

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

May 03, 2006

**1934 Act Registration No. 1-14700**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the month of April 2006**  
**Taiwan Semiconductor Manufacturing Company Ltd.**  
(Translation of Registrant's Name Into English)  
**No. 8, Li-Hsin Rd. 6,**  
**Hsinchu Science Park,**  
**Taiwan**  
(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

---

**Taiwan Semiconductor Manufacturing  
Company Limited  
Financial Statements for the  
Three Months Ended March 31, 2006 and 2005 and  
Independent Accountants' Review Report**

---

**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2006 and 2005, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

April 13, 2006

Notice to Readers

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

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

**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**MARCH 31, 2006 AND 2005**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 109,989,790	20	\$ 60,218,990	12
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	58,545		302,708	
Available-for-sale financial assets (Notes 2, 3 and 6)	58,815,063	11	48,601,822	10
Held-to-maturity financial assets (Notes 2, 3 and 7)	9,120,093	2	3,036,348	1
Receivables from related parties (Note 23)	21,248,956	4	14,079,482	3
Notes and accounts receivable	19,986,591	4	13,069,620	3
Allowance for doubtful receivables (Note 2)	(975,704)		(978,577)	
Allowance for sales returns and others (Note 2)	(4,479,954)	(1)	(3,741,534)	(1)
Other receivables from related parties (Note 23)	683,675		2,645,421	
Other financial assets (Note 3)	784,723		828,065	
Inventories, net (Notes 2 and 8)	16,901,113	3	13,428,985	3
Deferred income taxes assets (Notes 2 and 16)	7,276,728	1	7,296,000	2
Prepaid expenses and other current assets (Note 3)	1,378,283		957,067	
<b>Total current assets</b>	<b>240,787,902</b>	<b>44</b>	<b>159,744,397</b>	<b>33</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 9 and 10)</b>				
Available-for-sale financial assets	1,900,885			
Held-to-maturity financial assets	18,677,604	4	26,940,409	6
Financial assets carried at cost	813,354		779,340	
Investments accounted for using equity method	54,047,343	10	49,157,468	10
<b>Total long-term investments</b>	<b>75,439,186</b>	<b>14</b>	<b>76,877,217</b>	<b>16</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)</b>				
Cost				
Buildings	91,408,209	17	87,452,818	18
Machinery and equipment	468,724,647	86	424,088,493	88
Office equipment	7,978,549	2	7,360,112	2

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Accumulated depreciation	568,111,405 (373,690,326)	105 (69)	518,901,423 (315,454,528)	108 (65)
Advance payments and construction in progress	18,101,402	3	26,406,814	5
Net property, plant, and equipment	212,522,481	39	229,853,709	48
GOODWILL (Note 2)	1,567,756		1,829,049	
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 16)	7,064,964	2	3,751,059	1
Deferred charges, net (Notes 2 and 12)	6,179,470	1	8,438,529	2
Refundable deposits	83,642		85,542	
Assets leased to others, net (Note 2)	71,446		77,180	
Idle assets (Note 2)	6,789		17,130	
Total other assets	13,406,311	3	12,369,440	3
TOTAL	\$ 543,723,636	100	\$ 480,673,812	100

	<b>2006</b>		<b>2005</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 354,214		\$ 854,087	
Accounts payable	7,360,964	1	5,344,256	1
Payables to related parties (Note 23)	3,512,804	1	2,863,489	1
Income tax payable (Notes 2 and 16)	6,110,590	1	379,903	
Payables to contractors and equipment suppliers	11,621,333	2	10,920,422	2
Accrued expenses and other current liabilities (Notes 2, 3 and 14)	6,886,738	1	7,028,701	2
Current portion of bonds payable (Note 13)	2,500,000	1	10,500,000	2
Total current liabilities	38,346,643	7	37,890,858	8
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Note 13)	17,000,000	3	19,500,000	4
Other long-term payables (Note 14)	1,493,160		1,911,506	1
Other payables to related parties (Notes 23 and 26)	1,087,410		1,722,326	

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Total long-term liabilities	19,580,570	3	23,133,832	5
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 15)	3,437,287	1	3,240,343	1
Guarantee deposits (Note 26)	3,215,089	1	370,876	
Deferred credits (Notes 2 and 23)	1,211,019		684,423	
Total other liabilities	7,863,395	2	4,295,642	1
Total liabilities	65,790,608	12	65,320,332	14
<b>CAPITAL STOCK \$10 PAR VALUE</b>				
Authorized: 27,050,000 thousand shares in 2006				
24,600,000 thousand shares in 2005				
Issued: 24,733,053 thousand shares in 2006				
23,252,863 thousand shares in 2005	247,330,530	45	232,528,635	48
CAPITAL SURPLUS (Notes 2 and 18)	57,208,367	11	56,574,377	12
<b>RETAINED EARNINGS (Note 18)</b>				
Appropriated as legal capital reserve	34,348,208	6	25,528,007	5
Appropriated as special capital reserve	2,226,427			
Unappropriated earnings	138,803,185	26	105,020,406	22
	175,377,820	32	130,548,413	27
<b>OTHERS (Notes 2 and 3)</b>				
Cumulative translation adjustments	(1,098,483)		(2,725,918)	(1)
Unrealized gains on financial instruments	32,869			
	(1,065,614)		(2,725,918)	(1)
<b>TREASURY STOCK (AT COST (Notes 2 and 20)</b>				
32,938 thousand shares in 2006 and 45,037 thousand shares in 2005	(918,075)		(1,572,027)	
Total shareholders' equity	477,933,028	88	415,353,480	86
<b>TOTAL</b>	<b>\$ 543,723,636</b>	<b>100</b>	<b>\$ 480,673,812</b>	<b>100</b>

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





**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2006</b>		<b>2005</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 23)	\$ 78,637,640		\$ 56,413,097	
SALES RETURNS AND ALLOWANCES (Note 2)	1,344,296		759,880	
NET SALES	77,293,344	100	55,653,217	100
COST OF SALES (Notes 17 and 23)	40,651,362	53	34,004,376	61
GROSS PROFIT	36,641,982	47	21,648,841	39
OPERATING EXPENSES (Notes 17 and 23)				
Research and development	3,548,886	5	3,348,555	6
General and administrative	1,554,351	2	1,944,834	3
Sales and marketing	671,400		278,876	1
Total operating expenses	5,774,637	7	5,572,265	10
INCOME FROM OPERATIONS	30,867,345	40	16,076,576	29
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	2,972,039	4		
Gain on disposal of financial instruments, net (Notes 2, 3, 5 and 22)	1,115,518	2	1,897,289	4
Interest income (Notes 2 and 3)	902,043	1	619,986	1
Technical service income (Notes 23 and 26)	142,631		77,111	
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 23)	96,141		60,707	
Settlement income (Note 25)			569,276	1
Others (Note 23)	78,440		68,272	
Total non-operating income and gains	5,306,812	7	3,292,641	6

NON-OPERATING EXPENSES AND LOSSES

Foreign exchange loss, net (Note 2)	1,032,555	2	2,282,461	4
Valuation loss on financial instruments, net (Notes 2, 3, 5 and 22)	295,669		257,718	1
Interest expense (Notes 3 and 13)	165,300		303,112	1

(Continued)

	2006		2005	
	Amount	%	Amount	%
Equity in losses of equity method investees, net (Notes 2 and 10)	\$		\$ 198,178	
Others (Note 2)	25,292		62,407	
Total non-operating expenses and losses	1,518,816	2	3,103,876	6
INCOME BEFORE INCOME TAX	34,655,341	45	16,265,341	29
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 16)	(1,802,369)	(3)	553,056	1
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	32,852,972	42	16,818,397	30
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3)	(246,186)			
NET INCOME	\$ 32,606,786	42	\$ 16,818,397	30

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	\$ 1.39	\$ 1.32	\$ 0.66	\$ 0.68
Diluted earnings per share	\$ 1.39	\$ 1.32	\$ 0.66	\$ 0.68

The pro forma net income and after income tax earnings per share are shown as follows, based on the assumption that the Company's stock held by its subsidiaries is treated as an investment instead of treasury stock (Notes 2 and 20):

	2006	2005
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 32,852,972	\$ 16,821,282
NET INCOME	\$ 32,606,786	\$ 16,821,282
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 1.32	\$ 0.68

Diluted earnings per share	\$	1.32	\$	0.68
----------------------------	----	------	----	------

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

(Concluded)

- 4 -

---

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 32,606,786	\$ 16,818,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,974,533	16,668,655
Amortization of premium/discount of financial assets	(15,834)	28,956
Loss (gain) on disposal of available-for-sale financial assets, net	(261,300)	64,473
Deferred income taxes	(568,737)	(553,056)
Equity in losses (earnings) of equity method investees, net	(2,972,039)	198,178
Gain on disposal of property, plant and equipment and other assets, net	(93,903)	(22,785)
Accrued pension cost	(24,105)	139,147
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	(198,352)	2,056,557
Notes and accounts receivable	605,227	2,257,261
Allowance for doubtful receivables	(640)	(1,884)
Allowance for sales returns and others	209,985	413,620
Financial instruments at fair value through profit or loss	1,442,295	1,708,744
Other receivables from related parties	846,108	(881,321)
Other financial assets	321,307	56,252
Inventories	(643,158)	742,960
Prepaid expenses and other current assets	(206,510)	129,751
Increase (decrease) in:		
Accounts payable	(691,142)	(1,144,361)
Payables to related parties	257,542	(901,983)
Income tax payable	2,294,702	
Accrued expenses and other current liabilities	(1,110,647)	(1,757,005)
Deferred credits	(23,936)	
 Net cash provided by operating activities	 47,748,182	 36,020,556
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(31,351,886)	(18,632,579)
Held-to-maturity financial assets	(1,379,009)	(1,762,393)
Financial assets carried at cost	(5,864)	(6,706)
Long-term investments accounted for using equity method	(19,214)	(2,992,406)
Property, plant and equipment	(11,114,607)	(38,161,372)
		(Continued)



	<b>2006</b>	<b>2005</b>
Proceeds from disposal of Available-for-sale financial assets	\$ 16,951,250	\$ 18,742,345
Property, plant and equipment and other assets	461,151	120,613
Redemption of held-to-maturity financial assets upon maturity	2,973,000	1,651,621
Increase in deferred charges	(96,335)	(285,727)
Increase in refundable deposits		(129)
 Net cash used in investing activities	 (23,581,514)	 (41,326,733)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in guarantee deposits	322,144	(41,517)
Proceeds from exercise of employee stock options	117,395	34,866
 Net cash provided by (used in) financing activities	 439,539	 (6,651)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 24,606,207	 (5,312,828)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 85,383,583	 65,531,818
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 109,989,790	 \$ 60,218,990
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 420,000	\$ 452,000
Income tax paid	\$ 67,924	\$ 22,522
 <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 13,876,710	\$ 17,927,484
Decrease (increase) in payables to contractors and equipment suppliers	(2,762,103)	20,233,888
 Cash paid	 \$ 11,114,607	 \$ 38,161,372
 <b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$ 2,500,000	\$ 10,500,000
Current portion of other payables to related parties (under payables to related parties)	\$ 685,718	\$ 949,841

Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 817,530	\$ 1,487,737
----------------------------------------------------------------------------------------------------	------------	--------------

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

- 6 -

---



**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2006 AND 2005**

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

**(Reviewed, Not Audited)**

**1. GENERAL**

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

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

As of March 31, 2006 and 2005, the Company had 20,027 and 18,648 employees, respectively.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

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

Significant accounting policies are summarized as follows:

**Use of Estimates**

The preparation of financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

**Classification of Current and Noncurrent Assets and Liabilities**

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations expected to be due within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

**Cash Equivalents**

Government bonds under repurchase agreements and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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

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

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

### **Available-for-Sale Financial Assets**

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

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

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

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

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

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

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivable. The Company determines the amount of allowance for doubtful receivables by examining the aging analysis of outstanding accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

### **Revenue Recognition and Allowance for Sales Returns and Others**

The Company recognizes revenue when evidence of an arrangement exists, shipment is made, price is fixed or determinable, and collectibility is reasonably assured. Revenues from the design and manufacturing of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. The Company records a provision for estimated future returns and other allowances in the period the related revenue is recorded. Provisions for estimated sales returns and other allowances are generally made based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

Sales prices are determined using the fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of cash to be received.

