TSMC 2008 BUSINESS OVERVIEW

- TSMC's shares are listed on the Taiwan Stock Exchange (TWSE) under the code 2330.
- Depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM.

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TSMC VISION & CORE VALUES

TSMC's Vision

Our vision is to be the most advanced and largest technology and foundry services provider to fabless companies and IDMs, and in partnership with them, to forge a powerful competitive force in the semiconductor industry.

To realize our vision, we must have a trinity of strengths:
(1) Be a technology leader, competitive with the leading IDMs
(2) Be the manufacturing leader
(3) Be the most reputable, service-oriented and maximum-total-benefits silicon foundry

TSMC Core Values

Integrity - Integrity is our most basic and most important core value. We tell the truth. We believe the record of our accomplishments is the best proof of our merit. Hence, we do not brag. We do not make commitments lightly. Once we make a commitment, we devote ourselves completely to meeting that commitment. We compete to our fullest within the law, but we do not slander our competitors and we respect the intellectual property rights of others. With vendors, we maintain an objective, consistent, and impartial attitude. We do not tolerate any form of corrupt behavior or politicking. When selecting new employees, we place emphasis on the candidates' qualifications and character, not connections or access.

Commitment - TSMC is committed to the welfare of customers, suppliers, employees, shareholders, and society. These stakeholders all contribute to TSMC's success, and TSMC is dedicated to serving their best interests. In return, TSMC hopes all these stakeholders will make a mutual commitment to the Company.

Innovation - Innovation is the wellspring of TSMC's growth, and is a part of all aspects of our business, from strategic planning, marketing and management, to technology and manufacturing. At TSMC, innovation means more than new ideas, it means putting ideas into practice.

Customer Partnership - At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term.

LETTER TO SHAREHOLDERS

Dear Shareholders,

2008 was a year of rapid change. TSMC's business remained vibrant in the first three quarters of the year, but saw demand slowing by the middle of the third quarter. Fourth quarter revenue substantially declined and showed no sign of recovery by the year-end.

With the sharp decline in the demand for semiconductors in the last quarter of 2008, revenue of the worldwide semiconductor market for the full year is estimated to have declined by about 3 percent from its 2007 level. Pure-play foundry segment is estimated to have outperformed the semiconductor industry and registered an annual growth rate of approximately 2 percent. TSMC outperformed its peers, delivered 7.9 percent revenue growth in US dollars, and gained market share to reach 51 percent among pure-play foundries during 2008. The outperformance is particularly pronounced in the advanced process technologies where TSMC successfully ramped its 65-nanometer process technology from 10 percent of wafer revenue at the beginning of the year to 27 percent by year-end, taking a share of more than 80 percent for that technology among the logic foundries.

Financial Results

Total consolidated revenue for 2008 was NT$333.16 billion, a 3.3 percent increase compared with NT$322.63 billion in 2007. Mainly due to the implementation of a new accounting rule that requires expensing of employee profit sharing in the Company's financial statements starting in 2008, net income decreased 8.5 percent to NT$99.93 billion, compared with 2007 net income of NT$109.18 billion. Similarly, diluted earnings per share decreased 5.7 percent to NT$3.83, compared with NT$4.06 a year earlier. Had the accounting rules remained the same and employee profit sharing had not been expensed, net income in 2008 would have been NT$112.42 billion and EPS NT$4.31. In US dollars, TSMC's 2008 revenue was US$10.61 billion and net income was US$3.18 billion.

Among other highlights in 2008, TSMC achieved:
- Total average capacity utilization of 90 percent;
- Average gross profit margin of 42.5 percent; and
- Average operating profit margin of 31.4 percent.

During the year, TSMC shipped 8.47 million eight-inch equivalent wafers, representing about 8 percent of global IC wafer shipments, up from 7.5 percent a year ago.

Technology Innovation

As a technology leader, TSMC is committed to investing in long-term growth by delivering continual innovation. Despite a challenging economic environment, 2008 was characterized by significant technological progress. TSMC led the foundry segment with qualification and delivery of 40-nanometer high performance and low-power technologies, using advanced immersion lithography, performance enhancing silicon strains and extreme low-k inter-metal dielectric material. TSMC also demonstrated the foundry's first 32-nanometer technology which supported both analog and digital functionalities. TSMC is the first foundry to announce the 28-nanometer process as a full node technology that will include a choice of silicon oxynitride and high-k/metal gate transistor options. Our paper on high-k/metal gate published in the 2008 International Electron Device Meeting proceedings was featured as a conference highlight.

In order to enable efficient implementation of innovations among the semiconductor design community, and its ecosystem partners, along with TSMC's own IP, design services and process technologies, TSMC unveiled its Open Innovation Platform™ (OIP) in early 2008. Central to the platform is a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that can more efficiently empower innovation throughout the supply chain and yield benefit to all participants.

Corporate Developments

Early in 2008 TSMC reorganized and established the Advanced Technology Business Organization and the Mainstream Technology Business Organization by merging operation with technology and service marketing. These two new organizations will respectively take responsibility for formulation, development, and execution of advanced technology and mainstream technology business objectives, with dedicated human resources and more flexibility.

In August 2008, Royal Philips Electronics NV completed a four-phased plan and exited from its TSMC shareholding. As part of the plan, and subsequently for the purpose of partially offsetting the dilution from employee profit sharing, the Company repurchased, in two separate programs, a total of 495,549 thousand common shares in the open market of the Taiwan Stock Exchange, accounting for approximately 1.92% of its total outstanding shares, at an average price of NT$61.40 per share. The repurchased shares were cancelled subsequently.

Honors and Awards

In recognition of his distinguished career and significant contributions to the U.S. semiconductor industry, the Semiconductor Industry Association (SIA), in November, honored TSMC's Chairman Dr. Morris Chang as the 2008 recipient of the Robert N. Noyce Memorial Award, the Association's highest honor.

TSMC, in 2008, continued to receive recognition and awards from around the world as a corporate role model. TSMC's disclosure and transparency and its focus on shareholder value have won top honors from *AsiaMoney Magazine, The Asset Magazine, Corporate Governance Asia, FinanceAsia,* and *Institutional Investors* in the areas of Corporate Governance, Management, and Investor Relations. *IR Magazine* announced TSMC as the winner of Grand Prix for Best Overall Investor Relations 6 years in a row, while *CommonWealth Magazine* voted TSMC the Most Admired Company in Taiwan for the 12th consecutive year, and also awarded us with "Excellence in Corporate Social Responsibility". As a leader in good corporate citizenship, TSMC was included in the Dow Jones Sustainability Index for the 8th consecutive year, and is the only company from Taiwan included in the Carbon Disclosure Leadership Index. TSMC has received certificate of National Industrial Safety and Health Award given by the Taiwan Executive Yuan, and its Fab 14 Phase III has been certified by the US Green Building Council as a Leader in Energy and Environmental Design (LEED).

Outlook

As we enter 2009, the global economy is in the midst of a deep recession and the timing of a recovery is uncertain. TSMC's Management understands that the strong headwinds brought by the global recession will likely result in a long period of slower business recovery. However, TSMC's solid balance sheet and strong cash position should enable us to weather the storm well. We will continue to invest wisely in our future to enhance our technologies and capabilities. TSMC's trinity of strengths: technology leadership, manufacturing excellence and customer partnership, will continue to enable us to become the most advanced, innovative, and largest provider of foundry services.

Historically, TSMC has leveraged periodic challenges to become stronger. The challenges of 2009 are clear, and all TSMC employees are committed to do our utmost to emerge from this global economic crisis stronger than ever.

Morris Chang
Chairman

Rick Tsai
President and CEO

From left to right:
F.C. Tseng, Vice Chairman
Morris Chang, Chairman
Rick Tsai, President and CEO

INTRODUCTION AND MARKET OVERVIEW

An Introduction to TSMC

TSMC is the world's largest pure-play semiconductor foundry. Founded on February 21, 1987 and headquartered in Hsinchu, Taiwan, TSMC pioneered the business model of focusing solely on manufacturing customers' semiconductor designs. As a pure-play semiconductor foundry, the Company does not design, manufacture, or market semiconductor products under its own brand name, ensuring that TSMC does not compete directly with its customers.

With a diverse global customer base, TSMC-manufactured microchips are used in a broad variety of applications that cover various segments of the computer, communications and consumer electronics markets.

Total capacity of the manufacturing facilities managed by TSMC, including subsidiaries and joint ventures, was 9.38 million 8-inch equivalent wafers in 2008. In Taiwan, TSMC operates two advanced 12-inch wafer fabs, four 8-inch wafer fabs, and one 6-inch wafer fab. TSMC also manages two 8-inch fabs at wholly owned subsidiaries: WaferTech in the United States and TSMC China Company Limited. In addition, TSMC obtains 8-inch wafer capacity from other companies in which the Company has an equity interest.

TSMC provides customer service through its account management and engineering services offices in North America, Europe, Japan, China, South Korea, and India. The Company employed more than 22,000 people worldwide as of the end of 2008.

TSMC continues to lead the foundry segment of the semiconductor industry in advanced process technologies. Already the first foundry to provide 65nm production capacity, again, in 2008, TSMC was the first foundry to provide 40nm production. In addition to general-purpose logic process technology, TSMC supports the wide-ranging needs of its customers with embedded non-volatile memory, embedded DRAM, mixed signal/RF, high voltage, CMOS image sensor, color filter, MEMS, and silicon germanium technologies. In September 2008, TSMC announced future plans to deliver its 28nm process as a full node technology in 2010, offering the option of both high-k metal gate (HKMG) and silicon oxynitride (SiON) material to support a variety of customer applications.

The Company is listed on the Taiwan Stock Exchange (TWSE) under ticker number 2330, and its American Depositary Shares trade on the New York Stock Exchange (NYSE) under the symbol "TSM".

Market and Business Summary

TSMC Achievements

In 2008, TSMC maintained its leading position in the pure-play foundry segment of the global semiconductor industry, with an estimated market segment share of 51%. TSMC achieved this result amid fierce competition from both established players and relatively new entrants to the business.

