

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

April 18, 2007

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**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 2007
Taiwan Semiconductor Manufacturing Company Ltd.
(Translation of Registrant's Name Into English)
No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
Taiwan
(Address of Principal Executive Offices)**

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

Form 20-F Form 40-F

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

Yes No

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

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**Taiwan Semiconductor Manufacturing Company Limited
Financial Statements for the
Years Ended December 31, 2006 and 2005 and
Independent Auditors Report**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2006 and 2005, and have expressed an unqualified opinion on the consolidated financial statements. January 11, 2007

Notice to Readers

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

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

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Table of Contents**Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****DECEMBER 31, 2006 AND 2005****(In Thousands of New Taiwan Dollars, Except Par Value)**

| | 2006 | | 2005 | |
|---|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 100,139,709 | 17 | \$ 85,383,583 | 17 |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 5) | 44,601 | | 1,380,905 | 1 |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 25,967,061 | 5 | 46,452,838 | 9 |
| Held-to-maturity financial assets (Notes 2, 3 and 7) | 8,510,823 | 2 | 602,509 | |
| Notes and accounts receivable | 16,278,164 | 3 | 20,591,818 | 4 |
| Receivables from related parties (Note 23) | 16,869,509 | 3 | 21,050,604 | 4 |
| Allowance for doubtful receivables (Note 2) | (690,931) | | (976,344) | |
| Allowance for sales returns and others (Note 2) | (2,751,065) | | (4,269,969) | (1) |
| Other receivables from related parties (Note 23) | 449,266 | | 1,797,714 | 1 |
| Other financial assets (Note 3) | 653,460 | | 1,106,030 | |
| Inventories, net (Notes 2 and 8) | 19,152,214 | 3 | 16,257,955 | 3 |
| Deferred income taxes assets (Notes 2 and 16) | 7,832,000 | 1 | 7,013,000 | 1 |
| Prepaid expenses and other current assets (Note 3) | 1,221,199 | | 1,171,773 | |
| Total current assets | 193,676,010 | 34 | 197,562,416 | 39 |
| LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 9 and 10) | | | | |
| Investments accounted for using equity method | 101,044,356 | 18 | 51,076,803 | 10 |
| Available-for-sale financial assets | 6,647,511 | 1 | | |
| Held-to-maturity financial assets | 28,973,495 | 5 | 28,775,308 | 6 |
| Financial assets carried at cost | 712,843 | | 807,490 | |
| Total long-term investments | 137,378,205 | 24 | 80,659,601 | 16 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23) | | | | |
| Cost | | | | |
| Buildings | 96,961,851 | 17 | 90,769,622 | 18 |
| Machinery and equipment | 527,850,728 | 92 | 459,850,773 | 91 |
| Office equipment | 8,659,225 | 2 | 7,850,035 | 1 |
| | 633,471,804 | 111 | 558,470,430 | 110 |

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| | | | | |
|---|----------------|------|----------------|------|
| Accumulated depreciation | (417,467,250) | (73) | (359,191,829) | (71) |
| Advance payments and construction in progress | 12,230,805 | 2 | 14,867,032 | 3 |
| Net property, plant and equipment | 228,235,359 | 40 | 214,145,633 | 42 |
| GOODWILL (Note 2) | 1,567,756 | | 1,567,756 | |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 16) | 5,761,127 | 1 | 6,759,955 | 2 |
| Deferred charges, net (Notes 2 and 12) | 5,593,068 | 1 | 6,681,144 | 1 |
| Refundable deposits | 1,306,234 | | 83,642 | |
| Assets leased to others, net (Note 2) | 67,145 | | 72,879 | |
| Others | | | 6,789 | |
| Total other assets | 12,727,574 | 2 | 13,604,409 | 3 |
| TOTAL | \$ 573,584,904 | 100 | \$ 507,539,815 | 100 |

| | 2006 | | 2005 | |
|---|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5) | \$ 10,751 | | \$ 234,279 | |
| Accounts payable | 6,143,679 | 1 | 8,052,106 | 1 |
| Payables to related parties (Note 23) | 3,326,916 | 1 | 3,242,197 | 1 |
| Income tax payable (Notes 2 and 16) | 7,850,418 | 1 | 3,815,888 | 1 |
| Accrued expenses and other current liabilities (Notes 3 and 14) | 7,903,867 | 1 | 7,980,715 | 1 |
| Payables to contractors and equipment suppliers | 10,669,523 | 2 | 8,859,230 | 2 |
| Current portion of bonds payable (Note 13) | 7,000,000 | 1 | | |
| Total current liabilities | 42,905,154 | 7 | 32,184,415 | 6 |
| LONG-TERM LIABILITIES | | | | |
| Bonds payable (Note 13) | 12,500,000 | 2 | 19,500,000 | 4 |
| Other long-term payables (Note 14) | 1,271,896 | | 1,511,100 | |
| Other payables to related parties (Notes 23 and 25) | 403,375 | | 1,100,475 | |
| Total long-term liabilities | 14,175,271 | 2 | 22,111,575 | 4 |

OTHER LIABILITIES

| | | | | |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 15) | 3,530,116 | 1 | 3,461,392 | 1 |
| Guarantee deposits (Note 25) | 3,809,961 | 1 | 2,892,945 | 1 |
| Deferred credits (Notes 2 and 23) | 1,183,118 | | 1,259,139 | |

| | | | | |
|-------------------------|-----------|---|-----------|---|
| Total other liabilities | 8,523,195 | 2 | 7,613,476 | 2 |
|-------------------------|-----------|---|-----------|---|

| | | | | |
|-------------------|------------|----|------------|----|
| Total liabilities | 65,603,620 | 11 | 61,909,466 | 12 |
|-------------------|------------|----|------------|----|

CAPITAL STOCK - NT\$10 PAR VALUE

Authorized: 27,050,000 thousand shares

Issued: 25,829,688 thousand shares in 2006

| | | | | |
|------------------------------------|-------------|----|-------------|----|
| 24,730,025 thousand shares in 2005 | 258,296,879 | 45 | 247,300,246 | 49 |
|------------------------------------|-------------|----|-------------|----|

| | | | | |
|----------------------------------|------------|----|------------|----|
| CAPITAL SURPLUS (Notes 2 and 18) | 54,107,498 | 10 | 57,117,886 | 11 |
|----------------------------------|------------|----|------------|----|

RETAINED EARNINGS (Note 18)

| | | | | |
|---------------------------------------|------------|---|------------|---|
| Appropriated as legal capital reserve | 43,705,711 | 8 | 34,348,208 | 7 |
|---------------------------------------|------------|---|------------|---|

| | | | | |
|---|---------|--|-----------|--|
| Appropriated as special capital reserve | 640,742 | | 2,226,427 | |
|---|---------|--|-----------|--|

| | | | | |
|-------------------------|-------------|----|-------------|----|
| Unappropriated earnings | 152,778,079 | 26 | 106,196,399 | 21 |
|-------------------------|-------------|----|-------------|----|

| | | | | |
|--|-------------|----|-------------|----|
| | 197,124,532 | 34 | 142,771,034 | 28 |
|--|-------------|----|-------------|----|

OTHERS (Notes 2, 3 and 22)

| | | | | |
|------------------------------------|-------------|--|-----------|--|
| Cumulative translation adjustments | (1,191,165) | | (640,742) | |
|------------------------------------|-------------|--|-----------|--|

| | | | | |
|---|---------|--|--|--|
| Unrealized gains on financial instruments | 561,615 | | | |
|---|---------|--|--|--|

| | | | | |
|--|-----------|--|-----------|--|
| | (629,550) | | (640,742) | |
|--|-----------|--|-----------|--|

TREASURY STOCK (AT COST, Notes 2 and 20)

33,926 thousand shares in 2006 and 32,938 thousand shares in 2005

| | | | | |
|--|-----------|--|-----------|--|
| | (918,075) | | (918,075) | |
|--|-----------|--|-----------|--|

| | | | | |
|---------------------------|-------------|----|-------------|----|
| Total shareholders equity | 507,981,284 | 89 | 445,630,349 | 88 |
|---------------------------|-------------|----|-------------|----|

| | | | | |
|-------|----------------|-----|----------------|-----|
| TOTAL | \$ 573,584,904 | 100 | \$ 507,539,815 | 100 |
|-------|----------------|-----|----------------|-----|

