6,440,384)       |

|  |               |               |
|--|---------------|---------------|
| Cash paid  | \$ 62,643,771 | \$ 59,945,807 |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>   |               |               |
| Current portion of bonds payable   | \$ 4,500,000  | \$ 2,500,000  |
| Current portion of other payables to related parties (under payables to related parties)                                       | \$            | \$ 699,195    |
| Current portion of other long-term payables (under accrued expenses and other current liabilities)                             | \$ 1,488,860  | \$ 971,596    |
| Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method (Note 7) | \$            | \$ 26,821,648 |

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

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**1. GENERAL**

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

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

As of September 30, 2007 and 2006, the Company had 20,523 and 20,266 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**

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.

Except structured time deposits whose fair value is estimated using valuation techniques, fair values of open-end mutual funds and publicly traded stocks are determined using the net assets value and the closing-price at the end of the period, respectively. For debt securities, fair value is determined using the average of bid and asked prices at the end of the period.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

### **Held-to-Maturity Financial Assets**

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

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

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### **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, shipment is made, price is fixed or determinable, and collectibility is reasonably assured. Revenues from the design and manufacturing of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. 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. Period-end inventories are evaluated for estimated excess quantities and obsolescence based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

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

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. 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 percentage 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 Company's weighted-average ownership percentages in the investees with which the Company has a controlling interest. In transactions between equity method investees with which the Company has no controlling interest, 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.

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

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

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, 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.





### **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 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 expense 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 period'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 period's tax provision.

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

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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.

### **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**

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 Republic of China 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 the fiscal year beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the Republic of China 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 the fiscal year beginning on or after January 1, 2008.

## **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 .

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

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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<br/>as<br/>Cumulative<br/>Effect of<br/>Changes in<br/>Accounting<br/>Principles<br/>(Net of Tax)</b> | <b>Recognized<br/>as<br/>a Separate<br/>Component<br/>of<br/>Shareholders<br/>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 a decrease in net income before cumulative effect of changes in accounting principles of NT\$167,328 thousand, a decrease in net income of NT\$413,514 thousand, and a decrease in basic earnings per share (after income tax) of NT\$0.02, for the nine months ended September 30, 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 nine months ended September 30, 2006.

#### 4. CASH AND CASH EQUIVALENTS

|  | <b>September 30</b> |               |
|--|---------------------|---------------|
|  | <b>2007</b>         | <b>2006</b>   |
| Cash and deposits in banks                               | \$ 44,552,995       | \$ 56,452,326 |
| Repurchase agreements collateralized by government bonds | 31,354,207          | 21,200,915    |
| Asset-backed commercial papers                           | 596,823             |               |
| Corporate notes  |                     | 132,509       |
|  | \$ 76,504,025       | \$ 77,785,750 |

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

Movements of the allowance for doubtful receivables were as follows:

|                              | <b>Nine Months Ended<br/>September 30</b> |             |
|------------------------------|---|-------------|
|                              | <b>2007</b>                               | <b>2006</b> |
| Balance, beginning of period | \$ 690,931                                | \$ 976,344  |
| Write-off                    | (1,959)                                   | (639)       |

|                        |            |            |
|------------------------|------------|------------|
| Balance, end of period | \$ 688,972 | \$ 975,705 |
|------------------------|------------|------------|

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

|                              | <b>Nine Months Ended</b> |              |
|------------------------------|--------------------------|--------------|
|                              | <b>September 30</b>      |              |
|                              | <b>2007</b>              | <b>2006</b>  |
| Balance, beginning of period | \$ 2,751,065             | \$ 4,269,969 |
| Provision                    | 3,736,354                | 5,202,252    |
| Write-off                    | (2,748,393)              | (4,459,287)  |
| <br>                         |                          |              |
| Balance, end of period       | \$ 3,739,026             | \$ 5,012,934 |

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

|  | <b>September 30</b> |             |
|--|---------------------|-------------|
|  | <b>2007</b>         | <b>2006</b> |
| <b>Derivatives financial assets</b>      |                     |             |
| Forward exchange contracts               | \$                  | \$ 45,295   |
| Cross currency swap contracts            | 366,445             |             |
|  | \$ 366,445          | \$ 45,295   |
| <br>                                     |                     |             |
| <b>Derivatives financial liabilities</b> |                     |             |
| Forward exchange contracts               | \$ 127,588          | \$          |
| Cross currency swap contracts            | 3,240               | 458,808     |
|  | \$ 130,828          | \$ 458,808  |

The Company entered into derivative contracts during the nine months ended September 30, 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 September 30, 2007 and 2006:

|   | <b>Maturity Date</b>          | <b>Contract Amount<br/>(in Thousands)</b> |
|---|-------------------------------|---|
| September 30, 2007                      |                               |   |
| Sell EUR/buy NT\$<br>September 30, 2006 | October 2007 to July 2008     | EUR 70,040                                |
| Sell NT\$/buy US\$                      | October 2006 to November 2006 | US\$145,000                               |





Outstanding cross currency swap contracts as of September 30, 2007 and 2006:

| Maturity Date                 | Contract Amount<br>(in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|-----------------------------------|------------------------------|----------------------------------|
| September 30, 2007            |                                   |                              |                                  |
| October 2007 to November 2007 | US\$930,000                       | 3.76%-5.80%                  | 1.6%-3.69%                       |
| September 30, 2006            |                                   |                              |                                  |
| October 2006 to November 2006 | US\$1,550,000                     | 3.34%-5.50%                  | 0.60%-2.72%                      |

For the nine months ended September 30, 2007 and 2006, net losses arising from derivative financial instruments were NT\$775,929 thousand (including realized settlement losses of NT\$977,696 thousand and valuation gains of NT\$201,767 thousand) and NT\$1,797,738 thousand (including realized settlement losses of NT\$1,384,224 thousand and valuation losses of NT\$413,514 thousand), respectively.

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

|  | September 30  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| Open-end mutual funds                    | \$ 15,403,622 | \$ 21,781,496 |
| Government bonds                         | 4,139,554     | 1,200,097     |
| Corporate bonds                          | 4,039,041     | 9,137,742     |
| Structured time deposits                 | 498,587       | 499,549       |
| Agency bonds                             |               | 4,786,766     |
| Corporate issued asset-backed securities |               | 3,237,614     |
|  | 24,080,804    | 40,643,264    |
| Current portion                          | (19,945,922)  | (35,749,909)  |
|  | \$ 4,134,882  | \$ 4,893,355  |

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<br/>Amount</b> | <b>Carrying<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> |
|---------------------------|-----------------------------|----------------------------|--------------------------|--------------------------|
| September 30, 2007        |                             |                            |                          |                          |
| Step-up callable deposits |                             |                            |                          |                          |
| Domestic deposits         | \$ 500,000                  | \$ 498,587                 | 1.76%                    | March 2008               |
| September 30, 2006        |                             |                            |                          |                          |
| Step-up callable deposits |                             |                            |                          |                          |
| Domestic deposits         | \$ 500,000                  | \$ 499,549                 | 1.76%                    | March 2008               |

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

#### **8. HELD-TO-MATURITY FINANCIAL ASSETS**

|                          | <b>September 30</b> |               |
|--------------------------|---------------------|---------------|
|                          | <b>2007</b>         | <b>2006</b>   |
| Corporate bonds          | \$ 11,540,506       | \$ 14,670,013 |
| Structured time deposits | 8,726,720           | 11,281,560    |
| Government bonds         | 8,068,418           | 11,016,286    |
|                          | 28,335,644          | 36,967,859    |
| Current portion          | (12,168,201)        | (6,220,737)   |
|                          | \$ 16,167,443       | \$ 30,747,122 |

As of September 30, 2007 and 2006, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

|                                 | <b>Principal<br/>Amount</b> | <b>Interest<br/>Receivable</b> | <b>Range of<br/>Interest<br/>Rates</b> | <b>Maturity Date</b>             |
|---------------------------------|-----------------------------|--------------------------------|--|----------------------------------|
| September 30, 2007              |                             |                                |  |                                  |
| Step-up callable deposits       |                             |                                |  |                                  |
| Domestic deposits               | \$ 3,500,000                | \$ 13,340                      | 1.69%-1.83%                            | October 2007 to<br>October 2008  |
| Callable range accrual deposits |                             |                                |  |                                  |
| Domestic deposits               | 3,266,700                   | 14,265                         | (See below)                            | October 2009 to<br>December 2009 |
| Foreign deposits                | 1,960,020                   | 6,016                          | (See below)                            | October 2009 to<br>December 2009 |

\$ 8,726,720      \$ 33,621

September 30, 2006

Step-up callable deposits

|                                 |               |           |             |                                    |
|---------------------------------|---------------|-----------|-------------|------------------------------------|
|                                 |               |           |             | June 2007 to March<br>2009         |
| Domestic deposits               | \$ 4,000,000  | \$ 35,459 | 1.40%-2.01% |                                    |
| Callable range accrual deposits |               |           |             |                                    |
| Domestic deposits               | 3,971,760     | 15,004    | (See below) | September 2009 to<br>December 2009 |
| Foreign deposits                | 3,309,800     | 7,585     | (See below) | October 2009 to<br>January 2010    |
|                                 | \$ 11,281,560 | \$ 58,048 |             |                                    |

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

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range, the interest paid to the Company is at a fixed rate ranging between zero and 1.5%. Under the terms of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

As of September 30, 2007 and 2006, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$40,000 thousand and US\$80,000 thousand, respectively; the principal of those resided in banks located in Singapore amounted to US\$20,000 thousand each.

## 9. INVENTORIES, NET

|                          | <b>September 30</b> |               |
|--------------------------|---------------------|---------------|
|                          | <b>2007</b>         | <b>2006</b>   |
| Finished goods           | \$ 3,711,693        | \$ 4,499,585  |
| Work in process          | 17,183,031          | 12,806,387    |
| Raw materials            | 1,508,536           | 1,403,443     |
| Supplies and spare parts | 460,266             | 483,892       |
|                          | 22,863,526          | 19,193,307    |
| Allowance for losses     | (850,311)           | (824,177)     |
|                          | \$ 22,013,215       | \$ 18,369,130 |

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|  | <b>September 30</b> |               |                 |               |
|--|---------------------|---------------|-----------------|---------------|
|  | <b>2007</b>         | <b>% of</b>   | <b>2006</b>     | <b>% of</b>   |
|  | <b>Carrying</b>     | <b>Owner-</b> | <b>Carrying</b> | <b>Owner-</b> |
|  | <b>Amount</b>       | <b>ship</b>   | <b>Amount</b>   | <b>ship</b>   |
| TSMC Global (Note 7)   | \$ 44,234,333       | 100           | \$ 28,423,113   | 100           |
| TSMC International Investment Ltd. (TSMC International)              | 27,553,919          | 100           | 27,017,212      | 100           |
| Vanguard International Semiconductor Corporation (VIS)               | 10,760,885          | 36            | 5,359,803       | 27            |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)             | 8,674,862           | 39            | 5,611,199       | 32            |
| TSMC (Shanghai) Company Limited (TSMC-Shanghai)                      | 8,567,668           | 100           | 9,250,288       | 100           |
| TSMC Partners, Ltd. (TSMC Partners)                                  | 4,667,437           | 100           | 4,397,781       | 100           |
| TSMC North America (TSMC-North America)                              | 2,227,896           | 100           | 1,876,355       | 100           |
| Xintec Inc. (Xintec)   | 1,429,804           | 43            |                 |               |
| VentureTech Alliance Fund II, L.P. (VTAF II)                         | 1,026,700           | 98            | 717,136         | 98            |
| VentureTech Alliance Fund III, L.P. (VTAF III)                       | 786,064             | 98            | 224,580         | 98            |
| Global UniChip Corporation (GUC)                                     | 750,200             | 37            | 468,150         | 44            |
| Emerging Alliance Fund, L.P. (Emerging Alliance)                     | 683,002             | 99            | 908,370         | 99            |
| Chi Cheng Investment Co., Ltd. (Chi Cheng)                           | 170,542             | 36            | 115,347         | 36            |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey)                           | 168,918             | 36            | 114,548         | 36            |
| TSMC Japan Limited (TSMC-Japan)                                      | 102,257             | 100           | 97,810          | 100           |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe) | 74,994              | 100           | 44,143          | 100           |
| TSMC Korea Limited (TSMC-Korea)                                      | 16,014              | 100           | 14,432          | 100           |

\$ 111,895,495

\$ 84,640,267

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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.

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 36%.

For the nine months ended September 30, 2007 and 2006, net equity in earnings of NT\$3,931,127 thousand and NT\$4,696,522 thousand was recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the reviewed financial statements of the investees for the same periods as the Company.

#### 11. FINANCIAL ASSETS CARRIED AT COST

|                            | September 30 |            |
|----------------------------|--------------|------------|
|                            | 2007         | 2006       |
| Non-publicly traded stocks | \$ 364,913   | \$ 422,500 |
| Funds                      | 382,293      | 346,911    |
|                            | \$ 747,206   | \$ 769,411 |

#### 12. PROPERTY, PLANT AND EQUIPMENT

|                              | Nine Months Ended September 30, 2007 |                               |                     |  |                |
|------------------------------|--------------------------------------|-------------------------------|---------------------|--|----------------|
|                              | Buildings                            | Machinery<br>and<br>Equipment | Office<br>Equipment | Advance<br>Payments<br>and<br>Construction<br>in<br>Progress | Total          |
| Cost                         |                                      |                               |                     |  |                |
| Balance, beginning of period | \$ 96,961,851                        | \$ 527,850,728                | \$ 8,659,225        | \$ 12,230,805  | \$ 645,702,609 |
| Addition                     | 3,899,788                            | 49,970,603                    | 612,079             | 8,203,111  | 62,685,581     |
| Deduction                    | (31,835)                             | (332,641)                     | (164,684)           |  | (529,160)      |
| Reclassification             | 2,824                                | 521,015                       | (11,203)            | 506,368  | 1,019,004      |
| Balance, end of period       | 100,832,628                          | 578,009,705                   | 9,095,417           | 20,940,284   | 708,878,034    |
| Accumulated depreciation     |                                      |                               |                     |  |                |
| Balance, beginning of period | 49,595,917                           | 361,401,800                   | 6,469,533           |  | 417,467,250    |
| Addition                     | 5,879,548                            | 45,786,652                    | 734,081             |  | 52,400,281     |
| Deduction                    | (30,958)                             | (316,480)                     | (164,527)           |  | (511,965)      |
| Reclassification             | 1,036                                | 520,161                       | (2,365)             |  | 518,832        |
| Balance, end of period       | 55,445,543                           | 407,392,133                   | 7,036,722           |  | 469,874,398    |

|                             |               |                |              |               |                |
|-----------------------------|---------------|----------------|--------------|---------------|----------------|
| Balance, end of period, net | \$ 45,387,085 | \$ 170,617,572 | \$ 2,058,695 | \$ 20,940,284 | \$ 239,003,636 |
|-----------------------------|---------------|----------------|--------------|---------------|----------------|

|                                 | <b>Nine Months Ended September 30, 2006</b> |  |                             |  |                |
|---------------------------------|---|--|-----------------------------|--|----------------|
|                                 | <b>Buildings</b>                            | <b>Machinery<br/>and<br/>Equipment</b> | <b>Office<br/>Equipment</b> | <b>Advance<br/>Payments<br/>and<br/>Construction<br/>in<br/>Progress</b> | <b>Total</b>   |
| <b>Cost</b>                     |   |  |                             |  |                |
| Balance, beginning of period    | \$ 90,769,622                               | \$ 459,850,773                         | \$ 7,850,035                | \$ 14,867,032  | \$ 573,337,462 |
| Addition                        | 5,751,950                                   | 53,627,240                             | 804,264                     | 6,202,737  | 66,386,191     |
| Deduction                       | (941,642)                                   | (4,235,410)                            | (169,313)                   |  | (5,346,365)    |
| Reclassification                | (3,593)                                     | (266,793)                              | (41,174)                    |  | (311,560)      |
| Balance, end of period          | 95,576,337                                  | 508,975,810                            | 8,443,812                   | 21,069,769   | 634,065,728    |
| <b>Accumulated depreciation</b> |   |  |                             |  |                |
| Balance, beginning of period    | 42,902,526                                  | 310,626,317                            | 5,662,986                   |  | 359,191,829    |
| Addition                        | 5,504,100                                   | 40,755,310                             | 746,943                     |  | 47,006,353     |
| Deduction                       | (725,584)                                   | (3,931,539)                            | (169,184)                   |  | (4,826,307)    |
| Reclassification                | (177)                                       | (265,921)                              | (7,041)                     |  | (273,139)      |
| Balance, end of period          | 47,680,865                                  | 347,184,167                            | 6,233,704                   |  | 401,098,736    |
| Balance, end of period, net     | \$ 47,895,472                               | \$ 161,791,643                         | \$ 2,210,108                | \$ 21,069,769  | \$ 232,966,992 |

No interest was capitalized during the nine months ended September 30, 2007 and 2006.