Leadership in advanced process technologies is a key factor in TSMC's strong market position. In 2008, 64% of TSMC's wafer revenue came from manufacturing processes with geometries of 0.13μm and below. A critical milestone was reached in September 2008, when TSMC shipped its five hundred thousandth 65nm 12-inch wafer. Moreover, TSMC also achieved volume production of the 45/40nm process as well as development of the leading-edge 32/28nm process, both foundry firsts. As of the fourth quarter of 2008, 27% of TSMC's wafer revenue came from 65nm processes and below.

In addition to advanced technologies, TSMC also offers innovative services in line with its unwavering focus on customer partnership. Among the many innovative services unveiled in 2008 was wafer level chip scale package (WLCSP) which offers smaller form factor, addressing the trend of mobile devices becoming smaller and thinner while providing richer features. TSMC also rolled out its Open Innovation Platform™ initiative in 2008 to promote and facilitate timely innovation among the semiconductor design community, its ecosystem partners and TSMC's IP, design methodology, design implementation, DFM capabilities, process technology and backend services.

TSMC continued to advance the semiconductor roadmap in 2008. Examples of technologies the Company developed or rolled out include:

- 32/28nm technology with functional static random access memory (SRAM)
- 45/40nm technology
- 55nm general performance technology, a 90% linear shrink from 65nm
- 85nm general performance technology
- 85nm low power technology
- 0.12μm general performance technology
- 0.13μm high voltage process for small panel single chip drivers
- 0.152μm logic process for low power and radio frequency (RF) applications
- 0.18μm low power embedded flash memory
- 0.18μm bipolar complementary device (BCD)

Meanwhile, the following technology is also in our development roadmap:

- 55nm low power technology

In addition, one major focus of TSMC's technology development in 2008 was its specialty technology strategy, including 65/90nm embedded flash, 65/90nm CMOS image sensor and 0.13μm analog technologies. In 2008, TSMC offered the foundry segment's first CMOS image sensor with innovative back side illumination technology, named 0.11μm BSI. These specialty technologies are key differentiators from competitors and provide customer more value.

Market Overview

It is estimated that the semiconductor market in 2008 reached US$249 billion in revenue, a slight decrease of 3% compared to 2007. According to IC Insights, total foundry, a manufacturing sub-segment of the semiconductor industry, generated total revenues of US$25.0 billion in 2008, up 2.9% year on year, while revenues from pure-play foundries such as TSMC reached US$21.0 billion. In 2008, the largest geographic market for pure-play foundry services was North America, which accounted for 62% of overall pure-play foundry revenue. The second largest geographic market was Asia Pacific (excluding Japan), which accounted for 24% of total pure-play foundry revenue in 2008. European-based customers accounted for 9%, and orders from companies based in Japan contributed 5%.

Industry Outlook, Opportunities and Threats

Industry Demand and Supply Outlook

The semiconductor market in 2008 experienced a slight decline of 3%. For 2009, based on the deteriorating global macroeconomy, the semiconductor market could decline in percentage terms by around 20%, depending on the severity of the recession. As the inventory level in the supply chain generally appears higher than average at the end of 2008, the decline of the foundry segment could be deeper than the semiconductor industry by another mid-to-high single digit percent in 2009. Pure-play foundry capacity is estimated to increase by around 5% in 2009, compared with the 12% compound annual growth rate from 2006 to 2008. This indicates that the foundry players may only invest very limited capacity in response to the recession in 2009.

Opportunities and Threats in the Foundry Sector of the Semiconductor Market

Despite the fact that the semiconductor market as a whole is maturing and the challenge in 2009, TSMC believes that foundry services, the sector in which TSMC principally competes, will play an increasingly important role as the semiconductor industry becomes more reliant on outsourced manufacturing in the long run. With the assumption of production value being 2.2 times pure-play foundry revenue, it is forecasted that by 2013, 21% of global semiconductor revenue will come from pure-play foundries, compared with 17% in 2008, according to IC Insights. As the leader in pure-play foundry services, TSMC is well positioned to capture the growth opportunities of this sector. On the other hand, threats facing the foundry sector include a continuing decline in wafer prices, due to the fact that the IC industry is prone to fast-declining end application prices, as well as potential industry overcapacity when the global economic climate experiences a downturn.

TSMC Position, Differentiation and Strategy

Position

As the leader in the pure-play foundry segment of the semiconductor manufacturing industry, TSMC commanded a 51% share of this segment in 2008, with total consolidated revenue of US$10.6 billion. In terms of geographic distribution of wafer revenue, 74% came from North America, 13% from the Asia Pacific region excluding Japan, 10% from Europe, and 3% from Japan. In terms of end product application, 33% of total wafer revenue came from the computing sector, 42% from communications, 19% from consumer products, and 6% from other categories, such as industrial products.

Differentiation

TSMC's leading industry position is based on a trinity of key differentiating strengths: technology leadership, manufacturing excellence, and customer partnership. As a technology leader, TSMC has consistently been the first pure-play foundry to develop the next generation of leading-edge technologies. As a manufacturing leader, TSMC is renowned for its yield management, and offers best-in-class support services to expedite time-to-market and time-to-volume. And, in customer partnership, TSMC works closely with its customers on end-to-end collaboration to optimize design and manufacturing efficiencies. Going forward, TSMC will continue building on this trinity of strengths to provide the best overall value to its customers.

Strategy

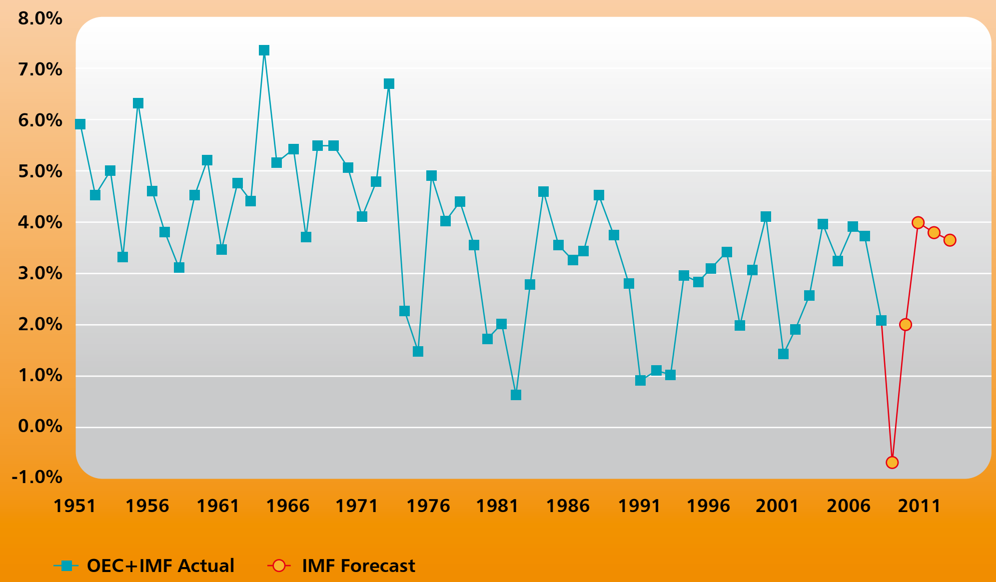
TSMC is confident its differentiating strengths will enable it to leverage the attractive growth opportunities in the foundry sector going forward. TSMC works constantly to ensure that these strengths are maintained and improved. For example, TSMC is intensively working on the leading-edge 28nm and 22nm process to maintain its technology leadership position, and is poised to be the first pure-play foundry player to roll out production in these technologies. Numerous efforts are also underway to ensure manufacturing excellence, such as continuing enhancement of Design-For-Manufacturing (DFM) support services to increase yield and efficiency. TSMC also introduced its Open Innovation Platform initiative, a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that efficiently empowers innovation throughout the supply chain to enhance timely innovation. Finally, TSMC conducts throughout the year customer reviews and surveys to better understand customer needs and wants, and accordingly may adjust its offerings in response, thereby strengthening its partnership with customers.

To counter the ongoing challenge of falling wafer prices, TSMC's plans to continue strengthening its core capabilities and value propositions, including its ability to deliver customer product to market earlier and with better functionality; to develop advanced and mainstream technologies with sufficient capacity support and flexible manufacturing, and to continue to focus on customer service. In addition, TSMC will continue optimizing its service portfolio in order to balance profitability and growth.

INVESTING FOR THE FUTURE

In the latter half of 2008, TSMC began to feel the impact of the worst global economic downturn since the end of the Second World War. Conditions continued to worsen into the first quarter of 2009, when we experienced our most severe sequential decline in sales since the company was founded. With the concerted efforts of every department to control costs in all areas, TSMC was nonetheless able to remain profitable in the first three months of 2009. Conditions remain difficult, and TSMC expects the global economy to contract in 2009, along with a significant decline in global semiconductor industry revenues. However, signs of stabilization and recovery began to emerge in early 2009, and continue to grow stronger.