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

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2006 | | 2005 | |
|---|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 23) | \$ 319,210,148 | | \$ 270,315,064 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | 5,328,513 | | 5,726,700 | |
| NET SALES | 313,881,635 | 100 | 264,588,364 | 100 |
| COST OF SALES (Notes 17 and 23) | 164,163,235 | 52 | 149,344,315 | 56 |
| GROSS PROFIT | 149,718,400 | 48 | 115,244,049 | 44 |
| OPERATING EXPENSES (Notes 17 and 23) | | | | |
| Research and development | 14,601,385 | 5 | 13,395,801 | 5 |
| General and administrative | 7,190,422 | 2 | 7,485,011 | 3 |
| Marketing | 1,626,734 | 1 | 1,349,413 | 1 |
| Total operating expenses | 23,418,541 | 8 | 22,230,225 | 9 |
| INCOME FROM OPERATIONS | 126,299,859 | 40 | 93,013,824 | 35 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Equity in earnings of equity method investees, net (Notes 2 and 9) | 5,526,727 | 2 | | |
| Interest income (Notes 2 and 3) | 3,382,868 | 1 | 2,506,769 | 1 |
| Settlement income (Note 25) | 967,506 | 1 | 950,046 | |
| Technical service income (Notes 23 and 25) | 670,297 | | 491,267 | |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 23) | 596,459 | | 494,374 | |
| Valuation gain on financial instruments, net (Notes 2, 3, 5 and 22) | 33,850 | | | |
| Foreign exchange gain, net (Notes 2 and 3) | | | 2,572,560 | 1 |
| Others (Note 23) | 419,020 | | 366,344 | |
| Total non-operating income and gains | 11,596,727 | 4 | 7,381,360 | 2 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |

| | | | | |
|--|-----------|---|-----------|-------------|
| Loss on settlement and disposal of financial instruments, net (Notes 2, 3 and 5) | 1,623,882 | 1 | 3,742,312 | 2 |
| Interest expense (Note 3) | 661,200 | | 1,180,484 | |
| Foreign exchange loss, net (Note 2) | 412,726 | | | |
| Loss on disposal of property, plant and equipment (Note 2) | 240,985 | | 59,992 | |
| Equity in losses of equity method investees, net (Notes 2 and 9) | | | 1,052,045 | |
| | | | | (Continued) |

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2006 | | 2005 | |
|---|----------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| Valuation loss on financial instruments, net (Notes 2, 3, 5 and 22) | \$ | | \$ 337,160 | |
| Others | 151,294 | | 203,768 | |
| Total non-operating expenses and losses | 3,090,087 | 1 | 6,575,761 | 2 |
| INCOME BEFORE INCOME TAX | 134,806,499 | 43 | 93,819,423 | 35 |
| INCOME TAX EXPENSE (Notes 2 and 16) | (7,550,582) | (2) | (244,388) | |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 127,255,917 | 41 | 93,575,035 | 35 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3) | (246,186) | | | |
| NET INCOME | \$ 127,009,731 | 41 | \$ 93,575,035 | 35 |

| | 2006 | | 2005 | |
|------------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 21) | | | | |
| Basic earnings per share | \$ 5.21 | \$ 4.93 | \$ 3.64 | \$ 3.63 |
| Diluted earnings per share | \$ 5.21 | \$ 4.92 | \$ 3.64 | \$ 3.63 |

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as an investment instead of treasury stock (Notes 2 and 20):

| | 2006 | 2005 |
|---|----------------|---------------|
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | \$ 127,338,237 | \$ 93,881,698 |
| NET INCOME | \$ 127,092,051 | \$ 93,881,698 |

EARNINGS PER SHARE (NT\$)

| | | | | |
|----------------------------|----|------|----|------|
| Basic earnings per share | \$ | 4.92 | \$ | 3.64 |
| Diluted earnings per share | \$ | 4.92 | \$ | 3.64 |

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

(Concluded)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

| Year | Paid-in Capital Amount | Capital Surplus | Legal Capital Reserve | Retained Earnings | | Total | Cumulative Translation Adjustments | Others Unrealized Gain on Financial Instruments | Total |
|------|---------------------------|--------------------|-----------------------------|-------------------------------|----------------------------|----------------|--|---|----------------|
| | | | | Special Capital Reserve | Unappropriated Earnings | | | | |
| 2004 | \$ 232,519,637 | \$ 56,537,259 | \$ 25,528,007 | \$ | \$ 88,202,009 | \$ 113,730,016 | \$ (2,226,427) | \$ | \$ (2,226,427) |
| | | | 8,820,201 | | (8,820,201) | | | | |
| | | | | 2,226,427 | (2,226,427) | | | | |
| | | | | | (3,086,215) | (3,086,215) | | | |
| 2002 | 3,086,215 | | | | (3,086,215) | (3,086,215) | | | |
| | | | | | (46,504,097) | (46,504,097) | | | |
| 2002 | 11,626,024 | | | | (11,626,024) | (11,626,024) | | | |
| | | | | | (231,466) | (231,466) | | | |
| | | | | | 93,575,035 | 93,575,035 | | | |
| | | | | | | | | | |
| | | 71,405 | | | | | | | |
| | | | | | | | 1,585,685 | | 1,585,685 |
| 2007 | 68,370 | 202,559 | | | | | | | |
| | | 84,285 | | | | | | | |

222,378

5 247,300,246 57,117,886 34,348,208 2,226,427 106,196,399 142,771,034 (640,742) (640,742)

9,357,503 (9,357,503)

(1,585,685) 1,585,685

(3,432,129) (3,432,129)

3 3,432,129 (3,432,129) (3,432,129)

(61,825,061) (61,825,061)

0 3,709,504 (3,709,504) (3,709,504)

(257,410) (257,410)

0 3,709,504 (3,709,504)

127,009,731 127,009,731

187,095

0 145,496 429,701 (550,423) (550,423)

82,320

242,248 242,248

319,367 319,367

8 \$ 258,296,879 \$ 54,107,498 \$ 43,705,711 \$ 640,742 \$ 152,778,079 \$ 197,124,532 \$ (1,191,165) \$ 561,615 \$ (629,550)

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

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|----------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 127,009,731 | \$ 93,575,035 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 66,699,455 | 67,991,423 |
| Amortization of premium/discount of financial assets | 2,399 | 120,872 |
| Loss on disposal of available-for-sale financial assets, net | 485 | 150,081 |
| Equity in losses (earnings) of equity method investees, net | (5,526,727) | 1,052,045 |
| Dividends received from equity method investees | 626,367 | 668,464 |
| Gain on disposal of investments accounted for using equity method investees, net | (26,031) | (583) |
| Gain on disposal of financial assets carried at cost, net | (212) | (2,919) |
| Loss on impairment of financial assets carried at cost | 36,608 | |
| Gain on disposal of property, plant and equipment and other assets, net | (355,474) | (434,382) |
| Deferred income taxes | 179,828 | (3,278,952) |
| Loss on idle assets | 44,072 | 131,849 |
| Donation of idle assets | | 7,207 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | 1,112,776 | 10,739 |
| Notes and accounts receivable | 4,313,654 | (5,264,937) |
| Receivables from related parties | 4,181,095 | (4,914,565) |
| Allowance for doubtful receivables | (285,413) | (4,117) |
| Allowance for sales returns and others | (1,518,904) | 942,055 |
| Other receivables from related parties | 985,419 | (1,243,126) |
| Other financial assets | (99,109) | 64,288 |
| Inventories | (2,894,259) | (2,086,010) |
| Prepaid expenses and other current assets | (49,426) | (84,341) |
| Increase (decrease) in: | | |
| Accounts payable | (1,908,427) | 1,563,489 |
| Payables to related parties | (612,381) | (1,224,371) |
| Income tax payable | 4,034,530 | 3,435,985 |
| Accrued expenses and other current liabilities | 157,262 | (1,001,293) |
| Accrued pension cost | 68,724 | 360,196 |
| Deferred credits | (95,745) | 95,744 |
| | | |
| Net cash provided by operating activities | 196,080,297 | 150,629,876 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (98,679,832) | (99,436,242) |

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| | | |
|---|--------------|--------------|
| Held-to-maturity financial assets | (18,554,027) | (14,199,142) |
| Financial assets carried at cost | (12,940) | (48,536) |
| Investments accounted for using equity method | (5,515,466) | (3,392,619) |
| Property, plant and equipment | (77,215,811) | (73,659,014) |
| | | (Continued) |

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|--|--------------------|-------------------|
| Proceeds from disposal of: | | |
| Available-for-sale financial assets | \$ 73,212,019 | \$ 101,609,384 |
| Financial assets carried at cost | 71,191 | 16,599 |
| Investments accounted for using equity method | 37,946 | 65,076 |
| Property, plant and equipment and other assets | 1,277,729 | 2,087,236 |
| Redemption of held-to-maturity financial assets upon maturity | 10,410,000 | 14,595,394 |
| Proceeds from return of capital by investee | 162,354 | |
| Increase in deferred charges | (1,272,355) | (847,721) |
| Decrease (increase) in refundable deposits | (1,222,592) | 1,771 |
| Net cash used in investing activities | (117,301,784) | (73,207,814) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash dividends paid for common stock | (61,825,061) | (46,504,097) |
| Cash bonus paid to employees | (3,432,129) | (3,086,215) |
| Increase in guarantee deposits | 917,016 | 2,480,552 |
| Proceeds from exercise of employee stock options | 575,197 | 270,929 |
| Bonus to directors and supervisors | (257,410) | (231,466) |
| Repayment of long-term bonds payable | | (10,500,000) |
| Net cash used in financing activities | (64,022,387) | (57,570,297) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 14,756,126 | 19,851,765 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 85,383,583 | 65,531,818 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 100,139,709 | \$ 85,383,583 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 661,200 | \$ 1,212,449 |
| Income tax paid | \$ 3,189,528 | \$ 87,351 |
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant, and equipment | \$ 79,026,104 | \$ 51,363,935 |

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| | | |
|--|---------------|---------------|
| Decrease (increase) in payables to contractors and equipment suppliers | (1,810,293) | 22,295,079 |
| Cash paid | \$ 77,215,811 | \$ 73,659,014 |

NON-CASH INVESTING AND FINANCING ACTIVITIES

| | | |
|--|---------------|------------|
| Current portion of bonds payable | \$ 7,000,000 | \$ |
| Current portion of other payables to related parties (under payables to related parties) | \$ 688,591 | \$ 693,956 |
| Current portion of other long-term payable (under accrued expenses and other current liabilities) | \$ 617,892 | \$ 869,072 |
| Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method (Note 6) | \$ 39,687,637 | \$ |

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

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Taiwan Semiconductor Manufacturing Company Limited

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

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 December 31, 2006 and 2005, the Company had 20,202 and 19,460 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds and corporate notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

Investments designated as available-for-sale financial assets include debt securities and equity securities.