### **Inventories**

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the balance sheet date. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventories on hand and writes off inventories that are considered obsolete. Period-end inventories are evaluated for estimated excess quantities and obsolescence based on a demand forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

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

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at original cost, such as non-publicly traded stocks and mutual funds. The costs of funds and non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery in fair value is allowed.

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

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

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. When equity investments were made, the difference, if any, between the cost of investment and the Company's share of the investee's net equity was previously amortized using the straight-line method over five years and was also recorded

in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5 Long-term Investments in Equity Securities (SFAS No. 5), investment premiums, representing goodwill, are no longer being amortized; while investment discounts continue to be

- 9 -

---

amortized over the remaining periods. When an indication of impairment is identified in an investment, the carrying amount of the investment is reduced, with the related impairment loss charged to current income.

When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage of equity interest, the resulting carrying amount of the investment in the investee differs from the amount of the Company's share in the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentage in the investees until such gains or losses are realized through transactions with third parties. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until such gains or losses are realized through the subsequent sales of the related products to third parties. Gains or losses on sales from investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are realized through transactions with third parties.

Gains or losses on sales between investees accounted for using the equity method are deferred in proportion to the Company's weighted-average ownership percentages in the investees until realized through transactions with third parties.

If an investee's functional currency is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred. Interest expense incurred during the purchase and construction period is also capitalized.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings 10 to 20 years; machinery and equipment 5 years; and office equipment 3 to 5 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to non-operating gains or losses in the period of sale or disposal.

### **Goodwill**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill was previously amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised SFAS No. 25 Business Combinations Accounting Treatment under Purchase Method (SFAS No. 25), goodwill is no longer amortized and is assessed for impairment at least on an annual basis. If an event occurs or circumstances change that more likely than not reduce the fair value of the goodwill below its carrying amount, an impairment loss is charged to current income. No recording of a

subsequent recovery in fair value of the goodwill is allowed.

- 10 -

---

### **Deferred Charges**

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

### **Pension Costs**

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees individual pension accounts. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

### **Income Tax**

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

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

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

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

The R.O.C. government enacted the Alternative Minimum Tax Act ( AMT Act ), which became effective on January 1, 2006. The alternative minimum tax ( AMT ) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

### **Stock-based Compensation**

Employee stock option plans that are amended or have options granted on or after January 1, 2004 are accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is charged to expense over the

employee vesting period.



### Treasury Stock

The Company's stock held by its subsidiaries is treated as treasury stock and reclassified from long-term investments accounted using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by the subsidiaries and cash dividends received by the subsidiaries from the Company are recorded under capital surplus treasury stock transactions.

### Foreign-currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each period, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

## 3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34 Accounting for Financial Instruments (SFAS No. 34) and No. 36 Disclosure and Presentation for Financial Instruments and related revisions of previously released SFASs.

### a. Effect of adopting the newly released SFASs and related revisions of previously released SFASs

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

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

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

The adoption of the newly released SFASs resulted in a decreased in net income before cumulative effect of changes in accounting principles of NT\$295,669 thousand, a decrease in net income of NT\$541,855 thousand, and a decrease in after income tax basic earnings per share of NT\$0.02, for the three months ended March 31,

2006.

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

- 12 -

---

b. Reclassifications

Upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the three months ended March 31, 2005 were reclassified to conform with the financial statements as of and for the three months ended March 31, 2006. The previous issued financial statements as of and for the three months ended March 31, 2005 need not be restated.

Certain accounting policies prior to the adoption of the newly released SFASs are summarized as follows:

1) Short-term investments

Short-term investments that were publicly-traded, easily converted to cash, and not acquired for the purpose of controlling the investees or establishing close business relationship with the investees were carried at the lower of cost or market value at the balance sheet date, with any temporary decline in value charged to current income. The market value of publicly-traded stocks was determined using the average-closing prices for the last month of the period.

2) Derivative financial instruments

The Company entered into foreign currency forward contracts to manage foreign exchange exposures on foreign-currency-denominated assets and liabilities. The contracts were recorded in New Taiwan dollars at the current rate of exchange at the contract date. The differences in the New Taiwan dollar amounts translated using the current rates and the amounts translated using the contracted forward rates were amortized over the terms of the forward contracts using the straight-line method. At the end of each period, the receivables or payables arising from forward contracts were restated using the prevailing exchange rates with the resulting differences credited or charged to income. In addition, the receivables and payables related to the same forward contracts were netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement was credited or charged to income in the period of settlement.

The Company entered into cross currency swap contracts to manage currency exposures on foreign-currency-denominated assets and liabilities. The principal amount was recorded using the current rates at the contract date. The differences in the New Taiwan dollar amounts translated using the current rates and the amounts translated using the contracted rates were amortized over the terms of the contracts using the straight-line method. At the end of each period, the receivables or payables arising from cross-currency swap contracts were restated using the prevailing exchange rate with the resulting differences credited or charged to income. In addition, the receivables and payables related to the contracts of the same counter party were netted with the resulting amount presented as either an asset or a liability. The difference in interest computed pursuant to the contracts on each settlement date or the balance sheet date was recorded as an adjustment to the interest income or expense associated with the hedged items. Any resulting gain or loss upon settlement was credited or charged to income in the period of settlement.

The Company entered into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions were accounted for on an accrual basis, in which the cash settlement receivable or payable was recorded as an adjustment to interest income or expense associated with the hedged items.

Certain accounts in the financial statements as of and for the three months ended March 31, 2005 have been reclassified to conform to the classifications prescribed by the newly released and revised SFASs. The reclassifications of the whole or a part of the account balances of certain accounts are summarized as follows:

	<b>Before Reclassification</b>	<b>After Reclassification</b>
Balance sheet		
Short-term investments	\$ 51,638,170	\$
Other financial assets	179,131	
Prepaid expenses and other current assets	123,577	
Long-term investments accounted for using cost method	779,340	
Long-term bonds investment	16,503,809	
Other long-term investments	10,436,600	
Accrued expenses and other current liabilities	(854,087)	
Financial assets at fair value through profit or loss		302,708
Financial liabilities at fair value through profit or loss		(854,087)
Available-for-sale financial assets		48,601,822
Held-to-maturity financial assets		29,976,757
Financial assets carried at cost		779,340
	\$ 78,806,540	\$ 78,806,540
Statement of income		
Interest income	\$ 160,076	\$
Foreign exchange gain, net	2,081,847	
Interest expense	(280,161)	
Unrealized valuation loss on short-term investments	(257,718)	
Loss on disposal of investment, net	(64,473)	
Valuation loss on financial instruments, net		(257,718)
Gain on disposal of financial instruments, net		1,897,289
	\$ 1,639,571	\$ 1,639,571

#### 4. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Government bonds acquired under repurchase agreements	\$ 61,427,311	\$ 26,670,303
Cash and deposits in banks	48,126,259	33,198,480
Corporate notes	436,220	350,207
	\$ 109,989,790	\$ 60,218,990



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

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Derivatives financial assets		
Forward contracts	\$ 2,254	\$ 56,781
Cross currency swap contracts	56,291	245,927
	\$ 58,545	\$ 302,708
Derivatives financial liabilities		
Forward contracts	\$ 6,597	\$ 301,914
Cross currency swap contracts	347,617	552,173
	\$ 354,214	\$ 854,087

The Company entered into derivative transactions during the three months ended March 31, 2006 and 2005 to manage exposures related to foreign exchange rate and interest rate fluctuations. The derivative transactions entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, effective January 1, 2006, the Company has discontinued hedge accounting.

Outstanding forward contracts as of March 31, 2006 and 2005:

	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (in Thousands)</b>
March 31, 2006			
Sell	EUR/US\$	April 2006	US\$ 36,882
March 31, 2005			
Sell	US\$/NT\$	April 2005 to June 2005	US\$ 708,000
Buy	US\$/NT\$	April 2005	US\$ 40,000

Outstanding cross currency swap contracts as of March 31, 2006 and 2005:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
March 31, 2006			

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

April 2006 to June 2006	US\$ 2,311,000	2.91%-5.65%	0.10%-2.04%
-------------------------	----------------	-------------	-------------

March 31, 2005

April 2005 to June 2005	US\$ 1,395,000	1.28%-3.07%	0.49%-1.15%
-------------------------	----------------	-------------	-------------

The Company did not enter into any interest rate swap contracts during the three months ended March 31, 2006.

The Company rescinded all interest rate swap contracts in the first quarter of 2005 before their original maturities.

The rescission loss of NT\$28,295 thousand has been reclassified and included in the losses on disposal of financial instrument account.

- 15 -

---

Net gains arising from derivative financial instruments for the three months ended March 31, 2006 were NT\$558,549 thousand (including realized settlement gains of NT\$854,218 thousand and valuation losses of NT\$295,669 thousand).

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Bond funds	\$ 19,085,320	\$ 10,667,000
Agency bonds	13,154,575	10,464,473
Corporate bonds	11,961,405	11,003,652
Corporate issued asset backed securities	10,936,373	12,084,193
Government bonds	4,884,533	3,424,308
Structured time deposits	499,091	
Corporate notes	97,863	157,612
Money market funds	90,509	677,811
Publicly traded stocks	6,279	28,267
Commercial papers		94,506
	60,715,948	48,601,822
Current portion	(58,815,063)	(48,601,822)
	\$ 1,900,885	\$

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of March 31, 2006, the Company's investment portfolios managed by these fund managers aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as agency bonds, corporate bonds, asset-backed securities, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

As of March 31, 2006, structured time deposits categorized as available-for-sale financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
Step-up callable deposits				
Domestic banks	\$ 500,000	\$ 499,091	1.76%	March 2008

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



**7. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Government bonds	\$ 7,868,330	\$ 11,819,517
Corporate bonds	9,288,167	7,720,640
Structured time deposits	10,641,200	10,436,600
	27,797,697	29,976,757
Current portion	(9,120,093)	(3,036,348)
	\$ 18,677,604	\$ 26,940,409

Structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
March 31, 2006				
Step-up callable deposits				
Foreign bank	\$ 3,500,000	\$ 16,881	1.40%-2.01%	June 2007 to March 2009
Callable range accrual deposits				
Foreign bank	7,141,200	26,986	(See below)	September 2009 to January 2010
	\$ 10,641,200	\$ 43,867		
March 31, 2005				
Step-up callable deposits				
Domestic banks	\$ 2,000,000	\$ 7,551	2.05%-2.20%	July 2007 to August 2007
Foreign banks	1,500,000	7,988	1.44%-2.47%	July 2006 to July 2007
Callable range accrual deposits				
Foreign bank	6,936,600	91,730	(See below)	September 2009 to January 2010
	\$ 10,436,600	\$ 107,269		

The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate between zero and 1.5%. Under the terms of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

As of March 31, 2006 and 2005, the deposits (under both available-for-sale and held-to-maturity financial assets) that resided in banks located in Hong Kong amounted to NT\$2,596,800 thousand and NT\$2,522,400 thousand, respectively; those resided in banks located in Singapore amounted to NT\$649,200 thousand and NT\$630,600 thousand, respectively.

- 17 -

---

**8. INVENTORIES, NET**

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Finished goods	\$ 3,075,200	\$ 2,844,581
Work in process	12,192,651	10,359,806
Raw materials	1,899,428	896,897
Supplies and spare parts	795,070	684,714
	17,962,349	14,785,998
Allowance for valuation	(1,061,236)	(1,357,013)
	\$ 16,901,113	\$ 13,428,985

**9. FINANCIAL ASSETS CARRIED AT COST**

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Non-publicly traded stocks	\$ 472,500	\$ 482,500
Funds	340,854	296,840
	\$ 813,354	\$ 779,340

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

	<b>March 31</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying</b>	<b>% of</b>	<b>Carrying</b>	<b>% of</b>
	<b>Amount</b>	<b>Owner-</b>	<b>Amount</b>	<b>Owner-</b>
		<b>ship</b>		<b>ship</b>
TSMC International Investment Ltd. (TSMC International)	\$ 25,985,340	100	\$ 23,184,094	100
TSMC (Shanghai) Company Limited (TSMC-Shanghai)	9,352,101	100	10,732,322	100
Vanguard International Semiconductor Corporation (VIS)	5,541,044	27	5,698,410	28
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	4,629,413	32	3,364,490	32
TSMC Partners, Ltd. (TSMC Partners)	4,106,947	100	3,871,369	100
TSMC North America (TSMC-North America)	1,826,618	100	556,517	100
Emerging Alliance Fund, L.P. (Emerging Alliance)	1,250,283	99	747,632	99
VentureTech Alliance Fund II, L.P. (VTAF II)	630,569	98	321,035	98
Global UniChip Corporation (GUC)	451,841	45	396,716	47
TSMC Japan K. K. (TSMC-Japan)	94,218	100	97,787	100
Chi Cherng Investment Co., Ltd. (Chi Cherng)	78,197	36	50,629	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	77,470	36	49,879	36
	23,302	100	23,950	100

Taiwan Semiconductor Manufacturing Company  
Europe B.V. (TSMC-Europe)  
VisEra Technologies Company, Ltd. (VisEra)

62,638

25

\$ 54,047,343

\$ 49,157,468

- 18 -

---

For the three months ended March 31, 2006 and 2005, net equity in earnings of NT\$2,972,039 thousand and losses of NT\$198,178 thousand were recognized from the equity method investees, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the reviewed financial statements of the investees as of and for the same periods ended as the Company.