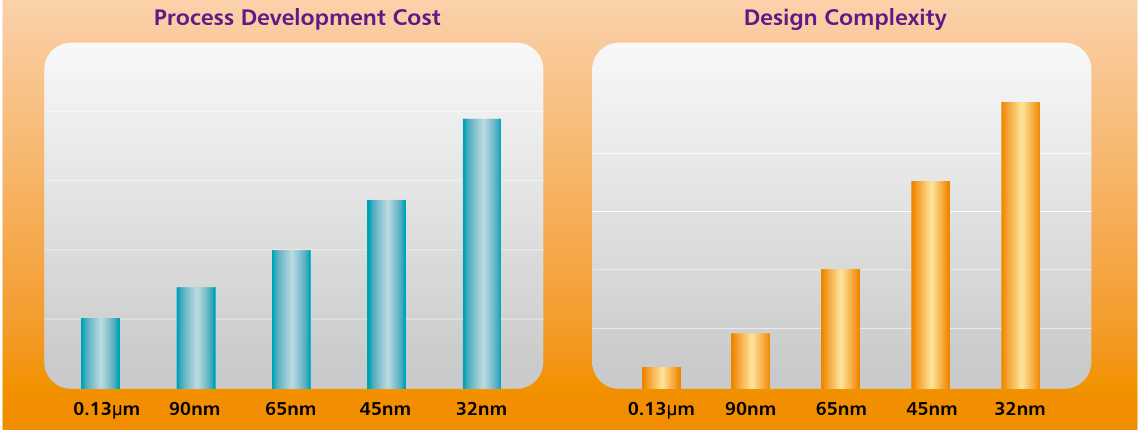
FIRST NEGATIVE GLOBAL GDP SINCE WWII



Source: OECD Interim Economic Outlook, March 2009

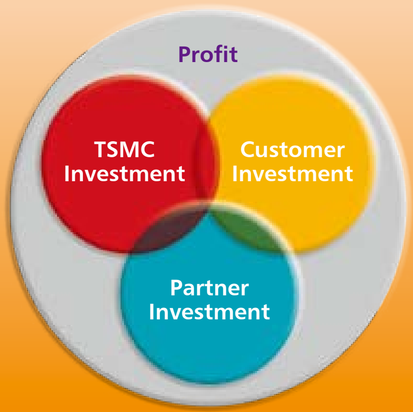
At the same time, the cost of developing new semiconductor process technologies and designing products at new process nodes is becoming higher and higher. For example, the cost of developing 65 nanometer process technology is estimated to be approximately US$0.9 billion, and the cost of developing a 65 nanometer product is approximately US$48 million. At the 45 nanometer node, the cost of developing process technology rises to US$1.1 billion, and the cost of developing a product rises to US$70 million. This trend pressured the semiconductor sector's profit margins even before the global economic downturn, and continues to increase the difficulty of investing in new technology and new products during this downturn. TSMC believes that under these conditions, we need to collaborate even more closely with our customers and other partners to carefully spend our limited resources on investments that create the maximum benefit with minimum redundancy and overlap.

R&D INVESTMENT INCREASES



Source: TSMC, IBS

COLLABORATION REDUCES WASTE



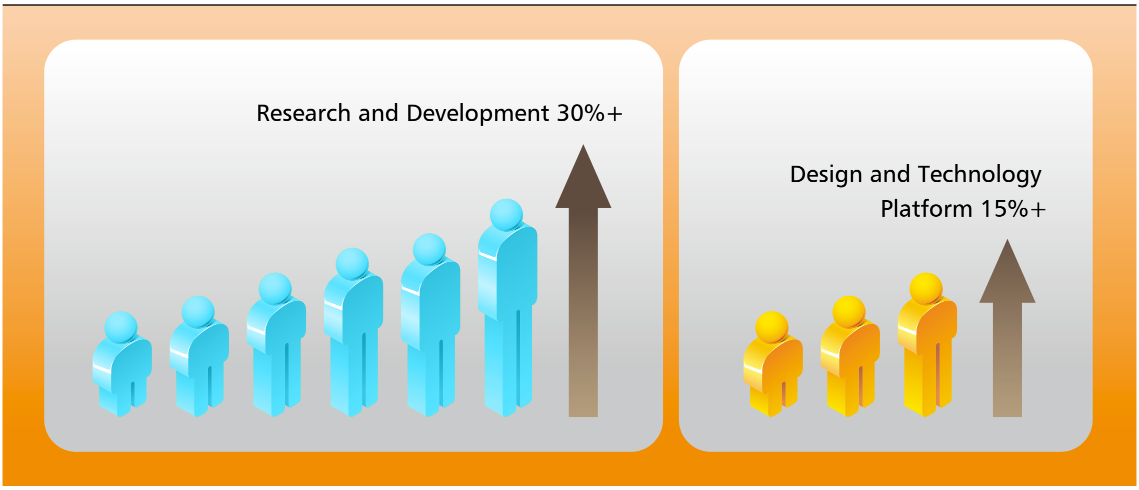
Closer collaboration increases profit

TSMC has historically emerged from every downturn stronger than before, and we are determined to make sure that this time is no exception. Our strong financial base and disciplined spending have given us the resources to not only weather the downturn, but also to ensure that the upturn will be a profitable one for TSMC as well as our customers. More importantly, TSMC has the willingness and determination to look beyond the very difficult economic conditions we face in 2009 and invest for the future.

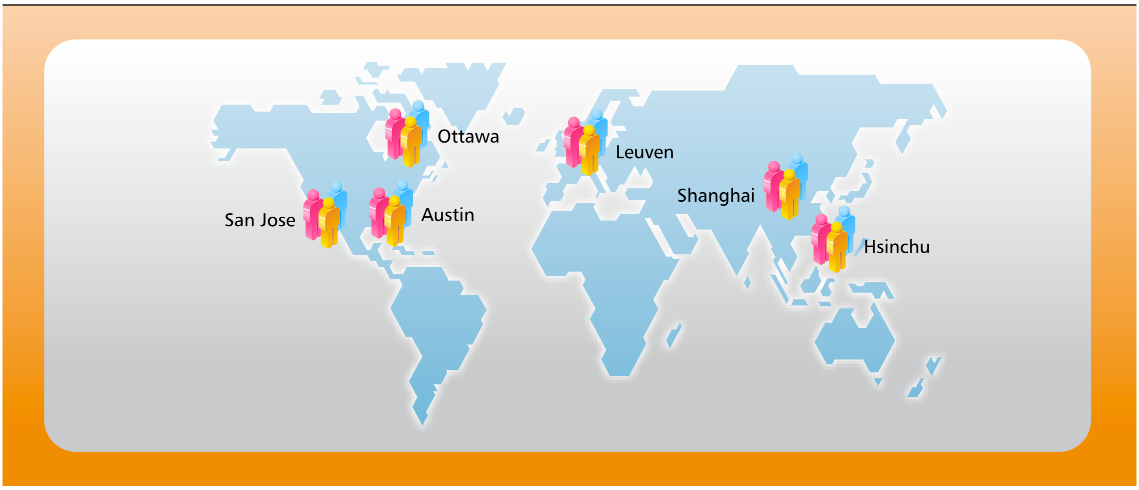
TSMC began to take action in early 2009, putting our resources into developing advanced technology nodes, a broader portfolio of applications in mainstream technology nodes, as well as production capacity to support future growth.

To undertake these tasks takes strong R&D and design service teams, and in 2009, TSMC is increasing our R&D team of approximately 1,200 engineers by 30 percent, and our design service engineers by 15 percent. These new scientists and engineers will serve at our R&D headquarters in Hsinchu, Taiwan, and also at R&D and design centers in Shanghai, China; Ottowa, Canda; San Jose and Austin in the United States; and Leuven, Belgium.

ADDING MORE SCIENTISTS AND ENGINEERS IN 2009



GLOBAL R&D



Progress in Advanced Technology

As TSMC's 40 nanometer technology goes into volume production throughout 2009, our next target will be to launch 28nm technology in 2010. Like all new process technologies, this is a challenging node, particularly the high-K/metal gate technology used in the high-performance version of our 28nm process. However, TSMC was able to produce a functional 64 megabit high-k/metal gate SRAM device in the first half of 2009, and we are confident that this node will provide sizable performance gains in both speed and power consumption for our customers.

At the same time, TSMC's heavy investment in design services lowers barriers for customers, allowing them to reduce spending on redundancies and focus their design efforts in the areas where they are the most competitive and add the most value.

TSMC is also investing in wafer-level, chip-scale packaging to give our customers capability to offer system-in-package products. We are putting R&D effort and organization in place to provide lead-free bumping, copper post, through-silicon vias (TSVs), so that we will have the technology when customers need them.

New Mainstream Technology Applications

"Moore's Law", which holds that the number of transistors in integrated circuits doubles approximately every 18 months, has driven then pace of semiconductor development since the inception of the industry. However, semiconductors serve a wide variety of applications in electronics where performance can not be measured by speed, and we call these applications "More than Moore". TSMC is heavily increasing investment in areas with low penetration by foundries, such as radio frequency, analog, power management, sensors, and micro-electrical mechanical (MEMs) devices to serve a wider customer base. Collaborating with a close partner, we have been able to bring into production CMOS image sensors with backside illumination technology, which enables a very high density sensor with a very competitive cost.

Capacity Investment

In addition to R&D, we continue to invest in our capacity. We began moving equipment into our newest 300mm manufacturing and R&D fab, Fab 12 Phase 4, in mid-2009. Phase 4 connects with Phases 1 and 2 of our Fab 12 Gigafab through a bridge that integrates the automated materials handling systems of all phases, and is also a full cleanroom – a semiconductor industry first. Once Phase 4 is brought to full capacity, the Fab 12 Gigafab will cover 300,000 square meters of floor space, including 45,000 square meters of cleanroom space, equivalent to 8 football fields, for capacity of 1,680,000 300mm wafers per year.

Our Newest R&D and Manufacturing Fab-Fab 12 Phase 4

CORPORATE SOCIAL RESPONSIBILITY

Environmental, Safety and Health (ESH) Management

TSMC believes its environmental, safety and health practices should not only comply with legal requirements, but also measure up to recognized international practices. The Company aims to prevent pollution, efficiently use all resources, prevent accidents, improve employee safety and health, protect property, and establish a work environment that promotes the well-being of our employees and of the communities in which we operate.

Environmental Protection

TSMC acknowledges that all employees should take responsibility for environmental protection. We not only comply with the environmental regulations of the locations where we operate, but also track new developments in global environmental issues, and take the lead in adopting new environmentally friendly measures. In addition to protecting the environment of our manufacturing sites in Taiwan and around the world, we lead our suppliers to establish a green supply chain. TSMC actively seeks to raise the environmental consciousness of all employees, and through social engagement and dialogue with semiconductor trade organizations, we encourage the semiconductor industry to contribute to society and the world.

All TSMC manufacturing facilities in Taiwan, China, and United States have received ISO 14001 certification for environmental management systems, and QC 080000 certification for hazardous substance management systems, and new facilities will be certified as well.

Climate Change and Greenhouse Gas Reduction

Global climate change is TSMC's top environmental concern. TSMC takes active measures to reduce greenhouse gases emitted in the semiconductor manufacturing process -- perfluorinated compounds (PFCs) such as CF_4, C_2F_6, SF_6, NF_3, CHF_3, C_3F_8, and C_4F_8. TSMC has committed to reducing PFC emissions to 10% below the average emission level of 1997 and 1999 by 2010. This emissions target remains fixed as TSMC continues to grow and construct new fabs. We have achieved significant results in the past several years and we expect to reduce more than 70% of PFC emissions and reach our target as scheduled.