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

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

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as reductions to the original cost of investments 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 total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

Held-to-maturity Financial Assets

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

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

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Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of 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 manufacture of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. Provisions for estimated sales returns and others are generally recorded in the period the related revenue is recognized based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

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

Inventories

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

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. Prior to January 1, 2006, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was amortized by the straight-line method over five years, with the amortization recorded in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, Long-term Investments in Equity Securities (SFAS No. 5), the cost of an investment shall be analyzed and the difference between the cost of investment and the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually. The accounting treatment for the investment premiums acquired before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

Gains or losses on sales between equity method investees are deferred in proportion to the Company's weighted-average ownership percentages in the investees that record such gains or losses until they are 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.

Financial Assets Carried at Cost

Investments in which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost, such as non-publicly traded stocks and mutual funds. The costs of mutual funds and non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

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

Property, Plant and Equipment and Assets Leased to Others

Property, plant, and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

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

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss recorded as 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. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised SFAS No. 25, Business Combinations - Accounting Treatment under Purchase Method (SFAS No. 25), goodwill is no longer amortized and instead is tested for impairment annually. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent recovery in fair value of goodwill is not allowed.

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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 subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Pension Costs

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts during their service periods. For employees 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, whereby (1) a portion of current income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training, 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 year's tax provision.

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

The R.O.C. government enacted the Alternative Minimum Tax Act (the AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the 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 recognized in earnings over the employee vesting period.

Table of Contents**Treasury Stock**

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

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Financial Instruments: Recognition and Measurement (SFAS No. 34) and No. 36, Financial Instruments: Disclosure and Presentation 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 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; 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:

| | Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax) | Recognized as a Separate Component of Shareholders Equity |
|--|---|--|
| 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 an increase in net income before cumulative effect of changes in accounting principles of NT\$280,036 thousand, an increase in net income of NT\$33,850 thousand, and an increase in

basic earnings per share (after income tax) of NT\$0.001, for the year ended December 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 a change in accounting principle did not have a material effect on the Company's financial statements as of and for the year ended December 31, 2006.

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b. Reclassifications

Upon adoption of SFAS No. 34, certain accounts in the financial statements as of and for the year ended December 31, 2005 were reclassified to conform with the financial statements as of and for the year ended December 31, 2006. The previously issued financial statements as of and for the year ended December 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 year.

2) Derivative financial instruments

The Company entered into forward exchange 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 year, 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 year 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 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 rates were amortized over the terms of the contracts using the straight-line method. At the end of each year, the receivables or payables arising from cross-currency swap contracts were restated using 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 year 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.

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

| | Before Reclassification | After Reclassification |
|---|------------------------------------|-----------------------------------|
| Balance sheet | | |
| Short-term investments, net | \$ 47,055,347 | \$ |
| Other financial assets | 2,403,929 | 1,106,030 |
| Prepaid expenses and other current assets | 1,254,779 | 1,171,773 |
| Long-term investments accounted for using cost method | 807,490 | |
| Long-term bond investments | 18,548,308 | |
| Other long-term investments | 10,227,000 | |
| Accrued expenses and other current liabilities | (8,214,994) | (7,980,715) |
| Financial assets at fair value through profit or loss | | 1,380,905 |
| Financial liabilities at fair value through profit or loss | | (234,279) |
| Available-for-sale financial assets | | 46,452,838 |
| Held-to-maturity financial assets | | 29,377,817 |
| Financial assets carried at cost | | 807,490 |
| | \$ 72,081,859 | \$ 72,081,859 |
| Statement of income | | |
| Interest income | \$ 2,769,978 | \$ 2,506,769 |
| Foreign exchange gain (loss), net | (34,379) | 2,572,560 |
| Interest expense | (2,429,568) | (1,180,484) |
| Unrealized valuation loss on short-term investments | (337,160) | |
| Loss on disposal of investments, net | (149,498) | |
| Valuation loss on financial instruments, net | | (337,160) |
| Loss on settlement and disposal of financial instruments, net | | (3,742,312) |
| | \$ (180,627) | \$ (180,627) |

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|--|--------------------|---------------|
| | 2006 | 2005 |
| Cash and deposits in banks | \$ 68,898,115 | \$ 37,007,192 |
| Repurchase agreements collateralized by government bonds | 31,241,594 | 47,963,226 |
| Corporate notes | | 413,165 |
| | \$ 100,139,709 | \$ 85,383,583 |

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

| | December 31 | |
|-------------------------------------|--------------------|--------------|
| | 2006 | 2005 |
| Derivatives - financial assets | | |
| Forward exchange contracts | \$ | \$ 26,720 |
| Cross currency swap contracts | 44,601 | 1,354,185 |
| | \$ 44,601 | \$ 1,380,905 |
| Derivatives - financial liabilities | | |
| Cross currency swap contracts | \$ 10,751 | \$ 234,279 |

The Company entered into derivative contracts during the years ended December 31, 2006 and 2005 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, effective from January 1, 2006, the Company discontinued applying hedge accounting treatment for its derivative contracts.

Outstanding forward contracts as of December 31, 2005:

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|-------------------|-----------------|----------------------|---|
| December 31, 2005 | | | |
| Sell | US\$/NT\$ | January 2006 | US\$60,000 |

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

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|---|-------------------------------------|---|
| December 31, 2006 | | | |
| January 2007 to February 2007 | US\$820,000 | 3.19%-5.91% | 0.90%-3.25% |
| December 31, 2005 | | | |
| January 2006 to March 2006 | US\$2,089,000 | 4.15%-4.54% | 0.02%-2.12% |

The Company did not enter into any interest rate swap contract during the year ended December 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 loss on settlement and disposal of financial instruments account.

Net losses arising from derivative financial instruments for the year ended December 31, 2006 were NT\$1,615,796 thousand (including realized settlement losses of NT\$1,649,646 thousand and a valuation gain of NT\$33,850 thousand).

Table of Contents**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

| | December 31 | |
|--|--------------------|--------------|
| | 2006 | 2005 |
| Open-end mutual funds | \$ 25,967,061 | \$ 6,198,982 |
| Corporate bonds | 4,150,202 | 11,853,044 |
| Government bonds | 1,998,067 | 1,776,279 |
| Structured time deposits | 499,242 | |
| Agency bonds | | 14,496,728 |
| Corporate issued asset-backed securities | | 11,582,590 |
| Corporate notes | | 263,249 |
| Money market funds | | 260,686 |
| Publicly-traded stocks | | 21,280 |
| | 32,614,572 | 46,452,838 |
| Current portion | (25,967,061) | (46,452,838) |
| | \$ 6,647,511 | \$ |

Starting from 2004, the Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. Beginning from the third quarter of 2006, the Company transferred investment portfolios managed by the fund managers of US\$1,277,789 thousand to TSMC Global Ltd. (TSMC-Global), a subsidiary of TSMC. The transferred investment portfolios held by TSMC Global are still being managed by the same fund managers in accordance with the aforementioned investment guidelines and terms.

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

| | Principal Amount | Carrying Amount | Range of Interest Rates | Maturity Date |
|---------------------------|-----------------------------|----------------------------|--|--------------------------|
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 499,242 | 1.76% | March 2008 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|--------------------------|--------------------|--------------|
| | 2006 | 2005 |
| Corporate bonds | \$ 13,742,541 | \$ 8,927,317 |
| Structured time deposits | 11,671,120 | 10,227,000 |
| Government bonds | 12,070,657 | 10,223,500 |
| | 37,484,318 | 29,377,817 |

| | | |
|-----------------|---------------|---------------|
| Current portion | (8,510,823) | (602,509) |
| | \$ 28,973,495 | \$ 28,775,308 |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---|-----------------------------|--------------------------------|------------------------------------|------------------------------------|
| December 31, 2006 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits Callable range accrual deposits | \$ 4,500,000 | \$ 13,928 | 1.40%-1.83% | June 2007 to October 2008 |
| Domestic deposits | 3,911,520 | 4,808 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 3,259,600 | 4,998 | (See below) | October 2009 to January 2010 |
| | \$ 11,671,120 | \$ 23,734 | | |
| December 31, 2005 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits Callable range accrual deposits | \$ 3,000,000 | \$ 8,145 | 1.40%-1.50% | June 2007 to October 2007 |
| Domestic deposits | 3,942,000 | 4,928 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 3,285,000 | 5,023 | (See below) | October 2009 to January 2010 |
| | \$ 10,227,000 | \$ 18,096 | | |

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 contracts, 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 December 31, 2006 and 2005, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$80,000 thousand; those resided in banks located in Singapore amounted to US\$20,000 thousand.