In November 2005, the Company transferred all of its shares in VisEra to VisEra Holding Company, an investee of TSMC Partners accounted for using the equity method, due to changes in investment structure.

## 11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	March 31	
	2006	2005
Buildings	\$ 44,728,744	\$ 37,351,006
Machinery and equipment	323,087,400	273,182,396
Office equipment	5,874,182	4,921,126
	\$ 373,690,326	\$ 315,454,528

There was no capitalized interest for the three months ended March 31, 2006 and 2005.

## 12. DEFERRED CHARGES, NET

	March 31	
	2006	2005
Technology license fees	\$ 4,670,054	\$ 6,264,489
Software and system design costs	1,446,346	2,050,497
Others	63,070	123,543
	\$ 6,179,470	\$ 8,438,529

## 13. BONDS PAYABLE

	March 31	
	2006	2005
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2005 and 2007 in two installments, 5.25% and 5.36% interest payable annually, respectively	\$ 4,500,000	\$ 15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	15,000,000	15,000,000
	19,500,000	30,000,000
Current portion	(2,500,000)	(10,500,000)

\$ 17,000,000      \$ 19,500,000

- 19 -

---

As of March 31, 2006, future principal repayments for the bonds were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2007	\$ 7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	\$ 19,500,000

#### **14. OTHER LONG-TERM PAYABLES**

Most of the payables resulted from license arrangements for certain semiconductor-related patents. As of March 31, 2006, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2006 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 817,530
2007	454,440
2008	259,680
2009	259,680
2010	259,680
2011 and thereafter	259,680
	2,310,690
Current portion (classified under accrued expenses and other current liabilities)	(817,530)
	\$ 1,493,160

#### **15. PENSION PLANS**

The Labor Pension Act (the Act) became effective on July 1, 2005 and the pension mechanism under the Act is deemed a defined contribution plan. Employees who were subject to the Labor Standards Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or continue to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same company after July 1, 2005 and have chosen to be subject to the pension mechanism under the Act, their seniority as of July 1, 2005 shall be maintained. Employees who joined the Company after July 1, 2005 can only be subject to the pension mechanism under the Act.

The Act prescribes that the rate of contribution by an employer to employees' pension accounts per month shall not be less than 6% of each employee's monthly salary. Pursuant to the Act, the Company has made monthly contributions to employees' pension accounts starting from July 1, 2005, and recognized pension costs of NT\$155,470 thousand for the three months ended March 31, 2006.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund). The Fund is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China. As of March 31, 2006 and 2005, the balance of the Fund amounted to

NT\$1,767,611 thousand and NT\$1,511,688 thousand, respectively.

- 20 -

---



**16. INCOME TAX**

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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 8,663,835	\$ 4,066,335
Tax effect of the following:		
Tax-exempt income	(3,772,846)	(2,236,484)
Temporary and permanent differences	(84,382)	303,375
Cumulative effect of changes in accounting principles	(82,062)	
Current income tax expense before tax credits	\$ 4,724,545	\$ 2,133,226

- b. Income tax expense (benefit) consisted of the following:

Current income tax expense before tax credits	\$ 4,724,545	\$ 2,133,226
Income tax credits	(2,362,272)	(2,133,226)
Other income tax adjustments	8,833	
Net change in deferred income tax assets		
Investment tax credits	503,405	(2,557,893)
Temporary differences	(1,327,214)	(799,837)
Adjustment in valuation allowance	255,072	2,804,674
Income tax expense (benefit)	\$ 1,802,369	\$ (553,056)

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

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
Current deferred income tax assets		
Investment tax credits	\$ 7,276,728	\$ 7,296,000
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 16,085,638	\$ 21,146,477
Temporary differences	644,944	(1,650,698)
Valuation allowances	(9,665,618)	(15,744,720)
	\$ 7,064,964	\$ 3,751,059

- d. Integrated income tax information:

The balance of the imputation credit account as of March 31, 2006 and 2005 was NT\$80,472 thousand and zero, respectively.

The expected and actual creditable ratio for distribution of earnings of 2005 and 2004 was 0.08% and 0.11%, respectively.

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

- 21 -

---

- e. All earnings generated prior to December 31, 1997 have been appropriated.
- f. As of March 31, 2006, investment tax credits consisted of the following:

<b>Law</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,052,808	\$ 1,690,536	2007
		10,994,284	10,994,284	2008
		5,343,688	5,343,688	2009
		252,346	252,346	2010
		\$ 20,643,126	\$ 18,280,854	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,382,993	\$ 1,382,993	2007
		1,605,567	1,605,567	2008
		1,597,296	1,597,296	2009
		431,669	431,669	2010
		\$ 5,017,525	\$ 5,017,525	
Statute for Upgrading Industries	Personnel training	\$ 26,780	\$ 26,780	2007
		37,207	37,207	2008
		\$ 63,987	\$ 63,987	

- g. The profits generated from the following expansion and construction projects are exempt from income tax:

	<b>Tax-Exemption Period</b>
Expansion of Fab 2 - modules A and B, Fab 3 and Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

- h. The tax authorities have examined income tax returns of the Company through 2002.

### 17. LABOR COST, DEPRECIATION AND AMORTIZATION

<b>Three Months Ended March 31, 2006</b>		
	<b>Classified</b>	
	<b>as</b>	
<b>Classified</b>	<b>Operating</b>	
<b>as</b>	<b>Expenses</b>	<b>Total</b>
<b>Cost of</b>		
<b>Sales</b>		

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Labor cost			
Salary	\$ 2,585,763	\$ 1,029,808	\$ 3,615,571
Labor and health insurance	168,406	81,425	249,831
Pension	141,112	68,183	209,295
Meal	115,836	39,662	155,498
Welfare	48,480	24,345	72,825
Others	51,769	3,614	55,383
	\$ 3,111,366	\$ 1,247,037	\$ 4,358,403
Depreciation	\$ 14,548,962	\$ 818,442	\$ 15,367,404
Amortization	\$ 364,266	\$ 237,773	\$ 602,039

- 22 -

---

	<b>Three Months Ended March 31, 2005</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost of</b>		
	<b>Sales</b>		
Labor cost			
Salary	\$ 2,029,905	\$ 836,497	\$ 2,866,402
Labor and health insurance	152,768	72,370	225,138
Pension	145,158	68,770	213,928
Meal	98,219	31,140	129,359
Welfare	34,846	20,295	55,141
Others	26,925	5,825	32,750
	<b>\$ 2,487,821</b>	<b>\$ 1,034,897</b>	<b>\$ 3,522,718</b>
Depreciation	\$ 15,164,392	\$ 712,831	\$ 15,877,223
Amortization	\$ 328,014	\$ 448,626	\$ 776,640

## 18. SHAREHOLDERS EQUITY

The Company has issued a total of 864,194 thousand ADSs which are traded on the NYSE as of March 31, 2006. The number of common shares represented by the ADSs is 4,320,969 thousand shares (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which is limited to a certain percentage of the Company's paid-in capital.

Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2006</b>	<b>2005</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	23,341,345	23,077,544
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	306,868	3,090
From long-term investments	196,129	129,718
Donations	55	55
	<b>\$ 57,208,367</b>	<b>\$ 56,574,377</b>

The Company's Articles of Incorporation as revised on May 10, 2005 provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the Company's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

- 23 -

---

- c. Bonus to directors and supervisors and bonus to employees of the Company equal to not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors and supervisors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Company's Articles of Incorporation also stipulate that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are recorded in the financial statement in the year of shareholder approval.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if the Company has no unappropriated earnings and the reserve balance has exceeded 50% of the Company's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of the Company's paid-in capital, up to 50% of the reserve may be transferred to capital.

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial assets, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2005 and 2004 were approved in the Board of Directors' meeting and the shareholders' meeting held on February 14, 2006 and May 10, 2005, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal</b>	<b>For Fiscal</b>	<b>For</b>	<b>For</b>
	<b>Year 2005</b>	<b>Year 2004</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2004</b>
Legal capital reserve	\$ 9,357,503	\$ 8,820,201		
Special capital reserve	(1,585,685)	2,226,427		
Employees' profit sharing in cash	3,432,129	3,086,215		
Employees' profit sharing in stock	3,432,129	3,086,215		
Cash dividends to common shareholders	61,825,061	46,504,097	\$ 2.50	\$ 2.00
Stock dividends to common shareholders	3,709,504	11,626,024	0.15	0.50
Bonus to directors and supervisors	257,410	231,466		
	\$ 80,428,051	\$ 75,580,645		

The Board of Directors also resolved to distribute stock dividends out of capital surplus in the amount of NT\$3,709,504 thousand on February 14, 2006.

The amounts of the above appropriation of earnings for 2004 are consistent with those resolved in the meeting of the Board of Directors on February 22, 2005. The appropriation of earnings for 2005 and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings for 2005 and 2004, the after income tax basic earnings per share for the years ended December 31, 2005 and 2004 would have decreased from NT\$3.79 to NT\$3.50 and NT\$3.97 to NT\$3.70, respectively.

- 24 -

---



The shares distributed as a bonus to employees represented 1.39% and 1.33% of the Company's total outstanding common shares as of December 31, 2005 and 2004, respectively.

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

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

## 19. STOCK-BASED COMPENSATION PLANS

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

Options of the aforementioned Plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2006.

Information about outstanding stock options for the three months ended March 31, 2006 and 2005 was as follows:

	<b>Number of Stock Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2006		
Balance, beginning of period	67,758	42.1
Options exercised	(3,028)	38.8
Options cancelled	(1,117)	46.6
Balance, end of period	63,613	42.2
Three months ended March 31, 2005		
Balance, beginning of period	64,367	44.1
Options exercised	(899)	41.2
Options cancelled	(1,688)	44.7

Balance, end of period	61,780	44.1
------------------------	--------	------

The numbers of outstanding options and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the Plans.

- 25 -

---

As of March 31, 2006, information about outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Number of Options (in Thousands)	Options Outstanding		Options Exercisable	
		Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$29.9-\$42.1	42,459	5.87	\$ 38.72	26,600	\$ 38.1
\$47.0-\$54.5	21,154	7.58	49.19	300	54.4
	63,613			26,900	

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2006 and 2005. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted after January 1, 2004, the assumptions and pro forma results of the Company for the three months ended March 31, 2006 and 2005 would have been as follows:

	Three Months Ended March 31	
	2006	2005
Assumptions:		
Expected dividend yield	1.00%-3.44%	1.00%
Expected volatility	43.77%-46.15%	43.77%-46.15%
Risk free interest rate	3.07%-3.85%	3.07%-3.85%
Expected life	5 years	5 years
Net income:		
Net income as reported	\$32,606,786	\$ 16,818,397
Pro forma net income	32,577,069	16,798,577
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	1.32	0.68
Pro forma basic EPS	1.32	0.68
Diluted EPS as reported	1.32	0.68
Pro forma diluted EPS	1.32	0.68

## 20. TREASURY STOCK

	(Shares in Thousands)			
	Beginning Shares	Increase	Disposal	Ending Shares
Three months ended March 31, 2006				
Parent company stock held by subsidiaries	32,938			32,938

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Three months ended March 31, 2005

Parent company stock held by subsidiaries	45,521	484	45,037
-------------------------------------------	--------	-----	--------

- 26 -

---

Proceeds from sales of treasury stock for the three months ended March 31, 2005 were NT\$26,044 thousand. As of March 31, 2006 and 2005, the book value of the treasury stock were NT\$918,075 thousand and NT\$1,572,027 thousand, respectively; the market value was NT\$2,114,650 thousand and NT\$2,336,080 thousand, respectively. The Company's stocks held by its subsidiaries are treated as treasury stock and the holders are entitled to the rights of shareholders, except that starting from June 24, 2005, pursuant to the revised Company Law, the holders are no longer entitled to vote in shareholders' meetings.

