

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

---

**2009 ANNUAL GENERAL SHAREHOLDERS' MEETING**

**MEETING AGENDA**  
(Translation)

**June 10, 2009**

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Note: Minutes of 2009 Annual General Shareholders' Meeting will be available on TSMC's website ( [http://www.tsmc.com/english/e\\_investor/e04\\_shareholders/e0402\\_meeting.htm](http://www.tsmc.com/english/e_investor/e04_shareholders/e0402_meeting.htm)) within 20 days after the Meeting.

## **I. MEETING PROCEDURE**

# **TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

## **2009 ANNUAL GENERAL SHAREHOLDERS' MEETING PROCEDURE**

1. Call Meeting to Order
2. Chairman's Address
3. Report Items
4. Proposed Resolutions
5. Directors Election
6. Other Business and Special Motion
7. Meeting Adjourned

## **II. MEETING AGENDA**

# **TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

## **2009 ANNUAL GENERAL SHAREHOLDERS' MEETING AGENDA**

(Translation)

Time: 9:00 a.m., June 10, 2009

Place: TSMC Fab 12 (No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsinchu, Taiwan)

Attendants: All shareholders or their proxy holders

Chairman: Dr. Morris Chang, Chairman of the Board of Directors

1. Chairman's Address
2. Report Items:
  - (1) To report the business of 2008
  - (2) Audit Committee's review report
  - (3) To report the implementation of shares buyback
  - (4) To report TSMC's merger of its 100% owned subsidiary - Hsin Ruey Investment Co. Ltd.
3. Proposed Resolutions
  - (1) To accept 2008 Business Report and Financial Statements
  - (2) To approve the proposal for distribution of 2008 profits
  - (3) To approve the capitalization of 2008 dividends, 2008 employee profit sharing, and capital surplus
  - (4) To revise internal policies and rules as follows:
    - (a) Procedures for Lending Funds to Other Parties
    - (b) Procedures for Endorsement and Guarantee
4. Directors Election  
To elect eight Directors (including four independent directors)
5. Other Business and Special Motion
6. Meeting Adjourned

## Report Items

1. To report the business of 2008

Explanatory Notes: The 2008 business report is attached hereto as Attachment I.

2. Audit Committee's review report

Explanatory Notes: The Audit Committee's review report is attached hereto as Attachment II.

3. To report the implementation of shares buyback

Explanatory Notes: TSMC completed two share buyback programs in 2008:

Date of Board resolution	05/13/2008	08/12/2008
Purpose of the buyback	For the shareholders' interest	
Method of buyback	Buying back shares from Taiwan Stock Exchange	
Buyback period	05/14/2008~07/13/2008	08/13/2008~10/12/2008
Number of shares bought back	216,674,000 common shares	278,875,000 common shares
Number of shares bought back as a percentage of TSMC's total outstanding shares	0.85%	1.07%
Total value of shares bought back	NT\$13,927,422,800	NT\$16,499,990,000
The average buyback price per share	NT\$64.28	NT\$59.17
Number of shares cancelled	216,674,000 common shares	278,875,000 common shares

4. To report TSMC's merger of its 100% owned subsidiary - Hsin Ruey Investment Co. Ltd.

Explanatory Notes: (1) In order to simplify TSMC's corporate structure and reduce relevant operating cost, TSMC Board of Director approved to merge its 100% owned subsidiary, Hsin Ruey Investment Co., Ltd. A short-form merger was conducted pursuant to the ROC Business Mergers and Acquisitions Law and the ROC Company Act with TSMC being the surviving company. The merger record date was August 21, 2008.

(2) On September 23, 2008, Science Park Administration has approved the merger and subsequent cancellation of TSMC shares previously held by Hsin Ruey Investment Co. Ltd. A total of 34,267,815 of TSMC shares previously held by Hsin Ruey Investment Co., Ltd. was cancelled accordingly and TSMC's paid-in capital as a result was reduced by NT\$342,678,150.

### **Proposed Resolutions**

1. To accept 2008 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanatory Notes: (1) TSMC's 2008 Financial Statements, including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, and Cash Flow Statement, were audited by independent auditors, Ricky Lin and Messrs. Jackson Huang, of Deloitte & Touche.

(2) The 2008 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached hereto as Attachments I, III and IV.

(3) Please accept the above-mentioned Business Report and Financial Statements.

Resolution:



2. To approve the proposal for distribution of 2008 profits (Proposed by the Board of Directors)

Explanatory Notes: (1) The proposed profits distribution is allocated from 2008 Retained Earnings Available for Distribution. Each common share holder will be entitled to receive a cash dividend of NT\$3 per share, and a stock dividend of 2 shares for each 1,000 shares held by such shareholders. In addition, each common share holder will be entitled to receive, for each 1,000 shares held, 3 shares from the proposed capitalization of capital surplus to be discussed in the next resolution; and, together with the 2 shares of stock dividend as mentioned above, 5 shares in total for each 1,000 shares held by such shareholder. If the above-mentioned distributions include any fractional shares which are less than one full share, the shareholders concerned may arrange for pooling together their fractional shares to form one full share and register the same within 5 days after the record date. For the fractional shares which cannot be pooled, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by persons arranged by the Chairman as authorized by the Board of Directors of TSMC.

The total amount of common shares outstanding may change and the ultimate cash and stock to be distributed to each common share may need to be adjusted accordingly should TSMC subsequently repurchase its common shares or issue new common shares to its employees as a result of their exercise of stock options. It is proposed that the Chairman of Board of Directors of TSMC be authorized to adjust the cash and stock to be distributed to each common share based on the total amount of profits resolved to be distributed and capital surplus resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.

- (2) The 2008 Profit Allocation Proposal is attached hereto as Attachment V.

Resolution:

3. To approve the capitalization of 2008 dividends, 2008 employee profit sharing, and capital surplus (Proposed by the Board of Directors)

- Explanatory Notes:
- (1) For purposes of machinery purchase and production capacity expansion, it is proposed that TSMC's capital stock be increased by capitalizing (i) capital surplus generated from the excess of the issue price over the par value of capital stock in the amount of NT\$768,763,120, equivalent to 76,876,312 common shares at par value of NT\$10 each share; (ii) the stock dividends to common shareholders of NT\$512,508,750, equivalent to 51,250,875 common shares at par value of NT\$10 each share, allocated from 2008 Retained Earnings Available for Distribution, and (iii) employee profit sharing in stock of NT\$7,494,987,578. The number of shares to be issued as employee profit sharing shall be calculated based on the closing price one day prior to the 2009 Annual Shareholders' Meeting on ex-dividend basis. The fractional share, which is less than one full share, would be distributed in cash. New shares to be issued are common shares.
  - (2) The shareholder's rights and obligations of the new shares are the same as those of the existing shares. After being approved by the governmental authority in charge, the new shares will be distributed on a record date to be determined by the Board of Directors or its designee(s).
  - (3) As of April 12, 2009 (the first day of book-close period for registration of share transfer before the Annual General Shareholders' Meeting), the number of exercisable shares of employees' stock options that TSMC granted is approximately 35,233 thousand shares. In accordance

with TSMC's Employee Stock Options Plans, TSMC has to adjust upwards the number of outstanding employees' stock options in proportion to the proposed capital increase. It is estimated that the number of such additional employees' stock options is approximately 176 thousand shares.

- (4) Since the additional employees' stock options are issued in proportion to the increase of capital stock, it shall not cause any material impact to shareholders' interest. There are sufficient common shares reserved in the Articles of Incorporation for granting the aforesaid additional employees' stock options.

Resolution:

4. To revise internal policies and rules as follows:
  - (1) Procedures for Lending Funds to Other Parties
  - (2) Procedures for Endorsement and Guarantee  
(Proposed by the Board of Directors)

- Explanatory Notes:
- (1) On January 15, 2009, the Financial Supervisory Commission of the Executive Yuan has amended its "Guidelines for Fund-Lending and Providing Endorsements and Guarantees by Public Companies" (the "Guidelines"). TSMC's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" should be amended to reflect the regulatory changes. In addition, certain minor wording changes are also made to make the relevant statements more clear and consistent.
  - (2) Comparison tables for the above-mentioned internal policies and rules before and after revisions are attached hereto as Attachment VI and VII .

Resolution:

## **Directors Election**

To elect eight Directors (including four independent directors) (Proposed by the Board of Directors)

- Explanatory Notes:
- (1) The tenure of all TSMC Directors (including independent directors) expired. The Board of Directors resolved that eight Directors (including four independent directors) will be elected at this Annual General Shareholders' Meeting. The tenure of newly elected directors shall commence on June 10, 2009 and expire on June 9, 2012.
  - (2) According to the relevant regulations, the election of independent directors is conducted under the "candidate nomination system". The independent directors shall be elected from the nominated candidates. The independent director candidates' academic background, experience and relevant information are attached hereto as Attachment VIII.

Result:

## **Other Business and Special Motion**

**Meeting Adjourned**

### **III. ATTACHMENT**

## ATTACHMENT I

### Business Report

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 12<sup>th</sup> 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 8<sup>th</sup> 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.




## ATTACHMENT II

### Audit Committee's Report

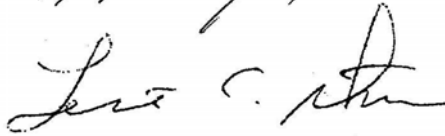
The Board of Directors has prepared the Company's 2008 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the undersigned, the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

#### Taiwan Semiconductor Manufacturing Company Limited

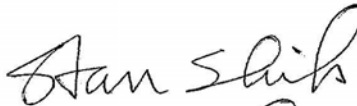
Independent Director Sir Peter Leahy Bonfield



Independent Director Lester Carl Thurow



Independent Director Stan Shih



Independent Director Carleton (Carly) S. Fiorina



February 10, 2009

## ATTACHMENT III

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the financial statements, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2008 and 2007, and expressed an unqualified opinion with an explanatory paragraph relating to the adoption of Interpretation 2007-052 and an unqualified opinion, respectively, on such consolidated financial statements.