Energy and Water Conservation

Coal-fired generators are the main source of electricity in Taiwan and emit large amounts of CO_2. Reducing energy consumption is an important part of CO_2 emission reduction for industries. TSMC uses energy-conserving designs when building new fabs, and continues to implement energy-saving measures on production equipment in operation. TSMC reduced average power consumption per 8-inch wafer out equivalent from 480 KWH in 2003 to 339 KWH in 2008, extending our gradual reduction in energy usage. In 2008, energy consumption declined by 4.2%.

Taiwan is a highly industrialized and densely populated island with mountainous terrain that does not retain water easily. TSMC reduces water usage by continuously raising the efficiency of process equipment, and by improving our water recycling rate. In 2008, TSMC's average process water recycling rate was 80.4%, exceeding the worldwide semiconductor industry standard. Recycling rates at some TSMC fabs are higher than 90%, leading the global semiconductor industry. Total water usage decreased by 1.6% in 2008 and water use per wafer area decreased by 10.16% compared to 2007.

Waste Reduction

TSMC treats waste as a resource to be managed and led the Taiwan semiconductor industry in 2001 in establishing a designated unit responsible for planning and management of waste recycling and disposal. TSMC continued to carry out waste reduction and recycling programs in 2008, improving its waste recycling rate from 65% in 2001 to 90% in 2008, not including office general waste.

Green Buildings

TSMC initiated a "green building" program in 2006. The program covers design and construction of new fabs, enhancement of existing fabs, internal training, and encouraging partners to gain "green building" certification. We established a Green Building Task Force to certify new fabs and existing office buildings according to the U.S. Leadership in Energy and Environmental Design (LEED) standard and Taiwan's Ecology, Energy Saving, Waste Reduction, Health (EEWH) standard. In 2008, TSMC's newly-constructed Fab14 phase 3 won EEWH diamond level and LEED gold level certification.

Safety and Health Management

TSMC's safety and health management is built on the framework of the OHSAS 18001 system, and follows the principle of "Plan, Do, Check, Act" to prevent accidents and protect employee safety and health as well as Company assets. In 2008, TSMC was certified for compliance from OHSAS 18001:1999 to OHSAS 18001:2007 in routine annual 3rd party audits.

Besides accident prevention, TSMC has established emergency response procedures to protect the lives of employees and contractors if disasters should occur, as well as to minimize negative impacts to society and the environment. TSMC communicates to suppliers to reduce potential risks in the operation of production equipment and follows safety control procedures when installing production equipment. The Company places stringent controls on high-risk operations and also evaluates the seismic tolerance of facilities and equipment to reduce the risk of earthquake damage. In health management, TSMC maintains regular wellness and professional health programs and also establishes Company-level prevention committees when infectious diseases such as Severe Acute Respiratory Syndrome (SARS) or Avian Influenza pose a potential risk to the Company.

Environmental, Safety and Health-related Awards in 2008

- Recognized by the Ministry of Economic Affairs Industry Development Bureau for "Excellence in Voluntary Greenhouse Gas Reduction"
- Recognized by the Executive Yuan, Council of Labor Affairs (CLA) for "National Industrial Safety and Health Award"
- Member of the Dow Jones Sustainability World Index for an 8th consecutive year, and the only Taiwan member from 2003 to 2007
- Selected to the Carbon Disclosure Leadership Index (CDLI) by the Carbon Disclosure Project, and the only Taiwan company in the index
- Fab 14 Phase 3 was only building in Taiwan to be certified "Gold Level" by the U.S. Green Building Council (USGBC) for "Leadership in Energy and Environmental Design of New Construction (LEED-NC) "
- Fab 14 Phase 3 was only factory in Taiwan to be rated "Diamond class" by Taiwan's "Ecology, Energy Saving, Waste Reduction, and Health (EEWH)" certification
- Fab 14 recognized by the Executive Yuan, Environmental Protection Administration (EPA) for "The Annual Enterprise Environmental Protection Award"
- Fab 12 was recognized by the Science Park Administration (SPA) for "Low Carbon Enterprise Award"

The TSMC Education and Culture Foundation

TSMC established the Education and Culture Foundation in 1998 to coordinate the Company's sponsorship as part of its efforts in corporate social responsibility. The Foundation directs resources to support four major areas: education, art and culture, community building, and the employee volunteer program.

In 2008, the TSMC Foundation also invited leading corporations to form the Taiwan Corporate Sustainability Forum to support TSMC's efforts to build a green supply chain in the semiconductor industry, and to help leaders in environmental protection across different industries learn from each other.

The Taiwan Corporate Sustainability Forum

TSMC believes that environmental protection is a cooperative effort, not a competition, and leading companies have a responsibility to show the way.

Guided by these concepts, TSMC visited 20 major Taiwan enterprises, and invited them to create the "Taiwan Corporate Sustainability Forum", which was founded on October 16, 2008. In the next two years, the forum's activities will focus on energy conservation, carbon reduction and community care. Members have committed to hosting experience-sharing sessions, and as of December 2008, the forum held three experience-sharing sessions, hosted by TSMC, Asustek Computer Inc, and Acer Inc.

Commitment to Education

Talented people are essential to the development of our economy. As a leader in Taiwan's knowledge-based economy, TSMC is committed to help cultivate talented people for society.

The TSMC Education and Culture Foundation tailors various programs to target a whole range of education at different age levels. At primary schools, our focus is on aesthetic education, with the goal of exposing children to arts as early as possible. For secondary schools, we concentrate on developing students' potential in science and humanities, hoping to nurture talents in both aspects. At the college level, we target global perspectives so that the students can compete in a globalized economy.

Promotion of Arts and Culture

The TSMC Education and Culture Foundation has been devoted to the promotion of arts and culture for many years. In addition to bringing prestigious international artists to Taiwan, the foundation is active in supporting prominent Taiwanese art groups. The Foundation pioneered collaboration between corporations and arts groups in Taiwan by sponsoring the Cloud Gate Dance Theater. In 2008, a fire destroyed their rehearsal studio, and the foundation joined in the reconstruction effort. The TSMC Foundation was also presented with the 9th Arts and Business Special Award, Grand Jury Prize, by the Council for Cultural Affairs in 2008. It is recognition of TSMC's long-term commitment and achievements in supporting art and culture activities.

Community Building

As a company based in Hsinchu and Tainan, TSMC is dedicated to building a better environment and a vibrant community in these areas. In order to contribute to these communities and bring culture to these high-tech cities, the Foundation began to focus its funding for fine arts on activities in Hsinchu and Tainan from 2003. By organizing exhibits and performances in these cities and packaging them into the "TSMC Hsin-Chu Arts Festival", we hope to encourage a greater appreciation of arts. In addition, the Foundation is supporting various long-term projects to provide assistance to disadvantaged women and youth in the local community.

The Employee Volunteer Program

The most valuable asset of TSMC is the talent and enthusiasm of its employees. In addition to sponsoring education and arts programs, the Foundation encourages TSMC employees to devote themselves to society as volunteers. TSMC employees have served as guides to introduce the electronic industry at the National Science Museums during weekends, and read books to the elementary students in remote townships on weekdays. In 2008, a new team of Energy-Saving Volunteers was formed to help the local community in pursuing energy saving measures.

CORPORATE GOVERNANCE

TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors established an Audit Committee in 2002 and a Compensation Committee in 2003.

Board of Directors

TSMC's Board of Directors consists of eight distinguished members with a great breadth of experience as world-class business leaders or scholars. In 2008, four of the eight members were independent directors: former British Telecommunications Chief Executive Officer, Sir Peter Bonfield; Professor Lester Thurow from the Massachusetts Institute of Technology; former Acer Group Chairman, Mr. Stan Shih; and former Hewlett-Packard Chairman and CEO, Ms. Carleton (Carly) Fiorina. Under the leadership of Chairman Morris Chang, TSMC's Board of Directors takes a serious and forthright approach to its duties and is a serious, competent and independent Board.

In the spirit of Chairman Chang's approach to corporate governance, a board of directors' primary duty is to supervise. The Board should supervise the Company's compliance with relevant laws and regulations, financial transparency, timely disclosure of material information, and maintaining the highest integrity within the Company. TSMC's Board of Directors strives to perform through the Audit Committee and the Compensation Committee, the hiring of a financial expert for the Audit Committee, coordination with the Internal Audit department, and through the ombudsman reporting system.

The second duty of the board of directors is to provide guidance to the management team of the Company. TSMC's management reports quarterly to the TSMC Board on a variety of subjects. The management also reviews the Company's business strategies with the Board. Furthermore, the management often reviews with and updates TSMC's Board on the progress of the strategies, obtaining Board guidance as appropriate.

The third duty of the Board of Directors is to evaluate the management's performance and to dismiss officers of the Company when necessary. TSMC's management has maintained a healthy and functional communication with TSMC Board of Directors, has been devoted in executing guidance of TSMC Board of Directors, and is dedicated in running business operations, all to achieve the best interests for TSMC shareholders.

Audit Committee and Compensation Committee

The Audit Committee assists the Board in carrying out its financial oversight responsibilities and other duties as set forth in the Company Act, the Securities and Exchange Act, and other applicable laws and regulations. Matters required to be reviewed by the Audit Committee include the Company's: financial reports; auditing and accounting policies and procedures; internal control systems; material asset or derivatives transactions; offering or issuance of any equity-type securities; hiring or dismissal of an attesting CPA, or the compensation given thereto; and appointment or discharge of financial, accounting, or internal auditing officers.TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate.

As of February 2009, the Audit Committee was comprised of all four independent directors and had engaged a financial expert consultant. The Audit Committee Charter is available on TSMC's corporate website.

The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's executives. As of February 2009, the Compensation Committee was comprised of five members. All four independent directors served as voting members of the Committee; the Chairman of the Board, Dr. Morris Chang, was a non-voting member. Mr. Stan Shih, Chairman of the Compensation Committee, convened four regular meetings in 2008. The Compensation Committee Charter is available on TSMC's corporate website.