8. INVENTORIES, NET

| | December 31 | |
|-----------------|--------------------|--------------|
| | 2006 | 2005 |
| Finished goods | \$ 4,754,342 | \$ 2,768,575 |
| Work in process | 13,251,174 | 12,407,286 |
| Raw materials | 1,515,996 | 1,700,314 |

| | | |
|--------------------------|---------------|---------------|
| Supplies and spare parts | 421,648 | 786,772 |
| | 19,943,160 | 17,662,947 |
| Allowance for losses | (790,946) | (1,404,992) |
| | \$ 19,152,214 | \$ 16,257,955 |

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Table of Contents**9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

| | December 31 | | December 31 | |
|--|----------------|--------|---------------|--------|
| | 2006 | % of | 2005 | % of |
| | Carrying | Owner- | Carrying | Owner- |
| | Amount | ship | Amount | ship |
| TSMC Global (Note 6) | \$ 42,496,592 | 100 | \$ | |
| TSMC International Investment Ltd. (TSMC International) | 26,593,749 | 100 | 23,912,812 | 100 |
| TSMC (Shanghai) Company Limited (TSMC-Shanghai) | 9,027,984 | 100 | 9,438,856 | 100 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 7,960,869 | 39 | 4,215,200 | 32 |
| Vanguard International Semiconductor Corporation (VIS) | 5,741,870 | 27 | 5,419,747 | 27 |
| TSMC Partners, Ltd. (TSMC Partners) | 4,433,819 | 100 | 4,091,166 | 100 |
| TSMC North America (TSMC-North America) | 2,014,990 | 100 | 1,790,186 | 100 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 793,585 | 99 | 850,534 | 99 |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 733,130 | 98 | 642,479 | 98 |
| Global UniChip Corporation (GUC) | 629,755 | 38 | 442,233 | 46 |
| VentureTech Alliance Fund III, L.P. (VTAF III) | 228,005 | 98 | | |
| Chi Cherng Investment Co., Ltd. (Chi Cherng) | 115,507 | 36 | 78,139 | 36 |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 114,297 | 36 | 77,415 | 36 |
| TSMC Japan K. K. (TSMC-Japan) | 95,757 | 100 | 94,949 | 100 |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe) | 49,741 | 100 | 23,087 | 100 |
| Taiwan Semiconductor Manufacturing Company Korea (TSMC-Korea) | 14,706 | 100 | | |
| | \$ 101,044,356 | | \$ 51,076,803 | |

In November 2006, the Company acquired 81 thousand shares in SSMC from EDB Investments Pte Ltd. under a Shareholders Agreement. After the acquisition, the number of SSMC shares owned by the Company increased from 382 thousand to 463 thousand; the percentage of ownership increased from 32% to 39%.

For the years ended December 31, 2006 and 2005, net equity in earnings of NT\$5,526,727 thousand and net equity in losses of NT\$1,052,045 thousand were recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the audited financial statements of the investees as of and for the same periods ended as the Company.

10. FINANCIAL ASSETS CARRIED AT COST

| | December 31 | |
|----------------------------|-------------|------------|
| | 2006 | 2005 |
| Non-publicly traded stocks | \$ 364,913 | \$ 472,500 |
| Mutual funds | 347,930 | 334,990 |

\$ 712,843 \$ 807,490

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Table of Contents**11. PROPERTY, PLANT AND EQUIPMENT**

Accumulated depreciation consisted of the following:

| | December 31 | |
|-------------------------|-----------------------|-----------------------|
| | 2006 | 2005 |
| Buildings | \$ 49,595,917 | \$ 42,902,526 |
| Machinery and equipment | 361,401,800 | 310,626,317 |
| Office equipment | 6,469,533 | 5,662,986 |
| | \$ 417,467,250 | \$ 359,191,829 |

No interest was capitalized during the years ended December 31, 2006 and 2005.

12. DEFERRED CHARGES, NET

| | December 31 | |
|----------------------------------|---------------------|---------------------|
| | 2006 | 2005 |
| Technology license fees | \$ 4,038,551 | \$ 4,985,806 |
| Software and system design costs | 1,517,575 | 1,623,276 |
| Others | 36,942 | 72,062 |
| | \$ 5,593,068 | \$ 6,681,144 |

13. BONDS PAYABLE

| | December 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 | \$ 4,500,000 |
| Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively | 15,000,000 | 15,000,000 |
| | 19,500,000 | 19,500,000 |
| Current portion | (7,000,000) | |
| | \$ 12,500,000 | \$ 19,500,000 |

As of December 31, 2006, future principal repayments for the Company's bonds were as follows:

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2007 | \$ 7,000,000 |
| 2009 | 8,000,000 |
| 2012 | 4,500,000 |

Table of Contents**14. OTHER LONG-TERM PAYABLES**

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

| Year of Payment | Amount |
|---|---------------|
| 2007 | \$ 617,892 |
| 2008 | 337,043 |
| 2009 | 337,043 |
| 2010 | 337,043 |
| 2011 | 260,767 |
| | 1,889,788 |
| Current portion (classified under accrued expenses and other current liabilities) | (617,892) |
| | \$ 1,271,896 |

15. PENSION PLANS

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

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension costs of NT\$618,975 thousand and NT\$261,096 thousand for the years ended December 31, 2006 and 2005, respectively.

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), which is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China.

Pension information on the defined benefit plan is summarized as follows:

- a. Components of net periodic pension cost for the year

| | 2006 | 2005 |
|---------------------------------|-------------|-------------|
| Service costs | \$ 178,432 | \$ 468,044 |
| Interest costs | 163,740 | 163,294 |
| Projected return on plan assets | (49,115) | (49,627) |
| Amortization | 12,339 | 8,300 |
| Net periodic pension costs | \$ 305,396 | \$ 590,011 |

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b. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2006 and 2005

| | 2006 | 2005 |
|--|--------------|--------------|
| Benefit obligation | | |
| Vested benefit obligation | \$ 102,920 | \$ 62,302 |
| Nonvested benefit obligation | 3,873,239 | 3,356,213 |
| Accumulated benefit obligation | 3,976,159 | 3,418,515 |
| Additional benefits based on future salaries | 2,964,923 | 2,546,186 |
| Projected benefit obligation | 6,941,082 | 5,964,701 |
| Fair value of plan assets | (1,945,572) | (1,681,365) |
| Funded status | 4,995,510 | 4,283,336 |
| Unrecognized net transition obligation | (116,191) | (124,491) |
| Unrecognized net loss | (1,349,203) | (697,453) |
| Accrued pension cost | \$ 3,530,116 | \$ 3,461,392 |
| Vested benefits | \$ 106,645 | \$ 67,752 |
| c. Actuarial assumptions at December 31, 2006 and 2005 | | |
| Discount rate used in determining present values | 2.25% | 2.75% |
| Future salary increase rate | 3.00% | 3.00% |
| Expected rate of return on plan assets | 2.50% | 2.75% |
| d. Contributions to the Fund for the year | \$ 230,577 | \$ 223,654 |
| e. Payments from the Fund for the year | \$ 10,823 | \$ 8,419 |

16. INCOME TAX

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

| | Years Ended December 31 | |
|--|------------------------------------|-----------------|
| | 2006 | 2005 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ (33,701,625) | \$ (23,454,856) |
| Tax effect of the following: | | |
| Tax-exempt income | 12,274,041 | 12,243,435 |
| Temporary and permanent differences | 2,080,110 | (860,918) |
| Cumulative effect of changes in accounting principles | 82,062 | |
| Additional tax at 10% on unappropriated earnings | (1,156,130) | (1,489,709) |
| Income tax credits | 12,715,377 | 10,110,561 |

| | | |
|------------------------------|----------------|----------------|
| Income tax currently payable | \$ (7,706,165) | \$ (3,451,487) |
|------------------------------|----------------|----------------|

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b. Income tax expense consisted of the following:

| | Years Ended | |
|--|--------------------|----------------|
| | December 31 | |
| | 2006 | 2005 |
| Income tax currently payable | \$ (7,706,165) | \$ (3,451,487) |
| Other income tax adjustments | 335,411 | (71,853) |
| Net change in deferred income tax assets | | |
| Investment tax credits | (3,908,879) | (2,018,813) |
| Temporary differences | 1,522,734 | 1,768,265 |
| Adjustment in valuation allowance | 2,206,317 | 3,529,500 |
| Income tax expense | \$ (7,550,582) | \$ (244,388) |

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

| | December 31 | |
|--|--------------------|---------------|
| | 2006 | 2005 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 7,832,000 | \$ 7,013,000 |
| Noncurrent deferred income tax assets, net | | |
| Investment tax credits | \$ 12,124,892 | \$ 16,852,771 |
| Temporary differences | 840,464 | (682,270) |
| Valuation allowance | (7,204,229) | (9,410,546) |
| | \$ 5,761,127 | \$ 6,759,955 |

d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2006 and 2005 was NT\$ 828,612 thousand and NT\$20,087 thousand, respectively.