## 21. EARNINGS PER SHARE

	For the Three Months Ended March 31			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 1.40	\$ 1.33	\$ 0.66	\$ 0.68
Cumulative effect of changes in accounting principles	(0.01)	(0.01)		
Income for the period	\$ 1.39	\$ 1.32	\$ 0.66	\$ 0.68
Diluted EPS (NT\$)				
Income before cumulative effect of change in accounting principles	\$ 1.40	\$ 1.33	\$ 0.66	\$ 0.68
Cumulative effect of changes in accounting principles	(0.01)	(0.01)		
Income for the period	\$ 1.39	\$ 1.32	\$ 0.66	\$ 0.68

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Three months ended March 31, 2006					
Basic EPS					
Income available to common shareholders	\$ 34,327,093	\$ 32,606,786	24,699,304	\$ 1.39	\$ 1.32
Effect of dilutive potential common stock - stock options			21,320		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 34,327,093	\$ 32,606,786	24,720,624	\$ 1.39	\$ 1.32

Three months ended March 31,  
2005

Basic EPS

Income available to common shareholders	\$ 16,265,341	\$ 16,818,397	24,675,841	\$ 0.66	\$ 0.68
--------------------------------------------	---------------	---------------	------------	---------	---------

Effect of dilutive potential common  
stock stock options

8,525

Diluted EPS

Income available to common shareholders (including effect of dilutive potential common stock)	\$ 16,265,341	\$ 16,818,397	24,684,366	\$ 0.66	\$ 0.68
-----------------------------------------------------------------------------------------------------	---------------	---------------	------------	---------	---------

- 27 -

---

**22. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	March 31			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>				
Available-for-sale financial assets	\$ 60,715,948	\$ 60,715,948	\$ 48,601,822	\$ 48,601,822
Held-to-maturity financial assets	27,797,697	27,386,028	29,976,757	29,979,070
Long-term investments accounted for using equity method (with market price)	5,541,044	10,378,016	5,698,410	9,705,906
<b>Liabilities</b>				
Forward contracts, net	4,343	4,343	245,133	207,356
Cross currency swap contracts, net	291,326	291,326	306,246	331,511
Bonds payable (including current portion)	19,500,000	19,904,420	30,000,000	30,522,754

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, refundable (guarantee) deposits, payables, and payable to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values.
  - 2) The aforementioned financial instruments do not include long-term payables either. The fair value was determined using the discounted value of expected cash flows, which approximates their carrying amount.
  - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market price.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair values of derivatives were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- c. Loss recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$295,669 thousand for the three months ended March 31, 2006.
- d. As of March 31, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$88,565,911 thousand and NT\$78,853,020 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$354,214 thousand and NT\$854,087 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$7,141,200 thousand and NT\$6,936,600 thousand, respectively.
- e. The Company recognized an unrealized loss of NT\$400,789 thousand in shareholder's equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2006. The Company also recognized an unrealized gain of NT\$433,658 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity method investees for the three months ended March 31, 2006.

f. Information about financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge foreign exchange fluctuations of foreign- currency- denominated assets and liabilities. Therefore, the market risk of derivatives will be offset by the foreign exchange risk of these assets and liabilities. Available-for-sale financial assets held by the Company are mainly fixed interest rate debt instruments. Therefore, the fluctuations in prevailing interest rates would result in changes in fair values of these debt instruments. However, the market risk could not be reasonably estimated due to the complexity of the Company's investment portfolios.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing derivative financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes its exposure to default by those parties is low.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low.

**23. RELATED PARTY TRANSACTIONS**

The Company engages in business transactions with the following related parties:

- a. Industrial Technology Research Institute (ITRI), the chairman of the Company is one of its supervisors.
- b. Philips, a major shareholder of the Company.

c. Subsidiaries

TSMC-North America

TSMC-Europe

TSMC-Japan

TSMC-Shanghai

d. Investees

GUC (with a controlling financial interest)

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

e. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

f. Indirect investee

VisEra, originally an investee over which the Company had a controlling interest; beginning in November 2005, VisEra became an indirect investee accounted for using the equity method due to changes in investment structure.



Transactions with the aforementioned parties, excluding those disclosed in other notes, are summarized as follows:

	<b>2006</b>		<b>2005</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
For the three months ended March 31				
Sales				
TSMC-North America	\$ 44,102,519	56	\$ 31,759,070	56
Philips	1,035,524	1	469,031	1
Others	170,866		101,362	
	\$ 45,308,909	57	\$ 32,329,463	57
Purchases				
WaferTech	\$ 3,118,957	26	\$ 2,514,006	32
SSMC	1,936,912	16	1,053,623	13
TSMC-Shanghai	996,913	9	73,752	1
VIS	736,971	6	1,013,490	13
	\$ 6,789,753	57	\$ 4,654,871	59
Manufacturing expenses technical assistance fees Philips (Note 26a)	\$ 188,976	1	\$ 11,391	
Marketing expenses commission				
TSMC-Japan	\$ 48,686	7	\$ 55,692	20
TSMC-Europe	45,213	7	44,797	16
	\$ 93,899	14	\$ 100,489	36
General and administrative expenses rental expense GUC	\$ 4,186		\$ 3,976	
Research and development expenses GUC	\$ 22,389	1	\$ 1,000	
Sales of property, plant and equipment TSMC-Shanghai	\$ 100,423	22	\$ 36,469	30

Non-operating income and gains					
SSMC (primarily technical service income, see Note 26e)	\$	71,952	1	\$ 62,342	2
TSMC-Shanghai		60,776	1	1,394	
VIS (primarily technical service income, see Note 26h)		49,537	1	32,303	1
VisEra		45,922	1	4,017	
	\$	228,187	4	\$ 100,056	3

(Continued)

	2006		2005	
	Amount	%	Amount	%
As of March 31				
Receivables				
TSMC-North America	\$ 20,821,546	98	\$ 13,822,886	98
Philips	321,540	2	179,348	1
Others	105,870		77,248	1
	\$ 21,248,956	100	\$ 14,079,482	100
Other receivables				
TSMC-North America	\$ 319,449	47	\$ 377,009	14
TSMC-Shanghai	154,400	23	1,553,163	59
SSMC	98,395	14	75,472	3
VisEra	58,445	8	34,296	1
VIS	51,144	8	34,850	1
TSMC Technology	1,839		570,601	22
Others	3		30	
	\$ 683,675	100	\$ 2,645,421	100
Payables				
WaferTech	\$ 1,076,937	31	\$ 735,306	26
VIS	716,048	20	636,782	22
Philips	685,718	20	1,032,341	36
SSMC	428,357	12	337,355	12
TSMC-Shanghai	361,221	10	48,265	2
Others	244,523	7	73,440	2
	\$ 3,512,804	100	\$ 2,863,489	100
Other long-term payables				
Philips (Note 26a)	\$ 1,087,410	100	\$ 1,722,326	100
Deferred credits				
TSMC-Shanghai	\$ 633,122	52	\$ 684,423	100
VisEra	170,981	14		
	\$ 804,103	66	\$ 684,423	100

The terms of sales to related parties were not significantly different from those to third parties. For other related party transactions, prices were determined in accordance with related contractual agreements.

The Company deferred the gains (classified under the deferred credits) derived from sales of property, plant and equipment to TSMC-Shanghai and VisEra, and then recognized such gains (classified under the non-operating income and gains) over the depreciable lives of the disposed assets.

The Company leased part of its office space from GUC with a quarterly rental of NT\$4,186 thousand. The Company also leased certain buildings and facilities to VisEra with a monthly rental of NT\$7,684 (classified under the non-operating income and gains).

**24. SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land from the Science-Based Industrial Park Administration. These operating leases expire on various dates from March 2008 to December 2020 and can be renewed upon expiration.

As of March 31, 2006, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2006 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 193,552
2007	248,185
2008	222,450
2009	213,872
2010	166,803
2011 and thereafter	1,103,708
	\$ 2,148,570

**25. SETTLEMENT INCOME**

TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, SMIC shall pay TSMC US\$175 million over six years to resolve TSMC's claims.

**26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The significant commitments and contingencies of the Company as of March 31, 2006, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips agreed to cross license the patents owned by each party. The Company also obtained through Philips a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992 and 1997 and on January 1, 2002.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of March 31, 2006, the Company had a

total of US\$98,586 thousand of guarantee deposits.

- 32 -

---

- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. The Company and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but the Company alone is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- i. Amounts available under unused letters of credit as of March 31, 2006 were NT\$6,480 thousand.

## **27. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d.

Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;

- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;

- 33 -

---



- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 8 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC-Shanghai entered into forward contracts during the three months ended March 31, 2006 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward contracts as of March 31, 2006:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell	US\$/JPY	April 2006	JPY 63,500
Valuation losses arising from forward contracts for the three months ended March 31, 2006 were NT\$57 thousand.			

- k. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Table 9 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 23.

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**FINANCING PROVIDED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement	Maximum Balance for the		Type of Financing Interest	Transaction Note	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral Item Value
	Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)					
Other receivables	\$ 1,136,100	\$ 1,136,100	1.50%	2	\$	Operating capital	\$ -
	US\$ 35,000	US\$ 35,000					

Note 1: The type No. 2 represents necessary for short-term financing.

Note 2: Not exceeding the issued capital of the Company.

Note 3: Generally not exceeding the issued capital of the Company, unless approved by all members of the board.

**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited**  
**ENDORSEMENT/GUARANTEE PROVIDED**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Counter-party	Nature of Relationship	Limits on Each Counter-party	Endorsement/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Value of Collateral	Property, Plant and Equipment
	(Note)			(US\$ in Thousands)	(US\$ in Thousands)	Equipment	State
TSMC Development	2	Not exceed 10% of the net worth of the Company, and be also limited to the paid-in capital of the endorsement/guarantee company, unless otherwise approved by Board of Directors.		\$ 1,947,600 ( US\$ 60,000)	\$ 1,947,600 ( US\$ 60,000)	\$	0.4

Note 1: 25% of the net worth of the Company as of March 31, 2006.

Note 2: The No. 2 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

**TABLE 3**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES HELD**  
**MARCH 31, 2006**  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	March 31, 2006		Percentage of Ownership
				Carrying Value (US\$ in Thousands)		
Government bonds						
Kreditanstalt Fur Wiederaufbau		Available-for-sale financial assets		US\$ 6,853		N/A
United States Treas Nts				US\$ 112,671		N/A
2004 Government Bond Series B				\$1,004,783		N/A
2004 Government Bond Series E		Held-to-maturity financial assets		4,200,354		N/A
2005 Government Bond Series A				2,545,192		N/A
2004 Kaohsiung Municipal Bond Series A				619,995		N/A
2002 Government Bond Series B				353,481		N/A
2002 Government Bond Series F				149,308		N/A
Bond funds						
NITC Bond Fund		Available-for-sale financial assets	20,992	3,418,415		N/A
ABN AMRO Bond Fund			158,407	2,362,227		N/A
Prudential Financial Bond Fund			103,751	1,500,960		N/A
Cathay Bond			122,762	1,401,845		N/A
NITC Taiwan Bond			93,312	1,301,437		N/A
Dresdner Bond DAM Fund			104,217	1,195,177		N/A
JF Taiwan Bond Fund			75,286	1,136,999		N/A
JF Taiwan First Bond Fund			77,530	1,078,535		N/A
ABN AMRO Select Bond Fund			89,700	1,006,294		N/A
ABN AMRO Income			63,947	1,000,751		N/A
Fuhwa Albatross Fund			71,619	800,314		N/A
Fuh Hwa Bond			60,642	800,237		N/A
Shinkong Chi Shin Bond Fund			55,063	780,982		N/A
HSBC Taiwan Money Management			40,864	600,978		N/A
President James Bond			39,288	600,169		N/A
TIIM High Yield			8,147	100,000		N/A

(Continued)

