

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 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 (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 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

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**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	
Total non-operating expenses and losses	2,225,940		2,659,490	1
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
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	74,692,316	34	99,344,225	41
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF \$82,062 THOUSAND (Note 3)			(246,186)	
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)
 Net cash provided by operating activities	 117,143,802	 146,197,410
 <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)
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**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)
 Net cash used in investing activities	 (55,084,203)	 (89,491,312)
 <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
 Net cash used in financing activities	 (85,695,283)	 (64,303,931)
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 (23,635,684)	 (7,597,833)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 100,139,709	 85,383,583
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 76,504,025	 \$ 77,785,750
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 420,000	\$ 420,000
Income tax paid	\$ 7,285,717	\$ 3,146,676
 <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 as Cumulative Effect of Changes in Accounting Principles (Net of Tax)</b>	<b>Recognized as a Separate Component of Shareholders Equity</b>
Financial assets or liabilities at fair value through profit or loss	\$ (246,186)	\$
Available-for-sale financial assets		
	\$ (246,186)	\$

The adoption of the newly released SFASs resulted in 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 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
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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)
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
<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 (in Thousands)</b>
September 30, 2007		
Sell EUR/buy NT\$ 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:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
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**

	<b>September 30</b>	
	<b>2007</b>	<b>2006</b>
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 Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity 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 Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest 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 October 2008
Callable range accrual deposits				
Domestic deposits	3,266,700	14,265	(See below)	October 2009 to December 2009
Foreign deposits	1,960,020	6,016	(See below)	October 2009 to December 2009

\$ 8,726,720      \$ 33,621

September 30, 2006

Step-up callable deposits

Domestic deposits	\$ 4,000,000	\$ 35,459	1.40%-2.01%	June 2007 to March 2009
Callable range accrual deposits				
Domestic deposits	3,971,760	15,004	(See below)	September 2009 to December 2009
Foreign deposits	3,309,800	7,585	(See below)	October 2009 to 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

	September 30	
	2007	2006
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

	September 30			
	2007	% of	2006	% of
	Carrying	Owner-	Carrying	Owner-
	Amount	ship	Amount	ship
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 and Equipment	Office Equipment	Advance Payments and Construction in 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
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	<b>Nine Months Ended September 30, 2006</b>				
	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Office Equipment</b>	<b>Advance Payments and Construction in 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 License Fees</b>	<b>Software and System Design 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 License</b>	<b>Software and</b>
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	<b>Fees</b>	<b>System Design 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 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)
Balance, end of period	\$ 2,113,854	\$ 1,869,650
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,530,116	\$ 3,461,392
Accruals	91,679	41,083
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 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)
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 Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and 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 Industries	Research and development 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 Industries	Personnel training expenditures	\$ 16,197	\$	2007
		16,155		2008
		46,130	46,130	2009
		41,252	41,252	2010
		\$ 119,734	\$ 87,382	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010

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 (NT\$)	
	For Fiscal	For Fiscal	For	For
	Year 2006	Year 2005	Fiscal Year 2006	Fiscal Year 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 Options (in Thousands)</b>	<b>Weighted- average Exercise Price (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
 Balance, end of period	 43,041	 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
 Balance, end of period	 56,795	 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 Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$25.9-\$36.4	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 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 Shares</b>	<b>Stock Dividends</b>	<b>Disposal</b>	<b>(Shares in Thousands)</b>
				<b>Ending 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 Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
Basic EPS (NT\$)				
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
Diluted EPS (NT\$)				
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 Shares (Denominator) (in Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>		<b>Before Income Tax</b>	<b>After Income Tax</b>
Nine months ended September 30, 2007					
Basic EPS					
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		
Diluted EPS					
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
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Effect of dilutive potential common shares - stock options

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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
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**23. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	September 30			
	2007			2006
	Carrying Amount	Fair Value	Carrying 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 Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of 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 Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of 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 Date</b>	<b>Contract Amount (in 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 Date</b>	<b>Contract Amount (in 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 Company Name The Company	Marketable Securities Type and Name	Relationship with Financial the Statement Company	Shares/Units (in Thousands)	September 30, 2007		Market Value or Net Asset Value (US\$ in Thousands)	Note
				Carrying Value (US\$ in Thousands)	Percentage of Ownership		
	Open-end mutual funds						
		Available-for-sale financial 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 financial 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 financial 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. 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 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 assets carried at 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 assets carried at cost			
Horizon Ventures Fund			312,950	12	3
Crimson Asia Capital			69,344	1	6
Capital					
		Investment accounted for using equity 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