The estimated creditable ratio for distribution of earnings of 2006 and 2005 was 0.54% and 2.88%, respectively.

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

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

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f. As of December 31, 2006, investment tax credits consisted of the following:

| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-------------------------------------|---|--|--|------------------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 2,685,805 | \$ | 2006 |
| | | 4,113,439 | | 2007 |
| | | 6,802,469 | 3,955,466 | 2008 |
| | | 6,030,309 | 6,030,309 | 2009 |
| | | 5,114,762 | 5,114,762 | 2010 |
| | | \$ 24,746,784 | \$ 15,100,537 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,780,480 | \$ | 2006 |
| | | 1,245,142 | | 2007 |
| | | 1,627,095 | 1,627,095 | 2008 |
| | | 1,534,230 | 1,534,230 | 2009 |
| | | 1,534,050 | 1,534,050 | 2010 |
| | | \$ 7,720,997 | \$ 4,695,375 | |
| Statute for Upgrading Industries | Personnel training | \$ 27,311 | \$ | 2006 |
| | | 16,197 | | 2007 |
| | | 40,734 | 40,734 | 2008 |
| | | 40,442 | 40,442 | 2009 |
| | | \$ 124,684 | \$ 81,176 | |
| Statute for Upgrading Industries | Investments in important technology-based enterprises | \$ 79,804 | \$ 79,804 | 2010 |

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

| | Tax-Exemption Period |
|---|---------------------------------|
| Construction of Fab 8 modules B | 2002 to 2005 |
| Expansion of Fab 2 modules A and B, Fab 3, 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 2003.

Table of Contents**17. LABOR COST, DEPRECIATION AND AMORTIZATION**

| | Year Ended December 31, 2006 | | |
|----------------------------|--|---|---------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 9,877,603 | \$ 4,172,915 | \$ 14,050,518 |
| Labor and health insurance | 686,125 | 352,085 | 1,038,210 |
| Pension | 610,873 | 313,416 | 924,289 |
| Meal | 449,505 | 159,302 | 608,807 |
| Welfare | 184,560 | 99,323 | 283,883 |
| Others | 225,615 | 19,784 | 245,399 |
| | \$ 12,034,281 | \$ 5,116,825 | \$ 17,151,106 |
| Depreciation | \$ 61,028,727 | \$ 3,296,764 | \$ 64,325,491 |
| Amortization | \$ 1,430,069 | \$ 918,011 | \$ 2,348,080 |

| | Year Ended December 31, 2005 | | |
|----------------------------|--|---|---------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 9,160,576 | \$ 3,682,390 | \$ 12,842,966 |
| Labor and health insurance | 625,744 | 297,483 | 923,227 |
| Pension | 576,776 | 274,280 | 851,056 |
| Meal | 429,307 | 141,259 | 570,566 |
| Welfare | 167,218 | 95,208 | 262,426 |
| Others | 159,724 | 44,783 | 204,507 |
| | \$ 11,119,345 | \$ 4,535,403 | \$ 15,654,748 |
| Depreciation | \$ 61,576,001 | \$ 3,031,796 | \$ 64,607,797 |
| Amortization | \$ 1,763,527 | \$ 1,603,496 | \$ 3,367,023 |

18. SHAREHOLDERS EQUITY

As of December 31, 2006, 889,740 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs is 4,448,702 thousand (one ADS represents five common shares).

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

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Capital surplus consisted of the following:

| | December 31 | |
|----------------------------------|----------------------|----------------------|
| | 2006 | 2005 |
| From merger | \$ 24,003,546 | \$ 24,003,546 |
| Additional paid-in capital | 19,974,431 | 23,254,234 |
| From convertible bonds | 9,360,424 | 9,360,424 |
| From treasury stock transactions | 389,188 | 306,868 |
| From long-term investments | 379,854 | 192,759 |
| Donations | 55 | 55 |
| | \$ 54,107,498 | \$ 57,117,886 |

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;
- c. Bonus to directors and supervisors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors 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 provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are recorded in the year of shareholder approval and given effect to in the financial statements of that year.

The 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.

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The appropriations of earnings for 2005 and 2004 had been approved in the shareholders' meetings held on May 16, 2006 and May 10, 2005, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share | |
|------------------------------------|---------------------------|---------------|---------------------|---------|
| | | | (NT\$) | |
| | For Fiscal | For Fiscal | For | For |
| | Year 2005 | Year 2004 | Fiscal | Fiscal |
| | | | Year | Year |
| | | | 2005 | 2004 |
| 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 shareholders | 61,825,061 | 46,504,097 | \$ 2.50 | \$ 2.00 |
| Stock dividends to 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 shareholders' meeting held on May 16, 2006 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$3,709,504 thousand.

The amounts of the above appropriations of earnings for 2005 and 2004 are consistent with the resolutions of the meetings of the Board of Directors held on February 14, 2006 and February 22, 2005, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2005 and 2004, the basic earnings per share (after income tax) for the years ended December 31, 2005 and 2004 shown in the respective financial statements would have decreased from NT\$3.79 to NT\$3.50 and NT\$3.97 to NT\$3.70, respectively.

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.

As of January 11, 2007, the Board of Directors had not resolved the appropriation for earnings of 2006.

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

Under the Integrated Income Tax System that became effective on January 1, 1998, 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 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign

subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

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

Information about outstanding options for the years ended December 31, 2006 and 2005 was as follows:

| | Number of Options (in Thousands) | Weighted- Average Exercise Price (NT\$) |
|------------------------------|---|--|
| Year ended December 31, 2006 | | |
| Balance, beginning of year | 67,758 | \$ 39.4 |
| Options granted | 2,758 | 40.1 |
| Options exercised | (14,550) | 40.1 |
| Options cancelled | (3,152) | 43.7 |
| Balance, end of year | 52,814 | 39.6 |
| Year ended December 31, 2005 | | |
| Balance, beginning of year | 64,367 | \$ 40.5 |
| Options granted | 14,864 | 48.4 |
| Options exercised | (6,837) | 39.6 |
| Options cancelled | (4,636) | 44.1 |
| Balance, end of year | 67,758 | 42.1 |

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

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

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|---|---|---|--|---|--|
| | Number of Options (in Thousands) | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
| \$27.6-\$39.7 | 34,584 | 5.15 | \$ 35.5 | 28,351 | \$ 35.5 |
| 45.1- 52.3 | 18,230 | 6.88 | 47.5 | 4,390 | 45.7 |

52,814

32,741

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No compensation cost was recognized under the intrinsic value method for the years ended December 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 years ended December 31, 2006 and 2005 would have been as follows:

| | Years Ended December 31 | |
|---|------------------------------------|---------------|
| | 2006 | 2005 |
| Assumptions: | | |
| Expected dividend yield | 1.00%-3.44% | 1.00%-3.44% |
| Expected volatility | 43.77%-46.15% | 43.77%-46.15% |
| Risk free interest rate | 3.07%-3.85% | 3.07%-3.85% |
| Expected life | 5 years | 5 years |
| Net income: | | |
| Net income as reported | \$ 127,009,731 | \$ 93,575,035 |
| Pro forma net income | 126,889,209 | 93,458,191 |
| Earnings per share (EPS) after income tax (NT\$): | | |
| Basic EPS as reported | \$ 4.93 | \$ 3.63 |
| Pro forma basic EPS | 4.92 | 3.63 |
| Diluted EPS as reported | 4.92 | 3.63 |
| Pro forma diluted EPS | 4.92 | 3.63 |

20. TREASURY STOCK

(Shares in Thousands)

| | Beginning Shares | Stock Dividends | Disposal | Ending Shares |
|---|-----------------------------|----------------------------|-----------------|--------------------------|
| Year ended December 31, 2006 | | | | |
| Parent company stock held by subsidiaries | 32,938 | 988 | | 33,926 |
| Year ended December 31, 2005 | | | | |
| Parent company stock held by subsidiaries | 45,521 | 2,242 | 14,825 | 32,938 |

Proceeds from sales of treasury stock for the year ended December 31, 2005 were NT\$899,489 thousand. As of December 31, 2006 and 2005, the book value of the treasury stock was NT\$918,075 thousand; the market value was NT\$ 2,290,026 thousand and NT\$2,047,126 thousand, respectively. The Company's stock held by subsidiaries is 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.