		March 31, 2006				
		Carrying Value			Net Ass	
		(US\$ in			of	
		Thousands)			Ownership Thou	
		(in			Percentage	
		Thousands)			(US	
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Net Ass (US Thousands)
Stock						
Taiwan Mask Corp.		Available-for-sale financial assets	389	\$ 6,279		\$
TSMC International	Subsidiary	Investments accounted for using equity method	987,968	25,985,340	100	25,
VIS	Investee accounted for using equity method		437,891	5,541,044	27	10,
SSMC	Investee accounted for using equity method		382	4,629,413	32	4,
TSMC Partners	Subsidiary		300	4,106,947	100	4,
TSMC-North America	Subsidiary		11,000	1,826,618	100	1,
GUC	Investee with controlling financial interest		40,147	451,841	45	
TSMC-Japan	Subsidiary		6	94,218	100	
TSMC-Europe	Subsidiary			23,302	100	
United Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	10	
Shin-Etsu Handotai Taiwan Co., Ltd.			10,500	105,000	7	
Hontung Venture Capital Co., Ltd.			8,392	83,916	10	
Gobaltop Partner I Venture Capital Corp.			5,000	50,000	1	
W.K. Technology Fund IV			4,000	40,000	2	
Capital						
TSMC-Shanghai	Subsidiary	Investments accounted for using equity method		9,352,101	100	9,
Emerging Alliance	Subsidiary			1,250,283	99	1,
VTAI II	Subsidiary			630,569	98	
Chi Cherng	Subsidiary			78,197	36	
Hsin Ruey	Subsidiary			77,470	36	

Corporate bonds					
Abbott Labs	Available-for-sale financial assets	US\$	1,508	N/A	US\$
Abbott Labs		US\$	2,567	N/A	US\$
Ace Ltd.		US\$	1,005	N/A	US\$
AIG Sunamerica Global Fing Ix		US\$	997	N/A	US\$
Allstate Life Global Fdg Secd		US\$	2,931	N/A	US\$
Alltel Corp.		US\$	596	N/A	US\$
American Express Co.		US\$	3,422	N/A	US\$

(Continued)

March 31, 2006

Carrying

Value

(US\$ in

Percentage

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Thousands)	Ownership
American Gen Fin Corp.		Available-for-sale financial assets		US\$ 1,638	N/A
American Gen Fin Corp. Mtn				US\$ 1,005	N/A
American Honda Fin Corp. Mtn				US\$ 802	N/A
American Honda Fin Corp. Mtn				US\$ 3,068	N/A
Ameritech Capital Funding Co.				US\$ 485	N/A
Amgen Inc.				US\$ 2,870	N/A
Amsouth Bk Birmingham Ala				US\$ 1,972	N/A
Anz Cap Tr I				US\$ 957	N/A
Associates Corp. North Amer				US\$ 2,549	N/A
Bank New York Inc.				US\$ 1,477	N/A
Bank One Corp.				US\$ 3,303	N/A
Bank Utd Houston Tx Mtn				US\$ 534	N/A
Bear Stearns Cos Inc.				US\$ 3,321	N/A
Bear Stearns Cos Inc.				US\$ 3,616	N/A
Beneficial Corp. Mtn Bk Entry				US\$ 2,308	N/A
Berkshire Hathaway Fin Corp.				US\$ 1,468	N/A
Cargill Inc.				US\$ 2,002	N/A
Caterpillar Finl Svcs Mtn				US\$ 5,730	N/A
Chase Manhattan Corp. New				US\$ 1,524	N/A
Chase Manhattan Corp. New				US\$ 2,123	N/A
Chubb Corp.				US\$ 2,109	N/A
Cit Group Hldgs Inc.				US\$ 3,032	N/A
Citicorp				US\$ 1,392	N/A
Cogentrix Energy Inc.				US\$ 2,690	N/A
Colonial Pipeline Co.				US\$ 1,518	N/A
Corestates Cap Corp.				US\$ 1,010	N/A
Countrywide Fdg Corp. Mtn				US\$ 2,038	N/A
Countrywide Home Lns Inc.				US\$ 5,006	N/A
Credit Suisse Fb USA Inc.				US\$ 4,012	N/A
Credit Suisse Fincl Products				US\$ 1,508	N/A
Credit Suisse First Boston				US\$ 739	N/A
Credit Suisse First Boston USA				US\$ 2,149	N/A
Daimlerchrysler North Amer				US\$ 967	N/A
Daimlerchrysler North Amer Hld				US\$ 752	N/A
Dayton Hudson Corp.				US\$ 2,029	N/A
Deere John Cap Corp.				US\$ 4,885	N/A
Dell Computer Corp.				US\$ 2,844	N/A
Den Danske Bk Aktieselskab				US\$ 2,053	N/A
Diageo Plc				US\$ 3,405	N/A

(Continued)





			<b>March 31, 2006</b>			
			<b>Carrying</b>			
			<b>Value</b>			
<b>Name</b>	<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Shares/Units (in Thousands)</b>	<b>(US\$ in Thousands)</b>	<b>Percentage Ownership</b>
	European Invt Bk		Available-for-sale financial assets		US\$ 3,908	N/A
	Federal Home Ln Bks				US\$ 7,937	N/A
	Fifth Third Bk Cincinnati Oh				US\$ 2,398	N/A
	First Data Corp.				US\$ 2,841	N/A
	Fleet Boston Corp.				US\$ 2,666	N/A
	Fleet Finl Group Inc. New				US\$ 912	N/A
	Fleet Finl Group Inc. New				US\$ 470	N/A
	Fpl Group Cap Inc.				US\$ 999	N/A
	Fpl Group Cap Inc.				US\$ 843	N/A
	Gannett Co Inc.				US\$ 2,921	N/A
	General Elec Cap Corp. Mtn				US\$ 3,846	N/A
	General Elec Cap Corp. Mtn				US\$ 8,699	N/A
	General Re Corp.				US\$ 3,359	N/A
	Genworth Finl Inc.				US\$ 3,418	N/A
	Goldman Sachs Group Inc.				US\$ 4,926	N/A
	Goldman Sachs Group Inc.				US\$ 3,431	N/A
	Goldman Sachs Group LP				US\$ 1,517	N/A
	Greenpoint Finl Corp.				US\$ 954	N/A
	Gte Corp.				US\$ 2,032	N/A
	Hancock John Global Fdg II Mtn				US\$ 3,490	N/A
	Hancock John Global Fdg Mtn				US\$ 963	N/A
	Hartford Finl Svcs Group Inc.				US\$ 299	N/A
	Hartford Finl Svcs Group Inc.				US\$ 1,352	N/A
	Hbos Plc Medium Term Sr Nts				US\$ 3,171	N/A
	Hbos Plc Meduim Term Sr Nts				US\$ 2,925	N/A
	Heller Finl Inc.				US\$ 1,948	N/A
	Hershey Foods Corp.				US\$ 1,523	N/A
	Hewlett Packard Co.				US\$ 3,188	N/A
	Honeywell Inc.				US\$ 3,052	N/A
	Household Fin Corp.				US\$ 2,866	N/A
	Household Fin Corp.				US\$ 507	N/A
	Household Intl Inc.				US\$ 2,864	N/A
	HSBC Fin Corp. Mtn				US\$ 5,055	N/A
	HSBC USA Inc. New				US\$ 1,082	N/A
	Huntington Natl Bk Columbus Oh				US\$ 2,961	N/A
	ING Bank				US\$ 2,008	N/A
	ING Sec Life Instl Fdg				US\$ 2,454	N/A
	International Business Machs				US\$ 2,196	N/A
	Intl Lease Fin Corp. Mtn				US\$ 2,907	N/A

(Continued)



March 31, 2006

<b>Marketable Securities Type and Name</b>	<b>Relationship with the Company</b>	<b>Financial Statement Account</b>	<b>Shares/Units (in Thousands)</b>	<b>Carrying Value (US\$ in Thousands)</b>	<b>Percentage Ownership</b>
Intl Lease Fin Corp. Mtn		Available-for-sale financial assets		US\$ 2,462	N/A
Intl Lease Fin Corp. Mtn				US\$ 1,974	N/A
JP Morgan Chase + Co.				US\$ 3,311	N/A
Jackson Natl Life Global Fdg				US\$ 1,001	N/A
Key Bk Na Med Term Nts Bk Entr				US\$ 4,377	N/A
Keycorp Mtn Book Entry				US\$ 2,995	N/A
Kraft Foods Inc.				US\$ 748	N/A
Kraft Foods Inc.				US\$ 1,000	N/A
Lehman Brothers Hldgs Inc.				US\$ 1,611	N/A
Lehman Brothers Hldgs Inc.				US\$ 482	N/A
Lehman Brothers Hldgs Inc.				US\$ 1,087	N/A
Lincoln Natl Corp. In				US\$ 500	N/A
Merita Bk Ltd. Ny Brh				US\$ 508	N/A
Merrill Lynch + Co. Inc.				US\$ 3,412	N/A
Merrill Lynch + Co. Inc.				US\$ 1,974	N/A
Merrill Lynch + Co. Inc.				US\$ 4,843	N/A
Metropolitan Life Global Mtn				US\$ 1,888	N/A
Monumental Global Fdg II				US\$ 1,455	N/A
Monumental Global Fdg II 2002A				US\$ 1,000	N/A
Morgan Stanley				US\$ 2,106	N/A
Morgan Stanley Group Inc.				US\$ 4,403	N/A
National City Corp.				US\$ 3,362	N/A
National Westminster Bk Plc				US\$ 1,345	N/A
Nationwide Bldg Soc				US\$ 3,469	N/A
Nationwide Bldg Soc Mtn				US\$ 3,002	N/A
Nationwide Life Global Mtn				US\$ 1,459	N/A
Nucor Corp.				US\$ 2,532	N/A
Pepsico Inc. Mtn Book Entry				US\$ 3,642	N/A
Pnc Fdg Corp.				US\$ 1,019	N/A
Popular North Amer Inc. Mtn				US\$ 2,919	N/A
Praxair I Inc.				US\$ 3,165	N/A
Premark Intl Inc.				US\$ 2,749	N/A
Prcoa Global Fdg 1 Mtn				US\$ 3,503	N/A
Protective Life Secd Trs				US\$ 2,879	N/A
Prudential Ins Co. Amer				US\$ 2,510	N/A
Prudential Ins Co. Amer				US\$ 2,673	N/A
Public Svc Elec Gas Co.				US\$ 3,159	N/A
Regions Finl Corp. New				US\$ 2,356	N/A
Reinsurance Group Amer Inc.				US\$ 2,000	N/A

(Continued)



March 31, 2006

Investable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage Ownership
Bk Scotland Group Plc		Available-for-sale financial assets		US\$ 1,480	N/A
o Corp.				US\$ 723	N/A
ee Corp.				US\$ 1,511	N/A
ommunications Inc.				US\$ 1,026	N/A
ommunications Inc.				US\$ 690	N/A
ommunications Inc.				US\$ 3,502	N/A
nd Intl Fin B V 144a				US\$ 1,429	N/A
orp.				US\$ 496	N/A
orp. Medium Term Nts				US\$ 8,902	N/A
werassests Ltd. Global				US\$ 964	N/A
l Cos Inc. Mtn Bk Ent				US\$ 2,558	N/A
ust Bks Inc.				US\$ 1,006	N/A
bank Sparbanken Svenge Ab				US\$ 1,012	N/A
Global Mkts Inc.				US\$ 499	N/A
he Co. Med Trm Nts				US\$ 2,799	N/A
lhealth Group Inc.				US\$ 3,001	N/A
k Natl Assn Cincinnati Oh				US\$ 2,682	N/A
ia Elec + Pwr Co.				US\$ 2,673	N/A
one Group Plc New				US\$ 2,485	N/A
art Cda Venture Corp.				US\$ 3,501	N/A
ngton Mut Fin Corp.				US\$ 1,002	N/A
ngton Mut Inc.				US\$ 4,514	N/A
ngton Post Co.				US\$ 3,002	N/A
Fargo + Co. New				US\$ 6,058	N/A
ield Cap Corp. Ltd.				US\$ 2,008	N/A
Resources Corp.				US\$ 1,055	N/A
osa Petrochemical Corporation				\$ 397,011	N/A
osa Petrochemical Corporation		Held-to-maturity financial assets		792,523	N/A
n Power Company				3,727,453	N/A
a Plastics Corporation				2,148,971	N/A
se Petroleum Corporation				1,104,103	N/A
Steel Corporation				1,006,620	N/A
ystone Telecommunications Co.				299,994	N/A
osa Plastics Corporation				137,328	N/A
osa Chemicals & Fiber Corporation				71,176	N/A