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Stocks

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

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2014	
			Shares/Units (in Thousands)	Carrying Pe Value (US\$ in Thousands)
Common stock SMC	Parent Company	Available-for-sale financial assets	17,064	\$ 1,080,146
Common stock SIS	Investee accounted for using equity method	Investments accounted for using equity method	3,748	83,524
Common stock WaveStar	Subsidiary	Investments accounted for using equity method	9,207	US\$ 46,802
Common stock WaveStar II	Subsidiary		51,300	US\$ 60,456
Common stock SMC Development	Subsidiary		1	US\$ 668,997
Common stock SMC Technology	Subsidiary		1	US\$ 6,444
Common stock WaferTech	Subsidiary	Investments accounted for using equity method		US\$ 264,777
Common stock ErisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 65,629
Common stock SMC Canada	Investee accounted for using equity method		2,300	US\$ 2,622
Common stock NetLogic Microsystems, Inc.		Financial assets at fair value through profit or loss	18	US\$ 650
Common stock Kanos Communication, Inc.		Available-for-sale financial assets	280	US\$ 1,568
Common stock Global Investment Holding, Inc.		Financial assets carried at cost	10,800	\$ 100,000
Common stock RichWave Technology Corp.			4,247	US\$ 1,648
Common stock Ixim, Inc.			1,036	US\$ 275
Common stock RF Technology Holdings			93	US\$ 1,743
Preferred stock Ixim, 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
Aluobilygen		1,415	US\$	750
AluCommon stock				
Aluobon	Financial assets carried at cost	1,875	US\$	919
Aluentelic		1,200	US\$	2,040
Aluheadtrend		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 Thousands)	Value (US\$ in Thousands)
<b>Preferred stock</b>				
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
<b>Common stock</b>				
Mutual-Pak, Technology Co. LTD		Investment accounted for using equity method	4,090	US\$ 1,240
<b>Preferred stock</b>				
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
<b>Convertible bond</b>				
GTBF, Inc.		Financial assets carried at cost		US\$ 1,500
<b>Common stock</b>				
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 (in Thousands)	Value (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\$ i Thousand
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	
				Carrying	Percentage
				Shares/Units	Value
				(in US\$ in	(in US\$ in
				Thousands)	Thousands)
	Fnma Pool 255883				US\$3,189
	Fnma Pool 555549				US\$1,409
	Fnma Pool 555715				US\$ 176
	Fnma Pool 632399				US\$ 391
	Fnma Pool 662401				US\$ 586
	Fnma Pool 667766				US\$1,332
	Fnma Pool 680932				US\$1,142
	Fnma Pool 681393				US\$2,431
	Fnma Pool 685116				US\$ 600

(Continued)



September

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying		Ownership
			Shares/Units (in thousands)	Value (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 (in US\$ in Thousands)	Value (in US\$ in 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 (in thousands)	Value (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 Shares/Unit Value (in US\$ in Thousands)	Percent Owned
Emerson Elec Co.			US\$ 3,225	N/A
European Invt 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 (in thousands)	Value (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 Shares/Units (in US\$ in Thousands)	Percent 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)

September

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Shares/Unit Value (in US\$ in Thousands)	Percentage 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 (in US\$ in Thousands)	Value (in US\$ in 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 (in thousands)	Value (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 (in US\$ in Thousands)	Value (in US\$ in 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 (in US\$ in Thousand)	Value (in US\$ in Thousand)	September Market Value at the end of the Reporting Period
	Home Equity Mortgage Trust		Available-for-sale financial 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
				Value	Value	Value
				Carrying	Carrying	Carrying
				Perce	Perce	Perce
				Shares/Units	Value	Value
				(in US\$ in	(in US\$ in	(in US\$ in
				Thousands)	Thousands)	Thousands)
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Thousands	Thousands	Thousands
	Wamu Mtg		"	US\$3,439	N	N
	Wamu Mtg		"	US\$ 848	N	N
	Wamu Mtg Pass Through Ctfs		"	US\$ 170	N	N
	Wamu Mtg Pass Thru Ctfs Tr		"	US\$4,143	N	N
	Washington Mut Mtg Secs Corp.		"	US\$2,537	N	N
	Wells Fargo Finl Auto Owner Tr		"	US\$4,953	N	N
	Wells Fargo Mtg Backed Secs		"	US\$3,940	N	N
	Wells Fargo Mtg Backed Secs		"	US\$3,948	N	N
	Wells Fargo Mtg Bkd Secs		"	US\$2,231	N	N
	Wells Fargo Mtg Bkd Secs		"	US\$3,085	N	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	472,739
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
		HSBC Asset Management (Taiwan) Ltd.	34,093	506,250			6,677	100,000	98
d		Taiwan International Investment management Corporation (Taiwan) Ltd.	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
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(Continued)