January 17, 2009

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

### BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 138,208,360	26	\$ 72,422,102	13	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	\$ 83,618	-	\$ 247,646	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 23)	42,460	-	42,083	-	Accounts payable	4,314,265	1	9,485,818	2
Available-for-sale financial assets (Notes 2, 6 and 23)	-	-	22,267,223	4	Payables to related parties (Note 24)	1,202,350	-	2,999,630	-
Held-to-maturity financial assets (Notes 2, 7 and 23)	5,881,999	1	11,526,946	2	Income tax payable (Notes 2 and 17)	9,222,811	2	10,977,963	2
Receivables from related parties (Note 24)	11,728,204	2	26,701,648	5	Bonuses payable to employees and directors (Notes 3 and 19)	15,148,057	3	-	-
Notes and accounts receivable	11,441,176	2	17,911,328	3	Payables to contractors and equipment suppliers	7,574,891	1	5,389,740	1
Allowance for doubtful receivables (Notes 2 and 8)	(436,746)	-	(688,972)	-	Accrued expenses and other current liabilities (Note 15)	7,553,475	1	14,700,013	3
Allowance for sales returns and others (Notes 2 and 8)	(5,868,582)	(1)	(3,856,685)	-	Current portion of bonds payable (Note 14)	8,000,000	2	-	-
Other receivables from related parties (Note 24)	489,742	-	525,308	-					
Other financial assets	711,755	-	331,698	-	Total current liabilities	53,099,467	10	43,800,810	8
Inventories, net (Notes 2 and 9)	12,807,936	2	20,987,142	4					
Deferred income tax assets (Notes 2 and 17)	3,650,700	1	5,268,000	1	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	1,192,475	-	861,465	-	Bonds payable (Note 14)	4,500,000	1	12,500,000	3
					Other long-term payables (Note 15)	931,252	-	1,501,462	-
Total current assets	179,849,479	33	174,299,286	32	Total long-term liabilities	5,431,252	1	14,001,462	3
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23)</b>					<b>OTHER LIABILITIES</b>				
Investments accounted for using equity method	109,871,178	20	113,048,081	21	Accrued pension cost (Notes 2 and 16)	3,710,009	1	3,657,679	1
Available-for-sale financial assets	2,032,658	1	1,397,186	-	Guarantee deposits (Note 26)	1,479,152	-	2,240,677	-
Held-to-maturity financial assets	11,761,325	2	8,697,726	2	Deferred credits (Notes 2 and 24)	462,256	-	980,593	-
Financial assets carried at cost	519,502	-	748,160	-	Total other liabilities	5,651,417	1	6,878,949	1
Total long-term investments	124,184,663	23	123,891,153	23	Total liabilities	64,182,136	12	64,681,221	12
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>					<b>CAPITAL STOCK - NTS10 PAR VALUE (Notes 19 and 21)</b>				
Cost					Authorized: 28,050,000 thousand shares				
Buildings	114,014,588	21	101,907,892	18	Issued: 25,625,437 thousand shares in 2008				
Machinery and equipment	635,008,261	118	589,131,625	107	26,427,104 thousand shares in 2007	256,254,373	47	264,271,037	48
Office equipment	9,748,869	2	9,167,107	2	<b>CAPITAL SURPLUS (Notes 2 and 19)</b>	49,875,255	9	53,732,682	10
	758,771,718	141	700,206,624	127	<b>RETAINED EARNINGS (Note 19)</b>				
Accumulated depreciation	(557,247,254)	(103)	(486,725,019)	(88)	Appropriated as legal capital reserve	67,324,393	13	56,406,684	10
Advance payments and construction in progress	17,758,038	3	21,082,953	4	Appropriated as special capital reserve	391,857	-	629,550	-
Net property, plant and equipment	219,282,502	41	234,564,558	43	Unappropriated earnings	102,337,417	19	161,828,337	29
<b>INTANGIBLE ASSETS</b>					Total retained earnings	170,053,667	32	218,864,571	39
Goodwill (Note 2)	1,567,756	-	1,567,756	-	<b>OTHERS (Notes 2, 21 and 23)</b>				
Deferred charges, net (Notes 2, 13 and 24)	6,401,461	1	7,172,413	1	Cumulative translation adjustments	481,158	-	(1,072,853)	-
Total intangible assets	7,969,217	1	8,740,169	1	Unrealized gain (loss) on financial instruments	(287,342)	-	680,997	-
<b>OTHER ASSETS</b>					Treasury stock: 834,096 thousand shares	-	-	(49,385,032)	(9)
Deferred income tax assets (Notes 2 and 17)	6,497,972	1	7,241,933	1	Total other assets	193,816	-	(49,776,888)	(9)
Refundable deposits	2,719,737	1	2,741,538	-	Total shareholders' equity	476,377,111	88	487,091,402	88
Others (Note 2)	55,677	-	293,986	-	<b>TOTAL</b>	\$ 540,559,247	100	\$ 551,772,623	100
Total other assets	9,273,386	2	10,277,457	1					
<b>TOTAL</b>	\$ 540,559,247	100	\$ 551,772,623	100					

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

(With Deloitte & Touche audit report dated January 17, 2009)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 330,228,027		\$ 319,167,299	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>8,460,944</u>		<u>5,519,655</u>	
NET SALES	321,767,083	100	313,647,644	100
COST OF SALES (Notes 18 and 24)	<u>183,589,540</u>	<u>57</u>	<u>176,223,224</u>	<u>56</u>
GROSS PROFIT	138,177,543	43	137,424,420	44
REALIZED (UNREALIZED) GROSS PROFIT FROM AFFILIATES (Note 2)	<u>72</u>	<u>-</u>	<u>(265,106)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>138,177,615</u>	<u>43</u>	<u>137,159,314</u>	<u>44</u>
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	19,737,038	6	15,913,834	5
General and administrative	9,895,617	3	7,660,776	3
Marketing	<u>2,254,728</u>	<u>1</u>	<u>1,332,657</u>	<u>-</u>
Total operating expenses	<u>31,887,383</u>	<u>10</u>	<u>24,907,267</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>106,290,232</u>	<u>33</u>	<u>112,252,047</u>	<u>36</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	2,728,892	1	2,634,636	1
Foreign exchange gain, net (Note 2)	1,113,406	1	71,128	-
Settlement income (Note 26)	951,180	-	985,114	-
Technical service income (Notes 24 and 26)	619,237	-	712,162	-
Gain on settlement and disposal of financial assets, net (Notes 2 and 23)	452,159	-	271,094	-
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24)	298,772	-	305,201	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	72,568	-	5,468,230	2
Others (Note 24)	<u>489,411</u>	<u>-</u>	<u>658,227</u>	<u>-</u>
Total non-operating income and gains	<u>6,725,625</u>	<u>2</u>	<u>11,105,792</u>	<u>3</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Valuation loss on financial instruments, net (Notes 2, 5 and 23)	\$ 1,230,966	1	\$ 924,316	-
Interest expense	355,056	-	584,736	-
Loss on impairment of financial assets (Notes 2 and 11)	247,488	-	-	-
Loss on impairment of idle assets (Note 2)	210,477	-	-	-
Provision for litigation loss (Note 26h)	99,126	-	1,008,635	-
Others (Note 2)	113,926	-	88,746	-
Total non-operating expenses and losses	2,257,039	1	2,606,433	-
INCOME BEFORE INCOME TAX	110,758,818	34	120,751,406	39
INCOME TAX EXPENSE (Notes 2 and 17)	(10,825,650)	(3)	(11,574,313)	(4)
NET INCOME	\$ 99,933,168	31	\$ 109,177,093	35
	<b>2008</b>		<b>2007</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	\$ 4.27	\$ 3.86	\$ 4.49	\$ 4.06
Diluted earnings per share	\$ 4.24	\$ 3.83	\$ 4.49	\$ 4.06

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as available-for-sale financial assets instead of treasury stock (Notes 2 and 21):

	2008	2007
NET INCOME	\$ 100,035,447	\$ 109,278,855
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 3.86	\$ 4.06
Diluted earnings per share	\$ 3.83	\$ 4.06

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

(With Deloitte & Touche audit report dated January 17, 2009)

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Cumulative Translation Adjustments	Others		Total Shareholders' Equity	
	Shares (in Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings		Total	Unrealized Gain (Loss) on Financial Instruments		Treasury Stock
BALANCE, JANUARY 1, 2007	25,829,688	\$ 258,296,879	\$ 54,107,498	\$ 43,705,711	\$ 640,742	\$ 152,778,079	\$ 197,124,532	\$ (1,191,165)	\$ 561,615	\$ (918,075)	\$ 507,981,284
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	12,700,973	-	(12,700,973)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(11,192)	11,192	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	(4,572,798)	(4,572,798)	-	-	-	(4,572,798)
Bonus to employees - in stock	457,280	4,572,798	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,489,064)	(77,489,064)	-	-	-	(77,489,064)
Stock dividends to shareholders - NT\$0.02 per share	51,659	516,594	-	-	-	(516,594)	(516,594)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(285,800)	(285,800)	-	-	-	(285,800)
Capital surplus transferred to capital stock	77,489	774,891	(774,891)	-	-	-	-	-	-	-	-
Net income in 2007	-	-	-	-	-	109,177,093	109,177,093	-	-	-	109,177,093
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(28,639)	-	-	-	-	-	-	-	(28,639)
Translation adjustments	-	-	-	-	-	-	-	118,312	-	-	118,312
Issuance of stock from exercising stock options	10,988	109,875	326,952	-	-	-	-	-	-	-	436,827
Cash dividends received by subsidiaries from the Company	-	-	101,762	-	-	-	-	-	-	-	101,762
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	24,325	-	24,325
Equity in the valuation gain on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	95,057	-	95,057
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(48,466,957)	(48,466,957)
BALANCE, DECEMBER 31, 2007	26,427,104	264,271,037	53,732,682	56,406,684	629,550	161,828,337	218,864,571	(1,072,853)	680,997	(49,385,032)	487,091,402
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(237,693)	237,693	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	(3,939,883)
Bonus to employees - in stock	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	(76,881,311)
Stock dividends to shareholders - NT\$0.02 per share	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-
Bonus to directors	-	-	-	-	-	(176,890)	(176,890)	-	-	-	(176,890)
Capital surplus transferred to capital stock	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	99,933,168	99,933,168	-	-	-	99,933,168
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	(137,063)
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011
Issuance of stock from exercising stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	227,150
Cash dividends received by subsidiaries from the Company	-	-	102,279	-	-	-	-	-	-	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(233,915)	-	(233,915)
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	(734,424)	-	(734,424)
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	-
BALANCE, DECEMBER 31, 2008	25,625,437	\$ 256,254,373	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 170,053,667	\$ 481,158	\$ (287,342)	\$ -	\$ 476,377,111