FINANCIAL STATEMENTS

Taiwan Semiconductor Manufacturing Company Limited

Balance Sheets (Unconsolidated)

December 31, 2008~2004 (In Thousands of New Taiwan Dollars)

	2008	2007	2006	2005[1]	2004
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 138,208,360	$ 72,422,102	$ 100,139,709	$ 85,383,583	$ 65,531,818
Short-term investments, net	-	-	-	-	52,979,095
Financial assets at fair value through profit or loss	42,460	42,083	44,601	1,380,905	-
Available-for-sale financial assets	-	22,267,223	25,967,061	46,452,838	-
Held-to-maturity financial assets	5,881,999	11,526,946	8,510,823	602,509	-
Receivables from related parties	11,728,204	26,701,648	16,869,509	21,050,604	16,136,039
Notes and accounts receivable	11,441,176	17,911,328	16,278,164	20,591,818	15,326,881
Allowance for doubtful receivables	(436,746)	(688,972)	(690,931)	(976,344)	(980,461)
Allowance for sales returns and others	(5,868,582)	(3,856,685)	(2,751,065)	(4,269,969)	(3,327,914)
Other receivables from related parties	489,742	525,308	449,266	1,797,714	1,667,383
Other financial assets	711,755	331,698	653,460	1,106,030	2,080,640
Inventories, net	12,807,936	20,987,142	19,152,214	16,257,955	14,171,945
Deferred income tax assets	3,650,700	5,268,000	7,832,000	7,013,000	8,849,000
Prepaid expenses and other current assets	1,192,475	861,465	1,221,199	1,171,773	1,232,885
Total current assets	179,849,479	174,299,286	193,676,010	197,562,416	173,667,311
LONG-TERM INVESTMENTS					
Investments accounted for using equity method	109,871,178	113,048,081	101,044,356	51,076,803	46,828,322
Available-for-sale financial assets	2,032,658	1,397,186	6,647,511	-	-
Held-to-maturity financial assets	11,761,325	8,697,726	28,973,495	28,775,308	-
Financial assets carried at cost	519,502	748,160	712,843	807,490	772,634
Long-term bonds	-	-	-	-	15,170,167
Other investments	-	-	-	-	10,521,740
Total long-term investments	124,184,663	123,891,153	137,378,205	80,659,601	73,292,863
PROPERTY, PLANT AND EQUIPMENT					
Cost					
Buildings	114,014,588	101,907,892	96,961,851	90,769,622	84,299,167
Machinery and equipment	635,008,261	589,131,625	527,850,728	459,850,773	390,719,215
Office equipment	9,748,869	9,167,107	8,659,225	7,850,035	7,041,132
Total costs	758,771,718	700,206,624	633,471,804	558,470,430	482,059,514
Accumulated depreciation	(557,247,254)	(486,725,019)	(417,467,250)	(359,191,829)	(300,006,201)
Advance payments and construction in progress	17,758,038	21,082,953	12,230,805	14,867,032	45,923,087
Net property, plant and equipment	219,282,502	234,564,558	228,235,359	214,145,633	227,976,400
INTANGIBLE ASSETS					
Goodwill	1,567,756	1,567,756	1,567,756	1,567,756	1,916,146
Deferred charges, net	6,401,461	7,172,413	5,593,068	6,681,144	8,845,144
Total intangible assets	7,969,217	8,740,169	7,160,824	8,248,900	10,761,290
OTHER ASSETS					
Deferred income tax assets	6,497,972	7,241,933	5,761,127	6,759,955	1,645,003
Refundable deposits	2,719,737	2,741,538	1,306,234	83,642	85,413
Assets leased to others, net	55,677	61,411	67,145	72,879	78,613
Others	-	232,575	-	6,789	46,317
Total other assets	9,273,386	10,277,457	7,134,506	6,923,265	1,855,346
TOTAL	$ 540,559,247	$ 551,772,623	$ 573,584,904	$ 507,539,815	$ 487,553,210

(Continued)

	2008	2007	2006	2005[(1)]	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Financial liabilities at fair value through profit or loss	$ 83,618	$ 247,646	$ 10,751	$ 234,279	$ -
Accounts payable	4,314,265	9,485,818	6,143,679	8,052,106	6,488,617
Payables to related parties	1,202,350	2,999,630	3,326,916	3,242,197	3,198,490
Income tax payable	9,222,811	10,977,963	7,850,418	3,815,888	379,903
Bonuses payable to employees and directors	15,148,057	-	-	-	-
Payables to contractors and equipment suppliers	7,574,891	5,389,740	10,669,523	8,859,230	31,154,309
Accrued expenses and other current liabilities	7,553,475	14,700,013	7,903,867	7,980,715	8,917,533
Current portion of long-term bonds payable	8,000,000	-	7,000,000	-	10,500,000
Total current liabilities	53,099,467	43,800,810	42,905,154	32,184,415	60,638,852
LONG-TERM LIABILITIES					
Bonds payable	4,500,000	12,500,000	12,500,000	19,500,000	19,500,000
Other long-term payables	931,252	1,501,462	1,271,896	1,511,100	1,934,968
Other payables to related parties	-	-	403,375	1,100,475	2,317,972
Total long-term liabilities	5,431,252	14,001,462	14,175,271	22,111,575	23,752,940
OTHER LIABILITIES					
Accrued pension cost	3,710,009	3,657,679	3,530,116	3,461,392	3,101,196
Guarantee deposits	1,479,152	2,240,677	3,809,961	2,892,945	412,393
Deferred credits	462,256	980,593	1,183,118	1,259,139	682,530
Total other liabilities	5,651,417	6,878,949	8,523,195	7,613,476	4,196,119
Total liabilities	64,182,136	64,681,221	65,603,620	61,909,466	88,587,911
SHAREHOLDERS' EQUITY					
Capital stock - $10 par value					
Common stock	256,254,373	264,271,037	258,296,879	247,300,246	232,519,637
Capital surplus	49,875,255	53,732,682	54,107,498	57,117,886	56,537,259
Retained earnings					
Appropriated as legal capital reserve	67,324,393	56,406,684	43,705,711	34,348,208	25,528,007
Appropriated as special capital reserve	391,857	629,550	640,742	2,226,427	-
Unappropriated earnings	102,337,417	161,828,337	152,778,079	106,196,399	88,202,009
	170,053,667	218,864,571	197,124,532	142,771,034	113,730,016
Others					
Cumulative translation adjustments	481,158	(1,072,853)	(1,191,165)	(640,742)	(2,226,427)
Unrealized gain (loss) on financial instruments	(287,342)	680,997	561,615	-	-
Treasury stock	-	(49,385,032)	(918,075)	(918,075)	(1,595,186)
	193,816	(49,776,888)	(1,547,625)	(1,558,817)	(3,821,613)
Total shareholders' equity	476,377,111	487,091,402	507,981,284	445,630,349	398,965,299
TOTAL	$ 540,559,247	$ 551,772,623	$ 573,584,904	$ 507,539,815	$ 487,553,210

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

Statements of Income (Unconsolidated)

For the Years Ended December 31, 2008 ~ 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Shares)

	2008	2007(1)	2006(1)	2005(1)	2004(1)
GROSS SALES	$ 330,228,027	$ 319,167,299	$ 319,210,148	$ 270,315,064	$ 260,726,896
SALES RETURNS AND ALLOWANCES	8,460,944	5,519,655	5,328,513	5,726,700	4,734,469
NET SALES	321,767,083	313,647,644	313,881,635	264,588,364	255,992,427
COST OF SALES	183,589,540	176,223,224	164,163,235	149,344,315	145,831,843
GROSS PROFIT	138,177,543	137,424,420	149,718,400	115,244,049	110,160,584
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES	72	(265,106)	-	-	-
REALIZED GROSS PROFIT	138,177,615	137,159,314	149,718,400	115,244,049	110,160,584
OPERATING EXPENSES					
Research and development	19,737,038	15,913,834	14,601,385	13,395,801	12,516,434
General and administrative	9,895,617	7,660,776	7,190,422	7,485,011	9,367,010
Marketing	2,254,728	1,332,657	1,626,734	1,349,413	1,454,362
Total operating expenses	31,887,383	24,907,267	23,418,541	22,230,225	23,337,806
INCOME FROM OPERATIONS	106,290,232	112,252,047	126,299,859	93,013,824	86,822,778
NON-OPERATING INCOME AND GAINS					
Interest income	2,728,892	2,634,636	3,382,868	2,506,769	1,687,681
Foreign exchange gain, net	1,113,406	71,128	-	2,572,560	-
Settlement income	951,180	985,114	967,506	950,046	-
Technical service income	619,237	712,162	670,297	491,267	423,804
Gain on settlement and disposal of financial assets, net	452,159	271,094	-	-	-
Gain on disposal of property, plant and equipment and other assets	298,772	305,201	596,459	494,374	164,147
Rental income	164,321	368,748	224,281	-	-
Equity in earnings of equity method investees, net	72,568	5,468,230	5,526,727	-	4,040,319
Valuation gain on financial instruments, net	-	-	-	-	2,490,624
Others	325,090	289,479	194,739	366,344	469,097
Total non-operating income and gains	6,725,625	11,105,792	11,562,877	7,381,360	9,275,672
NON-OPERATING EXPENSES AND LOSSES					
Valuation loss on financial instruments, net	1,230,966	924,316	1,615,796	3,929,974	-
Interest expense	355,056	584,736	661,200	1,180,484	1,189,746
Loss on impairment of financial assets	247,488	-	-	-	-
Loss on impairment of idle assets	210,477	-	44,072	131,849	-
Provision for litigation loss	99,126	1,008,635	-	-	-
Equity in losses of equity method investees, net	-	-	-	1,052,045	-
Loss on settlement and disposal of financial assets, net	-	-	-	149,498	-
Foreign exchange loss, net	-	-	412,726	-	2,977,242
Others	113,926	88,746	322,443	131,911	152,878
Total non-operating expenses and losses	2,257,039	2,606,433	3,056,237	6,575,761	4,319,866
INCOME BEFORE INCOME TAX	110,758,818	120,751,406	134,806,499	93,819,423	91,778,584
INCOME TAX BENEFITS (EXPENSES)	(10,825,650)	(11,574,313)	(7,550,582)	(244,388)	537,531
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	99,933,168	109,177,093	127,255,917	93,575,035	92,316,115
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT$82,062 THOUSAND	-	-	(246,186)	-	-
NET INCOME	$ 99,933,168	$ 109,177,093	$ 127,009,731	$ 93,575,035	$ 92,316,115
EARNINGS PER SHARE (2)					
Basic earnings per share	$ 3.86	$ 4.06	$ 4.72	$ 3.48	$ 3.43
Diluted earnings per share	$ 3.83	$ 4.06	$ 4.72	$ 3.48	$ 3.43

Note 1: Certain accounts have been reclassified to conform to year 2008 reclassfication.