Table of Contents**21. EARNINGS PER SHARE**

| | Years Ended December 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 | \$ 5.22 | \$ 4.94 | \$ 3.64 | \$ 3.63 |
| Cumulative effect of changes in accounting principles | (0.01) | (0.01) | | |
| Income for the year | \$ 5.21 | \$ 4.93 | \$ 3.64 | \$ 3.63 |
| Diluted EPS (NT\$) | | | | |
| Income before cumulative effect of change in accounting principles | \$ 5.22 | \$ 4.93 | \$ 3.64 | \$ 3.63 |
| Cumulative effect of changes in accounting principles | (0.01) | (0.01) | | |
| Income for the year | \$ 5.21 | \$ 4.92 | \$ 3.64 | \$ 3.63 |

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 |
| Year ended December 31, 2006 | | | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$ 134,478,251 | \$ 127,009,731 | 25,788,555 | \$ 5.21 | \$ 4.93 |
| Effect of dilutive potential common stock | | | 24,628 | | |
| stock options | | | | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 134,478,251 | \$ 127,009,731 | 25,813,183 | \$ 5.21 | \$ 4.92 |
| Year ended December 31, 2005 | | | | | |

Basic EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income available to common shareholders | \$ 93,819,423 | \$ 93,575,035 | 25,763,320 | \$ 3.64 | \$ 3.63 |
|---|---------------|---------------|------------|---------|---------|

| | | | | | |
|---|--|--|--------|--|--|
| Effect of dilutive potential common stock | | | 12,647 | | |
| stock options | | | | | |

Diluted EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 93,819,423 | \$ 93,575,035 | 25,775,967 | \$ 3.64 | \$ 3.63 |
|---|---------------|---------------|------------|---------|---------|

Table of Contents**22. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

| | December 31 | | | |
|---|--------------------|------------|--------------------|------------|
| | 2006 | | | 2005 |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 44,601 | \$ 44,601 | \$ 1,380,905 | \$ 818,550 |
| Available-for-sale financial assets | 32,614,572 | 32,614,572 | 46,452,838 | 46,452,838 |
| Held-to-maturity financial assets | 37,484,318 | 37,375,517 | 29,377,817 | 29,063,831 |
| Investments accounted for using equity method (with market price) | 6,371,625 | 17,044,040 | 5,419,747 | 10,991,064 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 10,751 | 10,751 | 234,279 | 173 |
| Bonds payable (including current portion) | 19,500,000 | 19,817,149 | 19,500,000 | 19,924,923 |
| Other long-term payables (including current portion) | 2,981,754 | 2,981,754 | 4,174,603 | 4,174,603 |

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, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values.
- 2) Fair values of financial assets/liabilities at fair value through profit or loss were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; while fair values of structured time deposits were estimated using valuation techniques.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. Gains recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$33,850 thousand for the year ended December 31, 2006.

d. As of December 31, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$70,143,491 thousand and NT\$77,190,280 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$10,751 thousand and NT\$234,279 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$7,171,120 thousand and NT\$7,227,000 thousand, respectively.

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- e. The Company recognized an unrealized gain of NT\$242,248 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006. The Company also recognized an unrealized gain of NT\$319,367 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity method investees for the year ended December 31, 2006.
- f. Information about financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency-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 securities. Therefore, the fluctuations in market interest rates would result in changes in fair values of these debt securities.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.
 - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
 - 4) Cash flow interest rate risk. The Company mainly engages in investments in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

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 was one of its supervisors, who resigned in October 2006.
- b. Philips, a major shareholder of the Company.
- c. Subsidiaries
 - TSMC-North America
 - TSMC-Shanghai
 - TSMC-Europe
 - TSMC-Japan
 - TSMC-Korea
- d. Investees
 - GUC (with a controlling interest)
 - VIS (accounted for using equity method)
 - SSMC (accounted for using equity method)

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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, other than those disclosed in other notes, are summarized as follows:

| | 2006 | | 2005 | |
|--|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| For the year | | | | |
| Sales | | | | |
| TSMC-North America | \$ 190,459,073 | 60 | \$ 153,618,916 | 57 |
| Philips | 4,024,990 | 1 | 3,298,770 | 1 |
| Others | 972,872 | | 650,239 | |
| | \$ 195,456,935 | 61 | \$ 157,567,925 | 58 |
| Purchases | | | | |
| WaferTech | \$ 12,530,552 | 27 | \$ 11,137,313 | 28 |
| SSMC | 6,820,632 | 15 | 5,729,672 | 15 |
| TSMC-Shanghai | 4,405,843 | 10 | 1,405,030 | 4 |
| VIS | 3,911,838 | 8 | 4,142,457 | 10 |
| | \$ 27,668,865 | 60 | \$ 22,414,472 | 57 |
| Manufacturing expenses technical assistance fees | | | | |
| Philips (Note 25a) | \$ 755,904 | 1 | \$ 581,059 | |
| Marketing expenses commission | | | | |
| TSMC-Japan | \$ 254,758 | 16 | \$ 243,646 | 18 |
| TSMC-Europe | 236,454 | 15 | 221,164 | 16 |
| TSMC-Korea | 9,981 | | | |
| | \$ 501,193 | 31 | \$ 464,810 | 34 |
| General and administrative expenses rental expense | | | | |
| GUC | \$ 14,606 | | \$ 16,744 | |
| Research and development expenses | | | | |
| GUC | \$ 39,421 | | \$ 19,467 | |

TSMC Technology

37,559

\$ 76,980

\$ 19,467

(Continued)

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| | 2006 | | 2005 | |
|---|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| Sales of property, plant and equipment | | | | |
| TSMC-Shanghai | \$ 401,561 | 44 | \$ 125,381 | 13 |
| VisEra | | | 534,279 | 52 |
| | \$ 401,561 | 44 | \$ 659,660 | 65 |
| Non-operating income and gains | | | | |
| SSMC (primarily technical service income, see Note 25e) | \$ 314,953 | 3 | \$ 316,243 | 4 |
| TSMC-Shanghai | 278,295 | 2 | 180,234 | 3 |
| VIS (primarily technical service income, see Note 25h) | 261,237 | 2 | 210,720 | 3 |
| VisEra | 246,242 | 2 | 308,071 | 4 |
| | \$ 1,100,727 | 9 | \$ 1,015,268 | 14 |
| As of December 31 | | | | |
| Receivables | | | | |
| TSMC-North America | \$ 16,461,956 | 97 | \$ 20,407,621 | 97 |
| Philips | 250,919 | 2 | 573,565 | 3 |
| Others | 156,634 | 1 | 69,418 | |
| | \$ 16,869,509 | 100 | \$ 21,050,604 | 100 |
| Other receivables | | | | |
| TSMC-Shanghai | \$ 123,853 | 28 | \$ 28,593 | 2 |
| VIS | 121,911 | 27 | 74,457 | 4 |
| SSMC | 69,568 | 15 | 149,251 | 8 |
| TSMC-North America | 59,547 | 13 | 198,505 | 11 |
| VisEra | 58,980 | 13 | 374,202 | 21 |
| TSMC Technology | 3,785 | 1 | 972,563 | 54 |
| Others | 11,622 | 3 | 143 | |
| | \$ 449,266 | 100 | \$ 1,797,714 | 100 |
| Payables | | | | |
| WaferTech | \$ 864,733 | 26 | \$ 1,133,217 | 35 |

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| | | | | |
|--------------------------|--------------|-----|--------------|-----|
| VIS | 717,562 | 22 | 563,240 | 17 |
| Philips | 688,591 | 21 | 693,956 | 21 |
| TSMC-Shanghai | 478,714 | 14 | 274,820 | 9 |
| SSMC | 459,305 | 14 | 485,873 | 15 |
| Others | 118,011 | 3 | 91,091 | 3 |
| | \$ 3,326,916 | 100 | \$ 3,242,197 | 100 |
| Other long-term payables | | | | |
| Philips (Note 25a) | \$ 403,375 | 100 | \$ 1,100,475 | 100 |

(Continued)

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| | 2006 | | 2005 | |
|------------------|------------|----|------------|----|
| | Amount | % | Amount | % |
| Deferred credits | | | | |
| TSMC-Shanghai | \$ 723,661 | 61 | \$ 641,762 | 51 |
| VisEra | 124,350 | 11 | 186,525 | 15 |
| | \$ 848,011 | 72 | \$ 828,287 | 66 |

(Concluded)

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

The Company deferred the gains (classified under the deferred credits) derived from sales of property, plant and equipment to TSMC-Shanghai and VisEra, and then recognized such gains (classified under 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; beginning from June 2006, the renewed quarterly rental was NT\$3,473 thousand. The Company also leased certain buildings and facilities to VisEra with a monthly rental of NT\$7,684 thousand (classified under the non-operating income and gains).

24. SIGNIFICANT LONG-TERM LEASES

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

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

| Year | Amount |
|---------------------|--------------|
| 2007 | \$ 291,646 |
| 2008 | 260,249 |
| 2009 | 251,671 |
| 2010 | 204,603 |
| 2011 | 203,089 |
| 2012 and thereafter | 1,487,039 |
| | \$ 2,698,297 |

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of December 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.

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- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992, 1997, 2002 and on January 1, 2007.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2006, the Company had a total of US\$116,297 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September, 2006. The Company and NXP purchased all the SSMC shares owned by EDB Investments Pte Ltd. Pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products

sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.

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- i. 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\$175,000 thousand over six years to resolve TSMC's claims. As of December 31, 2006, SMIC had paid US\$ 60,000 thousand in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC-North America and Wafertech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court, alleging TSMC of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC's August complaint. The outcome of this litigation cannot be determined at this time.
- j. Amounts available under unused letters of credit as of December 31, 2006 were NT\$6,480 thousand.