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

(With Deloitte & Touche audit report dated January 17, 2009)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 99,933,168	\$ 109,177,093
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,569,562	72,820,579
Unrealized (realized) gross profit from affiliates	(72)	265,106
Amortization of premium/discount of financial assets	(97,381)	(117,159)
Loss on impairment of financial assets	247,488	-
Gain on disposal of available-for-sale financial assets, net	(443,404)	(271,094)
Gain on disposal of financial assets carried at cost, net	(8,755)	-
Equity in earnings of equity method investees, net	(72,568)	(5,468,230)
Dividends received from equity method investees	1,804,351	677,147
Gain on disposal of property, plant and equipment and other assets, net	(298,769)	(300,387)
Loss on impairment of idle assets	210,477	-
Deferred income tax	2,361,261	1,083,194
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(164,405)	239,413
Receivables from related parties	14,973,444	(9,832,139)
Notes and accounts receivable	6,470,152	(1,633,164)
Allowance for doubtful receivables	(252,226)	(1,959)
Allowance for sales returns and others	2,011,897	1,105,620
Other receivables from related parties	43,835	(76,042)
Other financial assets	(380,057)	321,762
Inventories	8,179,206	(1,834,928)
Prepaid expenses and other current assets	(330,664)	359,734
Increase (decrease) in:		
Accounts payable	(5,171,553)	3,342,139
Payables to related parties	(1,797,280)	(327,286)
Income tax payable	(1,766,153)	3,127,545
Bonuses payable to employees and directors	15,148,057	-
Accrued expenses and other current liabilities	(3,142,500)	1,259,738
Accrued pension cost	52,330	127,563
Deferred credits	(129,494)	72,747
Net cash provided by operating activities	<u>211,949,947</u>	<u>174,116,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(56,766,192)	(81,303,047)
Available-for-sale financial assets	(23,697,000)	(9,547,253)
Held-to-maturity financial assets	(12,371,965)	-
Investments accounted for using equity method	(494,765)	(7,358,685)
Financial assets carried at cost	(20,681)	(36,333)
Cash from merger of subsidiaries	270,650	-

(Continued)



# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 45,584,934	\$ 18,844,520
Held-to-maturity financial assets	15,004,000	17,325,120
Financial assets carried at cost	10,606	-
Property, plant and equipment and other assets	2,042,899	54,509
Proceeds from return of capital by investees	2,465,293	433,551
Increase in deferred charges	(3,199,813)	(2,685,610)
Decrease (increase) in refundable deposits	21,801	(1,435,304)
Increase in other assets	<u>-</u>	<u>(232,575)</u>
Net cash used in investing activities	<u>(31,150,233)</u>	<u>(65,941,107)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bonds payable	-	(7,000,000)
Decrease in guarantee deposits	(761,525)	(1,569,284)
Proceeds from exercise of employee stock options	227,150	436,827
Cash dividends	(76,881,311)	(77,489,064)
Cash bonus paid to employees	(3,939,883)	(4,572,798)
Bonus to directors and supervisors	(176,890)	(285,800)
Repurchase of treasury stock	<u>(33,480,997)</u>	<u>(45,413,373)</u>
Net cash used in financing activities	<u>(115,013,456)</u>	<u>(135,893,492)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	65,786,258	(27,717,607)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>72,422,102</u>	<u>100,139,709</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 138,208,360</u>	<u>\$ 72,422,102</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 355,056</u>	<u>\$ 661,200</u>
Income tax paid	<u>\$ 10,282,464</u>	<u>\$ 7,330,401</u>
<b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant, and equipment	\$ 58,951,343	\$ 76,023,264
Decrease (increase) in payables to contractors and equipment suppliers	<u>(2,185,151)</u>	<u>5,279,783</u>
Cash paid	<u>\$ 56,766,192</u>	<u>\$ 81,303,047</u>
Disposal of property, plant and equipment and other assets	\$ 2,051,168	\$ 54,509
Increase in other receivables from related parties	<u>(8,269)</u>	<u>-</u>
Cash received	<u>\$ 2,042,899</u>	<u>\$ 54,509</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

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	2008	2007
Repurchase of treasury stock	\$ 30,427,413	\$ 48,466,957
Decrease (increase) in accrued expenses and other current liabilities	<u>3,053,584</u>	<u>(3,053,584)</u>
Cash paid	<u>\$ 33,480,997</u>	<u>\$ 45,413,373</u>
 NON-CASH FINANCING ACTIVITIES		
Current portion of bonds payable	<u>\$ 8,000,000</u>	<u>\$ -</u>
Current portion of other long-term payable (under accrued expenses and other current liabilities)	<u>\$ 1,026,421</u>	<u>\$ 3,673,182</u>

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

(With Deloitte & Touche audit report dated January 17, 2009)

(Concluded)

## ATTACHMENT IV

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2008 and 2007, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

January 17, 2009

#### Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 194,613,752	35	\$ 94,986,488	16	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 24)	\$ 85,187	-	\$ 249,313	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 24)	55,730	-	1,632,387	-	Accounts payable	5,553,151	1	11,574,882	2
Available-for-sale financial assets (Notes 2, 6 and 24)	10,898,715	2	66,688,368	12	Payables to related parties (Note 25)	489,857	-	1,503,376	1
Held-to-maturity financial assets (Notes 2, 7 and 24)	5,881,999	1	11,526,946	2	Income tax payable (Notes 2 and 18)	9,331,825	2	11,126,128	2
Receivables from related parties (Note 25)	407	-	10,885	-	Bonuses payable to employees, directors and supervisors (Notes 3 and 20)	15,369,730	3	-	-
Notes and accounts receivable	25,023,321	4	47,204,126	8	Payables to contractors and equipment suppliers	7,998,773	1	6,256,732	1
Allowance for doubtful receivables (Notes 2 and 8)	(455,751)	-	(701,807)	-	Accrued expenses and other current liabilities (Notes 16 and 28)	9,755,835	2	17,714,763	3
Allowance for sales returns and others (Notes 2 and 8)	(6,071,026)	(1)	(4,089,035)	(1)	Current portion of bonds payable and bank loans (Notes 14, 15 and 26)	8,222,398	1	280,813	-
Other receivables from related parties (Note 25)	99,918	-	243,620	-					
Other financial assets (Note 26)	1,911,699	-	1,515,527	-	Total current liabilities	56,806,756	10	48,706,007	9
Inventories, net (Notes 2 and 9)	14,876,645	3	23,862,260	4					
Deferred income tax assets, net (Notes 2 and 18)	3,969,330	1	5,572,334	1	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	1,813,692	-	1,370,230	-	Bonds payable (Note 14)	4,500,000	1	12,500,000	2
					Long-term bank loans (Notes 15 and 26)	1,420,476	-	1,722,196	-
Total current assets	252,618,431	45	249,822,329	42	Other long-term payables (Notes 16 and 28)	9,548,226	2	9,409,978	2
					Obligations under capital leases (Note 2)	722,339	-	652,296	-
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 24)</b>					Total long-term liabilities	16,191,041	3	24,284,470	4
Investments accounted for using equity method	18,907,158	3	22,517,289	4					
Available-for-sale financial assets	2,032,658	-	1,400,691	-	<b>OTHER LIABILITIES</b>				
Held-to-maturity financial assets	15,426,252	3	8,697,726	2	Accrued pension cost (Notes 2 and 17)	3,701,584	1	3,665,522	1
Financial assets carried at cost	3,615,447	1	3,845,619	1	Guarantee deposits (Note 28)	1,484,495	-	2,243,009	-
					Deferred credits (Notes 2 and 25)	316,537	-	1,236,873	-
Total long-term investments	39,981,515	7	36,461,325	7	Others	43,709	-	43,774	-
					Total other liabilities	5,546,325	1	7,189,178	1
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)</b>					Total liabilities	78,544,122	14	80,179,655	14
Cost									
Land and land improvements	953,857	-	942,197	-	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Buildings	132,249,996	24	118,640,027	21	Capital stock - \$10 par value (Notes 20 and 22)				
Machinery and equipment	697,498,743	125	646,419,427	113	Authorized: 28,050,000 thousand shares				
Office equipment	12,430,800	2	11,829,640	2	Issued: 25,625,437 thousand shares in 2008				
Leased assets	722,339	-	652,296	-	26,427,104 thousand shares in 2007	256,254,373	46	264,271,037	46
	843,855,735	151	778,483,587	136	Capital surplus (Notes 2 and 20)	49,875,255	9	53,732,682	9
Accumulated depreciation	(618,816,267)	(110)	(540,099,567)	(94)					
Advance payments and construction in progress	18,605,882	3	21,868,167	4	Retained earnings (Note 20)				
					Appropriated as legal capital reserve	67,324,393	12	56,406,684	10
Net property, plant and equipment	243,645,350	44	260,252,187	46	Appropriated as special capital reserve	391,857	-	629,550	-
					Unappropriated earnings	102,337,417	18	161,828,337	28
<b>INTANGIBLE ASSETS</b>						170,053,667	30	218,864,571	38
Goodwill (Note 2)	6,044,392	1	5,987,582	1	Others (Notes 2, 22 and 24)				
Deferred charges, net (Notes 2 and 13)	7,125,828	1	7,923,601	2	Cumulative translation adjustments	481,158	-	(1,072,853)	-
					Unrealized gain/loss on financial instruments	(287,342)	-	680,997	-
Total intangible assets	13,170,220	2	13,911,183	3	Treasury stock: 834,096 thousand shares	-	-	(49,385,032)	(8)
						193,816	-	(49,776,888)	(8)
<b>OTHER ASSETS</b>					Equity attributable to shareholders of the parent	476,377,111	85	487,091,402	85
Deferred income tax assets, net (Notes 2 and 18)	6,636,873	1	7,313,283	1					
Refundable deposits	2,767,199	1	2,777,769	1	<b>MINORITY INTERESTS (Note 2)</b>				
Others (Note 2)	97,001	-	327,150	-	Total shareholders' equity	480,372,467	86	490,685,571	86
Total other assets	9,501,073	2	10,418,202	2	<b>TOTAL</b>	\$ 558,916,589	100	\$ 570,865,226	100
<b>TOTAL</b>	\$ 558,916,589	100	\$ 570,865,226	100					