(Continued)

		March 31, 2006				
		Carrying Value		Market Value or Net Asset Value		
		(US\$ in thousands)		(US\$ in thousands)		
Held Company Name	Relationship with Financial the State	Shares/Units	Percentage of	Ownership	Note	
Name	Marketable Securities Type and Name Company Account	(in thousands)	(in thousands)	(in thousands)	(in thousands)	
	Agency bonds					
	Fed Hm Ln Pc Pool 1H2520	Available-for-sale	US\$ 3,585	N/A	US\$ 3,585	
		financial assets				
	Fed Hm Ln Pc Pool 1H2524		US\$ 2,742	N/A	US\$ 2,742	
	Fed Hm Ln Pc Pool 781959		US\$ 6,964	N/A	US\$ 6,964	
	Fed Hm Ln Pc Pool E89857		US\$ 1,842	N/A	US\$ 1,842	
	Fed Hm Ln Pc Pool G11295		US\$ 1,595	N/A	US\$ 1,595	
	Fed Hm Ln Pc Pool M80855		US\$ 3,730	N/A	US\$ 3,730	
	Federal Home Ln Mtg		US\$ 3,638	N/A	US\$ 3,638	
	Federal Home Ln Mtg Corp.		US\$ 441	N/A	US\$ 441	
	Federal Home Ln Mtg Corp.		US\$ 3,097	N/A	US\$ 3,097	
	Federal Home Ln Mtg Corp.		US\$ 3,928	N/A	US\$ 3,928	
	Federal Home Ln Mtg Corp.		US\$ 5,612	N/A	US\$ 5,612	
	Federal Home Ln Mtg Corp.		US\$ 4,926	N/A	US\$ 4,926	
	Federal Home Ln Mtg Corp.		US\$ 2,743	N/A	US\$ 2,743	
	Federal Home Ln Mtg Corp.		US\$ 4,318	N/A	US\$ 4,318	
	Federal Home Ln Mtg Corp.		US\$ 3,897	N/A	US\$ 3,897	
	Federal Home Ln Mtg Corp.		US\$ 1,470	N/A	US\$ 1,470	
	Federal Home Ln Mtg Corp.		US\$ 9,549	N/A	US\$ 9,549	
	Federal Home Ln Mtg Corp.		US\$ 4,528	N/A	US\$ 4,528	
	Federal Home Ln Mtg Corp.		US\$ 3,552	N/A	US\$ 3,552	
	Federal Home Ln Mtg Corp.		US\$ 5,376	N/A	US\$ 5,376	
	Federal Natl Mtg Assn		US\$ 3,431	N/A	US\$ 3,431	
	Federal Natl Mtg Assn		US\$ 1,473	N/A	US\$ 1,473	
	Federal Natl Mtg Assn		US\$ 3,969	N/A	US\$ 3,969	
	Federal Natl Mtg Assn		US\$ 3,641	N/A	US\$ 3,641	
	Federal Natl Mtg Assn		US\$ 1,351	N/A	US\$ 1,351	
	Federal Natl Mtg Assn Gtd		US\$ 2,512	N/A	US\$ 2,512	
	Federal Natl Mtg Assn Gtd		US\$ 3,281	N/A	US\$ 3,281	
	Fnma Pool 254507		US\$ 2,052	N/A	US\$ 2,052	
	Fnma Pool 254834		US\$ 1,621	N/A	US\$ 1,621	
	Fnma Pool 255883		US\$ 3,649	N/A	US\$ 3,649	
	Fnma Pool 685116		US\$ 747	N/A	US\$ 747	
	Fnma Pool 687863		US\$ 3,378	N/A	US\$ 3,378	
	Fnma Pool 696485		US\$ 3,814	N/A	US\$ 3,814	
	Fnma Pool 725095		US\$ 1,404	N/A	US\$ 1,404	

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Fnma Pool 730033	US\$ 1,689	N/A	US\$ 1,689
Fnma Pool 740934	US\$ 1,609	N/A	US\$ 1,609
Fnma Pool 790828	US\$ 3,222	N/A	US\$ 3,222

(Continued)

---

- 43 -

		March 31, 2006				
		Carrying Value		Market Value or Net Asset Value		
		(US\$ in thousands)		(US\$ in thousands)		
Held Company Name	Relationship with Financial the State	Shares/Units	(US\$ in thousands)	Percentage of Ownership	(US\$ in thousands)	Note
	Available-for-sale financial assets		US\$ 3,061	N/A	US\$ 3,061	
Fnma Pool 793025			US\$ 682	N/A	US\$ 682	
Fnma Pool 793932			US\$ 890	N/A	US\$ 890	
Fnma Pool 794040			US\$ 544	N/A	US\$ 544	
Fnma Pool 795548			US\$ 1,487	N/A	US\$ 1,487	
Fnma Pool 806642			US\$ 3,496	N/A	US\$ 3,496	
Fnma Pool 815626			US\$ 2,458	N/A	US\$ 2,458	
Fnma Pool 816594			US\$ 3,104	N/A	US\$ 3,104	
Fnma Pool 825395			US\$ 4,699	N/A	US\$ 4,699	
Fnma Pool 825398			US\$ 3,463	N/A	US\$ 3,463	
Fnma Pool 841069			US\$ 1,938	N/A	US\$ 1,938	
Fnma Pool 879906			US\$ 751	N/A	US\$ 751	
Gnma II Pool 081150			US\$ 2,649	N/A	US\$ 2,649	
Gnma II Pool 081153			US\$ 3,926	N/A	US\$ 3,926	
Federal Farm Cr Bks			US\$ 3,946	N/A	US\$ 3,946	
Federal Home Ln Bank			US\$ 2,498	N/A	US\$ 2,498	
Federal Home Ln Bks			US\$ 3,943	N/A	US\$ 3,943	
Federal Home Ln Bks			US\$ 4,987	N/A	US\$ 4,987	
Federal Home Ln Bks			US\$ 2,957	N/A	US\$ 2,957	
Federal Home Ln Bks			US\$ 4,905	N/A	US\$ 4,905	
Federal Home Ln Bks			US\$ 3,963	N/A	US\$ 3,963	
Federal Home Ln Bks			US\$ 4,110	N/A	US\$ 4,110	
Federal Home Ln Bks			US\$ 4,859	N/A	US\$ 4,859	
Federal Home Ln Bks			US\$ 8,619	N/A	US\$ 8,619	
Federal Home Ln Bks			US\$ 4,937	N/A	US\$ 4,937	
Federal Home Ln Bks			US\$ 4,785	N/A	US\$ 4,785	
Federal Home Ln Bks			US\$ 7,940	N/A	US\$ 7,940	
Federal Home Ln Bks			US\$ 7,488	N/A	US\$ 7,488	
Federal Home Ln Bks			US\$ 2,966	N/A	US\$ 2,966	
Federal Home Ln Bks			US\$ 6,054	N/A	US\$ 6,054	
Federal Home Ln Bks			US\$ 12,186	N/A	US\$ 12,186	
Federal Home Ln Bks			US\$ 3,939	N/A	US\$ 3,939	
Federal Home Ln Bks			US\$ 7,754	N/A	US\$ 7,754	
Federal Home Ln Bks			US\$ 19,788	N/A	US\$ 19,788	
Federal Home Ln Bks			US\$ 6,853	N/A	US\$ 6,853	



Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Federal Home Ln Bks	US\$	5,839	N/A	US\$	5,839
Federal Home Ln Bks	US\$	8,980	N/A	US\$	8,980
Federal Home Ln Bks	US\$	3,295	N/A	US\$	3,295
Federal Home Ln Bks	US\$	2,397	N/A	US\$	2,397
Federal Home Ln Mtg Corp.	US\$	3,425	N/A	US\$	3,425

(Continued)

- 44 -

---

		March 31, 2006				
		Carrying Value		Market Value or Net Asset Value		
		(US\$ in thousands)		(US\$ in thousands)		
Held Company Name	Relationship with Financial the State	Shares/Units	Percentage of	Ownership	Note	
Name	Type and Name Company	(in thousands)	(in thousands)	(in thousands)	(in thousands)	
	Federal Home Ln Mtg Corp.	Available-for-sale financial assets	US\$ 9,765	N/A	US\$ 9,765	
	Federal Home Ln Mtg Corp.		US\$ 6,940	N/A	US\$ 6,940	
	Federal Home Ln Mtg Corp.		US\$ 5,906	N/A	US\$ 5,906	
	Federal Home Ln Mtg Corp.		US\$ 9,961	N/A	US\$ 9,961	
	Federal Home Ln Mtg Corp. Mtn		US\$ 4,891	N/A	US\$ 4,891	
	Federal Home Loan Bank		US\$ 3,451	N/A	US\$ 3,451	
	Federal Home Loan Mtg Assn		US\$ 4,872	N/A	US\$ 4,872	
	Federal Home Loan Mtg Corp.		US\$ 4,901	N/A	US\$ 4,901	
	Federal Natl Mtg Assn		US\$ 4,903	N/A	US\$ 4,903	
	Federal Natl Mtg Assn		US\$ 4,309	N/A	US\$ 4,309	
	Federal Natl Mtg Assn		US\$ 5,858	N/A	US\$ 5,858	
	Federal Natl Mtg Assn		US\$ 7,799	N/A	US\$ 7,799	
	Federal Natl Mtg Assn		US\$ 4,117	N/A	US\$ 4,117	
	Federal Natl Mtg Assn Mtn		US\$ 2,873	N/A	US\$ 2,873	
	Federal Natl Mtg Assn Mtn		US\$ 2,854	N/A	US\$ 2,854	
	Federal Natl Mtg Assn Mtn		US\$ 5,596	N/A	US\$ 5,596	
	Freddie Mac		US\$ 9,325	N/A	US\$ 9,325	
	Corporate issued asset-backed securities					
	American Home Mtg Invt Tr	Available-for-sale financial assets	US\$ 323	N/A	US\$ 323	
	Americredit Automobile Rec Tr		US\$ 841	N/A	US\$ 841	
	Americredit Automobile Rec Tr		US\$ 1,978	N/A	US\$ 1,978	
	Americredit Automobile Receiva		US\$ 4,951	N/A	US\$ 4,951	
	Americredit Automobile Receivb		US\$ 4,703	N/A	US\$ 4,703	
	Atlantic City Elc Trns Fdg LLC		US\$ 605	N/A	US\$ 605	
	Banc Amer Coml Mtg Inc.		US\$ 3,569	N/A	US\$ 3,569	
	Banc Amer Mtg Secs Inc.		US\$ 3,173	N/A	US\$ 3,173	
	Bank Of Amer Lease Equip Tr		US\$ 2,386	N/A	US\$ 2,386	
	Bear Stearns Alt A Tr		US\$ 872	N/A	US\$ 872	
	Bear Stearns Arm Tr		US\$ 3,744	N/A	US\$ 3,744	
	Bear Stearns Arm Tr		US\$ 1,925	N/A	US\$ 1,925	
	Bear Stearns Coml Mtg Secs Inc.		US\$ 6,363	N/A	US\$ 6,363	
	California Infrastructure Dev		US\$ 490	N/A	US\$ 490	
	Capital Auto Receivables Asset		US\$ 3,239	N/A	US\$ 3,239	

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Capital One Auto Fin Tr	US\$ 2,604	N/A	US\$ 2,604
Capital One Auto Fin Tr	US\$ 2,971	N/A	US\$ 2,971
Capital One Multi Asset Execut	US\$ 4,827	N/A	US\$ 4,827
Capital One Multi Asset Execut	US\$ 3,916	N/A	US\$ 3,916

(Continued)