Note 2: Retroactively adjusted for capitalization of unappropriated earnings and bonus to employees.

Taiwan Semiconductor Manufacturing Company Limited

Statements of Cash Flows (Unconsolidated)

For the Years Ended December 31, 2008 ~ 2004 (In Thousands of New Taiwan Dollars)

	2008	2007	2006	2005[1]	2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 99,933,168	$ 109,177,093	$ 127,009,731	$ 93,575,035	$ 92,316,115
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	74,569,562	72,820,579	66,699,455	67,991,423	63,072,140
Unrealized (realized) gross profit from affiliates	(72)	265,106	-	-	-
Amortization of premium/discount from long-term bond investments, net	-	-	-	-	28,673
Amortization of premium/discount of financial assets	(97,381)	(117,159)	2,399	120,872	-
Loss on impairment of financial assets	247,488	-	36,608	-	-
Gain on sales of long-term investments, net	-	-	-	-	(2,216)
Loss (gain) on disposal of available-for-sale financial assets, net	(443,404)	(271,094)	485	150,081	-
Gain on disposal of financial assets carried at cost, net	(8,755)	-	(212)	(2,919)	-
Gain on disposal of investments accounted for using equity method investees, net	-	-	(26,031)	(583)	-
Equity in losses (earnings) of equity method investees, net	(72,568)	(5,468,230)	(5,526,727)	1,052,045	(4,040,319)
Dividends received from equity method investees	1,804,351	677,147	626,367	668,464	-
Gain on disposal of property, plant and equipment and other assets, net	(298,769)	(300,387)	(355,474)	(434,382)	(56,425)
Loss on impairment of idle assets	210,477	-	44,072	131,849	-
Donation of idle assets	-	-	-	7,207	-
Deferred income taxes	2,361,261	1,083,194	179,828	(3,278,952)	(1,101,407)
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Financial assets and liabilities at fair value through profit or loss	(164,405)	239,413	1,112,776	10,739	-
Receivables from related parties	14,973,444	(9,832,139)	4,181,095	(4,914,565)	(1,301,979)
Notes and accounts receivable	6,470,152	(1,633,164)	4,313,654	(5,264,937)	(1,409,074)
Allowance for doubtful receivables	(252,226)	(1,959)	(285,413)	(4,117)	(35,561)
Allowance for sales returns and others	2,011,897	1,105,620	(1,518,904)	942,055	1,201,889
Inventories, net	8,179,206	(1,834,928)	(2,894,259)	(2,086,010)	(3,264,787)
Prepaid expenses and other current assets	(666,886)	605,454	836,884	(1,263,179)	(606,189)
Increase (decrease) in:					
Accounts payable	(5,171,553)	3,342,139	(1,908,427)	1,563,489	404,741
Payables to related parties	(1,797,280)	(327,286)	(612,381)	(1,224,371)	(1,771,144)
Income tax payable	(1,766,153)	3,127,545	4,034,530	3,435,985	252,800
Bonuses payable to employees and directors	15,148,057	-	-	-	-
Accrued pension cost	52,330	127,563	68,724	360,196	500,945
Accrued expenses and other liabilities	(3,271,994)	1,332,485	61,517	(905,549)	(507,984)
Net cash provided by operating activities	211,949,947	174,116,992	196,080,297	150,629,876	143,680,218
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of :					
Property, plant and equipment	(56,766,192)	(81,303,047)	(77,215,811)	(73,659,014)	(76,171,356)
Available-for-sale financial assets	(23,697,000)	(9,547,253)	(98,679,832)	(99,436,242)	-
Held-to-maturity financial assets	(12,371,965)	-	(18,554,027)	(14,199,142)	-
Investments accounted for using equity method	(494,765)	(7,358,685)	(5,515,466)	(3,392,619)	-
Financial assets carried at cost	(20,681)	(36,333)	(12,940)	(48,536)	-
Long-term investments	-	-	-	-	(30,290,982)
Cash from merger of subsidiaries	270,650	-	-	-	-
Proceeds from disposal or redemption of:					
Available-for-sale financial assets	45,584,934	18,844,520	73,212,019	101,609,384	-
Held-to-maturity financial assets	15,004,000	17,325,120	10,410,000	14,595,394	-
Financial assets carried at cost	10,606	-	71,191	16,599	-
Investments accounted for using equity method	-	-	37,946	65,076	-
Long-term investments	-	-	-	-	7,822
Property, plant and equipment and other assets	2,042,899	54,509	1,277,729	2,087,236	1,713,934
Increase in short-term investments, net	-	-	-	-	(43,822,489)
Proceeds from return of capital by investee	2,465,293	433,551	162,354	-	-
Increase in deferred charges	(3,199,813)	(2,685,610)	(1,272,355)	(847,721)	(2,404,130)
Decrease (increase) in other assets	21,801	(1,667,879)	(1,222,592)	1,771	91,966
Net cash used in investing activities	(31,150,233)	(65,941,107)	(117,301,784)	(73,207,814)	(150,875,235)

(Continued)

	2008	2007	2006	2005[1]	2004
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bonds payable	$ -	$ (7,000,000)	$ -	$ (10,500,000)	$ (5,000,000)
Increase (decrease) in guarantee deposits	(761,525)	(1,569,284)	917,016	2,480,552	(351,096)
Cash dividends	(76,881,311)	(77,489,064)	(61,825,061)	(46,504,097)	(12,159,971)
Cash bonus paid to employees	(3,939,883)	(4,572,798)	(3,432,129)	(3,086,215)	(681,628)
Cash dividends paid for preferred stocks	-	-	-	-	(184,493)
Bonus to directors and supervisors	(176,890)	(285,800)	(257,410)	(231,466)	(127,805)
Repurchase of treasury stock	(33,480,997)	(45,413,373)	-	-	(7,059,798)
Proceeds from exercise of employee stock options	227,150	436,827	575,197	270,929	3,624
Net cash used in financing Activities	(115,013,456)	(135,893,492)	(64,022,387)	(57,570,297)	(25,561,167)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,786,258	(27,717,607)	14,756,126	19,851,765	(32,756,184)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,422,102	100,139,709	85,383,583	65,531,818	98,288,002
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 138,208,360	$ 72,422,102	$ 100,139,709	$ 85,383,583	$ 65,531,818
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest paid	$ 355,056	$ 661,200	$ 661,200	$ 1,212,449	$ 1,304,621
Income tax paid	$ 10,282,464	$ 7,330,401	$ 3,189,528	$ 87,351	$ 309,522
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS					
Acquisitions of property, plant, and equipment	$ 58,951,343	$ 76,023,264	$ 79,026,104	$ 51,363,935	$ 100,207,781
Decrease (increase) in payables to contractors and equipment suppliers	(2,185,151)	5,279,783	(1,810,293)	22,295,079	(24,036,425)
Cash paid	$ 56,766,192	$ 81,303,047	$ 77,215,811	$ 73,659,014	$ 76,171,356
Repurchase of treasury stock	$ 30,427,413	$ 48,466,957	$ -	$ -	$ -
Decrease (Increase) in accrued expenses and other current liabilities	3,053,584	(3,053,584)	-	-	-
Cash paid	$ 33,480,997	$ 45,413,373	$ -	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES					
Current portion of bonds payable	$ 8,000,000	$ -	$ 7,000,000	$ -	$ 10,500,000
Current portion of other payables to related parties (under payables to related parties)	$ -	$ -	$ 688,591	$ 693,956	$ 469,494
Current portion of other long-term payables (under accrued expenses and other current liabilities)	$ 1,026,421	$ 3,673,182	$ 617,892	$ 869,072	$ 1,505,345
Reclassification of short-term investments to long-term investments	$ -	$ -	$ -	$ -	$ 3,402,413
Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method	$ -	$ -	$ 39,687,637	$ -	$ -

(Concluded)

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Balance Sheets (Consolidated)

December 31, 2008 ~ 2004 (In Thousands of New Taiwan Dollars)