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

(With Deloitte & Touche audit report dated January 17, 2009)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 341,983,355		\$ 328,336,172	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>8,825,695</u>		<u>5,705,576</u>	
NET SALES	333,157,660	100	322,630,596	100
COST OF SALES (Notes 19 and 25)	<u>191,408,099</u>	<u>58</u>	<u>180,280,385</u>	<u>56</u>
GROSS PROFIT	<u>141,749,561</u>	<u>42</u>	<u>142,350,211</u>	<u>44</u>
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	21,480,937	7	17,946,322	5
General and administrative	11,096,599	3	8,963,836	3
Marketing	<u>4,736,657</u>	<u>1</u>	<u>3,718,146</u>	<u>1</u>
Total operating expenses	<u>37,314,193</u>	<u>11</u>	<u>30,628,304</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>104,435,368</u>	<u>31</u>	<u>111,721,907</u>	<u>35</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	5,373,823	2	5,651,700	2
Foreign exchange gain, net (Note 2)	1,227,653	1	80,922	-
Technical service income (Notes 25 and 28)	1,181,966	-	590,391	-
Settlement income (Note 28)	951,180	-	985,114	1
Gain on settlement and disposal of financial assets, net (Notes 2 and 24)	721,050	-	874,670	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	701,533	-	2,507,869	1
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 25)	100,874	-	91,210	-
Subsidy income (Note 2)	8,029	-	364,321	-
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	-	-	63,017	-
Others (Note 25)	<u>555,341</u>	<u>-</u>	<u>724,589</u>	<u>-</u>
Total non-operating income and gains	<u>10,821,449</u>	<u>3</u>	<u>11,933,803</u>	<u>4</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on impairment of financial assets (Notes 2, 6, 11 and 24)	\$ 1,560,055	1	\$ 54,208	-
Valuation loss on financial instruments, net (Notes 2, 5 and 24)	1,081,019	-	-	-
Interest expense	614,988	-	842,242	-
Loss on impairment of idle assets (Note 2)	210,477	-	-	-
Provision for litigation loss (Note 28h)	99,126	-	1,008,635	1
Others (Note 2)	218,906	-	108,599	-
Total non-operating expenses and losses	<u>3,784,571</u>	<u>1</u>	<u>2,013,684</u>	<u>1</u>
INCOME BEFORE INCOME TAX	111,472,246	33	121,642,026	38
INCOME TAX EXPENSE (Notes 2 and 18)	<u>(10,949,009)</u>	<u>(3)</u>	<u>(11,709,626)</u>	<u>(4)</u>
NET INCOME	<u>\$ 100,523,237</u>	<u>30</u>	<u>\$ 109,932,400</u>	<u>34</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 99,933,168	30	\$ 109,177,093	34
Minority interests	<u>590,069</u>	<u>-</u>	<u>755,307</u>	<u>-</u>
	<u>\$ 100,523,237</u>	<u>30</u>	<u>\$ 109,932,400</u>	<u>34</u>
<b>EARNINGS PER SHARE (NT\$, Note 23)</b>				
	<b>2008</b>		<b>2007</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>	<b>Income Tax</b>
Basic earnings per share	<u>\$ 4.28</u>	<u>\$ 3.86</u>	<u>\$ 4.50</u>	<u>\$ 4.06</u>
Diluted earnings per share	<u>\$ 4.25</u>	<u>\$ 3.83</u>	<u>\$ 4.50</u>	<u>\$ 4.06</u>

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

(With Deloitte & Touche audit report dated January 17, 2009)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Equity Attributable to Shareholders of the Parent													Minority Interests	Total Shareholders' Equity
	Capital Stock - Common Stock		Capital Surplus	Retained Earnings				Cumulative Translation Adjustments	Others		Treasury Stock	Others Total	Total		
	Shares (in Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Financial Instruments	Total					
BALANCE, JANUARY 1, 2007	25,829,688	\$ 258,296,879	\$ 54,107,498	\$ 43,705,711	\$ 640,742	\$ 152,778,079	\$ 197,124,532	\$ (1,191,165)	\$ 561,615	\$ (918,075)	\$ (1,547,625)	\$ 507,981,284	\$ 1,156,832	\$ 509,138,116	
Appropriations of prior year's earnings															
Legal capital reserve	-	-	-	12,700,973	-	(12,700,973)	-	-	-	-	-	-	-	-	
Reversal of special capital reserve	-	-	-	-	(11,192)	11,192	-	-	-	-	-	-	-	-	
Bonus to employees - in cash	-	-	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-	(4,572,798)	-	(4,572,798)	
Bonus to employees - in stock	457,280	4,572,798	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-	-	-	-	
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,489,064)	(77,489,064)	-	-	-	-	(77,489,064)	-	(77,489,064)	
Stock dividends to shareholders - NT\$0.02 per share	51,659	516,594	-	-	-	(516,594)	(516,594)	-	-	-	-	-	-	-	
Bonus to directors and supervisors	-	-	-	-	-	(285,800)	(285,800)	-	-	-	-	(285,800)	-	(285,800)	
Capital surplus transferred to capital stock	77,489	774,891	(774,891)	-	-	-	-	-	-	-	-	-	-	-	
Net income in 2007	-	-	-	-	-	109,177,093	109,177,093	-	-	-	-	109,177,093	755,307	109,932,400	
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(28,639)	-	-	-	-	-	-	-	-	(28,639)	31,862	3,223	
Translation adjustments	-	-	-	-	-	-	-	118,312	-	-	118,312	118,312	(99,318)	18,994	
Issuance of stock from exercising employee stock options	10,988	109,875	326,952	-	-	-	-	-	-	-	-	436,827	-	436,827	
Cash dividends received by subsidiaries from parent company	-	-	101,762	-	-	-	-	-	-	-	-	101,762	-	101,762	
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	241,821	-	241,821	241,821	19,487	261,308	
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	(122,439)	-	(122,439)	(122,439)	-	(122,439)	
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(48,466,957)	(48,466,957)	(48,466,957)	-	(48,466,957)	
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	1,729,999	1,729,999	
BALANCE, DECEMBER 31, 2007	26,427,104	264,271,037	53,732,682	56,406,684	629,550	161,828,337	218,864,571	(1,072,853)	680,997	(49,385,032)	(49,776,888)	487,091,402	3,594,169	490,685,571	
Appropriations of prior year's earnings															
Legal capital reserve	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-	-	-	-	
Reversal of special capital reserve	-	-	-	-	(237,693)	237,693	-	-	-	-	-	-	-	-	
Bonus to employees - in cash	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	(3,939,883)	-	(3,939,883)	
Bonus to employees - in stock	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	-	-	-	
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	-	(76,881,311)	-	(76,881,311)	
Stock dividends to shareholders - NT\$0.02 per share	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-	-	-	-	
Bonus to directors	-	-	-	-	-	(176,890)	(176,890)	-	-	-	-	(176,890)	-	(176,890)	
Capital surplus transferred to capital stock	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-	-	-	-	
Net income in 2008	-	-	-	-	-	99,933,168	99,933,168	-	-	-	-	99,933,168	590,069	100,523,237	
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(137,063)	-	-	-	-	-	-	-	-	(137,063)	11,700	(125,363)	
Translation adjustments	-	-	-	-	-	-	-	1,554,011	-	-	1,554,011	1,554,011	(68,792)	1,485,219	
Issuance of stock from exercising employee stock options	6,027	60,266	166,884	-	-	-	-	-	-	-	-	227,150	-	227,150	
Cash dividends received by subsidiaries from parent company	-	-	102,279	-	-	-	-	-	-	-	-	102,279	-	102,279	
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(826,251)	-	(826,251)	(826,251)	(17,048)	(843,299)	
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	(142,088)	-	(142,088)	(142,088)	-	(142,088)	
Treasury stock repurchased	-	-	-	-	-	-	-	-	-	(30,427,413)	(30,427,413)	(30,427,413)	-	(30,427,413)	
Treasury stock retired	(1,329,817)	(13,298,168)	(3,220,714)	-	-	(63,293,563)	(63,293,563)	-	-	79,812,445	79,812,445	-	-	-	
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(114,742)	(114,742)	
BALANCE, DECEMBER 31, 2008	25,625,437	\$ 256,254,373	\$ 49,875,255	\$ 67,324,393	\$ 391,857	\$ 102,337,417	\$ 170,053,667	\$ 481,158	\$ (287,342)	\$ -	\$ 193,816	\$ 476,377,111	\$ 3,995,356	\$ 480,372,467	