### 13. DEFERRED CHARGES, NET

|                        | <b>Nine Months Ended September 30, 2007</b> |   |               |              |
|------------------------|---|---|---------------|--------------|
|                        | <b>Technology<br/>License<br/>Fees</b>      | <b>Software and<br/>System<br/>Design<br/>Costs</b> | <b>Others</b> | <b>Total</b> |
|                        | Balance, beginning of period                | \$ 4,038,551  | \$ 1,517,575  | \$ 36,942    |
| Addition               | 825,075                                     | 789,738   | 413,393       | 2,028,206    |
| Amortization           | (1,250,158)                                 | (631,054)   | (73,357)      | (1,954,569)  |
| Deduction              |   | (51)  |               | (51)         |
| Reclassification       | (296,451)                                   | (500,172)   | 296,451       | (500,172)    |
| Balance, end of period | \$ 3,317,017                                | \$ 1,176,036  | \$ 673,429    | \$ 5,166,482 |

**Nine Months Ended September 30, 2006**

| <b>Technology<br/>License</b> | <b>Software and</b> |
|-------------------------------|---------------------|
|-------------------------------|---------------------|



|                              | <b>Fees</b>  | <b>System<br/>Design<br/>Costs</b> | <b>Others</b> | <b>Total</b> |
|------------------------------|--------------|------------------------------------|---------------|--------------|
| Balance, beginning of period | \$ 4,985,806 | \$ 1,623,276                       | \$ 72,062     | \$ 6,681,144 |
| Addition                     | 373,054      | 382,928                            |               | 755,982      |
| Amortization                 | (985,343)    | (786,171)                          | (26,974)      | (1,798,488)  |
| Reclassification             |              | 1,138                              |               | 1,138        |
| Balance, end of period       | \$ 4,373,517 | \$ 1,221,171                       | \$ 45,088     | \$ 5,639,776 |

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**14. BONDS PAYABLE**

|   | <b>September 30</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         | \$ 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           |
|   | 17,000,000           | 19,500,000           |
| Current portion   | (4,500,000)          | (2,500,000)          |
|   | <b>\$ 12,500,000</b> | <b>\$ 17,000,000</b> |

As of September 30, 2007, future principal repayments for the bonds payable were as follows:

| <b>Year of Repayment</b> | <b>Amount</b>        |
|--------------------------|----------------------|
| 2007 (4th quarter)       | \$ 4,500,000         |
| 2009                     | 8,000,000            |
| 2012                     | 4,500,000            |
|                          | <b>\$ 17,000,000</b> |

**15. OTHER LONG-TERM PAYABLES**

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of September 30, 2007, future payments for other long-term payables were as follows:

| <b>Year of Payment</b>  | <b>Amount</b>       |
|---|---------------------|
| 2007 (4th quarter)  | \$ 459,496          |
| 2008  | 1,029,364           |
| 2009  | 422,711             |
| 2010  | 337,777             |
| 2011  | 261,336             |
|   | 2,510,684           |
| Current portion (classified under accrued expenses and other current liabilities) | (1,488,860)         |
|   | <b>\$ 1,021,824</b> |

**16. PENSION PLANS**

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

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees

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pension accounts starting from July 1, 2005, and recognized pension costs of NT\$458,523 thousand and NT\$468,808 thousand for the nine months ended September 30, 2007 and 2006, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in Bank of Taiwan (originally the Central Trust of China, which was dissolved after merger with Bank of Taiwan on July 1, 2007). The Company recognized pension costs of NT\$243,466 thousand and NT\$229,046 thousand for the nine months ended September 30, 2007 and 2006, respectively.

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

|                              | <b>Nine Months Ended<br/>September 30</b> |              |
|------------------------------|---|--------------|
|                              | <b>2007</b>                               | <b>2006</b>  |
| <b>The Fund</b>              |   |              |
| Balance, beginning of period | \$ 1,913,002                              | \$ 1,658,864 |
| Contributions                | 154,573                                   | 183,810      |
| Interest                     | 46,279                                    | 34,383       |
| Payments                     |   | (7,407)      |
| <br>                         |   |              |
| Balance, end of period       | \$ 2,113,854                              | \$ 1,869,650 |
| <br>                         |   |              |
| <b>Accrued pension cost</b>  |   |              |
| Balance, beginning of period | \$ 3,530,116                              | \$ 3,461,392 |
| Accruals                     | 91,679                                    | 41,083       |
| <br>                         |   |              |
| Balance, end of period       | \$ 3,621,795                              | \$ 3,502,475 |

## 17. INCOME TAX

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

|  | <b>Nine Months Ended<br/>September 30</b> |               |
|--|---|---------------|
|  | <b>2007</b>                               | <b>2006</b>   |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ 20,422,097                             | \$ 26,373,882 |
| Tax effect of the following:   |   |               |
| Tax-exempt income  | (5,167,274)                               | (8,871,751)   |
| Temporary and permanent differences  | (380,451)                                 | (1,347,129)   |
| Additional tax at 10% on unappropriated earnings                             | 2,686,561                                 | 1,156,130     |
| Cumulative effect of changes in accounting principles                        |   | (82,062)      |
| Income tax credits used  | (10,279,817)                              | (10,799,894)  |
| <br>   |   |               |
| Income tax currently payable   | \$ 7,281,116                              | \$ 6,429,176  |



b. Income tax expense consisted of the following:

|  | <b>Nine Months Ended</b> |              |
|--|--------------------------|--------------|
|  | <b>September 30</b>      |              |
|  | <b>2007</b>              | <b>2006</b>  |
| Income tax currently payable             | \$ 7,281,116             | \$ 6,429,176 |
| Other income tax adjustments             | (372,597)                | (377,625)    |
| Net change in deferred income tax assets |                          |              |
| Investment tax credits                   | 2,745,686                | 4,483,230    |
| Temporary differences                    | (1,275,433)              | (1,822,230)  |
| Valuation allowance                      | (1,382,702)              | (2,561,248)  |
|  |                          |              |
| Income tax expense                       | \$ 6,996,070             | \$ 6,151,303 |

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

|                                       | <b>September 30</b> |               |
|---------------------------------------|---------------------|---------------|
|                                       | <b>2007</b>         | <b>2006</b>   |
| Current deferred income tax assets    |                     |               |
| Investment tax credits                | \$ 3,068,708        | \$ 2,683,412  |
|                                       |                     |               |
| Noncurrent deferred income tax assets |                     |               |
| Investment tax credits                | \$ 14,142,498       | \$ 16,699,129 |
| Temporary differences                 | 2,115,897           | 1,139,960     |
| Valuation allowance                   | (5,821,527)         | (6,849,298)   |
|                                       |                     |               |
|                                       | \$ 10,436,868       | \$ 10,989,791 |

d. Integrated income tax information:

The balance of the imputation credit account as of September 30, 2007 and 2006 was NT\$2,784,514 thousand and NT\$746,437 thousand, respectively.

The creditable ratio for distribution of earnings of 2006 and 2005 was 5.23% (estimate) and 2.88%, respectively.

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

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

f. As of September 30, 2007, investment tax credits consisted of the following:

| Law/Statute                         | Item   | Total<br>Creditable<br>Amount | Remaining<br>Creditable<br>Amount | Expiry<br>Year |
|-------------------------------------|--|-------------------------------|-----------------------------------|----------------|
| Statute for Upgrading<br>Industries | Purchase of<br>machinery<br>and<br>equipment                   | \$ 238,012                    | \$                                | 2007           |
|                                     |  | 3,177,526                     |                                   | 2008           |
|                                     |  | 6,029,482                     | 3,003,151                         | 2009           |
|                                     |  | 6,463,688                     | 6,463,688                         | 2010           |
|                                     |  | 3,032,860                     | 3,032,860                         | 2011           |
|                                     |  | \$ 18,941,568                 | \$ 12,499,699                     |                |
| Statute for Upgrading<br>Industries | Research and<br>development<br>expenditures                    | \$ 1,245,142                  | \$                                | 2007           |
|                                     |  | 2,560,454                     |                                   | 2008           |
|                                     |  | 1,486,845                     | 1,486,845                         | 2009           |
|                                     |  | 1,781,376                     | 1,781,376                         | 2010           |
|                                     |  | 1,276,100                     | 1,276,100                         | 2011           |
|                                     |  | \$ 8,349,917                  | \$ 4,544,321                      |                |
| Statute for Upgrading<br>Industries | Personnel<br>training<br>expenditures                          | \$ 16,197                     | \$                                | 2007           |
|                                     |  | 16,155                        |                                   | 2008           |
|                                     |  | 46,130                        | 46,130                            | 2009           |
|                                     |  | 41,252                        | 41,252                            | 2010           |
|                                     |  | \$ 119,734                    | \$ 87,382                         |                |
| Statute for Upgrading<br>Industries | Investments<br>in important<br>technology-based<br>enterprises | \$ 79,804                     | \$ 79,804                         | 2010           |

g. The profits generated from the following projects are exempt from income tax for a four-year 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                |

h. The tax authorities have examined income tax returns of the Company through 2004.



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

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

|                            | <b>Nine Months Ended September 30, 2006</b> |                     |                      |
|----------------------------|---|---------------------|----------------------|
|                            | <b>Classified</b>                           |                     |                      |
|                            | <b>as</b>                                   |                     |                      |
|                            | <b>Classified</b>                           | <b>Operating</b>    |                      |
|                            | <b>as</b>                                   |                     |                      |
|                            | <b>Cost of</b>                              | <b>Expenses</b>     | <b>Total</b>         |
|                            | <b>Sales</b>                                |                     |                      |
| Labor cost                 |   |                     |                      |
| Salary                     | \$ 7,383,078                                | \$ 3,140,749        | \$ 10,523,827        |
| Labor and health insurance | 514,883                                     | 262,833             | 777,716              |
| Pension                    | 462,022                                     | 235,806             | 697,828              |
| Meal                       | 335,397                                     | 117,518             | 452,915              |
| Welfare                    | 141,602                                     | 76,398              | 218,000              |
| Others                     | 167,104                                     | 17,644              | 184,748              |
|                            | <b>\$ 9,004,086</b>                         | <b>\$ 3,850,948</b> | <b>\$ 12,855,034</b> |
| Depreciation               | \$ 44,547,208                               | \$ 2,454,035        | \$ 47,001,243        |
| Amortization               | \$ 1,075,802                                | \$ 711,017          | \$ 1,786,819         |

**19. SHAREHOLDERS EQUITY**

As of September 30, 2007, 1,134,382 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,671,912 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.

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Capital surplus consisted of the following:

|                                  | <b>September 30</b>  |                      |
|----------------------------------|----------------------|----------------------|
|                                  | <b>2007</b>          | <b>2006</b>          |
| From merger                      | \$ 24,003,546        | \$ 24,003,546        |
| Additional paid-in capital       | 19,500,470           | 19,860,644           |
| From convertible bonds           | 9,360,424            | 9,360,424            |
| From treasury stock transactions | 490,950              | 389,188              |
| From long-term investments       | 357,720              | 243,810              |
| Donations                        | 55                   | 55                   |
|                                  | <b>\$ 53,713,165</b> | <b>\$ 53,857,667</b> |

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the Company's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 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 instruments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 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:

|                                    | Appropriation of Earnings |               | Dividends Per Share<br>(NT\$) |                        |
|------------------------------------|---------------------------|---------------|-------------------------------|------------------------|
|                                    | For Fiscal                | For Fiscal    | For                           | For                    |
|                                    | Year 2006                 | Year 2005     | Fiscal<br>Year<br>2006        | Fiscal<br>Year<br>2005 |
| 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 the Company's total outstanding common shares as of December 31, 2006 and 2005, respectively.

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

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

## 20. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of September 30, 2007.

Information about outstanding options for the nine months ended September 30, 2007 and 2006 was as follows:

|                                      | <b>Number of<br/>Options<br/>(in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
|--------------------------------------|---|--|
| Nine months ended September 30, 2007 |   |  |
| Balance, beginning of period         | 52,814  | \$37.9   |
| Options granted                      | 1,094   | 37.9   |
| Options exercised                    | (10,086)  | 39.8   |
| Options canceled                     | (781)   | 45.4   |
| <br>Balance, end of period           | <br>43,041  | <br>37.5   |
| Nine months ended September 30, 2006 |   |  |
| Balance, beginning of period         | 67,758  | \$39.4   |
| Options granted                      | 2,758   | 40.1   |
| Options exercised                    | (10,701)  | 39.5   |
| Options canceled                     | (3,020)   | 44.0   |
| <br>Balance, end of period           | <br>56,795  | <br>39.6   |

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

As of September 30, 2007, information about outstanding and exercisable options was as follows:

| <b>Range of<br/>Exercise<br/>Price (NT\$)</b> | <b>Options Outstanding</b>                      |   |  | <b>Options Exercisable</b>                      |  |
|---|---|---|--|---|--|
|   | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Remaining<br/>Contractual<br/>Life<br/>(Years)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number of<br/>Options (in<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
| \$25.9-\$36.4                                 | 29,146  | 3.41  | \$33.1   | 29,146  | \$33.1   |
| \$38.9-\$51.3                                 | 13,895  | 5.15  | 46.6   | 8,537   | 46.2   |
|   | 43,041  |   | 37.5   | 37,683  | 36.1   |

No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 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>Nine Months Ended<br/>September 30</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:                                       |   |               |
| Net income as reported                            | \$74,692,316                              | \$99,098,039  |
| Pro forma net income                              | 74,655,212                                | 99,010,630    |
| Earnings per share (EPS) after income tax (NT\$): |   |               |
| Basic EPS as reported                             | \$2.83                                    | \$3.76        |
| Pro forma basic EPS                               | 2.83                                      | 3.75          |
| Diluted EPS as reported                           | 2.83                                      | 3.75          |
| Pro forma diluted EPS                             | 2.83                                      | 3.75          |

## 21. TREASURY STOCK

|   | <b>Beginning<br/>Shares</b> | <b>Stock<br/>Dividends</b> | <b>Disposal</b> | <b>(Shares in<br/>Thousands)</b> |
|---|-----------------------------|----------------------------|-----------------|----------------------------------|
|   |                             |                            |                 | <b>Ending<br/>Shares</b>         |
| Nine months ended September 30, 2007      |                             |                            |                 |                                  |
| Parent company stock held by subsidiaries | 33,926                      | 170                        |                 | 34,096                           |
| Nine months ended September 30, 2006      |                             |                            |                 |                                  |
| Parent company stock held by subsidiaries | 32,938                      | 988                        |                 | 33,926                           |

As of September 30, 2007 and 2006, the book value of the treasury stock was NT\$918,075 thousand each; the market value was NT\$2,158,271 thousand and NT\$2,025,401 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.

**22. EARNINGS PER SHARE**

|   | <b>Nine Months Ended September 30</b> |                                 |                                  |                                 |
|---|---------------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | <b>2007</b>                           |                                 | <b>2006</b>                      |                                 |
|   | <b>Before<br/>Income<br/>Tax</b>      | <b>After<br/>Income<br/>Tax</b> | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> |
| <b>Basic EPS (NT\$)</b>   |                                       |                                 |                                  |                                 |
| Income before cumulative effect of changes in accounting principles | \$ 3.10                               | \$ 2.83                         | \$ 4.00                          | \$ 3.77                         |
| Cumulative effect of changes in accounting principles               |                                       |                                 | (0.01)                           | (0.01)                          |
| Income for the period   | \$ 3.10                               | \$ 2.83                         | \$ 3.99                          | \$ 3.76                         |
| <b>Diluted EPS (NT\$)</b>   |                                       |                                 |                                  |                                 |
| Income before cumulative effect of changes in accounting principles | \$ 3.09                               | \$ 2.83                         | \$ 3.99                          | \$ 3.76                         |
| Cumulative effect of changes in accounting principles               |                                       |                                 | (0.01)                           | (0.01)                          |
| Income for the period   | \$ 3.09                               | \$ 2.83                         | \$ 3.98                          | \$ 3.75                         |

EPS is computed as follows:

|   | <b>Amounts (Numerator)</b>   |                             | <b>Number of<br/>Shares<br/>(Denominator)<br/>(in<br/>Thousands)</b> | <b>EPS (NT\$)</b>                |                                 |
|---|------------------------------|-----------------------------|--|----------------------------------|---------------------------------|
|   | <b>Before<br/>Income Tax</b> | <b>After<br/>Income Tax</b> |  | <b>Before<br/>Income<br/>Tax</b> | <b>After<br/>Income<br/>Tax</b> |
| Nine months ended September 30, 2007  |                              |                             |  |                                  |                                 |
| <b>Basic EPS</b>  |                              |                             |  |                                  |                                 |
| Income available to shareholders  | \$ 81,688,386                | \$ 74,692,316               | 26,387,270   | \$ 3.10                          | \$ 2.83                         |
| Effect of dilutive potential common shares - stock options                              |                              |                             | 22,882   |                                  |                                 |
| <b>Diluted EPS</b>  |                              |                             |  |                                  |                                 |
| Income available to shareholders (including effect of dilutive potential common shares) | \$ 81,688,386                | \$ 74,692,316               | 26,410,152   | \$ 3.09                          | \$ 2.83                         |
| Nine months ended September 30, 2006  |                              |                             |  |                                  |                                 |

Basic EPS

|                                  |                |               |            |         |         |
|----------------------------------|----------------|---------------|------------|---------|---------|
| Income available to shareholders | \$ 105,167,280 | \$ 99,098,039 | 26,372,979 | \$ 3.99 | \$ 3.76 |
|----------------------------------|----------------|---------------|------------|---------|---------|