	2008	2007	2006	2005[1]	2004
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 194,613,752	$ 94,986,488	$ 117,837,192	$ 96,483,707	$ 74,302,351
Short-term investments, net	-	-	-	-	54,107,951
Financial assets at fair value through profit or loss	55,730	1,632,387	1,206,854	1,770,445	-
Available-for-sales financial assets	10,898,715	66,688,368	67,523,858	46,452,838	-
Held-to-maturity financial assets	5,881,999	11,526,946	8,510,823	602,509	-
Receivable from related parties	407	10,885	252,339	693,266	654,377
Notes and accounts receivable	25,023,321	47,204,126	34,957,650	43,082,275	31,214,423
Allowance for doubtful receivables	(455,751)	(701,807)	(749,888)	(980,594)	(982,843)
Allowance for sales returns and others	(6,071,026)	(4,089,035)	(2,870,802)	(4,317,413)	(3,342,450)
Other receivables from related parties	99,918	243,620	256,863	597,910	141,578
Other financial assets	1,911,699	1,515,527	2,356,542	1,617,797	2,212,371
Inventories, net	14,876,645	23,862,260	21,430,728	17,728,303	15,555,937
Deferred income tax assets, net	3,969,330	5,572,334	8,013,992	7,149,306	8,917,986
Prepaid expenses and other current assets	1,813,692	1,370,230	1,591,017	1,420,441	1,667,401
Total current assets	252,618,431	249,822,329	260,317,168	212,300,790	184,449,082
LONG-TERM INVESTMENTS					
Investment accounted for using equity method	18,907,158	22,517,289	15,000,891	10,287,424	9,143,612
Available-for-sales financial assets	2,032,658	1,400,691	6,648,485	117,247	-
Held-to-maturity financial assets	15,426,252	8,697,726	28,973,495	28,775,308	-
Financial assets carried at cost	3,615,447	3,845,619	3,272,280	3,202,515	-
Cost method	-	-	-	-	3,266,330
Long-term bonds	-	-	-	-	15,170,167
Other investments	-	-	-	-	10,521,740
Total long-term investments	39,981,515	36,461,325	53,895,151	42,382,494	38,101,849
PROPERTY, PLANT AND EQUIPMENT					
Cost					
Land and land improvements	953,857	942,197	844,644	851,225	803,508
Buildings	132,249,996	118,640,027	112,595,124	105,832,028	97,882,699
Machinery and equipment	697,498,743	646,419,427	579,825,289	510,922,064	433,130,364
Office equipment	12,430,800	11,829,640	10,646,725	9,670,611	8,538,225
Leased assets	722,339	652,296	612,941	597,669	566,243
	843,855,735	778,483,587	704,524,723	627,873,597	540,921,039
Accumulated depreciation	(618,816,267)	(540,099,567)	(463,038,084)	(398,124,607)	(331,253,866)
Advance payments and construction in progress	18,605,882	21,868,167	12,607,551	15,074,302	49,244,153
Net property, plant and equipment	243,645,350	260,252,187	254,094,190	244,823,292	258,911,326
INTANGIBLE ASSETS					
Goodwill	6,044,392	5,987,582	5,984,993	6,010,601	7,115,510
Deferred charges, net	7,125,828	7,923,601	5,936,915	7,006,250	8,992,452
Total intangible assets	13,170,220	13,911,183	11,921,908	13,016,851	16,107,962
OTHER ASSETS					
Deferred income tax assets, net	6,636,873	7,313,283	5,802,142	6,788,418	1,649,979
Refundable deposits	2,767,199	2,777,769	1,331,245	106,802	106,448
Others	97,001	327,150	123,355	90,942	127,445
Total intangible assets	9,501,073	10,418,202	7,256,742	6,986,162	1,883,872
TOTAL	$ 558,916,589	$ 570,865,226	$ 587,485,159	$ 519,509,589	$ 499,454,091

(Continued)

	2008	2007	2006	2005[(1)]	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term bank loans	$ -	$ -	$ -	$ 328,500	$ 383,004
Financial liabilities at fair value through profit or loss	85,187	249,313	10,864	234,279	-
Notes and accounts payable	5,553,151	11,574,882	7,934,388	9,421,452	7,264,419
Payable to related parties	489,857	1,503,376	1,867,728	1,743,069	2,217,815
Income tax payable	9,331,825	11,126,128	7,946,473	4,015,451	403,955
Bonuses payable to employees, directors and supervisors	15,369,730	-	-	-	-
Payable to contractors and equipment suppliers	7,998,773	6,256,732	10,768,591	9,066,036	33,427,702
Accrued expenses and other current liabilities	9,755,835	17,714,763	11,328,350	10,307,951	9,722,413
Current portion of bonds payable and long-term liabilities	8,222,398	280,813	7,004,137	5,489	10,500,000
Total current liabilities	56,806,756	48,706,007	46,860,531	35,122,227	63,919,308
LONG-TERM LIABILITIES					
Bonds payables	4,500,000	12,500,000	12,500,000	19,500,000	19,500,000
Long-term bank loans	1,420,476	1,722,196	653,959	663,140	1,915,020
Other long-term payables	9,548,226	9,409,978	8,703,267	8,548,887	7,964,975
Other payables to related parties	-	-	403,375	1,100,475	2,317,972
Obligations under capital leases	722,339	652,296	612,941	597,669	566,243
Total long-term liabilities	16,191,041	24,284,470	22,873,542	30,410,171	32,264,210
OTHER LIABILITIES					
Accrued pension cost	3,701,584	3,665,522	3,540,060	3,474,384	3,101,707
Guarantee deposits	1,484,495	2,243,009	3,817,132	2,896,430	412,881
Deferred credits	316,537	1,236,873	1,177,138	1,343,959	704,991
Others	43,709	43,774	78,640	23,710	9,958
Total other Liabilities	5,546,325	7,189,178	8,612,970	7,738,483	4,229,537
Total Liabilities	78,544,122	80,179,655	78,347,043	73,270,881	100,413,055
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT					
Capital stock - $10 par value					
Common stock	256,254,373	264,271,037	258,296,879	247,300,246	232,519,637
Capital surplus	49,875,255	53,732,682	54,107,498	57,117,886	56,537,259
Retained earnings					
Appropriated as legal capital reserve	67,324,393	56,406,684	43,705,711	34,348,208	25,528,007
Appropriated as special capital reserve	391,857	629,550	640,742	2,226,427	-
Unappropriated earnings	102,337,417	161,828,337	152,778,079	106,196,399	88,202,009
	170,053,667	218,864,571	197,124,532	142,771,034	113,730,016
Others					
Cumulative translation adjustments	481,158	(1,072,853)	(1,191,165)	(640,742)	(2,226,427)
Unrealized gain on financial instruments	(287,342)	680,997	561,615	-	-
Treasury stock	-	(49,385,032)	(918,075)	(918,075)	(1,595,186)
	193,816	(49,776,888)	(1,547,625)	(1,558,817)	(3,821,613)
Equity attributable to shareholders of the parent	476,377,111	487,091,402	507,981,284	445,630,349	398,965,299
MINORITY INTERESTS	3,995,356	3,594,169	1,156,832	608,359	75,737
Total shareholders' equity	480,372,467	490,685,571	509,138,116	446,238,708	399,041,036
TOTAL	$ 558,916,589	$ 570,865,226	$ 587,485,159	$ 519,509,589	$ 499,454,091

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Statements of Income (Consolidated)

For the Years Ended December 31, 2008 ~ 2004 (In Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2008	2007 (1)	2006 (1)	2005 (1)	2004 (1)
GROSS SALES	$ 341,983,355	$ 328,336,172	$ 322,883,499	$ 271,801,696	$ 261,947,351
SALES RETURNS AND ALLOWANCES	8,825,695	5,705,576	5,476,328	5,236,626	4,734,733
NET SALES	333,157,660	322,630,596	317,407,171	266,565,070	257,212,618
COST OF SALES	191,408,099	180,280,385	161,597,081	148,362,196	141,393,435
GROSS PROFIT	141,749,561	142,350,211	155,810,090	118,202,874	115,819,183
OPERATING EXPENSES					
Research and development	21,480,937	17,946,322	16,076,432	14,016,506	12,516,434
General and administrative	11,096,599	8,963,836	8,716,653	9,085,536	11,454,374
Marketing	4,736,657	3,718,146	3,752,311	4,132,273	3,366,701
Total operating expenses	37,314,193	30,628,304	28,545,396	27,234,315	27,337,509
INCOME FROM OPERATIONS	104,435,368	111,721,907	127,264,694	90,968,559	88,481,674
NON-OPERATING INCOME AND GAINS					
Interest income	5,373,823	5,651,700	4,542,149	2,806,226	1,783,693
Foreign exchange gain, net	1,227,653	80,922	-	2,609,979	-
Technical service income	1,181,966	590,391	571,500	462,624	423,804
Settlement income	951,180	985,114	979,214	964,710	-
Gain on settlement and disposal of financial assets, net	721,050	874,670	133,489	-	172,493
Equity in earnings of equity method investees, net	701,533	2,507,869	2,347,153	1,433,226	2,094,137
Rental income	166,317	378,643	224,290	847	-
Gain on disposal of property, plant and equipment and other assets	100,874	91,210	421,051	342,756	242,785
Subsidy income	8,029	364,321	334,478	321,850	-
Valuation gain on financial instruments, net	-	63,017	-	-	3,232,672
Others	389,024	345,946	285,757	457,142	556,598
Total non-operating income and gains	10,821,449	11,933,803	9,839,081	9,399,360	8,506,182
NON-OPERATING EXPENSES AND LOSSES					
Loss on impairment of financial assets	1,560,055	54,208	279,690	128,900	-
Valuation loss on financial instruments, net	1,081,019	-	1,745,036	3,778,073	-
Interest expense	614,988	842,242	890,602	1,413,374	1,365,916
Loss on impairment of idle assets	210,477	-	44,072	131,849	-
Provision for litigation loss	99,126	1,008,635	-	-	-
Loss on settlement and disposal of financial assets, net	-	-	-	161,886	-
Foreign exchange loss, net	-	-	400,863	-	3,036,326
Loss on disposal of property, plant and equipment	589	6,190	241,397	60,109	131,148
Loss on impairment of long-term investments	-	-	-	-	350,608
Others	218,317	102,409	139,907	430,481	138,271
Total non-operating expenses and losses	3,784,571	2,013,684	3,741,567	6,104,672	5,022,269
INCOME BEFORE INCOME TAX	111,472,246	121,642,026	133,362,208	94,263,247	91,965,587
INCOME TAX BENEFIT (EXPENSE)	(10,949,009)	(11,709,626)	(7,773,711)	(630,579)	363,426
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	100,523,237	109,932,400	125,588,497	93,632,668	92,329,013
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT$82,062 THOUSAND	-	-	1,606,749	-	-
NET INCOME	$ 100,523,237	$ 109,932,400	$ 127,195,246	$ 93,632,668	$ 92,329,013
ATTRIBUTABLE TO:					
Shareholders of the parent	$ 99,933,168	$ 109,177,093	$ 127,009,731	$ 93,575,035	$ 92,316,115
Minority interest	590,069	755,307	185,515	57,633	12,898
	$ 100,523,237	$ 109,932,400	$ 127,195,246	$ 93,632,668	$ 92,329,013
EARNINGS PER SHARE (2)					
Basic earnings per share	$ 3.86	$ 4.06	$ 4.72	$ 3.48	$ 3.43
Diluted earnings per share	$ 3.83	$ 4.06	$ 4.72	$ 3.48	$ 3.43

Note 1: Certain accounts have been reclassified to conform to 2008 classifications.