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

(With Deloitte & Touche audit report dated January 17, 2009)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 99,933,168	\$ 109,177,093
Net income attributable to minority interests	590,069	755,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81,512,191	80,005,395
Amortization of premium/discount of financial assets	(93,393)	(117,159)
Loss on impairment of financial assets	1,560,055	54,208
Gain on disposal of available-for-sale financial assets, net	(637,219)	(610,167)
Gain on disposal of financial assets carried at cost, net	(83,831)	(264,503)
Equity in earnings of equity method investees, net	(701,533)	(2,507,869)
Dividends received from equity method investees	1,661,134	625,130
Gain on disposal of property, plant and equipment and other assets, net	(100,285)	(85,020)
Loss on impairment of idle assets	210,477	-
Deferred income tax	2,279,414	943,797
Net 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)
Receivables from related parties	10,478	629,467
Notes and accounts receivable	22,180,805	(12,134,176)
Allowance for doubtful receivables	(246,056)	(48,126)
Allowance for sales returns and others	1,981,991	1,205,277
Other receivables from related parties	143,702	13,243
Other financial assets	(425,937)	842,136
Inventories	8,985,615	(2,226,106)
Prepaid expenses and other current assets	(443,462)	290,434
Increase (decrease) in:		
Accounts payable	(6,021,731)	3,218,255
Payables to related parties	(1,013,519)	(375,731)
Income tax payable	(1,794,303)	3,179,655
Bonuses payable to employees, directors and supervisors	15,369,730	-
Accrued expenses and other current liabilities	(3,954,427)	913,872
Accrued pension cost	36,062	125,462
Deferred credits	(858,161)	343,878
Net cash provided by operating activities	<u>221,493,565</u>	<u>183,766,668</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Property, plant and equipment	(59,222,654)	(84,000,985)
Available-for-sale financial assets	(85,273,867)	(87,550,197)
Held-to-maturity financial assets	(16,523,275)	-
Investments accounted for using equity method	(55,871)	(5,803,826)
Financial assets carried at cost	(463,211)	(911,323)

(Continued)



# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 138,515,023	\$ 94,908,666
Held-to-maturity financial assets	15,634,620	17,325,120
Financial assets carried at cost	199,424	410,465
Property, plant and equipment and other assets	194,940	60,535
Proceeds from return of capital by investees	2,345,867	-
Increase in deferred charges	(3,395,287)	(3,059,155)
Decrease (increase) in refundable deposits	10,570	(1,434,895)
Net cash paid for acquisition of subsidiaries	-	(404,445)
Increase in other assets	<u>(8,163)</u>	<u>(228,747)</u>
Net cash used in investing activities	<u>(8,041,884)</u>	<u>(70,688,787)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	-	(89,720)
Proceeds from long-term bank loans	98,400	653,000
Repayments of:		
Long-term bank loans	(468,313)	(196,173)
Bonds payable	-	(7,000,000)
Decrease in guarantee deposits	(758,514)	(1,574,131)
Cash dividends	(76,779,032)	(77,387,302)
Cash bonus paid to employees	(3,939,883)	(4,572,798)
Bonus to directors and supervisors	(176,890)	(285,800)
Proceeds from exercise of employee stock options	227,150	436,827
Repurchase of treasury stock	(33,480,997)	(45,413,373)
Increase (decrease) in minority interests	<u>(114,742)</u>	<u>19,004</u>
Net cash used in financing activities	<u>(115,392,821)</u>	<u>(135,410,466)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,058,860	(22,332,585)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,568,404	(518,119)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>94,986,488</u>	<u>117,837,192</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 194,613,752</u>	<u>\$ 94,986,488</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 676,318</u>	<u>\$ 922,079</u>
Income tax paid	<u>\$ 10,477,018</u>	<u>\$ 7,585,727</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 60,978,527	\$ 78,889,954
Decrease (increase) in payables to contractors and equipment suppliers	(1,742,041)	5,111,031
Increase in obligations under capital leases	(13,832)	-
Cash paid	<u>\$ 59,222,654</u>	<u>\$ 84,000,985</u>
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	<u>\$ 33,480,997</u>	<u>\$ 45,413,373</u>
NONCASH FINANCING ACTIVITIES		
Current portion of bonds payable and long-term liabilities	<u>\$ 8,222,398</u>	<u>\$ 280,813</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,126,546</u>	<u>\$ 3,735,875</u>

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

Current assets	\$ 3,101,718
Property, plant and equipment	2,339,546
Other assets	436,692
Current liabilities	(1,937,407)
Long-term liabilities	<u>(701,855)</u>
Net amount	<u>\$ 3,238,694</u>
Purchase price for XinTec and Mutual-Pak	\$ 1,413,585
Less: Cash balance of XinTec and Mutual-Pak at acquisition	<u>(1,009,140)</u>
Net cash paid for acquisition of XinTec and Mutual-Pak	<u>\$ 404,445</u>

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

(With Deloitte & Touche audit report dated January 17, 2009)

(Concluded)

## ATTACHMENT V

### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED PROFIT ALLOCATION PROPOSAL

December 31, 2008

	Unit: NT\$
<b>Net Income of 2008</b> <sup>(Note)</sup>	<b>99,933,167,701</b>
Subtract:	
- 10% Legal Reserve	9,993,316,770
Add:	
- Reversal of Special Reserve	391,856,749
<b>Retained Earnings in 2008 Available for Distribution</b>	<b>90,331,707,680</b>
Add:	
- Unappropriated Retained Earnings of Previous Years	2,404,248,940
<b>Retained Earnings Available for Distribution as of December 31, 2008</b>	<b>92,735,956,620</b>
<b>Distribution Items:</b>	
- Cash Dividends to Common Share Holders (NT\$3.0 per share)	76,876,311,768
- Stock Dividends to Common Share Holders (NT\$0.02 per share at par value, i.e., 2 shares for each 1,000 shares owned)	512,508,750
<b>Total Distribution</b>	<b>77,388,820,518</b>
<b>Unappropriated Retained Earnings</b>	<b>15,347,136,102</b>
<hr/>	
(Note) :	
After expensing employees' profit sharing (in cash) of	7,494,987,577
After expensing employees' profit sharing (in stock*) of	7,494,987,578
After expensing bonus to directors of	158,080,488

\* the number of shares shall be calculated based on the closing price one day prior to the 2009 Annual General Shareholders' Meeting on an ex-dividend basis. The fractional share, which is less than one full share, would be distributed in cash.

**ATTACHMENT VI**

Comparison Table for the "Procedures for Lending Funds to Other Parties"  
Before and After Revision

<b>BEFORE THE REVISION</b>	<b>AFTER THE REVISION</b>
<p><b>Article 2</b></p> <p>The party to whom the Company may lend its funds shall be limited to:</p> <p>(1) Companies having business relationship with the Company; or</p> <p>(2) Companies in need of funds for a short-term period. For the purpose of this Procedure, "short-term period" shall mean the period of one (1) year.</p> <p>Fund-lending to companies having business relationship with the Company shall be limited to the circumstance that the said companies need working capital. Fund-lending to companies which need funds for a short-term period shall be limited to subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the shares.</p>	<p><b>Article 2</b></p> <p>The party to whom the Company may lend its funds shall be limited to:</p> <p>(1) Companies having business relationship with the Company; or</p> <p>(2) Companies in need of funds for a short-term period. For the purpose of this Procedure, "short-term period" shall mean the period of one (1) year.</p> <p>Fund-lending to companies having business relationship with the Company shall be limited to the circumstance that the said companies need working capital. Fund-lending to companies which need funds for a short-term period shall be limited to subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the <b>voting</b> shares.</p>
<p><b>Article 3</b></p> <p>The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.</p> <p>The total amount for lending to a company</p>	<p><b>Article 3</b></p> <p>The total amount available for lending purpose shall not exceed twenty percent (20%) of the net worth of the Company.</p> <p>The total amount for lending to a company</p>

<p>having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher). The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. In addition, the total amount lendable to any one borrower shall not exceed ten percent (10%) of the paid-in capital of the Company and shall be no more than thirty percent (30%) of the borrower's paid-in capital.</p> <p><b>Article 6</b></p> <p>Except for subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the shares, any</p>	<p>having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher), <b>and shall not exceed ten percent (10%) of the net worth of the Company.</b> The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the Company. In addition, the total amount lendable to any one borrower <del>shall not exceed ten percent (10%) of the paid-in capital of the Company and</del> shall be no more than thirty percent (30%) of the borrower's <del>paid-in capital</del> <b>net worth, provided that this restriction will not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.</b></p> <p><b>The total amount for fund-lending between the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company will not be subject to the limit of twenty percent (20%) of the net worth of the lending subsidiary.</b></p> <p><b>Article 6</b></p> <p>Except for subsidiaries in which the Company directly or indirectly holds more than fifty percent (50%) of the <b>voting</b></p>
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<p>other borrower shall provide a promissory note, collateral and/or other guarantee as requested by the Company in an amount equivalent to that of the loan when making an application in accordance with Article 5. If any collateral is provided, legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.</p>	<p>shares, any other borrower shall provide a promissory note, collateral and/or other guarantee as requested by the Company in an amount equivalent to that of the loan when making an application in accordance with Article 5. If any collateral is provided, legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest.</p>
<p><b>Article 14</b></p>	<p><b>Article 14</b></p>
<p>Should there be any excess over the lending limit due to unexpected changes of the Company, a plan to correct the situation has to be provided to the Audit Committee.</p>	<p>Should <b>a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures</b> or there be any excess over the lending limit due to unexpected changes of the Company, a <b>corrective</b> plan <del>to correct the situation</del> has to be provided to the Audit Committee. <b>and the proposed correction actions should be implemented within the period specified in such plan.</b></p>
<p><b>Article 15</b></p>	<p><b>Article 15</b></p>
<p>When fund-lending to other parties is contemplated by the Company's subsidiary, the Company shall supervise the subsidiary to establish relevant procedures for lending funds to other parties. Such procedures shall be approved by the subsidiary's Audit Committee and/or Board of Directors and/or Shareholders' Meeting, and become effective thereafter.</p>	<p>When fund-lending to other parties is contemplated by the Company's subsidiary, the Company shall <b>supervise mandate</b> the subsidiary to establish relevant procedures for lending funds to other parties. Such procedures shall be approved by the subsidiary's Audit Committee and/or Board of Directors and/or Shareholders' Meeting, and become effective thereafter. <b>The Company should also mandate the subsidiary to handle</b></p>