Effect of dilutive potential common shares - stock options

22,289

Diluted EPS

Income available to shareholders (including effect of dilutive potential common shares)

|                |               |            |         |         |
|----------------|---------------|------------|---------|---------|
| \$ 105,167,280 | \$ 99,098,039 | 26,395,268 | \$ 3.98 | \$ 3.75 |
|----------------|---------------|------------|---------|---------|



**23. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

|   | September 30       |            |                    |            |
|---|--------------------|------------|--------------------|------------|
|   | 2007               |            | 2006               |            |
|   | Carrying<br>Amount | Fair Value | Carrying<br>Amount | Fair Value |
| <b>Assets</b>   |                    |            |                    |            |
| Financial assets at fair value through profit or loss             | \$ 366,445         | \$ 366,445 | \$ 45,295          | \$ 45,295  |
| Available-for-sale financial assets                               | 24,080,804         | 24,080,804 | 40,643,264         | 40,643,264 |
| Held-to-maturity financial assets                                 | 28,335,644         | 28,218,688 | 36,967,859         | 36,799,837 |
| Investments accounted for using equity method (with market price) | 11,511,085         | 29,157,704 | 5,359,803          | 9,375,950  |
| <b>Liabilities</b>  |                    |            |                    |            |
| Financial liabilities at fair value through profit or loss        | 130,828            | 130,828    | 458,808            | 458,808    |
| Bonds payable (including current portion)                         | 17,000,000         | 17,202,682 | 19,500,000         | 19,851,716 |
| Other long-term payables (including current portion)              | 2,510,684          | 2,510,684  | 3,371,863          | 3,371,863  |

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/liabilities at fair value through profit or loss were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices, except for structured time deposits of which the fair values were estimated using valuation techniques.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value during the nine months ended September 30, 2007 and 2006 of derivatives estimated using valuation techniques were recognized as gains of NT\$201,767 thousand and losses of NT\$413,514 thousand, respectively.
- d. As of September 30, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$52,782,893 thousand and NT\$77,656,418 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$130,828 thousand and NT\$458,808 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$5,226,720 thousand and NT\$7,281,560 thousand, respectively.

e. Movements of the unrealized gain on financial instruments for the nine months ended September 30, 2007 and 2006 were as follows:

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

|  | <b>Nine Months Ended September 30, 2006</b>   |   |              |
|--|---|---|--------------|
|  | <b>Valuation<br/>Gain<br/>on<br/>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity in<br/>Valuation<br/>Gain on<br/>Available-for-<br/>sale Financial<br/>Assets Held<br/>by<br/>Investees</b> | <b>Total</b> |
| Balance, beginning of period                               | \$ 149,691  | \$ 341,243  | \$ 490,934   |
| Recognized directly in shareholders' equity                | 11,258  |   | 11,258       |
| Removed from shareholders' equity and recognized in losses |   |   |              |
| Balance, end of period                                     | \$ 160,949  | \$ 341,243  | \$ 502,192   |

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.

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- 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, a major shareholder of the Company, which became 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)

- d. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

TSMC Design Technology Canada, Inc. (TSMC Canada)

- e. Indirect investee

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

- 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         | %  |
| Nine months ended September 30 |                |    |                |    |
| Sales                          |                |    |                |    |
| TSMC-North America             | \$ 134,957,821 | 60 | \$ 144,616,913 | 59 |
| Philips                        |                |    | 3,225,151      | 1  |
| Others                         | 783,463        |    | 583,671        |    |
|                                | \$ 135,741,284 | 60 | \$ 148,425,735 | 60 |

|  | 2007          |    | 2006          |    |
|--|---------------|----|---------------|----|
|  | Amount        | %  | Amount        | %  |
| Purchases                                    |               |    |               |    |
| WaferTech                                    | \$ 7,419,547  | 21 | \$ 9,695,565  | 27 |
| SSMC   | 3,971,517     | 11 | 5,555,044     | 16 |
| TSMC-Shanghai                                | 3,947,089     | 11 | 3,099,850     | 9  |
| VIS  | 2,956,489     | 8  | 2,818,795     | 8  |
| Others                                       | 990           |    |               |    |
|  | \$ 18,295,632 | 51 | \$ 21,169,254 | 60 |
| Manufacturing expenses                       |               |    |               |    |
| VisEra                                       | \$ 28,496     |    | \$            |    |
| Philips                                      |               |    | 566,928       | 1  |
|  | \$ 28,496     |    | \$ 566,928    | 1  |
| Marketing expenses - commissions             |               |    |               |    |
| TSMC-Europe                                  | \$ 216,545    | 24 | \$ 184,306    | 14 |
| TSMC-Japan                                   | 166,971       | 18 | 204,592       | 15 |
| TSMC-Korea                                   | 16,251        | 2  | 5,903         |    |
|  | \$ 399,767    | 44 | \$ 394,801    | 29 |
| General and administrative expenses - rental |               |    |               |    |
| GUC  | \$ 6,451      |    | \$ 11,133     |    |
| Research and development expenses            |               |    |               |    |
| TSMC Technology (primarily consulting fees)  | \$ 264,868    | 2  | \$            |    |
| TSMC Canada (primarily consulting fees)      | 56,623        | 1  |               |    |
| GUC  | 49,519        | 1  | 37,142        |    |
| Others                                       | 36,828        |    |               |    |
|  | \$ 407,838    | 4  | \$ 37,142     |    |
| Sales of property, plant and equipment       |               |    |               |    |
| TSMC-Shanghai                                | \$ 2,378      | 11 | \$ 401,332    | 48 |

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|   |            |    |            |   |
|---|------------|----|------------|---|
| Non-operating income and gains VIS (primarily technical service income, see Note 26h) | \$ 270,794 | 3  | \$ 176,084 | 2 |
| VisEra (primarily rental income)  | 254,125    | 3  | 187,189    | 2 |
| TSMC-Shanghai (primarily technical service income)                                    | 251,421    | 3  | 197,400    | 2 |
| SSMC (primarily technical service income, see Note 26e)                               | 180,692    | 2  | 268,298    | 3 |
|   | \$ 957,032 | 11 | \$ 828,971 | 9 |

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|                          | 2007          |     | 2006          |     |
|--------------------------|---------------|-----|---------------|-----|
|                          | Amount        | %   | Amount        | %   |
| As of September 30       |               |     |               |     |
| Receivables              |               |     |               |     |
| TSMC-North America       | \$ 23,713,567 | 100 | \$ 21,680,057 | 98  |
| Philips                  |               |     | 224,516       | 1   |
| Others                   | 119,784       |     | 125,847       | 1   |
|                          | \$ 23,833,351 | 100 | \$ 22,030,420 | 100 |
| Other receivables        |               |     |               |     |
| VIS                      | \$ 126,319    | 25  | \$ 88,717     | 9   |
| VisEra                   | 98,418        | 19  |               |     |
| TSMC-North America       | 91,029        | 18  | 228,451       | 22  |
| SSMC                     | 88,372        | 18  | 142,521       | 14  |
| TSMC-Shanghai            | 81,808        | 16  | 482,542       | 46  |
| Others                   | 19,968        | 4   | 99,992        | 9   |
|                          | \$ 505,914    | 100 | \$ 1,042,223  | 100 |
| Payables                 |               |     |               |     |
| VIS                      | \$ 904,635    | 27  | \$ 806,789    | 21  |
| WaferTech                | 779,480       | 24  | 1,045,183     | 27  |
| TSMC-Shanghai            | 733,801       | 22  | 545,706       | 14  |
| SSMC                     | 639,524       | 19  | 636,181       | 16  |
| TSMC Technology          | 136,607       | 4   | 5,099         |     |
| Philips                  |               |     | 699,195       | 18  |
| Others                   | 114,595       | 4   | 156,335       | 4   |
|                          | \$ 3,308,642  | 100 | \$ 3,894,488  | 100 |
| Other long-term payables |               |     |               |     |
| Philips (Note 26a)       | \$            |     | \$ 409,588    | 100 |
| Deferred credits         |               |     |               |     |
| TSMC-Shanghai            | \$ 563,839    | 56  | \$ 776,935    | 61  |
| VisEra                   | 77,718        | 8   | 139,893       | 11  |
|                          | \$ 641,557    | 64  | \$ 916,828    | 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 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.

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**25. SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2007 to December 2026 and can be renewed upon expiration.

As of September 30, 2007, future lease payments were as follows:

|                     | <b>Year</b> | <b>Amount</b>       |
|---------------------|-------------|---------------------|
| 2007 (4th quarter)  |             | \$ 85,359           |
| 2008                |             | 301,926             |
| 2009                |             | 292,960             |
| 2010                |             | 243,762             |
| 2011                |             | 242,180             |
| 2012 and thereafter |             | 1,820,594           |
|                     |             | <b>\$ 2,986,781</b> |

**26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The significant commitments and contingencies of the Company as of September 30, 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.
- 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, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of September 30, 2007, the Company had a total of US\$76,933 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 the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire 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.
- 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 September 30, 2007, SMIC had paid US\$75 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.
- k. Amounts available under unused letters of credit as of September 30, 2007 were NT\$6,480 thousand.

## **27. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;

- i. Names, locations, and related information of investees on which the Company exercises significant

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influence: Please see Table 6 attached;

- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC-Shanghai entered into forward exchange contracts during the nine months ended September 30, 2007 to manage exposures due to foreign exchange rate fluctuations.

Outstanding forward exchange contracts as of September 30, 2007:

|                   | <b>Maturity<br/>Date</b> | <b>Contract<br/>Amount<br/>(in<br/>Thousands)</b> |
|-------------------|--------------------------|---|
| Sell US\$/buy JPY | October 2007             | JPY 12,000  |

For the nine months ended September 30, 2007, net gains arising from forward exchange contracts of TSMC-Shanghai were NT\$1,572 thousand (including realized settlement gains of NT\$1,458 thousand and valuation gains of NT\$114 thousand).

Xintec entered into forward exchange contracts during the nine months ended September 30, 2007 to manage exposures due to foreign exchange rate fluctuations.

Outstanding forward exchange contracts as of September 30, 2007:

|                    | <b>Maturity<br/>Date</b> | <b>Contract<br/>Amount<br/>(in<br/>Thousands)</b> |
|--------------------|--------------------------|---|
| Sell US\$/buy NT\$ | October 2007             | US\$ 2,000  |

For the nine months ended September 30, 2007, net losses arising from forward exchange contracts of Xintec were NT\$1,064 thousand (including realized settlement losses of NT\$1,820 thousand and valuation gains of NT\$756 thousand).

- k. Information on investment in Mainland China

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

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES HELD**

**SEPTEMBER 30, 2007**

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

| Held<br>Company<br>Name<br>The<br>Company | Marketable Securities Type and Name | Relationship<br>with Financial<br>the Statement<br>Company | Shares/Units<br>(in<br>Thousands) | September 30, 2007                          |                               | Market<br>Value or<br>Net Asset<br>Value<br>(US\$ in<br>Thousands) | Note |
|---|-------------------------------------|--|-----------------------------------|---|-------------------------------|--|------|
|   |                                     |  |                                   | Carrying<br>Value<br>(US\$ in<br>Thousands) | Percentage<br>of<br>Ownership |  |      |
|   | Open-end mutual funds               |  |                                   |   |                               |  |      |
|   |                                     | Available-for-sale<br>financial<br>assets                  |                                   |   |                               |  |      |
|   | NITC Bond Fund                      |  | 12,239                            | \$ 2,037,514                                | N/A                           | \$ 2,037,514   |      |
|   | Fuh Hwa Bond                        |  | 144,073                           | 1,943,446                                   | N/A                           | 1,943,446  |      |
|   | NITC Taiwan Bond                    |  | 103,016                           | 1,468,675                                   | N/A                           | 1,468,675  |      |
|   | ING Taiwan Bond Fund                |  | 85,581                            | 1,304,561                                   | N/A                           | 1,304,561  |      |
|   | Prudential Financial Bond Fund      |  | 83,306                            | 1,231,721                                   | N/A                           | 1,231,721  |      |
|   | President James Bond                |  | 77,128                            | 1,203,732                                   | N/A                           | 1,203,732  |      |
|   | ING Taiwan Income Fund              |  | 63,947                            | 1,024,476                                   | N/A                           | 1,024,476  |      |
|   | JF Taiwan Bond Fund                 |  | 59,049                            | 911,461                                     | N/A                           | 911,461  |      |
|   | Dresdner Bond DAM Fund              |  | 71,368                            | 836,828                                     | N/A                           | 836,828  |      |
|   | Taishin Lucky Fund                  |  | 68,945                            | 715,509                                     | N/A                           | 715,509  |      |
|   | AIG Taiwan Bond Fund                |  | 54,469                            | 702,353                                     | N/A                           | 702,353  |      |
|   | Cathay Bond                         |  | 60,126                            | 701,010                                     | N/A                           | 701,010  |      |
|   | JF Taiwan First Bond Fund           |  | 35,324                            | 502,101                                     | N/A                           | 502,101  |      |
|   | HSBC Taiwan Money Management        |  | 27,416                            | 411,812                                     | N/A                           | 411,812  |      |
|   | INVESCO Bond Fund                   |  | 27,176                            | 408,423                                     | N/A                           | 408,423  |      |

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Government bond

|  | Available-for-sale<br>financial<br>assets |     |           |  |
|--|---|-----|-----------|--|
| 2003 Government Bond Series B  | 2,346,950                                 | N/A | 2,346,950 |  |
| 2004 Government Bond Series B  | 1,194,550                                 | N/A | 1,194,550 |  |
| 2006 Government Bond Series D  | 399,200                                   | N/A | 399,200   |  |
| 2004 Government Bond Series G  | 198,854                                   | N/A | 198,854   |  |
|  | Held-to-maturity<br>financial<br>assets   |     |           |  |
| 2006 Government Bond Series D  | 3,653,229                                 | N/A | 3,642,704 |  |
| 2003 Government Bond Series B  | 1,647,923                                 | N/A | 1,645,861 |  |
| 2003 Asian Development Bank Govt.<br>Bond                                    | 850,276                                   | N/A | 875,103   |  |
| 2003 Government Bond Series F  | 798,605                                   | N/A | 795,194   |  |
| 2003 Government Bond Series H  | 400,927                                   | N/A | 399,782   |  |
| European Investment Bank Bonds   | 377,938                                   | N/A | 400,000   |  |
| 2004 Kaohsiung Municipal Series B  | 249,998                                   | N/A | 250,004   |  |
| 2003 European Bank for Reconstruction<br>and Development Govt. Bond Series A | 89,522                                    | N/A | 90,000    |  |

Corporate bond



|                   |                                     | September 30, 2007                  |                                    |                     |                                 |           |
|-------------------|-------------------------------------|-------------------------------------|------------------------------------|---------------------|---------------------------------|-----------|
|                   |                                     | Carrying Value                      |                                    | Percentage of       | Market Value or Net Asset Value |           |
| Held Company Name | Marketable Securities Type and Name | Relationship with the Company       | Financial Statement (in thousands) | (US\$ in thousands) | Ownership (Thousands)           | Note      |
|                   |                                     | Available-for-sale financial assets |                                    |                     |                                 |           |
|                   | Hua Nan Bank                        |                                     |                                    | 1,566,347           | N/A                             | 1,566,347 |
|                   | Cathay Bank                         |                                     |                                    | 1,175,130           | N/A                             | 1,175,130 |
|                   | Taiwan Power Company                |                                     |                                    | 898,630             | N/A                             | 898,630   |
|                   | Formosa Petrochemical Corporation   |                                     |                                    | 398,934             | N/A                             | 398,934   |
|                   |                                     | Held-to-maturity financial assets   |                                    |                     |                                 |           |
|                   | Formosa Petrochemical Corporation   |                                     |                                    | 3,577,937           | N/A                             | 3,542,148 |
|                   | Taiwan Power Company                |                                     |                                    | 3,078,978           | N/A                             | 3,078,790 |
|                   | Nan Ya Plastics Corporation         |                                     |                                    | 2,003,029           | N/A                             | 1,994,730 |
|                   | CPC Corporation, Taiwan             |                                     |                                    | 1,200,368           | N/A                             | 1,199,372 |

(Continued)

| Company Name | Marketable Securities Type and Name | Relationship with the Company | Accounting Method                              | September 30, 2007  |                |                         |            |
|--------------|-------------------------------------|-------------------------------|--|---------------------|----------------|-------------------------|------------|
|              |                                     |                               |  | Shares/Units        | Carrying Value | Percentage of Ownership | Net Value  |
|              |                                     |                               | Financial Statement (in thousands)             | (US\$ in thousands) |                | (US\$ in thousands)     |            |
|              | China Steel Corporation             |                               | Held-to-maturity financial assets              |                     | \$ 1,000,000   | N/A                     | \$ 98,000  |
|              | Formosa Plastic Corporation         |                               |  |                     | 389,056        | N/A                     | 38,906     |
|              | Shanghai commercial & Saving Bank   |                               |  |                     | 291,138        | N/A                     | 29,114     |
|              | Stocks                              |                               |  |                     |                |                         |            |
|              |                                     |                               | Investment accounted for using equity method   | 1                   | 44,234,333     | 100                     | 44,234,333 |
|              | TSMC Global                         | Subsidiary                    |  |                     |                |                         |            |
|              | TSMC International                  | Subsidiary                    |  | 987,968             | 27,553,919     | 100                     | 27,553,919 |
|              | SSMC                                |                               | Investee accounted for using equity method     | 463                 | 8,674,862      | 39                      | 7,650,000  |
|              | VIS                                 |                               | Investee accounted for using equity method     | 616,240             | 10,760,885     | 36                      | 18,000,000 |
|              | TSMC Partners                       | Subsidiary                    |  | 300                 | 4,667,437      | 100                     | 4,667,437  |
|              | TSMC-North America                  | Subsidiary                    |  | 11,000              | 2,227,896      | 100                     | 2,227,896  |
|              | Xintec                              |                               | Investee with a controlling financial interest | 91,703              | 1,429,804      | 43                      | 1,330,000  |
|              | GUC                                 |                               | Investee with a controlling financial interest | 42,572              | 750,200        | 37                      | 11,100,000 |
|              | TSMC-Japan                          | Subsidiary                    |  | 6                   | 102,257        | 100                     | 102,257    |
|              | TSMC-Europe                         | Subsidiary                    |  |                     | 74,994         | 100                     | 74,994     |
|              | TSMC-Korea                          | Subsidiary                    |  | 80                  | 16,014         | 100                     | 16,014     |
|              | United Industrial Gases Co., Ltd.   |                               |  | 16,783              | 193,584        | 10                      | 23,000,000 |