- 45 -

---

		March 31, 2006				
		Carrying Value		Market Value or Net Asset Value		
		(US\$ in thousands)		(US\$ in thousands)		
Held Company Name	Relationship with Financial the State	Shares/Units	Percentage of	Ownership	Note	
Name	Type and Name Company Account	(in thousands)	(in thousands)	(in thousands)	(in thousands)	
	Capital One Multi Asset Execut	Available-for-sale	US\$ 2,947	N/A	US\$ 2,947	
		financial assets				
	Capital One Prime Auto Receiv		US\$ 2,771	N/A	US\$ 2,771	
	Caterpillar Finl Asset Tr		US\$ 3,551	N/A	US\$ 3,551	
	Caterpillar Finl Asset Tr		US\$ 8,083	N/A	US\$ 8,083	
	Cendant Rent Car Fdg Aesop LLC		US\$ 9,204	N/A	US\$ 9,204	
	Centex Home Equity Ln Tr		US\$ 2,260	N/A	US\$ 2,260	
	Cit Equip Coll Tr		US\$ 4,053	N/A	US\$ 4,053	
	Citibank Cr Card Issuance Tr		US\$ 9,734	N/A	US\$ 9,734	
	Citicorp Mtg Secs		US\$ 892	N/A	US\$ 892	
	Cnh Equip Tr		US\$ 4,905	N/A	US\$ 4,905	
	Credit Suisse First Boston Mtg		US\$ 1,152	N/A	US\$ 1,152	
	Credit Suisse First Boston Mtg		US\$ 806	N/A	US\$ 806	
	Credit Suisse First Boston Mtg		US\$ 3,739	N/A	US\$ 3,739	
	Cwabs Inc.		US\$ 508	N/A	US\$ 508	
	Cwabs Inc.		US\$ 1,627	N/A	US\$ 1,627	
	Cwabs Inc.		US\$ 3,429	N/A	US\$ 3,429	
	Cwalt Inc.		US\$ 654	N/A	US\$ 654	
	Cwmbs Inc.		US\$ 1,140	N/A	US\$ 1,140	
	Daimlerchrysler Auto Tr		US\$ 572	N/A	US\$ 572	
	Daimlerchrysler Auto Tr		US\$ 3,780	N/A	US\$ 3,780	
	Deere John Owner Tr		US\$ 2,436	N/A	US\$ 2,436	
	Drive Auto Receivables Tr		US\$ 3,189	N/A	US\$ 3,189	
	Fifth Third Auto Tr		US\$ 2,470	N/A	US\$ 2,470	
	First Horizon Abs Tr		US\$ 840	N/A	US\$ 840	
	First Union Lehman Bros Mtg Tr		US\$ 2,506	N/A	US\$ 2,506	
	Ford Cr Auto Owner Tr		US\$ 8,495	N/A	US\$ 8,495	
	Granite Mtgs Plc		US\$ 3,394	N/A	US\$ 3,394	
	Gs Auto Ln Tr		US\$ 1,327	N/A	US\$ 1,327	
	Gs Mtg Secs Corp.		US\$ 4,150	N/A	US\$ 4,150	
	Harley Davidson Motorcycle Tr		US\$ 1,156	N/A	US\$ 1,156	
	Harley Davidson Motorcycle Tr		US\$ 5,769	N/A	US\$ 5,769	
	Hertz Vehicle Financing LLC		US\$ 5,297	N/A	US\$ 5,297	
	Holmes Fing No 8 Plc		US\$ 5,002	N/A	US\$ 5,002	
	Household Automotive Tr		US\$ 4,647	N/A	US\$ 4,647	
	Hsbc Automotive Tr		US\$ 2,968	N/A	US\$ 2,968	

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Hyundai Auto Receivables Tr	US\$ 6,322	N/A	US\$ 6,322
Hyundai Auto Receivables Tr	US\$ 3,190	N/A	US\$ 3,190
Hyundai Auto Receivables Tr	US\$ 3,898	N/A	US\$ 3,898
Impac Cmb Tr	US\$ 568	N/A	US\$ 568

(Continued)

- 46 -

---

		March 31, 2006				
		Carrying Value		Market Value or Net Asset Value		
		(US\$ in thousands)		(US\$ in thousands)		
Held Company Name	Relationship with Financial the State	Shares/Units	Percentage of	Ownership	Note	
Name	Marketable Securities Type and Name Company Account	(in thousands)	(in thousands)	(in thousands)	(in thousands)	
	Impac Cmb Tr	Available-for-sale financial assets	US\$ 447	N/A	US\$ 447	
	Impac Secd Assets Corp.		US\$ 455	N/A	US\$ 455	
	Lb Ubs Coml Mtg Tr		US\$ 3,850	N/A	US\$ 3,850	
	Long Beach Accep Auto Receivab		US\$ 2,462	N/A	US\$ 2,462	
	Massachusetts Rrb Spl Purp Tr		US\$ 3,823	N/A	US\$ 3,823	
	Mastr Asset Backed Secs Tr		US\$ 3,503	N/A	US\$ 3,503	
	Mbna Master Cr Card Tr II		US\$ 7,667	N/A	US\$ 7,667	
	Monumentl Global Fdg II		US\$ 1,002	N/A	US\$ 1,002	
	National City Auto Receivables		US\$ 688	N/A	US\$ 688	
	Navistar Finl 2003 A Owner Tr		US\$ 4,870	N/A	US\$ 4,870	
	Nissan Auto Receivables		US\$ 1,982	N/A	US\$ 1,982	
	Onyx Accep Owner Tr		US\$ 4,865	N/A	US\$ 4,865	
	Pg+E Energy Recovery Fdg LLC		US\$ 4,640	N/A	US\$ 4,640	
	Providian Gateway Owner Tr		US\$ 3,903	N/A	US\$ 3,903	
	Providian Gateway Owner Tr		US\$ 2,206	N/A	US\$ 2,206	
	Reliant Energy Transition Bd		US\$ 3,995	N/A	US\$ 3,995	
	Residential Asset Mtg Prods		US\$ 2,733	N/A	US\$ 2,733	
	Residential Asset Sec Mtg Pass		US\$ 2,942	N/A	US\$ 2,942	
	Residential Asset Sec Mtg Pass		US\$ 3,690	N/A	US\$ 3,690	
	Residential Fdg Mtg Secs I Inc.		US\$ 2,348	N/A	US\$ 2,348	
	Residential Fdg Mtg Secs I Inc.		US\$ 4,551	N/A	US\$ 4,551	
	Revolving Home Equity Ln Tr		US\$ 2,653	N/A	US\$ 2,653	
	Sequoia Mtg Tr		US\$ 885	N/A	US\$ 885	
	Sequoia Mtg Tr		US\$ 1,239	N/A	US\$ 1,239	
	Sequoia Mtg Tr		US\$ 996	N/A	US\$ 996	
	Structured Adj Rate Mtg Ln Tr		US\$ 642	N/A	US\$ 642	
	Structured Adj Rate Mtg Ln Tr		US\$ 1,822	N/A	US\$ 1,822	
	Structured Asset Invt Ln Tr		US\$ 565	N/A	US\$ 565	
	Terwin Mtg Tr		US\$ 4,018	N/A	US\$ 4,018	
	Toyota Auto Receivables 2003 B		US\$ 4,887	N/A	US\$ 4,887	
	Triad Auto Receivables Tr		US\$ 2,668	N/A	US\$ 2,668	
	TW Hotel Fdg 2005 LLC		US\$ 4,097	N/A	US\$ 4,097	
	Txu Elec Delivery Transition		US\$ 2,992	N/A	US\$ 2,992	
	Usaa Auto Owner Tr		US\$ 3,681	N/A	US\$ 3,681	
	Wachovia Auto Owner Tr		US\$ 3,862	N/A	US\$ 3,862	

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Washington Mut Mtg Secs Corp.	US\$ 3,752	N/A	US\$ 3,752
Wells Fargo Finl Auto Owner Tr	US\$ 5,236	N/A	US\$ 5,236
Wells Fargo Mtg Bacjed Secs	US\$ 807	N/A	US\$ 807
Wells Fargo Mtg Bkd Secs	US\$ 3,384	N/A	US\$ 3,384

(Continued)

- 47 -

---

March 31, 2006

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership
	Wells Fargo Mtg Bkd Secs		Available-for-sale financial assets		US\$ 3,650	N/A
	WFS Financial Owner Trust		"		US\$ 3,357	N/A
	WFS Finl		"		US\$ 1,104	N/A
	WFS Finl 2004 2 Owner Tr		"		US\$ 4,884	N/A
	WFS Finl 2004 4 Owner Tr		"		US\$ 5,319	N/A
	WFS Finl 2005 2 Oner Tr		"		US\$ 2,214	N/A
	Whole Auto Ln Tr		"		US\$ 1,971	N/A
	Whole Auto Ln Tr		"		US\$ 3,946	N/A
	Whole Auto Ln Tr		"		US\$ 2,921	N/A
	World Omni Auto Receivables Tr		"		US\$ 5,834	N/A
	Corporate issued notes					
	Canadian Imperial BK		Available-for-sale financial assets		US\$ 3,015	N/A
	Money market funds					
	SSGA Cash Mgmt Global Offshore		Available-for-sale financial assets		US\$ 2,788	N/A
	Funds					
	Horizon Venture Fund I, L.P.		Financial assets carried at cost		\$ 280,179	N/A
	Crimson Asia Capital Ltd., L.P.		"		60,675	N/A
	TSMC stock	Parent company	Available-for-sale financial assets	16,454	1,056,335	
	TSMC stock	Parent company	Available-for-sale financial assets	16,484	1,058,315	
al	Stock					
	TSMC Development	Subsidiary	Investments accounted for using equity method	1	US\$ 604,354	100
	TSMC Technology	Subsidiary	"	1	US\$ 5,677	100
	InveStar	Subsidiary	"	18,505	US\$ 62,743	97



InveStar II	Subsidiary	"	51,300	US\$	51,521	97
		Investments accounted for using equity method		US\$	391,196	99
ent	WaferTech stock	Subsidiary				

(Continued)

March 31, 2006

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Total
	Common stock						
	Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	1,975	US\$ 36,808	7	U
	RichTek Technology Corp.		"	515	US\$ 3,420		U
	Advanced Power Electronics Corp.		"	449	US\$ 526	2	U
	Broadtek Electronics Corp.		"	29	US\$ 10		U
	Global Testing Corp.		"	58,044	US\$ 11,120	8	U
	Signia Technologies, Inc.		Financial assets carried at cost	701	US\$ 55	3	U
	Capella Microsystems (Taiwan), Inc.		"	530	US\$ 154	3	U
	Advanced Power Electronics Corp.		Available-for-sale financial assets	674	US\$ 789	2	U
	Broadtek Electronics Corp.		"	116	US\$ 42		U
	RichTek Technology Corp.		"	421	US\$ 2,796		U
	Preferred stock						
	Integrated Memory Logic, Inc.		Financial assets carried at cost	1,831	US\$ 1,221	9	U
	IP Unity, Inc.		"	1,008	US\$ 494	1	U
	Memsic, Inc.		"	2,727	US\$ 1,500	10	U
	NanoAmp Solutions, Inc.		"	541	US\$ 853	2	U
	Sensory, Inc.		"	1,404	US\$ 125	6	U
	Sonics, Inc.		"	2,686	US\$ 3,530	3	U
	Common stock						
	Advanced Analogic Technology, Inc.		Financial assets at fair value through profit or loss	434	US\$ 4,942	1	U
	eChannelOpen Holding, Inc.						
			Financial assets carried at cost	358	US\$ 251	4	U
	eLCOS Microdisplay Technology, Ltd.		"	270	US\$ 27	1	U
	EoNEX Technologies, Inc.		"	55	US\$ 3,048	5	U
	Monolithic Power Systems, Inc.			864	US\$ 16,114	3	U

	Financial assets at fair value through profit or loss				
GeoVision, Inc.	"	126	US\$ 461	1	U
RichTek Technology Corp.	"	296	US\$ 1,968		U
Signia Technologies, Inc.					
	Financial assets carried at cost				
Ralink Technology (Taiwan), Inc.	"	351	US\$ 27	1	U
Capella Microsystems (Taiwan), Inc.	"	1,833	US\$ 791	3	U
Capella Microsystems (Taiwan), Inc.	"	419	US\$ 122	2	U
Auden Technology MFG. Co., Ltd.	"	953	US\$ 410	4	U

(Continued)