Note 2: Retroactively adjusted for capitalization of unappropriated earnings and bonus to employees.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

Statements of Cash Flows (Consolidated)

For the Years Ended December 31, 2008 ~ 2004 (In Thousands of New Taiwan Dollars)

	2008	2007	2006	2005[1]	2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income attributable to shareholders of the parent	$ 99,933,168	$ 109,177,093	$ 127,009,731	$ 93,575,035	$ 92,316,115
Net income attributable to minority interests	590,069	755,307	185,515	57,633	12,898
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation and amortization	81,512,191	80,005,395	73,715,242	75,649,429	69,818,457
Amortization of premium/discount of financial assets	(93,393)	(117,159)	2,399	120,872	-
Loss on impairment of financial assets	1,560,055	54,208	279,690	128,900	350,608
Loss (gain) on disposal of available-for-sale financial assets, net	(637,219)	(610,167)	(90,826)	150,081	-
Gain on disposal of financial assets carried at cost, net	(83,831)	(264,503)	(16,210)	(14,721)	-
Equity in earnings of equity method investees, net	(701,533)	(2,507,869)	(2,347,153)	(1,433,226)	(2,094,137)
Dividends received from equity method investees	1,661,134	625,130	614,567	668,464	-
Gain on disposal of investments accounted for using equity method	-	-	-	(583)	-
Gain on disposal of property, plant and equipment and other assets, net	(100,285)	(85,020)	(179,654)	(282,647)	(111,637)
Loss on idle assets	210,477	-	44,072	131,849	-
Deferred income taxes	2,279,414	943,797	121,590	(3,353,013)	(1,058,393)
Donation of idle assets	-	-	-	7,207	-
Amortization of premium/discount of long-term bond investments	-	-	-	-	28,673
Gain on sales of long-term investments, net	-	-	-	-	(85,203)
Changes in operating assets and liabilities:					
Decrease (increase) in:					
Financial assets and liabilities at fair value through profit or loss	1,412,531	(187,084)	340,176	72,842	-
Receivable from related parties	10,478	629,467	440,927	(101,915)	266,067
Notes and accounts receivable	22,180,805	(12,134,176)	8,124,625	(11,572,809)	(2,709,261)
Allowance for doubtful receivables	(246,056)	(48,126)	(230,706)	(3,145)	(37,555)
Allowance for sales returns and others	1,981,991	1,205,277	(1,446,611)	974,963	1,206,607
Other receivables from related parties	143,702	13,243	341,047	(87,979)	(9,847)
Other financial assets	(425,937)	842,136	(738,745)	(305,881)	(777,100)
Inventories, net	8,985,615	(2,226,106)	(3,702,425)	(2,006,165)	(3,420,613)
Prepaid expenses and other current assets	(443,462)	290,434	(170,576)	119,985	(34,493)
Increase (decrease) in:					
Notes and accounts payables	(6,021,731)	3,218,255	(1,487,064)	2,088,582	825,815
Payable to related parties	(1,013,519)	(375,731)	(572,441)	(1,629,217)	(1,499,968)
Income tax payable	(1,794,303)	3,179,655	3,931,022	3,611,486	266,526
Bonuses payable to employees, directors and supervisors	15,369,730	-	-	-	-
Accrued expenses and other current liabilities	(3,954,427)	913,872	862,428	181,748	(602,911)
Accrued pension cost	36,062	125,462	65,676	360,128	500,257
Deferred credits	(858,161)	343,878	(99,310)	117,335	-
Net Cash Provided by Operating Activities	221,493,565	183,766,668	204,996,986	157,225,238	153,150,905
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of :					
Property, plant and equipment	(59,222,654)	(84,000,985)	(78,737,265)	(79,878,724)	(81,094,557)
Available-for-sale financial assets	(85,273,867)	(87,550,197)	(119,291,685)	(99,436,242)	-
Held-to-maturity financial assets	(16,523,275)	-	(18,554,027)	(14,199,142)	-
Investments accounted for using equity method	(55,871)	(5,803,826)	(2,613,009)	(621,883)	-
Financial assets carried at cost	(463,211)	(911,323)	(511,632)	(456,897)	-
Long-term investments	-	-	-	-	(23,054,379)
Proceeds from sales of:					
Available-for-sale financial assets	138,515,023	94,908,666	91,620,367	102,577,763	-
Held-to-maturity financial assets	15,634,620	17,325,120	10,410,000	14,595,394	-
Financial assets carried at cost	199,424	410,465	126,465	76,186	-
Investments accounted for using equity method	-	-	-	65,076	-
Long-term investments	-	-	-	-	165,243
Property, plant, and equipment and other assets	194,940	60,535	518,705	480,707	1,812,633
Increase in short-term investments	-	-	-	-	(43,554,878)
Proceeds from return of capital by investees	2,345,867	-	-	-	-
Increase in deferred charges	(3,395,287)	(3,059,155)	(1,414,742)	(855,967)	(2,405,673)

(Continued)

	2008	2007	2006	2005[1]	2004
Decrease (increase) in refundable deposits	$ 10,570	$ (1,434,895)	$ (1,224,443)	$ 771	$ 93,074
Net cash paid for acquisition of subsidiaries	-	(404,445)	-	-	-
Decrease (increase) in other assets	(8,163)	(228,747)	(52,086)	741	51,604
Net Cash Used in Investing Activities	(8,041,884)	(70,688,787)	(119,723,352)	(77,652,217)	(147,986,933)
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in short-term bank loans	-	(89,720)	(328,500)	(54,504)	-
Increase in long-term bank loans	98,400	653,000	-	-	-
Repayments of:					
Bonds payable	-	(7,000,000)	-	(10,500,000)	(5,000,000)
Long-term bank loans	(468,313)	(196,173)	(5,489)	(1,337,489)	(6,656,152)
Increase (decrease) in guarantee deposits	(758,514)	(1,574,131)	920,702	2,483,549	(351,008)
Cash dividends	(76,779,032)	(77,387,302)	(61,742,741)	(46,419,812)	(12,137,190)
Cash bonus paid to employees	(3,939,883)	(4,572,798)	(3,432,129)	(3,086,215)	(681,628)
Bonus to directors and supervisors	(176,890)	(285,800)	(257,410)	(231,466)	(127,805)
Proceeds from exercise of employee stock options	227,150	436,827	575,197	270,929	3,624
Repurchase of treasury stock	(33,480,997)	(45,413,373)	-	-	(7,059,798)
Increase (decrease) in minority interests	(114,742)	19,004	487,017	6,832	(26,160)
Proceeds from disposal of treasury stock	-	-	-	899,489	39,906
Cash dividends paid for preferred stocks	-	-	-	-	(184,493)
Net Cash Used in Financing Activities	(115,392,821)	(135,410,466)	(63,783,353)	(57,968,687)	(32,180,704)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,058,860	(22,332,585)	21,490,281	21,604,334	(27,016,732)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,568,404	(518,119)	(136,796)	348,921	(1,669,813)
EFFECT OF FIRST INCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES	-	-	-	228,101	-
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	94,986,488	117,837,192	96,483,707	74,302,351	102,988,896
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 194,613,752	$ 94,986,488	$ 117,837,192	$ 96,483,707	$ 74,302,351
SUPPLEMENTAL INFORMATION					
Interest paid	$ 676,318	$ 922,079	$ 951,450	$ 1,378,610	$ 1,470,333
Income tax paid	$ 10,477,018	$ 7,585,727	$ 3,630,029	$ 341,671	$ 389,189
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS					
Acquisition of property, plant and equipment	$ 60,978,527	$ 78,889,954	$ 80,675,310	$ 56,166,205	$ 113,043,552
Decrease (increase) in payables to contractors and equipment suppliers	(1,742,041)	5,111,031	(1,702,555)	24,361,666	(26,195,599)
Increase in other long-term payables	-	-	(235,490)	(649,147)	(5,913,737)
Decrease (increase) in liability under capital lease	(13,832)	-	-	-	160,341
Cash paid	$ 59,222,654	$ 84,000,985	$ 78,737,265	$ 79,878,724	$ 81,094,557
Repurchase of treasury stock	$ 30,427,413	$ 48,466,957	$ -	$ -	$ 7,059,798
Decrease (increase) in accrued expenses and other current liabilities	3,053,584	(3,053,584)	-	-	-
Cash paid	$ 33,480,997	$ 45,413,373	$ -	$ -	$ 7,059,798
NONCASH FINANCING ACTIVITIES					
Current portion of long-term liabilities	$ 8,222,398	$ 280,813	$ 7,004,137	$ 5,489	$ 10,500,000
Current portion of other payables to related parties (under payables to related parties)	$ -	$ -	$ 688,591	$ 693,956	$ 469,494
Current portion of other long-term payables and other liabilities (under accrued expenses and other current liabilities)	$ 1,126,546	$ 3,735,875	$ 617,892	$ 869,072	$ 1,505,345
Reclassification of long-term investments to short-term investments	$ -	$ -	$ -	$ -	$ 343,950
Reclassification of short-term investments to long-term investments	$ -	$ -	$ -	$ -	$ 3,402,413

(Concluded)

Note 1: Balances for 2005 have been reclassified to conform to 2006 presentation.

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TSMC's depositary receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM. The information relating to TSM is available at http://www.nyse.com and http://newmops.tse.com.tw

Safe Harbor Notice:

The statements included in this business overview that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. TSMC cautions readers that forward-looking statements are subject to significant risks and uncertainties and are based on TSMC's current expectations. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including, among others, risks associated with cyclicality and market conditions in the semiconductor industry; demand and supply for TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; the failure of one or more significant customers to continue to place the same level of orders with us; TSMC's ability to remain a technological leader in the semiconductor industry; TSMC's ability to manage its capacity; TSMC's ability to obtain, preserve and defend its intellectual property rights; natural disasters and other unexpected events which may disrupt production; and exchange rate fluctuations. Additional information as to these and other risk factors that may cause TSMC's actual results to differ materially from TSMC's forward-looking statements may be found in TSMC's Annual Report on Form 20-F, filed with the United States Securities and Exchange Commission (the "SEC") on April 17, 2009, and such other documents as TSMC may file with, or submit to, the SEC from time to time. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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