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|                                     |            | Financial<br>assets<br>carried<br>at<br>cost                |           |     |           |
|-------------------------------------|------------|---|-----------|-----|-----------|
| Shin-Etsu Handotai Taiwan Co., Ltd. |            | 10,500  | 105,000   | 7   | 29        |
| W.K. Technology Fund IV             |            | 4,000   | 40,000    | 2   | 5         |
| Hontung Venture Capital Co., Ltd.   |            | 2,633   | 26,329    | 10  | 2         |
| Fund                                |            |   |           |     |           |
|                                     |            | Financial<br>assets<br>carried<br>at<br>cost                |           |     |           |
| Horizon Ventures Fund               |            |   | 312,950   | 12  | 3         |
| Crimson Asia Capital                |            |   | 69,344    | 1   | 6         |
| Capital                             |            |   |           |     |           |
|                                     |            | Investment<br>accounted<br>for<br>using<br>equity<br>method |           |     |           |
| TSMC-Shanghai                       | Subsidiary |   | 8,567,668 | 100 | 8,567,668 |
| VTAF II                             | Subsidiary |   | 1,026,700 | 98  | 1,026,700 |
| VTAF III                            | Subsidiary |   | 786,064   | 98  | 786,064   |
| Emerging Alliance                   | Subsidiary |   | 683,002   | 99  | 683,002   |
| Chi Cheng                           | Subsidiary |   | 170,542   | 36  | 62        |
| Hsin Ruey                           | Subsidiary |   | 168,918   | 36  | 62        |

g  
Stocks

|      |  |   |        |             |           |
|------|--|---|--------|-------------|-----------|
|      |  | Available-for-sale<br>financial<br>assets                 | 17,032 | 1,078,125   | 1,078,125 |
| TSMC | Parent Company                                   |   |        |             |           |
|      |  | Investee<br>accounted<br>for<br>using<br>equity<br>method | 5,082  | 106,841     | 106,841   |
| VIS  | Investments accounted for using<br>equity method |   |        | (Continued) |           |

| Marketable Securities Type and Name             | Relationship with the Company              | Financial Statement Account                           | September 30, 2014                |  |
|---|--|---|-----------------------------------|--|
|   |  |   | Shares/Units<br>(in<br>Thousands) | Carrying Pe<br>Value<br>(US\$ in<br>Thousands) |
| Common stock<br>SMC                             | Parent Company                             | Available-for-sale financial assets                   | 17,064                            | \$ 1,080,146                                   |
| Common stock<br>SIS                             | Investee accounted for using equity method | Investments accounted for using equity method         | 3,748                             | 83,524   |
| Common stock<br>WaveStar                        | Subsidiary                                 | Investments accounted for using equity method         | 9,207                             | US\$ 46,802                                    |
| Common stock<br>WaveStar II                     | Subsidiary                                 |   | 51,300                            | US\$ 60,456                                    |
| Common stock<br>SMC Development                 | Subsidiary                                 |   | 1                                 | US\$ 668,997                                   |
| Common stock<br>SMC Technology                  | Subsidiary                                 |   | 1                                 | US\$ 6,444                                     |
| Common stock<br>WaferTech                       | Subsidiary                                 | Investments accounted for using equity method         |                                   | US\$ 264,777                                   |
| Common stock<br>ErisEra Holding Company         | Investee accounted for using equity method | Investments accounted for using equity method         | 43,000                            | US\$ 65,629                                    |
| Common stock<br>SMC Canada                      | Investee accounted for using equity method |   | 2,300                             | US\$ 2,622                                     |
| Common stock<br>NetLogic Microsystems, Inc.     |  | Financial assets at fair value through profit or loss | 18                                | US\$ 650                                       |
| Common stock<br>Kanos Communication, Inc.       |  | Available-for-sale financial assets                   | 280                               | US\$ 1,568                                     |
| Common stock<br>Global Investment Holding, Inc. |  | Financial assets carried at cost                      | 10,800                            | \$ 100,000                                     |
| Common stock<br>Microwave Technology Corp.      |  |   | 4,247                             | US\$ 1,648                                     |
| Common stock<br>Maxim, Inc.                     |  |   | 1,036                             | US\$ 275                                       |
| Common stock<br>RF Technology Holdings          |  |   | 93                                | US\$ 1,743                                     |
| Preferred stock<br>Maxim, Inc.                  |  | Financial assets carried at cost                      | 3,606                             | US\$ 862                                       |

|                             |                                  |       |      |             |
|-----------------------------|----------------------------------|-------|------|-------------|
| Altera Systems, Inc.        |                                  | 2,481 | US\$ | 12          |
| Altrix, Inc.                |                                  | 3,040 | US\$ | 1,000       |
| AluMicrodevices, Inc.       |                                  | 1,000 | US\$ | 1,000       |
| AluOptichron, Inc.          |                                  | 714   | US\$ | 1,000       |
| AluCORE Technology Inc.     |                                  | 2,254 | US\$ | 1,388       |
| Aluext IO, Inc.             |                                  | 800   | US\$ | 500         |
| AluAudience, Inc.           |                                  | 1,654 | US\$ | 250         |
| AluEknovus, Inc.            |                                  | 6,977 | US\$ | 1,327       |
| AluOptimal Corporation      |                                  | 583   | US\$ | 600         |
| AluTobilygen                |                                  | 1,415 | US\$ | 750         |
| AluCommon stock             |                                  |       |      |             |
| AluJobon                    | Financial assets carried at cost | 1,875 | US\$ | 919         |
| AluEntelic                  |                                  | 1,200 | US\$ | 2,040       |
| AluEadtrend                 |                                  | 1,265 | US\$ | 660         |
| AluichWave Technology Corp. |                                  | 500   | US\$ | 231         |
|                             |                                  |       |      | (Continued) |

|   |                               |   | September         |                                 |
|---|-------------------------------|---|-------------------|---------------------------------|
|   |                               |   | Shares/Units      | Carrying Pe                     |
| Marketable Securities Type and Name     | Relationship with the Company | Financial Statement Account                           | (in<br>Thousands) | Value<br>(US\$ in<br>Thousands) |
| Preferred stock                         |                               |   |                   |                                 |
| Powerprecise Solutions, Inc.            |                               | Financial assets carried at cost                      | 1,445             | US\$ 1,400                      |
| Tzero Technologies, Inc.                |                               |   | 730               | US\$ 1,500                      |
| Miradia, Inc.                           |                               |   | 3,416             | US\$ 3,106                      |
| Axiom Microdevices, Inc.                |                               |   | 5,044             | US\$ 2,088                      |
| Next IO, Inc.                           |                               |   | 216               | US\$ 182                        |
| Ageia Technologies, Inc.                |                               |   | 2,030             | US\$ 2,074                      |
| Audience, Inc.                          |                               |   | 2,988             | US\$ 664                        |
| GemFire Corporation                     |                               |   | 600               | US\$ 68                         |
| Optichron, Inc.                         |                               |   | 1,050             | US\$ 1,844                      |
| Xceive                                  |                               |   | 714               | US\$ 1,000                      |
| 5V Technologies, Inc.                   |                               |   | 2,357             | US\$ 1,768                      |
| Power Analog Microelectronics           |                               |   | 3,039             | US\$ 2,409                      |
| Impinj, Inc.                            |                               |   | 475               | US\$ 1,000                      |
| Beceem Communications                   |                               |   | 650               | US\$ 1,600                      |
| Teknovus, Inc.                          |                               |   | 1,599             | US\$ 454                        |
| Aquantia Corporation                    |                               |   | 1,786             | US\$ 2,273                      |
| Pixim, Inc.                             |                               |   | 3,279             | US\$ 641                        |
| Common stock                            |                               |   |                   |                                 |
| Mutual-Pak, Technology Co. LTD          |                               | Investment accounted for using equity method          | 4,090             | US\$ 1,240                      |
| Preferred stock                         |                               |   |                   |                                 |
| Quellan, Inc.                           |                               | Financial assets carried at cost                      | 2,991             | US\$ 3,498                      |
| M2000, Inc.                             |                               |   | 1,500             | US\$ 1,500                      |
| Exclara, Inc. (Formerly SynDiTec, Inc.) |                               |   | 14,477            | US\$ 2,412                      |
| Validity Sensors, Inc.                  |                               |   | 5,333             | US\$ 2,000                      |
| Silicon Technical Services, LLC.        |                               |   | 915               | US\$ 1,000                      |
| Neoconix, Inc.                          |                               |   | 2,458             | US\$ 4,000                      |
| Advasense Sensors, Inc.                 |                               |   | 1,624             | US\$ 1,500                      |
| Tilera, Inc.                            |                               |   | 1,698             | US\$ 2,360                      |
| Auramicro, Inc.                         |                               |   | 2,500             | US\$ 750                        |
| Convertible bond                        |                               |   |                   |                                 |
| GTBF, Inc.                              |                               | Financial assets carried at cost                      |                   | US\$ 1,500                      |
| Common stock                            |                               |   |                   |                                 |
| Monolithic Power Systems, Inc.          |                               | Financial assets at fair value through profit or loss | 1,352             | US\$ 34,337                     |
| Advanced Power Electronics Corp.        |                               |   | 58                | US\$ 19                         |

Available-for-sale financial  
assets

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|      |                                     |                               | September                        |             |            |
|------|-------------------------------------|-------------------------------|----------------------------------|-------------|------------|
|      |                                     |                               | Carrying                         |             |            |
|      |                                     |                               | Shares/Units                     | Value       |            |
|      |                                     |                               | (in                              | (US\$ in    |            |
|      |                                     |                               | Thousands)                       | Thousands)  |            |
| Item | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account      | Thousands   | Thousands  |
|      | Capella Microsystems (Taiwan), Inc. |                               | Financial assets carried at cost | 530         | US\$ 154   |
|      | Preferred stock                     |                               |                                  |             |            |
|      | Integrated Memory Logic, Inc.       |                               | Financial assets carried at cost | 2,872       | US\$ 1,221 |
|      | IP Unity, Inc.                      |                               |                                  | 1,008       | US\$ 494   |
|      | Sonics, Inc.                        |                               |                                  | 1,843       | US\$ 3,530 |
|      | NanoAmp Solutions, Inc.             |                               |                                  | 541         | US\$ 853   |
|      | Memsic, Inc.                        |                               |                                  | 2,727       | US\$ 1,500 |
|      |                                     |                               |                                  | (Continued) |            |

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|                                     |                               |   | September                      |                              |                |
|-------------------------------------|-------------------------------|---|--------------------------------|------------------------------|----------------|
|                                     |                               |   | Carrying                       |                              |                |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account                           | Shares/Units<br>(in Thousands) | Value<br>(US\$ in Thousands) | (in Thousands) |
| Common stock                        |                               |   |                                |                              |                |
| Monolithic Power Systems, Inc.      |                               | Financial assets at fair value through profit or loss | 864                            | US\$ 21,958                  |                |
| Geo Vision, Inc.                    |                               |   | 6                              | US\$ 55                      |                |
| Rich Tek Technology Corp.           |                               |   | 152                            | US\$ 1,819                   |                |
| Geo Vision, Inc.                    |                               | Available-for-sale financial assets                   | 15                             | US\$ 127                     |                |
| Rich Tek Technology Corp.           |                               |   | 261                            | US\$ 3,133                   |                |
| Ralink Technology (Taiwan), Inc.    |                               | Financial assets carried at cost                      | 2,383                          | US\$ 791                     |                |
| Capella Microsystems (Taiwan), Inc. |                               |   | 534                            | US\$ 210                     |                |
| Auden Technology MFG. Co., Ltd.     |                               |   | 1,049                          | US\$ 223                     |                |
| EoNEX Technologies, Inc.            |                               |   | 55                             | US\$ 3,048                   |                |
| Goyatek Technology, Corp.           |                               |   | 2,088                          | US\$ 545                     |                |
| Trendchip Technologies Corp.        |                               |   | 1,000                          | US\$ 574                     |                |
| EON Technology, Corp.               |                               |   | 4,243                          | US\$ 1,175                   |                |
| eLCOS Microdisplay Technology, Ltd. |                               |   | 270                            | US\$ 27                      |                |
| Epic Communication, Inc.            |                               |   | 191                            | US\$ 37                      |                |
| Sonics, Inc.                        |                               |   | 2,220                          | US\$ 32                      |                |
| Preferred stock                     |                               |   |                                |                              |                |
| Memsic, Inc.                        |                               | Financial assets carried at cost                      | 2,289                          | US\$ 1,560                   |                |
| NanoAmp Solutions, Inc.             |                               |   | 375                            | US\$ 1,500                   |                |
| Kilopass Technology, Inc.           |                               |   | 3,887                          | US\$ 2,000                   |                |
| FangTek, Inc.                       |                               |   | 6,931                          | US\$ 3,250                   |                |
| Sonics, Inc.                        |                               |   | 2,115                          | US\$ 3,082                   |                |
| eLCOS Microdisplay Technology, Ltd. |                               |   | 3,500                          | US\$ 3,500                   |                |
| Alchip Technologies Limited         |                               |   | 6,128                          | US\$ 2,950                   |                |
| Convertible bond                    |                               |   |                                |                              |                |
| eLCOS Microdisplay Technology, Ltd. |                               | Financial assets carried at cost                      |                                | US\$ 200                     |                |
| Agency bonds                        |                               |   |                                |                              |                |
| Fed Hm Ln Pc Pool 1b1107            |                               | Available-for-sale financial assets                   |                                | US\$ 558                     |                |
| Fed Hm Ln Pc Pool 1b1150            |                               |   |                                | US\$ 1,043                   |                |
| Fed Hm Ln Pc Pool 1b1225            |                               |   |                                | US\$ 145                     |                |
| Fed Hm Ln Pc Pool 1b2566            |                               |   |                                | US\$ 170                     |                |
| Fed Hm Ln Pc Pool 1b2632            |                               |   |                                | US\$ 185                     |                |
| Fed Hm Ln Pc Pool 1b2642            |                               |   |                                | US\$ 249                     |                |
| Fed Hm Ln Pc Pool 1b2776            |                               |   |                                | US\$ 347                     |                |

Fed Hm Ln Pc Pool 1b2792

US\$ 234

Fed Hm Ln Pc Pool 1b2810

US\$ 305

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September

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September    |            |
|------|-------------------------------------|-------------------------------|-----------------------------|--------------|------------|
|      |                                     |                               |                             | Carrying     | Percentage |
|      |                                     |                               |                             | Shares/Units | Value      |
|      |                                     |                               |                             | (in          | (US\$ in   |
|      |                                     |                               |                             | Thousands)   | Thousands) |
|      | Fed Hm Ln Pc Pool 1g0038            |                               |                             | US\$ 306     | N          |
|      | Fed Hm Ln Pc Pool 1g0053            |                               |                             | US\$ 381     | N          |
|      | Fed Hm Ln Pc Pool 1g0104            |                               |                             | US\$ 148     | N          |
|      | Fed Hm Ln Pc Pool 1g1282            |                               |                             | US\$4,199    | N          |
|      | Fed Hm Ln Pc Pool 1g1411            |                               |                             | US\$3,829    | N          |
|      | Fed Hm Ln Pc Pool 1g1616            |                               |                             | US\$4,451    | N          |

(Continued)