March 31, 2006

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)		Percentage of Ownership
			Financial assets				
	Conwise Technology Corporation, Ltd.		carried at cost	2,800	US\$	204	9
	Goyatek Technology, Corp.		"	2,088	US\$	545	7
	Trendchip Technologies Corp.		"	2,000	US\$	574	5
	EON Technology, Corp.		"	3,264	US\$	1,175	7
	Epic Communications, Inc.		"	191	US\$	37	1
			Available-for-sale				
	RichTek Technology Corp.		financial assets	198	US\$	1,312	
	GeoVision, Inc.		"	15	US\$	53	
	Preferred stock						
			Financial assets				
	Alchip Technologies Limited		carried at cost	2,579	US\$	2,950	14
	eLCOS Microdisplay Technology, Ltd.		"	2,667	US\$	3,500	15
	FangTek, Inc.		"	6,806	US\$	3,250	21
	Kilopass Technologies, Inc.		"	3,887	US\$	2,000	9
	Memsic, Inc.		"	2,289	US\$	1,560	8
	NanoAmp Solutions, Inc.		"	375	US\$	1,500	1
	Sonics, Inc.		"	3,082	US\$	3,082	4
	Common stock						
			Financial assets at				
			fair value through				
	NetLogic Microsystems, Inc.		profit or loss	102	US\$	4,184	1
			Financial assets				
	Pixim, Inc.		carried at cost	1,924	US\$	512	4
	Quake Technologies, Inc.		"	46	US\$	35	
	RichWave Technology Corp.		"	4,247	US\$	1,648	13
	Global Investment Holding, Inc.		"	10,800	\$	100,000	6
	Preferred stock						
	Audience, Inc.		"	1,654	US\$	250	2
	Axiom Microdevices, Inc.		"	1,000	US\$	1,000	3
	Britestream Networks, Inc. (Layer N Networks, Inc.)		"	2,444	US\$	1,172	2
			Financial assets				
	Centrality Communications, Inc.		carried at cost	1,325	US\$	1,800	3

Ikanos Communication, Inc.	Available-for-sale financial assets	610	US\$	12,014	3	U
Miradia, Inc.	Financial assets carried at cost	3,040	US\$	1,000	4	U
Mobilygen Corporation	"	1,415	US\$	750	1	U
Mosaic Systems, Inc.	"	2,481	US\$	12	6	U
Next IO, Inc.	"	800	US\$	500	2	U

(Continued)

March 31, 2006

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Total
			Financial assets				
	NuCORE Technology Inc.		carried at cost	2,254	US\$ 1,455	2	U
	Optichron, Inc.		"	714	US\$ 1,000	4	U
	Optimal Corporation		"	485	US\$ 500	6	U
	Pixim, Inc.		"	2,193	US\$ 583		U
	Quake Technologies, Inc.		"	555	US\$ 415	1	U
	Quicksilver Technology, Inc.		"	1,049	US\$	4	U
	Reflectivity, Inc.		"	4,848	US\$ 2,479	4	U
	Teknovus, Inc.		"	6,977	US\$ 1,327	3	U
	Zenesis Technologies, Inc.		"	2,410	US\$ 1,399	5	U
	Warrants						
	Pixim, Inc.		Financial assets carried at cost	242		N/A	
	Common stock						
	VisEra Holding Company		Investments accounted for using equity method	18,931	US\$21,094	50	U
	Common stock						
	Beceem Communication		Financial assets carried at cost	500	US\$ 1,000	1	U
	Yobon Technologies, Inc.		"	1,675	US\$ 787	13	U
	Sentelic, Corp.		"	1,200	US\$ 2,040	15	U
	Preferred stock						
	5V Technologies, Inc.		Financial assets carried at cost	1,333	US\$ 1,000	9	U
	Ageia Technologies, Inc.		"	2,030	US\$ 2,074	2	U
	Aquantia Corporation		"	1,401	US\$ 1,150	5	U
	Audience, Inc.		"	2,208	US\$ 474	1	U
	Axiom Microdevices, Inc.		"	761	US\$ 776	2	U
	GemFire Corporation		"	600	US\$ 600	1	U
	Impinj, Inc.		"	257	US\$ 500		U
	Leadtrend Technology, Inc.		"	900	US\$ 431	5	U
	Miradia, Inc.		"	1,809	US\$ 1,600	2	U
	Next IO, Inc.		"	216	US\$ 182		U

Edgar Filing: TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD - Form 6-K

Optichron, Inc.	"	353	US\$	869	2
Power Analog Microelectronics	"	2,000	US\$	1,500	13
Powerprecise Solutions, Inc.	"	1,032	US\$	1,000	8
Tzero Technologies, Inc.	"	244	US\$	500	2
Xceive Corporation	"	714	US\$	1,000	2

(Continued)

- 51 -

---

March 31, 2006

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in thousands)	Percentage of Ownership
	Warrants					
	Aquantia Corporation		Financial assets carried at cost	46	\$	N/A
	Bond funds					
	ABN AMRO Bond Fund		Financial assets at fair value through profit or loss	1,343	20,027	N/A
	Ta Chong Bond Fund		"	777	10,011	N/A
	Dresdner Bond DAM Fund		"	873	10,010	N/A
	Stock					
	Global Unichip Corporation	NA Subsidiary	Investments accounted for using equity method	100	5,005	100
	Global Unichip Japan	Subsidiary	"		2,354	100

- 52 -



**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Counter-party	Beginning Balance		Acquisition		Shares/ (in Thousands)
	Nature of Relationship	Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	
al Investment Trust Co., Ltd.		3,764	\$ 610,864	17,228	\$ 2,800,000
AMRO Securities Investment Trust (Taiwan) Ltd.		134,906	2,004,862	23,501	350,000
se Securities Investment Trust Co., Ltd				103,751	1,500,000
Securities Investment Trust Co., Ltd.				122,762	1,400,000
al Investment Trust Co., Ltd				93,312	1,300,000
Dresdner Securities Investment Consulting Co., Ltd.		69,303	792,068	34,914	400,000
et Management (Taiwan) Ltd.		62,009	933,430	13,277	200,000
et Management (Taiwan) Ltd.		63,131	875,416	14,399	200,000
AMRO Securities Investment Trust (Taiwan) Ltd.		18,235	203,860	71,465	800,000
AMRO Securities Investment Trust (Taiwan) Ltd.				63,947	1,000,000
va Investment Trust Co.				71,619	800,000
va Investment Trust Co.				60,642	800,000
Investments (Taiwan) Ltd.				47,677	700,000
resident Assets Management Corp.				39,288	600,000
International Securities Corp.				8,147	100,000
Securities Co., Ltd.			2,349,973		
			US\$ 34,951		US\$ 132,869
Securities Co., Ltd.			\$ 3,263,349		\$ 595,852
Securities Co., Ltd.			1,093,283		
Securities Co., Ltd. and several financial institutions			268,855		
Securities Co., Ltd. and several financial institutions			705,436		400,305
			US\$ 3,800		

		US\$	3,087
		US\$	3,326
		US\$	4,911
US\$	5,079		

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal	
			Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)
				US\$		US\$		US\$
Available-for-sale financial assets				US\$ 8,315		US\$		US\$ 8,000
"						US\$ 7,937		
Available-for-sale financial assets				US\$ 3,663				US\$ 3,510
"				US\$ 3,500				US\$ 3,500
"						US\$ 3,006		
"						US\$ 3,180		
"				US\$ 4,998				US\$ 4,950
"				US\$ 2,950		US\$ 6,012		
"						US\$ 6,076		
"				US\$ 3,697				US\$ 3,510
Available-for-sale financial assets						US\$ 3,882		
"						US\$ 4,962		
"						US\$ 4,317		
"						US\$ 5,380		
"				US\$ 8,594				US\$ 8,510
"						US\$ 12,227		
"						US\$ 9,974		
"				US\$ 7,892				US\$ 7,900
"				US\$ 4,943				US\$ 4,940
"				US\$ 8,971				US\$ 8,940
"				US\$ 17,888				US\$ 17,780
"						US\$ 4,123		
"				US\$ 9,758				US\$ 9,780
"				US\$ 15,787				US\$ 15,850
"				US\$ 7,000				US\$ 6,920
"						US\$ 9,391		
Available-for-sale financial assets						US\$ 3,826		
"						US\$ 3,250		
"						US\$ 3,750		
"						US\$ 4,150		

"	US\$ 7,000		US\$ 4,94
"		US\$ 4,050	
"		US\$ 3,772	

Note 1: The proceeds of bond investments matured are excluded.

Note 2: The ending balance included the amortization of premium or discount on bond investments and valuation gain or loss.

**TABLE 5**

**Taiwan Semiconductor Manufacturing Company Limited**  
**ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Transaction Date	Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Owner	Related Counter-party Relationship	Transfer Date	Amount	Reference
6	\$854,000	By the construction progress	M+W Zander Facility Engineering Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding
6	US\$ 3,340	By the construction progress	M+W Zander Facility Engineering Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding

- 55 -

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100**  
**MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationship	Purchase/ Sale	Transaction Details			Abnormal Transaction		Notes/Accounts Payable/Receivable
			Amount	% to	Total Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance
SMC-North America	Subsidiary	Sales	\$44,102,519	56	Net 30 days after invoice date			\$20,821,540
Philips	Major shareholder	Sales	1,035,524	1	Net 30 days after monthly closing			321,540
UC	Investee with controlling financial interest	Sales	143,114		Net 30 days after monthly closing			92,420
WaferTech	Subsidiary	Purchases	3,118,957	26	Net 30 days after monthly closing			(1,076,937)
SMC	Investee accounted for using equity method	Purchases	1,936,912	16	Net 30 days after monthly closing			(428,357)
SMC-Shanghai	Subsidiary	Purchases	996,913	9	Net 30 days after monthly closing			(361,221)
IS	Investee accounted for using equity method	Purchases	736,971	6	Net 30 days after monthly closing			(716,048)
SMC-North America	The same Parent	Purchases	124,455	59	Net 30 days after monthly closing			(104,335)

Note: The terms of sales to related parties are not significantly different from those to third parties. For purchase transactions, prices are determined in accordance with the related contractual agreements and no other similar transaction could be compared with.

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**MARCH 31, 2006**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company			Ending	Turnover Rate	Overdue	Amounts	Action Taken	Period	Amounts Received in Allowance for Subsequent Bad Debts
Name	Related Party	Nature of Relationship	Balance						
The Company	TSMC-North America	Subsidiary	\$21,140,995	43 days		\$5,027,175			\$6,906,086
	Philips	Major shareholder					Accelerate demand on account		
			321,540	39 days		48,707	receivables	444	
	TSMC-Shanghai	Subsidiary					Accelerate demand on account		
			154,400	Note		66	receivables		

Note: The ending balance primarily consisted of other receivables, it is not applicable for the calculation of the turnover rate.

**TABLE 8**

**Taiwan Semiconductor Manufacturing Company Limited**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY**  
**EXERCISES SIGNIFICANT INFLUENCE**  
**MARCH 31, 2006**

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Original Investment		Balance as of March 31, 2006			Net Income (Losses) of the Investee
			Amount March 31, 2006	December 31, 2005	Share (in Thousands)	Percentage of Ownership	Carrying Value (Note)	
International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	\$31,445,780	\$31,445,780	987,968	100	\$25,985,340	\$2,220,193
-Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367		100	9,352,101	(37,743)
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	437,891	27	5,541,044	389,685
	Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	4,629,413	1,445,306
Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,106,947	58,234
-North ca	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	1,826,618	57,466
ing Alliance	Cayman Islands	Investing in new start-up technology companies	1,545,288	1,526,074		99	1,250,283	101,802
II	Cayman Islands	Investing in new start-up technology companies	654,509	654,509		98	630,569	(4,353)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	40,147	45	451,841	19,045



U.S.-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	94,218	487
China	Taipei, Taiwan	Investment activities	300,000	300,000		36	78,197	161
China	Taipei, Taiwan	Investment activities	300,000	300,000		36	77,470	156
U.S.-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	23,302	(61)

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

**TABLE 9**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**

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

Main Businesses and Products	Total Amount		Accumulated Outflow of Investment from Taiwan	Investment Flows	Accumulated Outflow of Investment from Taiwan as of	Equity in the Earnings	Percentage of	Ownership	as of
	of Paid-in Capital	Method of Investment	as of January 1, 2006	Outflow	March 31, 2006	(Losses)	of	(Note 2)	March 31, 2006
	(RMB in Thousand)	(Note 1)	(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	(Losses)	Ownership	(Note 2)	as of
Manufacturing and sales of integrated circuits at the order of customers pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$	\$12,180,367 (US\$371,000)	100%	\$(37,743)	\$9,350,000

Accumulated Investment in Mainland China as of March 31, 2006 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$ 12,180,367 (US\$371,000)	\$ 12,180,367 (US\$371,000)

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

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

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: April 28, 2006

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