<p>When fund-lending to other parties is contemplated by the subsidiary of the Company, a credit assessment report and comments, together with the proposed terms and conditions of lending, should be submitted to and approved by the Audit Committee and/or the Board of Directors of the subsidiary.</p>	<p><b>fund-lending in accordance with its procedures.</b></p> <p>When fund-lending to other parties is contemplated by the subsidiary of the Company, a credit assessment report and comments, together with the proposed terms and conditions of lending, should be submitted to and approved by the Audit Committee and/or the Board of Directors of the subsidiary.</p>
<p>Relevant information of any fund-lending granted by the Company's subsidiary shall be provided regularly to the Company for inspection.</p>	<p>Relevant information of any fund-lending granted by the Company's subsidiary shall be provided regularly to the Company for inspection.</p>

## ATTACHMENT VII

### Comparison Table for the "Procedures for Endorsement & Guarantee" Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
<p><b>Article 2</b></p> <p>The party to whom the Company may provide endorsement and/or guarantee include the following:</p> <ol style="list-style-type: none"> <li>1. Any company who has business relationship with the Company.</li> <li>2. Any subsidiary whose common shares are fifty percent (50%) or more owned directly by the Company.</li> <li>3. Any company in which the Company invests and whose common shares are fifty percent (50%) or more owned collectively by the Company and its subsidiaries.</li> <li>4. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's common shares.</li> </ol>	<p><b>Article 2</b></p> <p>The party to whom the Company may provide endorsement and/or guarantee include the following:</p> <ol style="list-style-type: none"> <li>1. Any company who has business relationship with the Company.</li> <li>2. Any subsidiary whose <del>common</del> <b>voting</b> shares are fifty percent (50%) or more owned directly by the Company.</li> <li>3. Any company in which the Company invests and whose <del>common</del> <b>voting</b> shares are fifty percent (50%) or more owned collectively by the Company and its subsidiaries.</li> <li>4. Any parent company who directly or through its subsidiaries indirectly own fifty percent (50%) or more of the Company's <del>common</del> <b>voting</b> shares.</li> </ol> <p style="color: red;">Subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company may provide endorsement and/or guarantee to each other.</p>
<p><b>Article 4</b></p> <p>The amount of endorsement/guarantee</p>	<p><b>Article 4</b></p> <p>The amount of endorsement/guarantee</p>



<p>provided by the Company is subject to the following limits:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee provided by the Company is limited to twenty-five percent (25%) of its net worth. For any one endorsee/guarantee company, the limit shall not exceed ten percent (10%) of the Company's net worth, nor the total paid-in capital of the endorsee/guarantee company, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned limit for any one endorsee/guarantee company and the limit of total paid-in capital of the endorsee/guarantee company may be lifted for endorsement/guarantee provided to one hundred percent (100%) directly or indirectly owned subsidiaries of the Company.</li> <li>2. In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors should furnish a plan</li> </ol>	<p>provided by the Company is subject to the following limits:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsement/guarantee provided by the Company is limited to twenty-five percent (25%) of its net worth. For any one endorsee/guarantee company, the limit shall not exceed ten percent (10%) of the Company's net worth, nor the <del>total paid-in capital</del> <b>net worth</b> of the endorsee/guarantee company, whichever is lower. Subject to the approval of the Board of Directors, the aforementioned limit for any one endorsee/guarantee company and the limit of total <del>paid-in capital</del> <b>net worth</b> of the endorsee/guarantee company may be lifted for endorsement/guarantee provided to <b>the subsidiaries whose voting shares are</b> one hundred percent (100%) directly or indirectly owned <del>subsidiaries of</del> <b>by</b> the Company.</li> <li>2. In case the above limits have to be exceeded to accommodate business needs, the approval from the Audit Committee and a resolution of the Board of Directors should be obtained and over half of all the directors should jointly endorse the potential loss that may be brought about by the excess of limits. The Board of Directors should also revise the Procedures and has it ratified at the Shareholders' Meeting. If the revised Procedures are not ratified at</li> </ol>
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<p>containing a timetable to withdraw the excess portion.</p>	<p>the Shareholders' Meeting, the Board of Directors should furnish a plan containing a timetable to withdraw the excess portion.</p>
<p><b>Article 5</b></p> <p>If, due to changes of circumstances, the party to whom the Company provided endorsement and/or guarantee no longer qualifies criteria set forth in Article 2 herein, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a plan to correct the said situations shall be provided to the Audit Committee.</p>	<p><b>Article 5</b></p> <p>If, due to changes of circumstances, the party to whom the Company provided endorsement and/or guarantee no longer <del>qualifies</del><b>satisfies the</b> criteria set forth in Article 2 herein, or the amount of endorsement and/or guarantee exceeded the limits due to changes of basis on which the amounts of limits are calculated, a <b>corrective</b> plan <del>to correct the said situations</del> shall be provided to the Audit Committee <b>and the proposed correction actions should be implemented within the period specified in the plan.</b></p>
<p><b>Article 9</b></p> <p>The Company shall report and make public announcement on the total outstanding endorsement/guarantee amount of the Company and its subsidiaries for the previous month in accordance with relevant regulations. When the outstanding amount of endorsement/guarantee reaches any one of the following limits, the Company shall additionally report and make public announcement within two days:</p> <ol style="list-style-type: none"> <li>1. When the total outstanding</li> </ol>	<p><b>Article 9</b></p> <p><del>The Company shall report and make public announcement on the total outstanding endorsement/guarantee amount of the Company and its subsidiaries for the previous month in accordance with relevant regulations. When the outstanding amount of endorsement/guarantee reaches any one of the following limits, the Company shall additionally report and make public announcement within two days:</del></p> <ol style="list-style-type: none"> <li><del>1. When the total outstanding</del></li> </ol>

<p>endorsement/guarantee amount exceeds fifty percent (50%) of the Company's net worth as of the latest financial statements date, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</p> <p>2. When the outstanding endorsement/guarantee amount provided to a single entity exceeds twenty percent (20%) of the Company's net worth as of the latest financial statements date, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</p> <p>3. When the outstanding endorsement/guarantee amount provided to a single entity exceeds ten (10) million New Taiwan Dollars and the sum of the outstanding amount of endorsement/guarantee, long-term investment and loan made to that particular company exceeds thirty percent (30%) of the Company's net worth as of the latest financial statements date, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</p> <p>4. When the outstanding amount of the endorsement/guarantee deriving from</p>	<p><del>endorsement/guarantee amount exceeds fifty percent (50%) of the Company's net worth as of the latest financial statements date, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</del></p> <p><del>2. When the outstanding endorsement/guarantee amount provided to a single entity exceeds twenty percent (20%) of the Company's net worth as of the latest financial statements date, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</del></p> <p><del>3. When the outstanding endorsement/guarantee amount provided to a single entity exceeds ten (10) million New Taiwan Dollars and the sum of the outstanding amount of endorsement/guarantee, long-term investment and loan made to that particular company exceeds thirty percent (30%) of the Company's net worth as of the latest financial statements date, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</del></p> <p><del>4. When the outstanding amount of the endorsement/guarantee deriving from</del></p>
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<p>business relationship exceeds the total dollar amount of business transactions between the Company and the endorsed/guaranteed party over the most recent year, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</p> <p>If there is any reporting and announcement, as aforesaid, required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of the subsidiary.</p> <p><b>Article 10</b></p> <p>When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall</p>	<p><del>business relationship exceeds the total dollar amount of business transactions between the Company and the endorsed/guaranteed party over the most recent year, or when the outstanding increment, after the report and public announcement, exceeds five percent (5%) of the Company's net worth as of the latest financial statements date.</del></p> <p><del>If there is any reporting and announcement, as aforesaid, required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of the subsidiary.</del></p> <p>Should there be any endorsement/guarantee which is required to be reported to the governmental authority-in-charge or to be publicly announced, such report or public announcement shall be made by the Company in accordance with the relevant laws, rules and regulations. If there is any reporting and announcement required for the Company's subsidiary which is not a domestic public company, the Company will follow the requirement on behalf of its subsidiary.</p> <p><b>Article 10</b></p> <p>When endorsement/guarantee extended to other parties is contemplated by the Company's subsidiary, the Company shall</p>
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<p>supervise the subsidiary to establish relevant procedures for endorsement/guarantee. Such procedures shall be approved by the Audit Committee and/or the Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. Relevant information of the endorsement/guarantee extended by the Company's subsidiary should be provided regularly to the Company for inspection.</p>	<p><del>supervise</del><b>mandate</b> the subsidiary to establish relevant procedures for endorsement/guarantee. Such procedures shall be approved by the Audit Committee and/or the Board of Directors and/or Shareholders' Meeting of the subsidiary, and become effective thereafter. Relevant information of the endorsement/guarantee extended by the Company's subsidiary should be provided regularly to the Company for inspection. <b>The Company should also mandate the subsidiary to handle endorsement/guarantee in accordance with its procedures.</b></p>
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### List of Independent Director Candidates