September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account (in Thousands) | Shares/Units | Carrying Value (US\$ in Thousands) |
|-------------------------------------|-------------------------------|--|--------------|------------------------------------|
| ed Hm Ln Pc Pool 1g1921             |                               | Available-for-sale financial assets        |              | US\$4,3                            |
| ed Hm Ln Pc Pool 1g2162             |                               |  |              | US\$5,7                            |
| ed Hm Ln Pc Pool 1g2593             |                               |  |              | US\$5,5                            |
| ed Hm Ln Pc Pool 1h2520             |                               |  |              | US\$2,7                            |
| ed Hm Ln Pc Pool 1h2524             |                               |  |              | US\$2,0                            |
| ed Hm Ln Pc Pool 1j0410             |                               |  |              | US\$5,8                            |
| ed Hm Ln Pc Pool 780870             |                               |  |              | US\$ 7                             |
| ed Hm Ln Pc Pool 781959             |                               |  |              | US\$4,2                            |
| ed Hm Ln Pc Pool 782785             |                               |  |              | US\$ 2                             |
| ed Hm Ln Pc Pool 782837             |                               |  |              | US\$ 5                             |
| ed Hm Ln Pc Pool 782968             |                               |  |              | US\$1,1                            |
| ed Hm Ln Pc Pool 783022             |                               |  |              | US\$ 5                             |
| ed Hm Ln Pc Pool 783026             |                               |  |              | US\$ 3                             |
| ed Hm Ln Pc Pool 847628             |                               |  |              | US\$3,2                            |
| ed Hm Ln Pc Pool B19205             |                               |  |              | US\$7,2                            |
| ed Hm Ln Pc Pool E89857             |                               |  |              | US\$1,3                            |
| ed Hm Ln Pc Pool G11295             |                               |  |              | US\$1,1                            |
| ed Hm Ln Pc Pool G12009             |                               |  |              | US\$3,7                            |
| ed Hm Ln Pc Pool M80855             |                               |  |              | US\$3,0                            |
| ederal Home Ln Bank                 |                               |  |              | US\$5,0                            |
| ederal Farm Cr Bks                  |                               |  |              | US\$3,4                            |
| ederal Home Ln Bks                  |                               |  |              | US\$8,9                            |
| ederal Home Ln Bks                  |                               |  |              | US\$8,8                            |
| ederal Home Ln Bks                  |                               |  |              | US\$4,9                            |
| ederal Home Ln Bks                  |                               |  |              | US\$5,9                            |
| ederal Home Ln Bks                  |                               |  |              | US\$4,9                            |
| ederal Home Ln Bks                  |                               |  |              | US\$3,0                            |
| ederal Home Ln Bks                  |                               |  |              | US\$6,1                            |
| ederal Home Ln Bks                  |                               |  |              | US\$5,4                            |
| ederal Home Ln Bks                  |                               |  |              | US\$5,9                            |
| ederal Home Ln Bks                  |                               |  |              | US\$4,5                            |
| ederal Home Ln Bks                  |                               |  |              | US\$9,0                            |
| ederal Home Ln Bks                  |                               |  |              | US\$8,2                            |
| ederal Home Ln Mtg                  |                               |  |              | US\$5,6                            |
| ederal Home Ln Mtg Corp.            |                               |  |              | US\$1,3                            |
| ederal Home Ln Mtg Corp.            |                               |  |              | US\$3,5                            |

September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | (in Thousands) | Shares/Units | Carrying Value (US\$ in Thousands) |
|-------------------------------------|-------------------------------|-----------------------------|----------------|--------------|------------------------------------|
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$2,2                            |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$ 8                             |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$3,5                            |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$                               |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$2,5                            |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$2,9                            |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$2,4                            |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$1,1                            |
| Federal Home Ln Mtg Corp.           |                               |                             |                |              | US\$7,2                            |

(Continued)

|      |                                     |                               | September                           |             |            |
|------|-------------------------------------|-------------------------------|-------------------------------------|-------------|------------|
|      |                                     |                               | Carrying                            |             |            |
|      |                                     |                               | Perce                               |             |            |
|      |                                     |                               | Shares/Unit                         |             |            |
|      |                                     |                               | Value                               |             |            |
|      |                                     |                               | (in US\$ in                         |             |            |
|      |                                     |                               | Thousands)                          |             |            |
|      |                                     |                               | Thousands)                          |             |            |
|      |                                     |                               | Owned                               |             |            |
| Item | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Value       | Percentage |
|      | Federal Home Ln Mtg Corp.           |                               | Available-for-sale financial assets | US\$ 2,296  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 3,953  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 2,332  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 3,589  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 3,588  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 3,500  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 3,354  | N          |
|      | Federal Home Ln Mtg Corp.           |                               |                                     | US\$ 3,900  | N          |
|      | Federal Home Ln Mtg Disc Nts        |                               |                                     | US\$ 22,161 | N          |
|      | Federal Home Loan Bank              |                               |                                     | US\$ 4,556  | N          |
|      | Federal Home Loan Bank              |                               |                                     | US\$ 3,460  | N          |
|      | Federal Home Loan Bank              |                               |                                     | US\$ 8,121  | N          |
|      | Federal National Mort Assoc         |                               |                                     | US\$ 3,035  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 4,439  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 2,230  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 2,400  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 1,298  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 5,011  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 6,515  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 8,550  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 5,019  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 5,027  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 3,349  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 2,006  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 3,703  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 4,503  | N          |
|      | Federal Natl Mtg Assn               |                               |                                     | US\$ 48     | N          |
|      | Federal Natl Mtg Assn Gtd           |                               |                                     | US\$ 1,844  | N          |
|      | Federal Natl Mtg Assn Medium        |                               |                                     | US\$ 3,473  | N          |
|      | Federal Natl Mtg Assn Mtn           |                               |                                     | US\$ 2,962  | N          |
|      | Federal Natl Mtg Assn Mtn           |                               |                                     | US\$ 3,152  | N          |
|      | Federal Natl Mtg Assn Mtn           |                               |                                     | US\$ 5,383  | N          |
|      | Federal Natl Mtg Assn Mtn           |                               |                                     | US\$ 3,766  | N          |
|      | Federal Natl Mtg Assn Mtn           |                               |                                     | US\$ 3,027  | N          |
|      | Fnma Pool 254507                    |                               |                                     | US\$ 1,254  | N          |
|      | Fnma Pool 254834                    |                               |                                     | US\$ 1,236  | N          |

September

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2019 |                         |
|------|-------------------------------------|-------------------------------|-----------------------------|--------------------|-------------------------|
|      |                                     |                               |                             | Carrying Amount    | Percentage of Ownership |
|      |                                     |                               |                             | Shares/Units       | Value                   |
|      |                                     |                               |                             | (in thousands)     | (US\$ in thousands)     |
|      | Fnma Pool 255883                    |                               |                             | 3,189              | US\$3,189               |
|      | Fnma Pool 555549                    |                               |                             | 1,409              | US\$1,409               |
|      | Fnma Pool 555715                    |                               |                             | 176                | US\$ 176                |
|      | Fnma Pool 632399                    |                               |                             | 391                | US\$ 391                |
|      | Fnma Pool 662401                    |                               |                             | 586                | US\$ 586                |
|      | Fnma Pool 667766                    |                               |                             | 1,332              | US\$1,332               |
|      | Fnma Pool 680932                    |                               |                             | 1,142              | US\$1,142               |
|      | Fnma Pool 681393                    |                               |                             | 2,431              | US\$2,431               |
|      | Fnma Pool 685116                    |                               |                             | 600                | US\$ 600                |

(Continued)



September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Carrying                       |                                 | Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------|-----------|
|                                     |                               |                                     | Shares/Units<br>(in thousands) | Value<br>(in US\$ in thousands) |           |
| mma Pool 691283                     |                               | Available-for-sale financial assets |                                | US\$ 3,512                      | N         |
| mma Pool 694287                     |                               |                                     |                                | US\$ 22                         | N         |
| mma Pool 703711                     |                               |                                     |                                | US\$ 476                        | N         |
| mma Pool 725095                     |                               |                                     |                                | US\$ 1,043                      | N         |
| mma Pool 730033                     |                               |                                     |                                | US\$ 1,245                      | N         |
| mma Pool 740934                     |                               |                                     |                                | US\$ 1,160                      | N         |
| mma Pool 742232                     |                               |                                     |                                | US\$ 24                         | N         |
| mma Pool 750798                     |                               |                                     |                                | US\$ 22                         | N         |
| mma Pool 773246                     |                               |                                     |                                | US\$ 235                        | N         |
| mma Pool 790828                     |                               |                                     |                                | US\$ 2,120                      | N         |
| mma Pool 793025                     |                               |                                     |                                | US\$ 2,006                      | N         |
| mma Pool 793932                     |                               |                                     |                                | US\$ 485                        | N         |
| mma Pool 794040                     |                               |                                     |                                | US\$ 678                        | N         |
| mma Pool 795548                     |                               |                                     |                                | US\$ 275                        | N         |
| mma Pool 799664                     |                               |                                     |                                | US\$ 101                        | N         |
| mma Pool 799868                     |                               |                                     |                                | US\$ 32                         | N         |
| mma Pool 804764                     |                               |                                     |                                | US\$ 408                        | N         |
| mma Pool 804852                     |                               |                                     |                                | US\$ 346                        | N         |
| mma Pool 804962                     |                               |                                     |                                | US\$ 401                        | N         |
| mma Pool 805163                     |                               |                                     |                                | US\$ 419                        | N         |
| mma Pool 806642                     |                               |                                     |                                | US\$ 1,025                      | N         |
| mma Pool 806721                     |                               |                                     |                                | US\$ 652                        | N         |
| mma Pool 813641                     |                               |                                     |                                | US\$ 3,134                      | N         |
| mma Pool 814418                     |                               |                                     |                                | US\$ 347                        | N         |
| mma Pool 815626                     |                               |                                     |                                | US\$ 2,408                      | N         |
| mma Pool 816594                     |                               |                                     |                                | US\$ 1,888                      | N         |
| mma Pool 819423                     |                               |                                     |                                | US\$ 556                        | N         |
| mma Pool 821129                     |                               |                                     |                                | US\$ 530                        | N         |
| mma Pool 825395                     |                               |                                     |                                | US\$ 2,542                      | N         |
| mma Pool 825398                     |                               |                                     |                                | US\$ 3,756                      | N         |
| mma Pool 841069                     |                               |                                     |                                | US\$ 2,425                      | N         |
| mma Pool 879906                     |                               |                                     |                                | US\$ 1,378                      | N         |
| mma Pool 888249                     |                               |                                     |                                | US\$ 4,543                      | N         |
| mma Pool 888388                     |                               |                                     |                                | US\$ 6,367                      | N         |
| mma Pool 888499                     |                               |                                     |                                | US\$ 2,688                      | N         |
| mma Pool 888502                     |                               |                                     |                                | US\$ 244                        | N         |

September 3

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying                                  |                                    | Percent | Owner |
|-------------------------------------|-------------------------------|-----------------------------|---|------------------------------------|---------|-------|
|                                     |                               |                             | Shares/Units<br>(in US\$ in<br>Thousands) | Value<br>(in US\$ in<br>Thousands) |         |       |
| Fnma Pool 888507                    |                               |                             |   | US\$ 934                           |         | N/A   |
| Fnma Pool 888515                    |                               |                             |   | US\$2,109                          |         | N/A   |
| Fnma Pool 888519                    |                               |                             |   | US\$ 128                           |         | N/A   |
| Fnma Pool 888527                    |                               |                             |   | US\$ 71                            |         | N/A   |
| Fnma Pool 900296                    |                               |                             |   | US\$3,366                          |         | N/A   |
| Gnma Ii Pool 081150                 |                               |                             |   | US\$ 500                           |         | N/A   |
| Gnma Ii Pool 081153                 |                               |                             |   | US\$1,602                          |         | N/A   |
| Tennessee Valley Auth               |                               |                             |   | US\$6,062                          |         | N/A   |

(Continued)

September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Carrying                       |                                 | Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------|-----------|
|                                     |                               |                                     | Shares/Units<br>(in thousands) | Value<br>(in US\$ in thousands) |           |
| Corporate bonds                     |                               |                                     |                                |                                 |           |
| Abbott Labs                         |                               | Available-for-sale financial assets |                                | US\$1,508                       | N         |
| Abbott Labs                         |                               |                                     |                                | US\$2,541                       | N         |
| Allstate Life Global Fdg Secd       |                               |                                     |                                | US\$2,994                       | N         |
| American Gen Fin Corp.              |                               |                                     |                                | US\$3,190                       | N         |
| American Gen Fin Corp.              |                               |                                     |                                | US\$3,475                       | N         |
| American Gen Fin Corp.              |                               |                                     |                                | US\$1,980                       | N         |
| American Honda Fin Corp. Mtn        |                               |                                     |                                | US\$9,371                       | N         |
| Ameritech Capital Funding Co.       |                               |                                     |                                | US\$2,820                       | N         |
| Amgen Inc.                          |                               |                                     |                                | US\$2,938                       | N         |
| Amgen Cap Tr I                      |                               |                                     |                                | US\$ 973                        | N         |
| Associates Corp. North Amer         |                               |                                     |                                | US\$2,549                       | N         |
| Atlantic Richfield Co.              |                               |                                     |                                | US\$2,206                       | N         |
| Axa Finl Inc.                       |                               |                                     |                                | US\$2,132                       | N         |
| Bank One Corp.                      |                               |                                     |                                | US\$1,474                       | N         |
| Bank One Corp.                      |                               |                                     |                                | US\$2,015                       | N         |
| Bank Utd Houston Tx Mtn             |                               |                                     |                                | US\$ 519                        | N         |
| Beneficial Corp. Mtn Bk Entry       |                               |                                     |                                | US\$2,279                       | N         |
| Bp Cap Mkts Plc                     |                               |                                     |                                | US\$4,515                       | N         |
| Burlington Res Inc.                 |                               |                                     |                                | US\$3,642                       | N         |
| Chase Manhattan Corp. New           |                               |                                     |                                | US\$5,068                       | N         |
| Chase Manhattan Corp. New           |                               |                                     |                                | US\$2,103                       | N         |
| Chubb Corp.                         |                               |                                     |                                | US\$2,127                       | N         |
| Citi Group Hldgs Inc.               |                               |                                     |                                | US\$2,973                       | N         |
| Citi Group Inc. New                 |                               |                                     |                                | US\$2,436                       | N         |
| Citigroup Fdg Inc.                  |                               |                                     |                                | US\$4,589                       | N         |
| Cogentrix Energy Inc.               |                               |                                     |                                | US\$3,710                       | N         |
| Consolidated Edison Inc.            |                               |                                     |                                | US\$2,974                       | N         |
| Countrywide Fdg Corp. Mtn           |                               |                                     |                                | US\$1,899                       | N         |
| Credit Suisse First Boston USA      |                               |                                     |                                | US\$2,209                       | N         |
| Daimlerchrysler North Amer          |                               |                                     |                                | US\$ 994                        | N         |
| Dayton Hudson Corp.                 |                               |                                     |                                | US\$2,021                       | N         |
| Deere John Cap Corp.                |                               |                                     |                                | US\$5,975                       | N         |
| Deere John Cap Corp. Mtn Bk Ent     |                               |                                     |                                | US\$2,187                       | N         |
| Dell Computer Corp.                 |                               |                                     |                                | US\$2,812                       | N         |
| Diageo Plc                          |                               |                                     |                                | US\$3,498                       | N         |

September 3

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying                       |                              | Percent | Owner |
|-------------------------------------|-------------------------------|-----------------------------|--------------------------------|------------------------------|---------|-------|
|                                     |                               |                             | Shares/Units<br>(in thousands) | Value<br>(US\$ in thousands) |         |       |
| Emerson Elec Co.                    |                               |                             |                                | US\$ 3,225                   |         | N/A   |
| European Invst Bk                   |                               |                             |                                | US\$ 6,219                   |         | N/A   |
| Fifth Third Bk Cincinnati Oh        |                               |                             |                                | US\$ 2,470                   |         | N/A   |
| Fleet Boston Corp.                  |                               |                             |                                | US\$ 2,633                   |         | N/A   |
| Global Ins Hldg Corp.               |                               |                             |                                | US\$ 1,900                   |         | N/A   |
| General Dynamics Corp.              |                               |                             |                                | US\$ 2,084                   |         | N/A   |
| General Elec Cap Corp. Mtn          |                               |                             |                                | US\$ 3,946                   |         | N/A   |
| General Elec Cap Corp. Mtn          |                               |                             |                                | US\$ 11,365                  |         | N/A   |
| General Elec Cap Corp. Mtn          |                               |                             |                                | US\$ 4,820                   |         | N/A   |

(Continued)