26. 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;
- 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 exchange contracts during the year ended December 31, 2006 to manage exposures due to foreign exchange rate fluctuations.

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Outstanding forward exchange contracts as of December 31, 2006:

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|---|-----------------|----------------------|---|
| December 31, 2006 | | | |
| Buy | US\$/JPY | January 2007 | JPY 38,610 |
| Net realized settlement gains arising from TSMC-Shanghai's forward transactions for the year ended December 31, 2006 were NT\$2,543 thousand. | | | |

k. Information on investment in Mainland China

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 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.

27. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.

b. Export sales

| Area | Years Ended December 31 | |
|-------------------|--------------------------------|----------------|
| | 2006 | 2005 |
| Americas | \$ 153,974,683 | \$ 119,838,520 |
| Asia | 102,121,046 | 99,594,071 |
| Europe and others | 29,109,649 | 20,041,920 |
| | \$ 285,205,378 | \$ 239,474,511 |

The export sales information is based on the amounts billed to customers within the areas.

c. Major customers representing at least 10% of gross sales

| | Years Ended December 31 | | | |
|------------|--------------------------------|----------|----------------|----------|
| | 2006 | | 2005 | |
| | Amount | % | Amount | % |
| Customer A | \$ 190,459,073 | 60 | \$ 153,618,916 | 57 |
| Customer B | 25,214,878 | 8 | 29,258,338 | 11 |
| | -39- | | | |

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

| Financing No. | Name of Counter-Party | Type of Financial Statement (US\$ in Thousands) | Maximum Balance for the Period (US\$ in Thousands) | Interest Rate | Type of Financing (Note 1) | Reasons for Short-term Financing | Allowance for Collateral Debt Item Value | Financing Limit for Each Company | Financing Company's |
|---------------|-----------------------|---|--|---------------|----------------------------|----------------------------------|--|----------------------------------|---------------------|
| | | | | | | | | | Financing Amount |
| 1 | Internal Development | Accounts Payable | \$ 1,140,860 | 1.50% | 2 | Operating capital | \$ | N/A | \$ 32,203,805 |
| | | | (US \$35,000) | | | | | | (US\$987,968) |
| | | | | | | | | | (Note 2) |

Note 1: The type

No. 2 represents necessary for short-term financing.

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

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

| Endorsement/ Guarantee Provider | Counter-party Name | Relationship (Note 2) | Nature of Limits on Each Counter-party's Endorsement/ Guarantee Amounts | Maximum Balance for the Period (US\$ in Thousands) | Collateral/ Financing Equipment (US\$) | Ratio of Accumulated Amount of Collateral to Net Equity of Collateral/ Financing Equipment (Note 1) | Maximum Amounts Allowable (Note 1) |
|------------------------------------|-----------------------|--------------------------|--|--|---|--|---|
| | | | | | | | |
| 0 TSMC | TSMC-North America | 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. | \$1,303,840 (US\$ 40,000) | \$ \$ | | \$126,995,321 |
| | TSMC Development | 3 | | \$1,955,760 (US\$ 60,000) | | | |

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

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest. The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

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

December 31, 2006

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership |
|---|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|-------------------------|
| Government bond | | | | | |
| 04 Government Bond Series B | | Available-for-sale financial assets | | \$ 999,779 | N/A |
| 03 Government Bond Series B | | | | 998,288 | N/A |
| 06 Government Bond Series D | | Held-to-maturity financial assets | | 3,657,320 | N/A |
| 05 Government Bond Series A | | | | 3,049,919 | N/A |
| 03 Government Bond Series B | | | | 1,647,851 | N/A |
| 03 Asian Development Bank Govt. bond | | | | 835,840 | N/A |
| 03 Government Bond Series F | | | | 797,299 | N/A |
| 04 Kaohsiung Municipal Series A | | | | 620,000 | N/A |
| 03 Government Bond Series H | | | | 401,568 | N/A |
| European Investment Bank Bonds | | | | 372,265 | N/A |
| 02 Government Bond Series B | | | | 350,399 | N/A |
| 04 Kaohsiung Municipal Series B | | | | 249,998 | N/A |
| 03 European Bank for Reconstruction and Development Govt. Bond Series A | | | | 88,198 | N/A |
| Open-end mutual funds | | | | | |
| TC Bond Fund | | Available-for-sale financial assets | 22,219 | 3,655,939 | N/A |
| BN AMRO Bond Fund | | | 175,156 | 2,639,459 | N/A |
| n Hwa Bond | | | 125,122 | 1,667,908 | N/A |
| ega Diamond Bond Fund | | | 139,333 | 1,602,947 | N/A |
| idential Financial Bond Fund | | | 103,751 | 1,516,294 | N/A |
| TC Taiwan Bond | | | 93,312 | 1,314,669 | N/A |
| Taiwan Bond Fund | | | 85,145 | 1,299,088 | N/A |
| thay Bond | | | 109,720 | 1,265,092 | N/A |
| Sun Bond Fund | | | 88,165 | 1,202,901 | N/A |
| esdner Bond DAM Fund | | | 95,553 | 1,107,206 | N/A |
| BN AMRO Income | | | 63,947 | 1,012,377 | N/A |
| resident James Bond | | | 65,496 | 1,010,426 | N/A |
| G Taiwan Bond Fund | | | 78,629 | 1,002,595 | N/A |
| Taiwan First Bond Fund | | | 66,826 | 939,082 | N/A |
| ankong Chi Shin Bond Fund | | | 62,183 | 890,660 | N/A |

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| | | December 31, 2006 | | | |
|--|--|--|--|--------------------------------------|-------------------------|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Carrying | Percentage |
| | | | | Value (US\$ in Thousands) | of Ownership |
| ABN AMRO Select Bond Fund | | Available-for-sale financial assets | 76,593 | \$ 868,076 | NA |
| Taishin Lucky Fund | | | 78,624 | 806,386 | NA |
| Polaris De-Bao Fund | | | 63,273 | 701,069 | N/A |
| TIIM High Yield | | | 44,685 | 554,863 | N/A |
| HSBC Taiwan Money Management | | | 34,093 | 506,250 | N/A |
| Invesco Bond Fund | | | 27,176 | 403,774 | N/A |
| Corporate bond | | | | | |
| Hua Nan Bank | | Available-for-sale financial assets | | 1,545,864 | N/A |
| Cathay Bank | | | | 1,159,576 | N/A |
| Taiwan Power Company | | | | 1,046,799 | N/A |
| Formosa Petrochemical Corporation | | | | 397,963 | N/A |
| Taiwan Power Company | | Hold-to-maturity financial assets | | 4,080,391 | N/A |
| Formosa Petrochemical Corporation | | | | 3,566,946 | N/A |
| Nan Ya Plastics Corporation | | | | 2,773,810 | N/A |
| Chinese Petroleum Corporation | | | | 1,451,378 | N/A |
| China Steel Corporation | | | | 1,000,000 | N/A |
| Formosa Plastic Corporation | | | | 516,663 | N/A |
| Shanghai commercial & Saving Bank | | | | 286,497 | N/A |
| Formosa Chemicals & Fiber Corporation | | | | 66,856 | N/A |
| Stocks | | | | | |
| TSMC Global | Subsidiary | Invest accounted for using equity method | 1 | 42,496,592 | 100 |
| TSMC International | Subsidiary | | 987,968 | 26,593,749 | 100 |
| SSMC | Investee accounted for using equity method | | 463 | 7,960,869 | 39 |
| VIS | Investee accounted for using equity method | | 442,262 | 5,741,870 | 27 |
| TSMC Partners | Subsidiary | | 300 | 4,433,819 | 100 |
| TSMC-North America | Subsidiary | | 11,000 | 2,014,990 | 100 |
| GUC | Investee with controlling financial interest | | 41,263 | 629,755 | 38 |
| TSMC-Japan | Subsidiary | | 6 | 95,757 | 100 |
| TSMC-Europe | Subsidiary | | | 49,741 | 100 |
| TSMC-Korea | Subsidiary | | 80 | 14,706 | 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 |

| | | | |
|-----------------------------------|-------|--------|----|
| W.K. Technology Fund IV | 4,000 | 40,000 | 2 |
| Hontung Venture Capital Co., Ltd. | 2,633 | 26,329 | 10 |

(Continued)