Name	Shareholding	Education & Recognitions	Past Positions	Current Positions
<b>Sir Peter Leahy Bonfield</b>	—	<ul style="list-style-type: none"> <li>• Bachelor Degree in Engineering, Loughborough University</li> <li>• Honours Degree in Engineering, Loughborough University</li> <li>• Fellow of The Royal Academy of Engineering</li> <li>• Knighted-1996</li> <li>• Awarded Commander of the Order of the British Empire (CBE) – 1989</li> <li>• Awarded the Order of the Lion of Finland</li> <li>• Awarded the Gold Medal from the Institute of Management</li> <li>• Awarded the Mountbatten Medal from the National Electronics Council</li> </ul>	<ul style="list-style-type: none"> <li>• CEO and Chairman of the Executive Committee, British Telecommunications plc</li> <li>• Chairman and CEO, ICL plc</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Supervisory Board, NXP</li> <li>• Director of: <ul style="list-style-type: none"> <li>- Sony Corporation, Japan</li> <li>- L.M. Ericsson, Sweden</li> <li>- Mentor Graphics Corporation Inc., Oregon, USA</li> <li>- Dubai International Capital</li> <li>- Actis Capital LLP, London</li> </ul> </li> <li>• Member of: <ul style="list-style-type: none"> <li>- The Citigroup International Advisory Board</li> <li>- The Longreach Group Advisory Board</li> <li>- The Sony Corporation Advisory Board</li> <li>- New Venture Partners LLP Advisory Board</li> </ul> </li> <li>• Advisor to Apax Partners LLP</li> <li>• Board Mentor, CMi</li> <li>• Vice President, the British Quality</li> </ul>

Name	Shareholding	Education & Recognitions	Past Positions	Current Positions
				Foundation
<b>Stan Shih</b>	<b>1,472,922</b>	<ul style="list-style-type: none"> <li>• BSEE, National Chiao Tung University, Taiwan</li> <li>• MSEE, National Chiao Tung University, Taiwan</li> <li>• Honorary EE Ph.D., National Chiao Tung University, Taiwan</li> <li>• Honorary Doctor of Technology, The Hong Kong Polytechnic University</li> <li>• Honorary Fellowship, University of Wales, Cardiff, UK</li> <li>• Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, USA</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, CEO and Co-Founder, Acer Group</li> </ul>	<ul style="list-style-type: none"> <li>• Group Chairman, iD SoftCapital</li> <li>• Director of : <ul style="list-style-type: none"> <li>- Acer Incorporated</li> <li>- Qisda Corporation</li> <li>- Wistron Corporation</li> <li>- Nan Shan Life Insurance Company, Ltd.</li> </ul> </li> </ul>
<b>Carleton Sneed Fiorina</b>	—	<ul style="list-style-type: none"> <li>• Bachelor Degree in Medieval History and Philosophy, Stanford University</li> <li>• Master Degree in Business Administration, Robert H. Smith School of Business at the University of Maryland at College Park, Md.</li> <li>• Master Degree in Science, MIT's Sloan School</li> <li>• Compass/Vanguard Award honored by the Women's Leadership Exchange, 2007</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Board, Hewlett-Packard</li> <li>• President and CEO, Hewlett-Packard</li> <li>• Senior Management, AT&amp;T and Lucent Technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Member, MIT Corporation</li> <li>• Chairman and CEO, Carly Fiorina Enterprises</li> <li>• Chairman, Technology Policy Institute, Washington, D.C.</li> <li>• Vice-Chairman, Initiative for Global Development</li> </ul>

Name	Shareholding	Education & Recognitions	Past Positions	Current Positions
		<ul style="list-style-type: none"> <li>• Annual Leadership Award presented by the Women's Center, 2007</li> <li>• 2004 Leadership Award honored by the Private Sector Council</li> <li>• 2003 Concern Worldwide "Seeds of Hope" Award</li> <li>• 2002 Appeal of Conscience Award</li> <li>• Named an Honorary Fellow of the London Business School, 2001</li> </ul>		
<b>Thomas J. Engibous</b>	<p style="text-align: center;">—</p>	<ul style="list-style-type: none"> <li>• Bachelor Degree in Electrical Engineering, Purdue University, 1975</li> <li>• Master Degree in Electrical Engineering, Purdue University, 1976</li> <li>• Honorary Doctorate in Engineering, Purdue University</li> <li>• Member of National Academy of Engineering</li> <li>• Honorary Director of Catalyst</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the Board, Texas Instrument Inc., 1998-2008</li> <li>• President and CEO, Texas Instrument Inc., 1996-2004</li> <li>• Executive Vice President and President of the Semiconductor Group, Texas Instruments Inc., 1993-1996</li> <li>• Chairman of the Board of Catalyst</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Director, J. C. Penney Company Inc.</li> <li>• Trustee, Southwestern Medical Foundation</li> <li>• Member, The Business Council</li> </ul>



## **IV. APPENDIX**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**

**RULES AND PROCEDURES OF SHAREHOLDERS' MEETING**

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.

2. Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.

The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.

3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.

4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.

Persons handling affairs of the Meeting shall wear identification cards or badges.

5. The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.

6. The Chairman of the Board of Directors shall be the chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. If, for any reason, the Chairman of the Board of Directors cannot preside at the Meeting, the Vice Chairman of the Board of Directors or one of the Directors shall preside at the Meeting in accordance with Article 208 of the Company Law of the Republic of China.

If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting.

7. Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China. The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the

Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

8. The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

9. Shareholders attending the Meeting shall have the obligation to observe Meeting rules, obey resolutions and maintain order at Meeting place.
10. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.
11. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

Unless otherwise permitted by the chairman, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.

12. The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
13. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
14. Except otherwise specified in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
15. During the Meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the Meeting and announce, depending on the situation, when the Meeting will resume or, by resolution of the shareholders present at the Meeting, the chairman may resume the Meeting within five days without further notice or public announcement.
16. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
17. The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
18. These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

**ARTICLES OF INCORPORATION**  
**OF**  
**TAIWAN SEMICONDUCTOR MANUFACTURING**  
**COMPANY LIMITED**

## **Section I - General Provisions**

### **Article 1**

The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be 台灣積體電路製造股份有限公司 in the Chinese language, and Taiwan Semiconductor Manufacturing Company Limited in the English language.

### **Article 2**

The scope of business of the Corporation shall be as follows:

1. Manufacturing and sales of integrated circuits and assembly of other semiconductor devices in wafer form at the order of and pursuant to product design specifications provided by customers.
2. Provision of packaging and testing services related to the above services.
3. Providing computer assisted design services and technology for integrated circuits.
4. Providing mask making and mask design services.

### **Article 3**

The Corporation shall have its head office in Science Based Industrial Park, Hsin Chu, Taiwan, Republic of China, and shall be free, upon approval of government authorities in charge, to set up representative and branch offices at various locations within and without the territory of the Republic of China, wherever and whenever the Corporation deems it necessary or advisable to carry out any or all of its activities.

### **Article 4**

Public announcements of the Corporation shall be made in accordance with the Company Law and other relevant rules and regulations of the Republic of China.

### **Article 5**

The Corporation may provide endorsement and guarantee and act as a guarantor.

### **Article 6**

The total amount of the Corporation's reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation's paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.

## **Section II - Capital Stock**

### **Article 7**

The total capital stock of the Corporation shall be in the amount of 280,500,000,000 New Taiwan Dollars, divided into 28,050,000,000 shares, at ten New Taiwan Dollars each, and may be paid-up in installments.

The Corporation may issue employee stock options from time to time. A total of 500,000,000 shares among the above total capital stock should be reserved for issuing employee stock options.

### **Article 8**

The Corporation may issue shares without printing share certificate(s). If the Corporation decides to print share certificates for shares issued, the Corporation shall comply with relevant provisions of the Company Law and relevant rules and regulations of the Republic of China.

### **Article 9**

The share certificates of the Corporation shall all be name-bearing share certificates, and issued in accordance with the Company Law and relevant rules and regulations of the Republic of China.

### **Article 10**

All transfer of stocks, pledge of rights, loss, succession, gift, loss of seal, amendment of seal, change of address or similar stock transaction conducted by shareholders of the Corporation shall follow the "Guidelines for Stock Operations for Public Companies" unless specified otherwise by law and securities regulations.

### **Article 11**

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Corporation.

#### **Article 12**

Shareholders' meetings of the Corporation are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws, rules and regulations of the Republic of China.

#### **Article 13**

Written notices shall be sent to all shareholders at their latest places of residence as registered with the Corporation for the convening of shareholders' meetings, at least thirty (30) days in advance, in case of regular meetings; and at least fifteen (15) days in advance, in case of special meetings. The purpose(s) for convening any such meeting shall be clearly stated in the written notices sent out to the shareholders. Notices shall be written in Chinese, and English when necessary.

#### **Article 14**

Except as provided in the Company Law of the Republic of China, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Corporation, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

#### **Article 15**

Each share of stock shall be entitled to one vote.

#### **Article 16**

If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting, in accordance with Article 177 of the Company Law of the Republic of China. A representative does not need to be a shareholder of



the Corporation.

#### **Article 17**

The shareholders' meeting shall be presided over by the Chairman of the Board of Directors of the Corporation. In his absence, either the Vice Chairman of the Board of Directors, or one of the Directors shall preside in accordance with Article 208 of the Company Law of the Republic of China.

#### **Article 18**

The resolutions of the shareholders' meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list and proxies, shall be filed and kept at the head office of the Corporation. The minutes shall be drafted in both the Chinese language and the English language.

### **Section III - Directors**

#### **Article 19**

The Corporation shall have seven to nine Directors. The Board of Directors is authorized to determine the number of Directors.

The aforesaid Board of Directors must have at least three independent directors.

#### **Article 19-1**

For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors. Except those elected in 2006 in accordance with the letter of March 28, 2006 Chin-Kuan Cheng one Tze No. 0950001617 issued by the relevant regulatory authority, independent directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of independent directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent

directors shall be held together; provided, however, that in order to ensure the election of at least three independent directors after each election, the number of independent directors and non-independent directors elected shall be calculated separately.

#### **Article 19-2**

In compliance with Articles 14-4 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. Effective from January 1, 2007, the Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations.

#### **Article 20**

The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election.