September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Carrying                       |                                 | Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------|-----------|
|                                     |                               |                                     | Shares/Units<br>(in thousands) | Value<br>(in US\$ in thousands) |           |
| General Elec Cap Corp. Mtn          |                               | Available-for-sale financial assets |                                | US\$2,108                       | N         |
| General Re Corp.                    |                               |                                     |                                | US\$3,262                       | N         |
| Genworth Finl Inc.                  |                               |                                     |                                | US\$3,265                       | N         |
| Greenpoint Finl Corp.               |                               |                                     |                                | US\$ 991                        | N         |
| Hancock John Global Fdg II Mtn      |                               |                                     |                                | US\$2,968                       | N         |
| Hancock John Global Fdg II Mtn      |                               |                                     |                                | US\$5,159                       | N         |
| Hancock John Global Fdg Mtn         |                               |                                     |                                | US\$ 995                        | N         |
| Hartford Finl Svcs Group Inc.       |                               |                                     |                                | US\$5,018                       | N         |
| Hartford Finl Svcs Group Inc.       |                               |                                     |                                | US\$1,334                       | N         |
| Hobos Plc Medium Term Sr Nts        |                               |                                     |                                | US\$2,997                       | N         |
| Heller Finl Inc.                    |                               |                                     |                                | US\$1,934                       | N         |
| Hewlett Packard Co.                 |                               |                                     |                                | US\$1,864                       | N         |
| Household Fin Corp.                 |                               |                                     |                                | US\$2,929                       | N         |
| Household Fin Corp.                 |                               |                                     |                                | US\$3,071                       | N         |
| SBC Fin Corp.                       |                               |                                     |                                | US\$4,466                       | N         |
| Huntington National Bank            |                               |                                     |                                | US\$1,853                       | N         |
| Ing Sec Life Instl Fdg              |                               |                                     |                                | US\$2,527                       | N         |
| International Business Machs        |                               |                                     |                                | US\$3,502                       | N         |
| Intl Lease Fin Corp. Mtn            |                               |                                     |                                | US\$2,952                       | N         |
| Intl Lease Fin Corp. Mtn            |                               |                                     |                                | US\$4,164                       | N         |
| J.P. Morgan Chase + Co.             |                               |                                     |                                | US\$3,289                       | N         |
| Key Bk Na Med Term Nts Bk Entr      |                               |                                     |                                | US\$4,440                       | N         |
| Keycorp Mtn Book Entry              |                               |                                     |                                | US\$3,036                       | N         |
| Lehman Brothers Hldgs Inc.          |                               |                                     |                                | US\$1,167                       | N         |
| Lehman Brothers Hldgs Inc.          |                               |                                     |                                | US\$1,634                       | N         |
| Lehman Brothers Hldgs Inc.          |                               |                                     |                                | US\$ 487                        | N         |
| Lehman Brothers Hldgs Inc.          |                               |                                     |                                | US\$ 984                        | N         |
| Lehman Brothers Hldgs Inc.          |                               |                                     |                                | US\$3,074                       | N         |
| Lehman Brothers Hldgs Inc.          |                               |                                     |                                | US\$1,063                       | N         |
| Marshall + Ilsley Corp.             |                               |                                     |                                | US\$8,488                       | N         |
| Massmutual Global Fdg II Mtn        |                               |                                     |                                | US\$3,673                       | N         |
| Mbna America Bank Na Y              |                               |                                     |                                | US\$6,498                       | N         |
| Metropolitan Life Global Mtn        |                               |                                     |                                | US\$3,455                       | N         |
| Metropolitan Life Golbal Mtn        |                               |                                     |                                | US\$3,376                       | N         |
| Migic Invt Corp.                    |                               |                                     |                                | US\$1,164                       | N         |
| Mizuho Fin(Cayman)                  |                               |                                     |                                | US\$2,170                       | N         |

September 3

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value<br>Shares/Units<br>(in US\$ in<br>Thousands) | Percent<br>Owned |
|-------------------------------------|-------------------------------|-----------------------------|---|------------------|
| Monumental Global Fdg II            |                               |                             | US\$1,488   | N/A              |
| Monunmetal Global Fdg II            |                               |                             | US\$1,987   | N/A              |
| Mony Group Inc.                     |                               |                             | US\$2,142   | N/A              |
| Morgan Stanley                      |                               |                             | US\$1,955   | N/A              |
| Morgan Stanley                      |                               |                             | US\$5,534   | N/A              |
| National City Corp.                 |                               |                             | US\$3,465   | N/A              |
| National Westminster Bk Plc         |                               |                             | US\$1,300   | N/A              |
| Nationwide Life Global Fdg I        |                               |                             | US\$3,573   | N/A              |
| Oracle Corp/Ozark Hldg Inc.         |                               |                             | US\$1,999   | N/A              |
| Pepsico Inc Mtn Book Entry          |                               |                             | US\$3,623   | N/A              |

(Continued)

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September

| Marketable Securities Type and Name      | Relationship with the Company | Financial Statement Account         | Carrying<br>Shares/Unit<br>Value<br>(in US\$ in<br>Thousands) | Percentage<br>Owned |
|--|-------------------------------|-------------------------------------|---|---------------------|
| Popular North Amer Inc.                  |                               | Available-for-sale financial assets | US\$2,910   | N                   |
| Praxair Inc.                             |                               |                                     | US\$3,125   | N                   |
| Praxair Intl Inc.                        |                               |                                     | US\$2,636   | N                   |
| Praxair Global Fdg I Mtn                 |                               |                                     | US\$3,443   | N                   |
| Principal Finl Group Australia           |                               |                                     | US\$1,010   | N                   |
| Principal Life Global Fdg I Gl           |                               |                                     | US\$1,179   | N                   |
| Protective Life Secd Trs                 |                               |                                     | US\$2,956   | N                   |
| Protective Life Secd Trs Mtn             |                               |                                     | US\$3,436   | N                   |
| Public Svc Elec Gas Co.                  |                               |                                     | US\$3,744   | N                   |
| Regions Finl Corp. New                   |                               |                                     | US\$2,391   | N                   |
| Robt Communications Inc.                 |                               |                                     | US\$3,353   | N                   |
| Robt Communications Inc.                 |                               |                                     | US\$ 706  | N                   |
| Simon Ppty Group LP                      |                               |                                     | US\$2,185   | N                   |
| Simon Ppty Group LP                      |                               |                                     | US\$ 999  | N                   |
| Sp Powerasests Ltd. Global               |                               |                                     | US\$ 994  | N                   |
| St Paul Cos Inc. Mtn Bk Ent              |                               |                                     | US\$2,543   | N                   |
| Suntrust Bk Atlanta Ga Medium            |                               |                                     | US\$3,477   | N                   |
| Sys Bk Natl Assn Cincinnati Oh           |                               |                                     | US\$2,960   | N                   |
| Vodafone Airtouch Plc                    |                               |                                     | US\$1,670   | N                   |
| Vachovia Corp. New                       |                               |                                     | US\$3,152   | N                   |
| Vachovia Corp. New                       |                               |                                     | US\$3,479   | N                   |
| Washington Mut Inc.                      |                               |                                     | US\$1,701   | N                   |
| Washington Post Co.                      |                               |                                     | US\$3,025   | N                   |
| Wells Fargo + Co. New                    |                               |                                     | US\$2,979   | N                   |
| Wells Fargo + Co. New Med Trm            |                               |                                     | US\$4,344   | N                   |
| Westfield Cap Corp. Ltd.                 |                               |                                     | US\$2,001   | N                   |
| Corporate issued asset-backed securities |                               |                                     |   |                     |
| Adjustable Rate Mortgage Trust           |                               | Available-for-sale financial assets | US\$ 44   | N                   |
| American Home Mtg Invt Tr                |                               |                                     | US\$ 39   | N                   |
| Americredit Auto Rec Tr                  |                               |                                     | US\$1,004   | N                   |
| Americredit Automobile Rec Tr            |                               |                                     | US\$1,527   | N                   |
| Americredit Automobile Rec Tr            |                               |                                     | US\$3,257   | N                   |
| Americredit Automobile Receiva           |                               |                                     | US\$1,910   | N                   |
| Atlantic City Elc Trns Fdgllc            |                               |                                     | US\$ 241  | N                   |
| Banc Amer Coml Mtg Inc.                  |                               |                                     | US\$4,605   | N                   |
| Banc Amer Fdg 2006 I Tr                  |                               |                                     | US\$3,885   | N                   |

September 3

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying                                  |                                    | Percent | Owner |
|-------------------------------------|-------------------------------|-----------------------------|---|------------------------------------|---------|-------|
|                                     |                               |                             | Shares/Units<br>(in US\$ in<br>Thousands) | Value<br>(in US\$ in<br>Thousands) |         |       |
| Bear Stearns Adjustable Rate        |                               |                             | US\$ 113                                  |                                    |         | N/A   |
| Bear Stearns Alt A Tr               |                               |                             | US\$ 486                                  |                                    |         | N/A   |
| Bear Stearns Arm Tr                 |                               |                             | US\$3,148                                 |                                    |         | N/A   |
| Bear Stearns Arm Tr                 |                               |                             | US\$1,954                                 |                                    |         | N/A   |
| Bear Stearns Arm Tr                 |                               |                             | US\$ 252                                  |                                    |         | N/A   |
| Bear Stearns Coml Mtg Secs Inc.     |                               |                             | US\$3,440                                 |                                    |         | N/A   |
| Bear Stearns Coml Mtg Secs Inc.     |                               |                             | US\$5,259                                 |                                    |         | N/A   |
| Capital Auto Receivables Asset      |                               |                             | US\$2,250                                 |                                    |         | N/A   |
| Capital Auto Receivables Asset      |                               |                             | US\$3,249                                 |                                    |         | N/A   |

(Continued)



September

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | Carrying                       |                                 | Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------|-----------|
|                                     |                               |                                     | Shares/Units<br>(in thousands) | Value<br>(in US\$ in thousands) |           |
| Capital One Auto Fin Tr             |                               | Available-for-sale financial assets |                                | US\$2,637                       | N         |
| Capital One Auto Fin Tr             |                               |                                     |                                | US\$1,927                       | N         |
| Capital One Auto Fin Tr             |                               |                                     |                                | US\$4,620                       | N         |
| Capital One Multi Asset Execut      |                               |                                     |                                | US\$3,974                       | N         |
| Capital One Multi Asset Execut      |                               |                                     |                                | US\$2,980                       | N         |
| Capital One Prime Auto Rec          |                               |                                     |                                | US\$3,995                       | N         |
| Capital One Prime Auto Receiva      |                               |                                     |                                | US\$3,500                       | N         |
| Capital One Prime Auto Receiv       |                               |                                     |                                | US\$ 906                        | N         |
| Caterpillar Finl Asset Tr           |                               |                                     |                                | US\$3,278                       | N         |
| Cass Tr                             |                               |                                     |                                | US\$3,458                       | N         |
| endant Rent Car Fdg Aesop Llc       |                               |                                     |                                | US\$9,399                       | N         |
| hase Mtg Fin Tr                     |                               |                                     |                                | US\$ 902                        | N         |
| hase Mtg Fin Tr                     |                               |                                     |                                | US\$1,825                       | N         |
| hase Mtg Fin Tr                     |                               |                                     |                                | US\$2,684                       | N         |
| hase Mtge Finance Corp.             |                               |                                     |                                | US\$2,629                       | N         |
| hase Mtge Finance Corp.             |                               |                                     |                                | US\$1,732                       | N         |
| iti Equip Coll Tr                   |                               |                                     |                                | US\$ 462                        | N         |
| iti Equip Coll Tr                   |                               |                                     |                                | US\$4,018                       | N         |
| iticorp Mtg Secs                    |                               |                                     |                                | US\$ 309                        | N         |
| redit Suisse First Boston Mtg       |                               |                                     |                                | US\$3,235                       | N         |
| redit Suisse First Boston Mtg       |                               |                                     |                                | US\$7,206                       | N         |
| redit Suisse First Boston Mtg       |                               |                                     |                                | US\$ 237                        | N         |
| redit Suisse First Boston Mtg       |                               |                                     |                                | US\$6,879                       | N         |
| wabs                                |                               |                                     |                                | US\$3,113                       | N         |
| wabs Inc.                           |                               |                                     |                                | US\$ 116                        | N         |
| walt Inc.                           |                               |                                     |                                | US\$ 396                        | N         |
| wmbs Inc.                           |                               |                                     |                                | US\$ 310                        | N         |
| wmbs Inc.                           |                               |                                     |                                | US\$ 69                         | N         |
| wmbs Inc.                           |                               |                                     |                                | US\$ 358                        | N         |
| wmbs Inc.                           |                               |                                     |                                | US\$ 744                        | N         |
| aimlerchrysler Auto Tr              |                               |                                     |                                | US\$4,323                       | N         |
| aimlerchrysler Auto Tr              |                               |                                     |                                | US\$1,698                       | N         |
| eeere John Owner Tr                 |                               |                                     |                                | US\$2,469                       | N         |
| rive Auto Receivables Tr            |                               |                                     |                                | US\$1,778                       | N         |
| irst Franklin Mtg Ln Tr             |                               |                                     |                                | US\$3,694                       | N         |
| irst Horizon                        |                               |                                     |                                | US\$ 47                         | N         |

September 3

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying                                  |                                    | Percent | Owner |
|-------------------------------------|-------------------------------|-----------------------------|---|------------------------------------|---------|-------|
|                                     |                               |                             | Shares/Units<br>(in US\$ in<br>Thousands) | Value<br>(in US\$ in<br>Thousands) |         |       |
| First Horizon Abs Tr                |                               |                             |   | US\$ 402                           |         | N/A   |
| First Un Natl Bk Coml Mtg Tr        |                               |                             |   | US\$2,790                          |         | N/A   |
| First Un Natl Bk Coml Mtg Tr        |                               |                             |   | US\$5,225                          |         | N/A   |
| First Un Natl Bk Coml Mtg Tr        |                               |                             |   | US\$2,199                          |         | N/A   |
| First Union Lehman Bros Mtg Tr      |                               |                             |   | US\$ 161                           |         | N/A   |
| Ford Credit Auto Owner Trust        |                               |                             |   | US\$4,328                          |         | N/A   |
| Ge Cap Cr Card Master Nt Tr         |                               |                             |   | US\$2,853                          |         | N/A   |
| Gs Mtg Secs Corp.                   |                               |                             |   | US\$3,402                          |         | N/A   |
| Harley Davidson Motorcycle Tr       |                               |                             |   | US\$4,337                          |         | N/A   |
| Hertz Veh Fing Llc                  |                               |                             |   | US\$5,342                          |         | N/A   |

(Continued)

| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account            | Shares/Units<br>(in US\$ in<br>Thousand) | Value<br>(in US\$ in<br>Thousand) | September<br>Market<br>Value<br>at<br>the<br>end<br>of<br>the<br>Reporting<br>Period |
|------|-------------------------------------|-------------------------------|--|--|-----------------------------------|--|
|      | Home Equity Mortgage Trust          |                               | Available-for-sale financial<br>assets |  | US\$3,390                         | N  |
|      | Home Equity Mtg Tr 2006 4           |                               | "                                      |  | US\$2,656                         | N  |
|      | Honda Auto Receivables              |                               | "                                      |  | US\$3,379                         | N  |
|      | Hsbc Automotive Tr                  |                               | "                                      |  | US\$2,188                         | N  |
|      | Hyundai Auto Receivables Tr         |                               | "                                      |  | US\$3,413                         | N  |
|      | Hyundai Auto Receivables Tr         |                               | "                                      |  | US\$3,824                         | N  |
|      | JP Morgan Mtg Tr                    |                               | "                                      |  | US\$ 908                          | N  |
|      | JP Morgan Mtg Tr                    |                               | "                                      |  | US\$ 919                          | N  |
|      | JP Morgan Mtg Tr                    |                               | "                                      |  | US\$ 882                          | N  |
|      | JP Morgan Mtg Tr                    |                               | "                                      |  | US\$ 884                          | N  |
|      | Lb Ubs Coml Mtg Tr                  |                               | "                                      |  | US\$3,237                         | N  |
|      | Luminent Mtg Tr                     |                               | "                                      |  | US\$ 707                          | N  |
|      | Mastr Asset Backed                  |                               | "                                      |  | US\$3,152                         | N  |
|      | Merrill Lynch Mtg Invs Inc.         |                               | "                                      |  | US\$5,094                         | N  |
|      | Morgan Stanley Ixis Estate Tr       |                               | "                                      |  | US\$2,741                         | N  |
|      | Nomura Asset Accep Corp.            |                               | "                                      |  | US\$3,669                         | N  |
|      | Onyx Accep Owner Tr                 |                               | "                                      |  | US\$2,011                         | N  |
|      | Pg+E Energy Recovery Fdg Llc        |                               | "                                      |  | US\$2,797                         | N  |
|      | Residential Accredit Lns Inc.       |                               | "                                      |  | US\$1,814                         | N  |
|      | Residential Asset Mtg Prods         |                               | "                                      |  | US\$2,289                         | N  |
|      | Residential Asset Sec Mtg Pass      |                               | "                                      |  | US\$ 712                          | N  |
|      | Residential Fdg Mtg Secs I Inc.     |                               | "                                      |  | US\$1,670                         | N  |
|      | Residential Fdg Mtg Secs I Inc.     |                               | "                                      |  | US\$3,573                         | N  |
|      | Sequoia Mtg Tr                      |                               | "                                      |  | US\$ 389                          | N  |
|      | Sequoia Mtg Tr                      |                               | "                                      |  | US\$ 312                          | N  |
|      | Sequoia Mtg Tr                      |                               | "                                      |  | US\$ 512                          | N  |
|      | Structured Adj Rate Mtg Ln Tr       |                               | "                                      |  | US\$1,036                         | N  |
|      | Structured Adj Rate Mtg Ln Tr       |                               | "                                      |  | US\$ 349                          | N  |
|      | Structured Adj Rate Mtg Ln Tr       |                               | "                                      |  | US\$ 36                           | N  |
|      | Structured Adj Rate Mtg Ln Tr       |                               | "                                      |  | US\$ 221                          | N  |
|      | Structured Asset Secs Corp.         |                               | "                                      |  | US\$ 120                          | N  |
|      | Terwin Mtg Tr                       |                               | "                                      |  | US\$3,847                         | N  |
|      | Tiaa Seasoned Coml Mtg Tr           |                               | "                                      |  | US\$4,055                         | N  |
|      | Txu Elec Delivery Transition        |                               | "                                      |  | US\$1,863                         | N  |
|      | Usaa Auto Owner Tr                  |                               | "                                      |  | US\$4,249                         | N  |
|      | Usaa Auto Owner Tr                  |                               | "                                      |  | US\$4,999                         | N  |

|      |                                     |                               |                             |        | September    | Ma          | Ma          | Ma          |
|------|-------------------------------------|-------------------------------|-----------------------------|--------|--------------|-------------|-------------|-------------|
|      |                                     |                               |                             |        | Value        | Value       | Value       | Value       |
|      |                                     |                               |                             |        | Carrying     | Carrying    | Carrying    | Carrying    |
|      |                                     |                               |                             |        | Perce        | Perce       | Perce       | Perce       |
|      |                                     |                               |                             |        | Shares/Units | Value       | Value       | Value       |
|      |                                     |                               |                             |        | (in US\$ in  | (in US\$ in | (in US\$ in | (in US\$ in |
|      |                                     |                               |                             |        | Thousands)   | Thousands)  | Thousands)  | Thousands)  |
| Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Thousa | Thousa       | Thousa      | Thousa      | Thousa      |
|      | Wamu Mtg                            |                               | "                           |        | US\$3,439    | N           |             |             |
|      | Wamu Mtg                            |                               | "                           |        | US\$ 848     | N           |             |             |
|      | Wamu Mtg Pass Through Ctfs          |                               | "                           |        | US\$ 170     | N           |             |             |
|      | Wamu Mtg Pass Thru Ctfs Tr          |                               | "                           |        | US\$4,143    | N           |             |             |
|      | Washington Mut Mtg Secs Corp.       |                               | "                           |        | US\$2,537    | N           |             |             |
|      | Wells Fargo Finl Auto Owner Tr      |                               | "                           |        | US\$4,953    | N           |             |             |
|      | Wells Fargo Mtg Backed Secs         |                               | "                           |        | US\$3,940    | N           |             |             |
|      | Wells Fargo Mtg Backed Secs         |                               | "                           |        | US\$3,948    | N           |             |             |
|      | Wells Fargo Mtg Bkd Secs            |                               | "                           |        | US\$2,231    | N           |             |             |
|      | Wells Fargo Mtg Bkd Secs            |                               | "                           |        | US\$3,085    | N           |             |             |