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and Financial Statement	Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal (Not Carried)	
				Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Value (US\$ in Thousands)
Available-for-sale financial assets		Chung Shing Bills Finance Corp.		\$ 1,046,799		\$		\$ 150,000	\$ 150,000
Held-to-maturity financial assets				4,080,391				1,010,000	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 Account	Counter-party Relationship	Beginning	Acquisition	Disposal (Note2)	
			Balance		Carrying	
			Amount	Shares/Units	Amount	Value
Nature			(in Amount	(in Amount	(US\$ in	(US\$ in
Shares/Units	(US\$ in	Thousands)	1) Thousands	Thousands)	Thousands)	Thousands)
(in	Thousands)	(in	Thousands)	(in	Thousands)	Thousands)
	Available-for-sale financial assets		US\$	US\$4,982	US\$	US\$
l Natl Mtg Assn				US\$6,500		
l Natl Mtg Assn				US\$8,458		
l Natl Mtg Assn				US\$4,997		
l Natl Mtg Assn				US\$4,500		
l Natl Mtg Assn			US\$ 14,973		US\$ 14,993	US\$ 14,931
l Natl Mtg Assn				US\$4,368	US\$ 4,319	US\$ 4,368
l Natl Mtg Assn			US\$ 6,511		US\$ 6,514	US\$ 6,516
l Natl Mtg Assn			US\$ 5,915		US\$ 5,933	US\$ 5,885
l Natl Mtg Assn			US\$ 7,868		US\$ 7,926	US\$ 7,834
l Natl Mtg Assn			US\$ 3,943		US\$ 3,957	US\$ 3,950
l Natl Mtg Assn			US\$19,766		US\$19,844	US\$19,702
l Natl Mtg Assn			US\$10,467		US\$10,477	US\$10,459
l Natl Mtg Assn Mtn				US\$4,994		
Pool 691283				US\$3,733		
Pool 888249				US\$3,486		
Pool 888388				US\$4,822		
Pool 900296				US\$6,530		
				US\$4,336		
rate bonds						
	Available-for-sale financial assets		US\$ 3,452		US\$ 3,466	US\$ 3,432
can Express Co.			US\$ 3,092	US\$6,220		
can Honda Fin Corp. Mtn			US\$ 3,379		US\$ 3,395	US\$ 3,340
tearns Cos Inc.				US\$4,496		
p Mkts Plc				US\$3,648		
gton Res Inc.				US\$4,587		
oup Fdg Inc.				US\$3,175	US\$ 3,105	US\$ 3,175
Suisse First Boston USA			US\$ 4,928		US\$ 4,945	US\$ 4,899
John Cap Corp.				US\$5,900		
ean Invt Bk			US\$ 3,970		US\$ 3,973	US\$ 3,930
l Home Ln Bks			US\$ 7,937		US\$ 7,964	US\$ 7,937
al Elec Cap Corp. Mtn			US\$ 8,759		US\$ 8,793	US\$ 8,716
al Elec Cap Corp. Mtn				US\$4,816		
orth Finl Inc.				US\$3,250		
an Sachs Group Inc.			US\$ 3,456		US\$ 3,471	US\$ 3,453
an Sachs Group Inc.			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	Nature	Beginning	Acquisition	Disposal (Note2)		Carrying
					Balance	Amount	Amount	Value	
					Amount	Amount	Amount	Amount	Value
					(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)
					(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
					(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
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							US\$ 5,059	US\$ 5,007	US\$ 5,059
tes Treas Nts	Available-for-sale financial assets								
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/ Sales	Transaction Details			Notes/Accounts	Ending Balance	Total
				Amount	% to	Payment Terms (Note)	Payable or Receivable		
Company	TSMC-North America	Subsidiary Investee with a controlling financial interest	Sales	\$ 134,957,821	60	Net 30 days after invoice date	\$ 23,713,567	53	
	GUC		Sales	631,008		Net 30 days after monthly closing	119,455		
	WaferTech	Indirect subsidiary Investee accounted for using equity method	Purchases	7,419,547	21	Net 30 days after monthly closing	(779,480)	6	
	SSMC		Purchases	3,971,517	11	Net 30 days after monthly closing	(639,524)	5	
	TSMC-Shanghai		Purchases	3,947,089	11	Net 30 days after monthly closing	(733,801)	6	
	VIS	Subsidiary Investee accounted for using equity method	Purchases	2,956,489	8	Net 30 days after monthly closing	(904,635)	8	
	TSMC-North America		Same parent company	Purchases	1,277,963	73	Net 30 days after invoice date/Net 45 days after monthly closing	(184,387)	19
	VisEra	Same president Parent company of director (represented for Xintec)	Sales	1,040,411	43	Net 45 days after shipping	3,785	1	
	OmniVision		Sales	943,594	39	Net 45 days after 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 Paid-in Capital		Accumulated Outflow of Investment from Taiwan as	Investment Flows Outflow Inflow	Accumulated Outflow of Investment from Taiwan as	Equity in the Earnings (Losses) (Note 2)	Carryi Valu as of Septem 30, 2007
			of January 1, 2007		of September 30, 2007 (US\$ in Thousand)		
Manufacturing and of integrated circuits at the order of customers pursuant to product design specifications requested by customers	(RMB in Thousand)	Method of Investment	(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)		
	\$ 12,180,367 (RMB3,070,623)	(Note 1)	\$ 12,180,367 (US\$371,000)	\$	\$ 12,180,367 (US\$371,000)	100%	\$ (831,295) \$8,567,6
<b>Accumulated Investment in Mainland China as of September 30, 2007</b>	<b>(US\$ in Thousand)</b>				<b>Investment Amounts Authorized by Investment Commission, MOEA</b>	<b>Upper Limit on Investment</b>	
	\$12,180,367 (US\$371,000)				<b>(US\$ in Thousand)</b>	<b>(US\$ in Thousand)</b>	
					\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	

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

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

**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