#### **Article 21**

Except as otherwise provided in the Company Law of the Republic of China, a meeting of the Board of Directors may be held if attended by a majority of total Directors and resolutions shall be adopted with the concurrence of the majority of the Directors present at the meeting.

#### **Article 22**

The Directors shall elect from among themselves a Chairman of the Board of Directors, and may elect a Vice Chairman of the Board of Directors, by a majority in a meeting attended by over two-thirds of the Directors. The Chairman shall not have a second or casting vote at any meeting of the Board of Directors. The Chairman of the Board of Directors shall have the authority to represent the Corporation.

#### **Article 23**

Except the first Board meeting of every term of the newly elected Board of Directors, which shall be convened by the Director who has received the largest number of votes after such new election, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors, upon written notice mailed to all the other Directors, at least fourteen days, unless in case of urgent circumstances, prior to the date of the meeting, specifying the date and place of the meeting and its agenda. The meeting of the Board of Directors shall be held at least once

every quarter. Such prescribed notices may be waived in writing by any Director, either before or after the meeting. The meetings of the Board of Directors may be convened, at any time, without such prescribed notice in case of urgent circumstances. Notices shall be written in both the Chinese language and the English language. Personal attendance at a meeting will represent a waiver of the notice. Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

#### **Article 24**

The Chairman of the Board of Directors shall preside over all meetings of the Board of Directors. In addition, the Chairman shall have the right to execute documents in accordance with the resolutions of the Board of Directors in the name and on behalf of the Corporation as well as acting on behalf of the Board pursuant to Board resolutions and the Corporation's objectives when the Board is not in session. In his absence, the Vice Chairman of the Board of Directors, or any one of the Directors shall be acting for him according to Article 208 of the Company Law of the Republic of China.

#### **Article 25**

A Director may, by written authorization, appoint another Director to attend on his behalf any meeting of the Board of Directors, and to vote for him on all matters presented at such meeting, but no Director may act as proxy for more than one other Director.

#### **Article 26**

The Directors shall exercise their functions by resolutions adopted at meetings of Shareholders and the Board of Directors.

#### **Article 27**

In the case that vacancies on the Board of Directors exceed, for any reason, one third of the total number of the Directors, then the Board of Directors shall convene a shareholders' meeting to elect new Directors to fill such vacancies in accordance with relevant laws, rules and regulations. Except for the election of new Directors across the board, the new Directors shall serve the remaining term of the predecessors.

#### **Article 28**

The Board of Directors is authorized to determine the compensation for the Chairman, Vice-

Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

## **Section IV - Management of the Corporation**

### **Article 29**

The Corporation may, by resolution of the Board of Directors, appoint a Chief Executive Officer, a President and one or more Vice Presidents. The President may also be a Director and/or the Chief Executive Officer of the Corporation.

The Chief Executive Officer shall have the overall responsibilities for the business of the Corporation and all the affiliated companies. The Chief Executive Officer shall cause to be prepared and furnished to the Board of Directors of the Corporation a balance sheet of the Corporation and related statements of income and loss, as of the end of each calendar month, quarter and year. Monthly and quarterly statements shall be furnished no more than sixty (60) days after the end of each month and quarter, and year-end statements shall be furnished no more than ninety (90) days after the end of each year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied in the Republic of China on a consistent basis. Such statements shall be accompanied by a certification of the Corporation that such statements have been so prepared. Subject to the policies of the Corporation, the President shall be responsible for the overall control of allocated business and operation of the Corporation and shall make reports to the Board of Directors. The President shall supervise and control day-to-day business and operation of the Corporation, subject to the policies of the Board of Directors headed by the Chairman. The Vice President-Finance shall have special responsibility for the financial affairs and accounting of the Corporation.

### **Article 30**

The Chief Executive Officer reports to the Chairman of the Board of Directors. The President and Vice Presidents shall perform such duties as designated by the Chairman or the Board of Directors.

### **Article 31**

Subject to the provisions of the Company Law of the Republic of China and these Articles of Incorporation, all actions of the Corporation's officers shall be in conformance with, and in

furtherance of, the directions of the Board of Directors.

## **Section V - Financial Reports**

### **Article 32**

The fiscal year for the Corporation shall be from January 1 of each year to December 31 of the same year. After the close of each fiscal year, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements;
3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.

### **Article 33**

When allocating the net profits for each fiscal year, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Corporation; then set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge; and then set aside not more than 0.3% of the balance as bonus to directors and not less than 1% as bonus to employees of this Corporation. Directors who also serve as executive officers of this Corporation are not entitled to receive bonus to directors. This Corporation 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. Any balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting:

1. Except distribution of reserve in accordance with item (2) below, this Corporation shall not pay dividends or bonuses when there is no profit; however, where the legal capital reserve reaches over 50% of the paid-in capital, this Corporation may distribute the amount in excess as dividends and bonuses. Profits may be distributed in total after taking into consideration financial, business and operational factors. Profits of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a capital-intensive industry at the steady growth stage of its business, 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 however, the ratio for stock dividend shall not exceed 50% of total distribution.
2. In case there is no profit for distribution in a certain year, or the profit of a certain year

is far less than the profit actually distributed by this Corporation in the previous year, or considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

## **Section VI - Supplementary Provisions**

### **Article 34**

The internal organization of the Corporation and the detailed procedures of business operation shall be determined by the Board of Directors.

### **Article 35**

In regard to all matters not provided for in these Articles of Incorporation, the Company Law of the Republic of China shall govern.

### **Article 36**

These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, the tenth Amendment on May 11, 1999, the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, the eighteenth Amendment on May 16, 2006, and the nineteenth Amendment on May 7, 2007.

**Taiwan Semiconductor Manufacturing Company Limited**  
**Rules For Election of Directors**

**Article 1**

Unless otherwise provided in the Company Law or the Articles of Incorporation of this Company, the directors of this Company shall be elected in accordance with the rules specified herein.

**Article 2**

Election of directors of this Company shall be held at the shareholders' meeting. This Company shall prepare ballots and note the number of voting rights.

**Article 3**

In the election of directors of this Company, the names of voters may be represented by shareholders' numbers.

**Article 4**

This Company's independent directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

**Article 5**

In the election of directors of this Company, each share shall have voting rights equivalent to the number of seats to be elected and such voting rights can be combined to vote for one person or divided to vote for several persons. The election of independent directors and non-independent directors shall be held together; provided, however, that the number of independent directors and non-independent directors elected shall be calculated separately.

## **Article 6**

In the election of directors of this Company, candidates who acquire more votes should win the seats of directors. If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available, and the Chairman shall draw lots on behalf of the candidate who is not present.

## **Article 7**

At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from among the shareholders present.

## **Article 8**

The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting.

## **Article 9**

If the candidate is a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name and shareholder's number, and the number of votes cast for such candidate. If the candidate is not a shareholder of this Company, voters shall fill in the "candidate" column the candidate's name, the candidate's ID number, and the number of votes cast for such candidate. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name(s) of their representative(s) should be filled in the column.

## **Article 10**

Ballots shall be deemed void under the following conditions:

- (1) Ballots not placed in the ballot box;
- (2) Ballots not prepared by this Company;
- (3) Blank ballots not completed by the voter;
- (4) If the candidate is a shareholder of this Company, the name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect;



- (5) Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate;
- (6) Illegible writing;
- (7) Any of the candidate's name, shareholder's number (ID number) or the number of votes cast for such candidate being erased or changed;
- (8) The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them;
- (9) The total votes cast by the voter exceeding the total voting rights of such voter; or
- (10) The number of candidates filled in the ballot exceeding the number of the seats to be elected.

#### **Article 11**

The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting.

#### **Article 12**

This Company shall issue notifications to the directors elected.

#### **Article 13**

These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

## APPENDIX IV

### Bonus to Directors and Employees' Profit Sharing

The Board adopted a proposal for 2008 bonus to Directors and employees' profit sharing at its Meeting on February 10, 2009. The proposal will be effected according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders' Meeting on June 10, 2009.

Unit:NT\$

Item	Board Resolution (02/10/2009)
Bonus to Directors	158,080,488
Employees' Profit Sharing in Cash	7,494,987,577
Employees' Profit Sharing in Stock	7,494,987,578

Note : The above three items, being approved by the Board, each has been expensed at the same amount under the Company's 2008 income statements.

**Taiwan Semiconductor Manufacturing Company Limited**  
SHAREHOLDINGS OF ALL DIRECTORS

Record Date: April 12, 2009

Title Name	Date Elected	Shareholding when Elected (Note 1)		Current Shareholding (Note 2)	
		Shares	%	Shares	%
Chairman Morris Chang	05/16/2006	112,677,772	0.46%	118,047,697	0.46%
Vice Chairman F.C. Tseng	05/16/2006	39,010,891	0.16%	36,144,509	0.14%
National Development Fund, Executive Yuan Representative: Director Tain-Jy Chen	05/16/2006	1,581,649,966	6.39%	1,645,482,861	6.42%
Director Rick Tsai	05/16/2006	25,466,795	0.10%	33,768,636	0.13%
Independent Director Sir Peter Leahy Bonfield	05/16/2006	-	-	-	-
Independent Director Lester Carl Thurow	05/16/2006	-	-	-	-
Independent Director Stan Shih	05/16/2006	1,415,785	0.01%	1,472,922	0.01%
Independent Director Carleton (Carly) S. Fiorina	05/16/2006	-	-	-	-
Total		<b>1,760,221,209</b>	-	<b>1,834,916,625</b>	-

Note 1: Total shares issued as of 05/16/2006: 24,733,052,975 Common Shares.

Note 2: Total shares issued as of 04/12/2009: 25,626,311,653 Common Shares.

## Explanatory Note:

Under the relevant laws and regulations of the ROC, TSMC's Directors are required to hold in the aggregate not less than 205,010,493 TSMC shares. As of April 12, 2009, TSMC's Directors together held 1,833,443,703 TSMC shares. (Shares held by independent directors are not counted in the above calculations.)