Continued

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account         | September 30, 2014 |                          |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------|--------------------------|
|                                     |                               |                                     | Carrying Value     | Percentage of Net Assets |
|                                     |                               |                                     | Shares/Units       | Value                    |
|                                     |                               |                                     | (in thousands)     | (US\$ in thousands)      |
| Wells Fargo Mtg Bkd Secs Tr         |                               | Available-for-sale financial assets |                    | US\$ 2,244               |
| Wfs Finl 2004 4 Owner Tr            |                               | "                                   |                    | US\$ 114                 |
| Wfs Finl 2005 2 Oner Tr             |                               | "                                   |                    | US\$ 2,233               |
| Whole Auto Ln Tr                    |                               | "                                   |                    | US\$ 386                 |
| Whole Auto Ln Tr                    |                               | "                                   |                    | US\$ 2,420               |
| Government bonds                    |                               |                                     |                    |                          |
| United States Treas Nts             |                               | Available-for-sale financial assets |                    | US\$ 26,447              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 6,919               |
| United States Treas Nts             |                               | "                                   |                    | US\$ 13,841              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 13,038              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 6,969               |
| United States Treas Nts             |                               | "                                   |                    | US\$ 100,944             |
| United States Treas Nts             |                               | "                                   |                    | US\$ 11,288              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 20,919              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 12,740              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 22,415              |
| United States Treas Nts             |                               | "                                   |                    | US\$ 1,758               |
| United States Treas Nts             |                               | "                                   |                    | US\$ 9,637               |
| United States Treas Nts             |                               | "                                   |                    | US\$ 9,810               |
| United States Treas Nts             |                               | "                                   |                    | US\$ 4,949               |
| United States Treas Nts             |                               | "                                   |                    | US\$ 2,517               |
| Corporate issued notes              |                               |                                     |                    |                          |
| Barclays London                     |                               | Available-for-sale financial assets |                    | US\$ 5,000               |
| Royal Bk Scotland Plc Ny            |                               | "                                   |                    | US\$ 5,000               |
| Money market funds                  |                               |                                     |                    |                          |
| Ssga Cash Mgmt Global Offshore      |                               | Available-for-sale financial assets |                    | US\$ 32,635              |

(Concluded)

**TABLE 2**

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

| 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) | Amount (US\$ in Thousands) | Shares/Units (in thousands) | Amount (US\$ in Thousands) | Shares/Units (in thousands) |                                    |
|                                     |  |                                       |                            |                             |                            |                             |                            |                             |                                    |
| Available-for-sale financial assets | National Investment Trust Co., Ltd.  |                                       | 22,219                     | \$3,655,939                 |                            |                             | 9,980                      | \$1,650,000                 | \$1,621,000                        |
|                                     | ING Securities Investment Trust Co., Ltd.  |                                       | 175,156                    | 2,639,459                   | 85,581                     | 1,300,000                   | 175,156                    | 2,656,012                   | 2,604,000                          |
|                                     | Fuh Hwa Investment Trust Co., Ltd.   |                                       | 125,122                    | 1,667,908                   | 41,290                     | 556,000                     | 22,339                     | 300,000                     | 293,661                            |
| Bond Fund                           | Prudential Financial Securities Investment Trust Enterprise Cathay Securities Investment Trust Co., Ltd. |                                       | 103,751                    | 1,516,294                   |                            |                             | 20,445                     | 300,000                     | 293,661                            |
|                                     | National Investment Trust Co., Ltd.  |                                       | 109,720                    | 1,265,092                   | 60,126                     | 700,000                     | 109,720                    | 1,271,995                   | 1,251,275                          |
|                                     | JF Asset Management (Taiwan) Ltd.  |                                       | 93,312                     | 1,314,669                   | 23,884                     | 340,000                     | 14,180                     | 200,000                     | 197,132                            |
|                                     | Allianz Global Investors Taiwan Ltd.   |                                       | 85,145                     | 1,299,088                   | 32,507                     | 500,000                     | 58,603                     | 900,000                     | 883,980                            |
| Fund                                | JF Asset Management (Taiwan) Limited   |                                       | 95,553                     | 1,107,206                   | 17,082                     | 200,000                     | 41,267                     | 480,000                     | 472,919                            |
| Fund                                | JF Asset Management (Taiwan) Limited   |                                       | 66,826                     | 939,082                     | 42,360                     | 600,000                     | 73,862                     | 1,044,083                   | 1,020,221                          |

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|             |                                     |  |         |           |        |           |         |           |       |
|-------------|-------------------------------------|--|---------|-----------|--------|-----------|---------|-----------|-------|
| ond Fund    |                                     | ING Securities Investment Trust Co., Ltd.                          | 76,593  | 868,076   |        |           | 76,593  | 872,639   | 857   |
| nd          |                                     | Shinkong Investment Trust Co., Ltd.                                | 62,183  | 890,660   |        |           | 62,183  | 896,299   | 879   |
|             |                                     | Uni-President Assets Management Corp.                              | 65,496  | 1,010,426 | 77,128 | 1,200,000 | 65,496  | 1,016,917 | 1,000 |
|             |                                     | Taishin Investment Trust Co., Ltd.                                 | 78,624  | 806,386   |        |           | 9,679   | 100,000   | 98    |
| y           |                                     | HSBC Asset Management (Taiwan) Ltd.                                | 34,093  | 506,250   |        |           | 6,677   | 100,000   | 98    |
| d           |                                     | Taiwan International Investment management                         | 44,685  | 554,863   |        |           | 44,685  | 557,263   | 550   |
| nd          |                                     | AIG Global Asset management Corporation (Taiwan) Ltd.              | 78,629  | 1,002,595 | 54,469 | 700,000   | 78,629  | 1,008,733 | 1,000 |
|             |                                     | JIH SUN Securities Investment Trust Co., Ltd.                      | 88,165  | 1,202,901 |        |           | 88,165  | 1,209,618 | 1,200 |
| Fund        |                                     | Mega Investment Trust Co., Ltd.                                    | 139,333 | 1,602,947 | 94,744 | 1,100,000 | 234,077 | 2,721,023 | 2,700 |
|             |                                     | Polaris International Securities Investment Trust Co., Ltd.        | 63,273  | 701,069   | 17,862 | 200,000   | 81,135  | 909,936   | 900   |
| nd Series B |                                     | Chung Shing Bills Finance Corp. and several financial institutions |         | 999,779   |        | 200,280   |         |           |       |
| nd Series B | Available-for-sale financial assets |  |         | 998,288   |        | 1,348,634 |         |           |       |
| nd Series G |                                     |  |         |           |        | 201,561   |         |           |       |
| nd Series D |                                     |  |         |           |        | 400,778   |         |           |       |
| nd Series A | Held-to-maturity financial assets   |  |         | 3,049,919 |        |           |         | 3,050,000 | 3,050 |
| nd Series B |                                     |  |         | 350,399   |        |           |         | 350,000   | 350   |

|                  |         |         |         |
|------------------|---------|---------|---------|
| Principal Series | 620,000 | 620,000 | 620,000 |
|------------------|---------|---------|---------|

(Continued)

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| and Financial Statement                    | Account | Counter-party                   | Relationship                                 | Beginning Balance   |                         | Acquisition         |                | Disposal (Not Carried) |                     |
|--|---------|---------------------------------|--|---------------------|-------------------------|---------------------|----------------|------------------------|---------------------|
|  |         |                                 |  | Amount              | Shares/Units            | Amount (US\$)       | Shares/Units   | Amount (US\$)          | Shares/Units        |
|  |         |                                 |  | (US\$ in Thousands) | (in Thousands) (Note 1) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands)    | (US\$ in Thousands) |
| Available-for-sale financial assets        |         | Chung Shing Bills Finance Corp. |  | \$ 1,046,799        |                         | \$                  |                | \$ 150,000             | \$                  |
| Held-to-maturity financial assets          |         |                                 |  | 4,080,391           |                         |                     |                | 1,010,000              | 1,010,000           |
|  |         |                                 |  | 516,663             |                         |                     |                | 136,000                | 136,000             |
|  |         |                                 |  | 2,773,810           |                         |                     |                | 772,000                | 772,000             |
|  |         |                                 |  | 1,451,378           |                         |                     |                | 250,000                | 250,000             |
| Investee accounted for using equity method |         |                                 | Investee with a controlling interest         |                     | 90,526                  | 1,357,890           |                |                        |                     |
|  |         |                                 | Investment accounted for using equity method | 42,262              | 5,741,870               | 169,600             | 4,927,865      |                        |                     |
| Investee accounted for using equity method |         |                                 | Subsidiary                                   | 733,130             |                         | 310,157             |                |                        |                     |
|  |         |                                 | Subsidiary                                   | 228,005             |                         | 591,908             |                |                        |                     |
| Financial assets carried at cost           |         |                                 |  | 1,325 US\$          | 1,800                   | 183 US\$            | 3,437          | 1,415 US\$             | 7,607 US\$          |
| Financial assets carried at cost           |         |                                 |  |                     |                         | 2,458 US\$          | 4,000          |                        |                     |
| Available-for-sale financial assets        |         |                                 |  |                     |                         | US\$                | 4,378          |                        |                     |
|  |         |                                 |  |                     |                         | US\$                | 4,424          |                        |                     |

|  |      |        |       |       |                 |
|--|------|--------|-------|-------|-----------------|
|  |      | US\$   | 4,436 |       |                 |
|  |      | US\$   | 4,404 |       |                 |
|  |      | US\$   | 5,757 |       |                 |
|  |      | US\$   | 5,600 |       |                 |
|  |      | US\$   | 6,024 |       |                 |
|  |      | US\$   | 3,935 |       |                 |
|  |      | US\$   | 5,035 |       |                 |
|  |      | US\$   | 3,411 |       |                 |
|  |      | US\$   | 5,365 |       |                 |
|  | US\$ | 4,920  |       | US\$  | 4,938 US\$      |
|  | US\$ | 12,279 |       | US\$  | 12,367 US\$     |
|  | US\$ | 6,905  |       | US\$  | 6,947 US\$      |
|  |      |        | US\$  | 8,137 |                 |
|  | US\$ | 7,506  |       | US\$  | 7,500 US\$      |
|  |      |        | US\$  | 4,494 |                 |
|  |      |        | US\$  | 8,983 |                 |
|  |      |        | US\$  | 6,513 |                 |
|  | US\$ | 6,440  |       | US\$  | 6,453 US\$      |
|  | US\$ | 5,948  |       | US\$  | 5,966 US\$      |
|  |      |        | US\$  | 6,000 | US\$ 6,000 US\$ |
|  |      |        | US\$  | 3,868 |                 |

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| Marketable Securities Type and Financial Statement | Name                         | Account | Counter-party | Beginning    | Acquisition | Disposal (Note2) | Carrying  | Gain      |
|--|------------------------------|---------|---------------|--------------|-------------|------------------|-----------|-----------|
|  |                              |         |               | Balance      | Amount      | Amount           | Value     | (Loss)    |
|  |                              |         |               | Shares/Units | US\$        | US\$             | US\$      | US\$      |
|  |                              |         |               | (in Note     | (in         | (in              | (in       | (in       |
|  |                              |         |               | 10)          | 10)         | 10)              | 10)       | 10)       |
|  |                              |         |               | Thousands    | Thousands   | Thousands        | Thousands | Thousands |
|  | Federal Home Ln Mtg Corp.    |         |               |              | US\$ 4,354  |                  |           |           |
|  | Federal Home Ln Mtg Disc Nts |         |               |              | US\$21,985  |                  |           |           |
|  | Federal Home Loan Bank       |         |               |              | US\$ 4,518  |                  |           |           |
|  | Federal Home Loan Bank       |         |               |              | US\$ 5,083  | US\$4,981        | US\$5,083 | US\$(1    |
|  | Federal Home Loan Bank       |         |               |              | US\$ 3,453  |                  |           |           |
|  | Federal National Mort Assoc  |         |               |              | US\$ 3,250  |                  |           |           |

(Continued)

| Investable Securities Name | Type and Financial Statement        | Counter-party Relationship | Beginning Balance   | Acquisition    | Disposal (Note2)    | Carrying Value      |
|----------------------------|-------------------------------------|----------------------------|---------------------|----------------|---------------------|---------------------|
|                            |                                     |                            | Amount              | Shares/Units   | Amount              | Value               |
|                            |                                     |                            | (US\$ in thousands) | (in thousands) | (US\$ in thousands) | (US\$ in thousands) |
|                            | Available-for-sale financial assets |                            | US\$ 4,982          |                | US\$ 4,982          |                     |
|                            |                                     |                            |                     | US\$6,500      |                     |                     |
|                            |                                     |                            |                     | US\$8,458      |                     |                     |
|                            |                                     |                            |                     | US\$4,997      |                     |                     |
|                            |                                     |                            |                     | US\$4,500      |                     |                     |
|                            |                                     |                            | US\$ 14,973         |                | US\$ 14,993         | US\$ 14,931         |
|                            |                                     |                            |                     | US\$4,368      | US\$ 4,319          | US\$ 4,368          |
|                            |                                     |                            | US\$ 6,511          |                | US\$ 6,514          | US\$ 6,516          |
|                            |                                     |                            | US\$ 5,915          |                | US\$ 5,933          | US\$ 5,885          |
|                            |                                     |                            | US\$ 7,868          |                | US\$ 7,926          | US\$ 7,834          |
|                            |                                     |                            | US\$ 3,943          |                | US\$ 3,957          | US\$ 3,950          |
|                            |                                     |                            | US\$ 19,766         |                | US\$ 19,844         | US\$ 19,702         |
|                            |                                     |                            | US\$ 10,467         |                | US\$ 10,477         | US\$ 10,459         |
|                            |                                     |                            |                     | US\$4,994      |                     |                     |
|                            |                                     |                            |                     | US\$3,733      |                     |                     |
|                            |                                     |                            |                     | US\$3,486      |                     |                     |
|                            |                                     |                            |                     | US\$4,822      |                     |                     |
|                            |                                     |                            |                     | US\$6,530      |                     |                     |
|                            |                                     |                            |                     | US\$4,336      |                     |                     |
|                            | Available-for-sale financial assets |                            | US\$ 3,452          |                | US\$ 3,466          | US\$ 3,432          |
|                            |                                     |                            | US\$ 3,092          | US\$6,220      |                     |                     |
|                            |                                     |                            | US\$ 3,379          |                | US\$ 3,395          | US\$ 3,340          |
|                            |                                     |                            |                     | US\$4,496      |                     |                     |
|                            |                                     |                            |                     | US\$3,648      |                     |                     |
|                            |                                     |                            |                     | US\$4,587      |                     |                     |
|                            |                                     |                            |                     | US\$3,175      | US\$ 3,105          | US\$ 3,175          |
|                            |                                     |                            | US\$ 4,928          |                | US\$ 4,945          | US\$ 4,899          |
|                            |                                     |                            |                     | US\$5,900      |                     |                     |
|                            |                                     |                            | US\$ 3,970          |                | US\$ 3,973          | US\$ 3,930          |
|                            |                                     |                            | US\$ 7,937          |                | US\$ 7,964          | US\$ 7,937          |
|                            |                                     |                            | US\$ 8,759          |                | US\$ 8,793          | US\$ 8,716          |
|                            |                                     |                            |                     | US\$4,816      |                     |                     |
|                            |                                     |                            |                     | US\$3,250      |                     |                     |
|                            |                                     |                            | US\$ 3,456          |                | US\$ 3,471          | US\$ 3,453          |
|                            |                                     |                            | US\$ 4,989          |                | US\$ 5,011          | US\$ 4,941          |

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|                          |            |           |            |            |
|--------------------------|------------|-----------|------------|------------|
| Plc Medium Term Sr Nts   | US\$ 3,205 |           | US\$ 3,215 | US\$ 3,182 |
| hold Fin Corp.           |            | US\$3,120 |            |            |
| Fin Corp.                |            | US\$4,468 |            |            |
| Fin Corp.                | US\$ 3,028 |           | US\$ 3,028 | US\$ 3,028 |
| Fin Corp. Mtn            | US\$ 5,096 |           | US\$ 5,114 | US\$ 5,066 |
| ational Business Machs   |            | US\$3,496 |            |            |
| n Brothers Hldgs Inc.    |            | US\$3,150 |            |            |
| n Brothers Hldgs Inc.    | US\$ 3,150 |           | US\$ 3,152 | US\$ 3,150 |
| mutual Global Fdg li Mtn |            | US\$3,647 |            |            |

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| Marketable Securities Type and Financial Statement | Name                                 | Account | Counter-party | Nature | Beginning        | Acquisition      | Disposal (Note2) | Carrying         |
|--|--------------------------------------|---------|---------------|--------|------------------|------------------|------------------|------------------|
|  |                                      |         |               |        | Balance          | Amount           | Amount           | Value            |
|  |                                      |         |               |        | Shares/Units     | Shares/Units     | Shares/Units     | Value            |
|  |                                      |         |               |        | (in Amount       | (in Amount       | (in Amount       | (in Amount       |
|  |                                      |         |               |        | (US\$ Thousands) | (US\$ Thousands) | (US\$ Thousands) | (US\$ Thousands) |
|  |                                      |         |               |        | (in Thousands)   | (in Thousands)   | (in Thousands)   | (in Thousands)   |
|  | Prill Lynch + Co Inc.                |         |               |        | US\$3,453        |                  | US\$3,464        | US\$3,426        |
|  | Prill Lynch + Co Inc.                |         |               |        | US\$4,865        |                  | US\$4,880        | US\$4,842        |
|  | Metropolitan Life Global Mtn         |         |               |        |                  | US\$3,325        |                  |                  |
|  | Morgan Stanley                       |         |               |        | US\$2,126        | US\$3,337        |                  |                  |
|  | Bank of America Corp.                |         |               |        | US\$3,797        |                  | US\$3,790        | US\$3,811        |
|  | Bank of America Corp Medium Term Nts |         |               |        | US\$8,998        |                  | US\$9,008        | US\$8,949        |
|  | Bank of America Corp New             |         |               |        |                  | US\$3,491        |                  |                  |
|  | Bank of America Corp New             |         |               |        | US\$2,040        | US\$1,534        | US\$3,563        | US\$3,582        |
|  | Bank of America Corp New             |         |               |        |                  | US\$3,100        |                  |                  |
|  | Bank of America Corp New             |         |               |        | US\$3,997        |                  | US\$3,998        | US\$4,000        |

(Continued)

| Name                  | Account                             | Counter-party | Relationship | Beginning Balance<br>Amount<br>(US\$ in thousands) | Acquisition<br>Amount<br>(US\$ in thousands) | Disposal (Note 2)<br>Amount<br>(US\$ in thousands) | Carrying Value<br>(US\$ in thousands) |
|-----------------------|-------------------------------------|---------------|--------------|--|--|--|---------------------------------------|
|                       |                                     |               |              |  |  |  |                                       |
| issued asset-backed   |                                     |               |              | US\$ 4,300   | US\$   | US\$ 4,260   | US\$ 4,350                            |
| l Tr                  | Available-for-sale financial assets |               |              |  | US\$ 4,591                                   |  |                                       |
| r Coml Mtg Inc.       |                                     |               |              |  | US\$ 5,259                                   |  |                                       |
| ns Coml Mtg Secs Inc. |                                     |               |              |  | US\$ 3,500                                   |  |                                       |
| e Prime Auto Receiva  |                                     |               |              |  |  | US\$ 4,940   | US\$ 4,904                            |
| Finl Asset Tr         |                                     |               |              | US\$ 8,142   |  |  |                                       |
| se First Boston Mtg   |                                     |               |              |  | US\$ 7,613                                   |  |                                       |
| se First Boston Mtg   |                                     |               |              |  | US\$ 7,637                                   |  |                                       |
| atl Bk Coml Mtg Tr    |                                     |               |              |  | US\$ 5,188                                   |  |                                       |
|                       |                                     |               |              | US\$ 4,251   |  | US\$ 3,868   | US\$ 4,241                            |
| o Receivables         |                                     |               |              |  | US\$ 3,373                                   |  |                                       |
| Card Master Nt Tr     |                                     |               |              |  | US\$ 4,500                                   | US\$ 4,449   | US\$ 4,500                            |
| ter Cr Card Tr II     |                                     |               |              | US\$ 7,605   |  | US\$ 7,552   | US\$ 7,653                            |
| o Receivables         |                                     |               |              | US\$ 3,928   |  | US\$ 3,928   | US\$ 3,943                            |
| Gateway Owner Tr      |                                     |               |              | US\$ 3,942   |  | US\$ 3,961   | US\$ 3,911                            |
| ned Coml Mtg Tr       |                                     |               |              |  | US\$ 4,171                                   |  |                                       |
| Fdg 2005 Llc          |                                     |               |              | US\$ 4,103   |  | US\$ 3,325   | US\$ 3,338                            |
| Owner Tr              |                                     |               |              |  | US\$ 4,999                                   |  |                                       |
| g                     |                                     |               |              |  | US\$ 3,656                                   |  |                                       |
| g Pass Thru Ctfs Tr   |                                     |               |              |  | US\$ 4,854                                   |  |                                       |
| o Finl Auto Owner Tr  |                                     |               |              | US\$ 4,986   |  | US\$ 3,535   | US\$ 3,515                            |
| o Mtg Backed Secs     |                                     |               |              |  | US\$ 3,935                                   |  |                                       |
| nt Bond               |                                     |               |              |  |  |  |                                       |
|                       | Available-for-sale financial assets |               |              |  | US\$ 5,059                                   | US\$ 5,007   | US\$ 5,059                            |
| tes Treas Nts         |                                     |               |              |  | US\$ 42,302                                  | US\$ 16,173  | US\$ 16,174                           |
| tes Treas Nts         |                                     |               |              |  | US\$ 6,837                                   |  |                                       |
| tes Treas Nts         |                                     |               |              | US\$ 5,936   |  | US\$ 5,936   | US\$ 5,944                            |
| tes Treas Nts         |                                     |               |              |  | US\$ 12,876                                  |  |                                       |
| tes Treas Nts         |                                     |               |              |  | US\$ 18,758                                  | US\$ 4,989   | US\$ 4,962                            |
| tes Treas Nts         |                                     |               |              | US\$ 12,350  |  | US\$ 12,363  | US\$ 12,295                           |
| tes Treas Nts         |                                     |               |              | US\$ 4,009   |  | US\$ 4,019   | US\$ 3,996                            |
| tes Treas Nts         |                                     |               |              |  | US\$ 271,758                                 | US\$ 271,969                                       | US\$ 271,758                          |
| tes Treas Nts         |                                     |               |              |  | US\$ 34,573                                  | US\$ 34,574  | US\$ 34,573                           |
| tes Treas Nts         |                                     |               |              | US\$ 56,526  | US\$ 131,185                                 | US\$ 187,636                                       | US\$ 187,804                          |
| tes Treas Nts         |                                     |               |              | US\$ 60,929  |  | US\$ 60,813  | US\$ 61,165                           |

|               |              |              |              |
|---------------|--------------|--------------|--------------|
| tes Treas Nts | US\$ 133,758 | US\$ 112,103 | US\$ 111,594 |
| tes Treas Nts | US\$ 16,788  | US\$ 15,007  | US\$ 15,043  |
| tes Treas Nts | US\$ 20,692  |              |              |
| tes Treas Nts | US\$ 41,816  | US\$ 30,716  | US\$ 30,586  |
| tes Treas Nts | US\$ 29,438  | US\$ 20,089  | US\$ 19,959  |
| tes Treas Nts | US\$ 19,628  | US\$ 7,025   | US\$ 7,007   |
| tes Treas Nts | US\$ 26,131  | US\$ 26,501  | US\$ 26,131  |
| tes Treas Nts | US\$ 109,310 | US\$ 8,496   | US\$ 8,494   |
| tes Treas Nts | US\$ 6,957   |              |              |
| tes Treas Nts | US\$ 14,102  | US\$ 4,392   | US\$ 4,400   |

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 of earnings of equity method investees. (Concluded)



**TABLE 3**

**Taiwan Semiconductor Manufacturing Company Limited**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100**  
**MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Transaction Date | Amount    | Payment Term                 | Counter-party          | Nature of Relationships | Prior Transaction of Owner | 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 purpose |

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**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

| Company Name | Related Party         | Nature of Relationships   | Purchases/<br>Sales | Transaction Details |         |   | Notes/Accounts           | Ending<br>Balance | Total |
|--------------|-----------------------|---|---------------------|---------------------|---------|---|--------------------------|-------------------|-------|
|              |                       |   |                     | Amount              | %<br>to | Payment Terms<br>(Note)   | Payable or<br>Receivable |                   |       |
| Company      | TSMC-North<br>America | Subsidiary<br>Investee with a<br>controlling financial<br>interest          | Sales               | \$ 134,957,821      | 60      | Net 30 days after<br>invoice date   | \$ 23,713,567            | 53                |       |
|              | GUC                   |   | Sales               | 631,008             |         | Net 30 days after<br>monthly closing                                      | 119,455                  |                   |       |
|              | WaferTech             | Indirect subsidiary<br>Investee accounted for<br>using equity method        | Purchases           | 7,419,547           | 21      | Net 30 days after<br>monthly closing                                      | (779,480)                | 6                 |       |
|              | SSMC                  |   | Purchases           | 3,971,517           | 11      | Net 30 days after<br>monthly closing                                      | (639,524)                | 5                 |       |
|              | TSMC-Shanghai         | Subsidiary<br>Investee accounted for<br>using equity method                 | Purchases           | 3,947,089           | 11      | Net 30 days after<br>monthly closing                                      | (733,801)                | 6                 |       |
|              | VIS                   |   | Purchases           | 2,956,489           | 8       | Net 30 days after<br>monthly closing                                      | (904,635)                | 8                 |       |
|              | TSMC-North<br>America | Same parent company   | Purchases           | 1,277,963           | 73      | Net 30 days after<br>invoice date/Net<br>45 days after<br>monthly closing | (184,387)                | 19                |       |
|              | VisEra                | Same president<br>Parent company of<br>director (represented for<br>Xintec) | Sales               | 1,040,411           | 43      | Net 45 days after<br>shipping   | 3,785                    | 1                 |       |
|              | OmniVision            |   | Sales               | 943,594             | 39      | Net 45 days after<br>shipping   | 406,555                  | 73                |       |

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

accordance with  
the related  
contractual  
agreements and  
no other similar  
transaction  
could be  
compared with.

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**TABLE 5**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL SEPTEMBER 30, 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 Bad Debts |
|--------------|--------------------|--|----------------|----------------------|-----------------|---|---------------------------------------|-------------------------|
| The Company  | TSMC-North America | Subsidiary   | \$ 23,804,596  | 41                   | \$ 5,839,079    |   | \$ 9,238,950                          | \$                      |
|              | VIS                | Investee accounted for using equity method                         | 126,319        |                      | 10,332          | Accelerate demand on account receivable |                                       |                         |
|              | GUC                | Investee with a controlling financial interest                     | 119,455        | 60                   | 341             | Accelerate demand on account receivable | 26,883                                |                         |
| Xintec       | VisEra             | Same president Parent company of director (represented for Xintec) | 3,785          | 52                   | 865             | receivable                              |                                       |                         |
|              | OmniVision         |  | 406,555        | 59                   | 114,803         |   | 156,286                               |                         |

The calculation of turnover days excludes other receivables from

Note: related parties.

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**SEPTEMBER 30, 2007**

(Amounts in Thousands of New Taiwan Dollars)

| Investee Company  | Location                        | Main Businesses and Products   | Original Investment Amount |                   | Balance as of September 30, 2007 |                         |                         | Investment   |
|-------------------|---------------------------------|--|----------------------------|-------------------|----------------------------------|-------------------------|-------------------------|--------------|
|                   |                                 |  | September 30, 2007         | December 31, 2006 | Shareholders                     | Percentage of Ownership | Carrying Value (Note 1) |              |
| SMC Global        | Tortola, British Virgin Islands | Investment activities  | \$ 42,327,245              | \$ 42,327,245     | 1                                | 100                     | \$ 44,234,333           | \$ 1,612,000 |
| SMC 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                     | 27,553,919              | 867,000      |
| SMC-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                     | 8,567,668               | (833,000)    |
| SMC               | Singapore                       | Fabrication and supply of integrated circuits  | 8,840,895                  | 8,840,895         | 463                              | 39                      | 8,674,862               | 2,205,000    |
| SMC               | 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                      | 10,760,885              | 3,137,000    |
| SMC Partners      | Tortola, British Virgin Islands | Investment activities  | 10,350                     | 10,350            | 300                              | 100                     | 4,667,437               | 210,000      |
|                   |                                 |  | 333,718                    | 333,718           | 11,000                           | 100                     | 2,227,896               | 210,000      |

|                   |                              |  |           |           |        |     |           |      |  |
|-------------------|------------------------------|--|-----------|-----------|--------|-----|-----------|------|--|
| SMC-North America | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices                 |           |           |        |     |           |      |  |
| intec             | Taoyuan, Taiwan              | Wafer level chip size packaging service  | 1,357,890 |           | 91,703 | 43  | 1,429,804 | 312  |  |
| TAF II            | Cayman Islands               | Investing in new start-up technology companies                                       | 1,095,622 | 785,465   |        | 98  | 1,026,700 | (15) |  |
| TAF III           | Cayman Islands               | Investing in new start-up technology companies                                       | 835,453   | 243,545   |        | 98  | 786,064   | (28) |  |
| Emerging Alliance | Cayman Islands               | Investing in new start-up technology companies                                       | 1,245,420 | 1,418,717 |        | 99  | 683,002   | 116  |  |
| UC                | Hsin-Chu, Taiwan             | Researching, developing, manufacturing, testing and marketing of integrated circuits | 386,568   | 386,568   | 42,572 | 37  | 750,200   | 516  |  |
| Chi Cherng        | Taipei, Taiwan               | Investment activities  | 300,000   | 300,000   |        | 36  | 170,542   | 56   |  |
| Sin Ruey          | Taipei, Taiwan               | Investment activities  | 300,000   | 300,000   |        | 36  | 168,918   | 55   |  |
| SMC-Japan         | Yokohama, Japan              | Marketing activities   | 83,760    | 83,760    | 6      | 100 | 102,257   | 3    |  |
| SMC-Europe        | Amsterdam, the Netherlands   | Marketing activities   | 15,749    | 15,749    |        | 100 | 74,994    | 20   |  |
| SMC-Korea         | Seoul, Korea                 | Marketing activities   | 13,656    | 13,656    | 80     | 100 | 16,014    | 1    |  |

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

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

|   | Total Amount of<br>Paid-in Capital |                         | Accumulated<br>Outflow of<br>Investment<br>from Taiwan<br>as | Investment Flows<br>Outflow | Accumulated<br>Outflow of<br>Investment<br>from Taiwan<br>as            | Equity in<br>the<br>Earnings<br>(Losses)<br>Ownership | Carryi<br>Valu<br>as of<br>Septem<br>30,<br>2007 |
|---|------------------------------------|-------------------------|--|-----------------------------|---|---|--|
|   |                                    |                         | of<br>January 1,<br>2007                                     |                             | of<br>September 30,<br>2007   |   |  |
| Manufacturing and<br>of integrated<br>circuits at the order of<br>customers pursuant to<br>product design<br>specifications<br>requested by customers | (RMB in<br>Thousand)               | Method of<br>Investment | (US\$ in<br>Thousand)  | (US\$ in<br>Thousand)       | (US\$ in<br>Thousand)   | (Losses)<br>(Note 2)                                  |  |
|   | \$ 12,180,367<br>(RMB3,070,623)    | (Note 1)                | \$ 12,180,367<br>(US\$371,000)                               | \$                          | \$ 12,180,367<br>(US\$371,000)  | 100%  | \$ (831,295) \$8,567,6                           |
| <b>Accumulated Investment in Mainland<br/>China as of September 30, 2007</b>  | <b>(US\$ in Thousand)</b>          |                         |  |                             | <b>Investment Amounts Authorized by<br/>Investment Commission, MOEA</b> | <b>Upper Limit on Investment</b>                      |  |
|   | \$12,180,367<br>(US\$371,000)      |                         |  |                             | <b>(US\$ in Thousand)</b>   | <b>(US\$ in Thousand)</b>                             |  |
|   |                                    |                         |  |                             | \$12,180,367<br>(US\$371,000)   | \$12,180,367<br>(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.

**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: October 29, 2007

By /s/ Lora Ho

Lora Ho  
Vice President & Chief Financial  
Officer