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| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | December 31, 2006 | | |
|-------------------------------------|-------------------------------|---|-----------------------------|------------------------------------|-------------------------|----------------------------|
| | | | | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Net Value (US\$ Thousands) |
| on Ventures Fund | | Financial assets carried at cost | | \$ 280,179 | 12 | \$ 2 |
| son Asia Capital | | | | 67,751 | 1 | |
| al | | | | | | |
| C-Shanghai | Subsidiary | Investment accounted for using equity method | | 9,027,984 | 100 | 9,0 |
| ging Alliance | Subsidiary | | | 793,585 | 99 | 7 |
| F II | Subsidiary | | | 733,130 | 98 | 7 |
| F III | Subsidiary | | | 228,005 | 98 | 2 |
| Cheng | Subsidiary | | | 115,507 | 36 | 5 |
| Ruey | Subsidiary | | | 114,297 | 36 | 5 |
| | | | | | | |
| | Parent Company | Available-for-sale financial assets | 16,947 | 1,143,941 | N/A | 1,1 |
| | | | | | | |
| | Equity method investee | Investments accounted for using equity method | 5,032 | 107,224 | | 1 |
| | | | | | | |
| | Parent Company | Available-for-sale financial assets | 16,979 | 1,146,085 | N/A | 1,1 |
| | | | | | | |
| | Equity method investee | Investments accounted for using equity method | 3,711 | 82,661 | | |
| | | | | | | |
| Star | Subsidiary | Investments accounted for using equity method | 9,207 | US\$ 26,185 | 97 | US\$ |

| | | | | | | | |
|---------------|------------------------|---|--------|------|---------|-----|------|
| Star II | Subsidiary | | 51,300 | US\$ | 46,195 | 97 | US\$ |
| C Development | Subsidiary | | 1 | US\$ | 659,356 | 100 | US\$ |
| C Technology | Subsidiary | | 1 | US\$ | 6,058 | 100 | US\$ |
| rTech | Subsidiary | Investments accounted for using equity method | | US\$ | 282,420 | 100 | US\$ |
| mon stock | | | | | | | |
| ra Holdings | Equity method investee | Investments accounted for using equity method | 25,000 | US\$ | 34,000 | 49 | US\$ |

(Continued)

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| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2006 | | | |
|-------------------------------------|-------------------------------|---|-----------------------------|------------------------------------|-------------------------|-----------|
| | | | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Value |
| Common stock | | | | | | |
| NetLogic Microsystems, Inc. | | Financial assets at fair value through profit or loss | 84 | US\$ 1,828 | | US\$ |
| Pixim, Inc. | | Financial assets carried at cost | 1,924 | US\$ 512 | 4 | US\$ |
| RichWave Technology Corp. | | | 4,247 | US\$ 1,648 | 13 | US\$ |
| Global Investment Holding Inc. | | | 10,800 | \$100,000 | 6 | \$ |
| Preferred stock | | | | | | |
| Ikanos Communication, Inc. | | Available-for-sale financial assets | 515 | US\$ 4,473 | 2 | US\$ |
| Audience, Inc. | | Financial assets carried at cost | 1,654 | US\$ 250 | 1 | US\$ |
| Axiom Microdevices, Inc. | | | 1,000 | US\$ 1,000 | 3 | US\$ |
| Centrality Communications | | | 1,325 | US\$ 1,800 | 3 | US\$ |
| Miradia, Inc. | | | 3,040 | US\$ 1,000 | 3 | US\$ |
| Mobilygen | | | 1,415 | US\$ 750 | 1 | US\$ |
| Mosaic Systems, Inc. | | | 2,481 | US\$ 12 | 6 | US\$ |
| Next IO, Inc. | | | 800 | US\$ 500 | 2 | US\$ |
| NuCORE Technology Inc. | | | 2,254 | US\$ 1,455 | 2 | US\$ |
| Optichron, Inc. | | | 714 | US\$ 1,000 | 4 | US\$ |
| Optimal Corporation | | | 582 | US\$ 600 | 4 | US\$ |
| Pixim, Inc. | | | 2,193 | US\$ 583 | | US\$ |
| Reflectivity, Inc. | | | 4,848 | US\$ 531 | 4 | US\$ |
| Teknovus, Inc. | | | 6,977 | US\$ 1,327 | 3 | US\$ |
| Zenasis Technologies, Inc. | | | 2,410 | US\$ 1,399 | 5 | US\$ |
| Option | | | | | | |
| Pixim, Inc. | | Financial assets carried at cost | 242 | US\$ | | NA US\$ |
| Common stock | | | | | | |
| Beceem Communications | | Financial assets carried at cost | 650 | US\$ 1,600 | 1 | US\$ |
| Leadtrend | | | 1,150 | US\$ 660 | 6 | US\$ |
| Yobon | | | 1,675 | US\$ 787 | 13 | US\$ |
| Sentelic | | | 1,200 | US\$ 2,040 | 15 | US\$ |
| Preferred stock | | | | | | |
| 5V Technologies, Inc. | | Financial assets carried at cost | 2,357 | US\$ 1,768 | 11 | US\$ |
| Ageia Technologies, Inc. | | | 2,030 | US\$ 2,074 | 2 | US\$ |
| Aquantia Corporation | | | 1,264 | US\$ 1,150 | 5 | US\$ |
| Audience, Inc. | | | 2,208 | US\$ 474 | 1 | US\$ |
| Axiom Microdevices, Inc. | | | 3,015 | US\$ 1,466 | 2 | US\$ |
| GemFire Corporation | | | 600 | US\$ 68 | 1 | US\$ |
| Impinj, Inc. | | | 257 | US\$ 500 | | US\$ |

(Continued)

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| any | Relationship with the | Shares/Units (in | Carrying Value (US\$ in | Percentage of Ownership (%) | December 31, 2006 | |
|-------------------------------------|-----------------------|--|-------------------------------|--------------------------------------|-------------------|------------|
| | | | | | Thousands) | Thousands) |
| Marketable Securities Type and Name | Company | Financial Statement Account | Thousands) | Thousands) | Ownership | Percentage |
| Miradia, Inc. | | Financial assets carried at cost | 2,740 | US\$ 2,424 | 3 | US |
| Next IO, Inc. | | " | 216 | US\$ 182 | | US |
| Optichron, Inc. | | " | 353 | US\$ 869 | 2 | US |
| Power Analog Microelectronics | | " | 2,000 | US\$ 1,500 | 13 | US |
| Powerprecise Solutions, Inc. | | " | 1,445 | US\$ 1,400 | 11 | US |
| RichWave Technology Corp. | | " | 500 | US\$ 231 | 2 | US |
| Teknovus, Inc. | | " | 518 | US\$ 119 | | US |
| Tzero Technologies, Inc. | | " | 730 | US\$ 1,500 | 2 | US |
| Xceive | | " | 714 | US\$ 1,000 | 2 | US |
| Common stock | | | | | | |
| M2000, Inc. | | Financial assets carried at cost | 1,500 | US\$ 1,500 | 4 | US |
| Mutual-Pak Limited | | " | 170 | US\$ 52 | 13 | US |
| Quellan, Inc. | | " | 2,231 | US\$ 2,500 | 7 | US |
| SynDiTec, Inc. | | " | 4,332 | US\$ 720 | 7 | US |
| Validity-Pak Limited | | " | 5,333 | US\$ 2,000 | 7 | US |
| Common stock | | | | | | |
| Monolithic Power Systems, Inc. | | Financial assets at fair value through profit or loss | 1,975 | US\$ 21,939 | 7 | US |
| Broadtek Electronics Corp. | | " | 29 | US\$ 10 | | US |
| Broadtek Electronics Corp. | | Available-for-sale financial assets | 116 | US\$ 40 | | US |
| Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 530 | US\$ 154 | 2 | US |
| Preferred stock | | | | | | |
| Integrated Memory Logic, Inc. | | Financial assets carried at cost | 1,831 | US\$ 1,221 | 9 | US |
| IP Unity, Inc. | | " | 1,008 | US\$ 494 | 1 | US |
| Memsic, Inc. | | " | 2,724 | US\$ 1,500 | 9 | US |
| NanoAmp Solutions, Inc. | | " | 541 | US\$ 853 | 2 | US |
| Sonics, Inc. | | " | 1,843 | US\$ 3,530 | 2 | US |
| Common stock | | | | | | |
| Monolithic Power Systems, Inc. | | Financial assets at fair value through profit or loss | 864 | US\$ 9,604 | 3 | US |
| RichTek Technology Corp. | | " | 255 | US\$ 2,045 | | US |
| Geo Vision, Inc. | | " | 46 | US\$ 229 | | US |
| RichTek Technology Corp. | | Available-for-sale financial assets | 227 | US\$ 1,824 | | US |
| Geo Vision, Inc. | | " | 15 | US\$ 73 | | US |
| eChannelOpen Holding, Inc. | | Financial assets carried at cost | 358 | US\$ 251 | 4 | US |
| eLCOS Microdisplay Technology, Ltd. | | " | 270 | US\$ 27 | 1 | US |
| EoNEX Technologies, Inc. | | " | 55 | US\$ 3,048 | 5 | US |

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| | | | December 31, 2006 | | | | | |
|-------------------------------------|-------------------------------|-------------------------------------|-------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units | | Carrying Value | | Percentage of Ownership | |
| | | | (in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) |
| Sonics, Inc. | | Financial assets carried at cost | 2,220 | US\$ 32 | | | | |
| Epic Communications, Inc. | | | 191 | US\$ 37 | 1 | US\$ | | |
| EON Technology, Corp. | | | 4,247 | US\$ 1,175 | 7 | US\$ | | |
| Goyatek Technology, Corp. | | | 2,088 | US\$ 545 | 7 | US\$ | | |
| Capella Microsystems (Taiwan), Inc. | | | 534 | US\$ 210 | 2 | US\$ | | |
| Trendchip Technologies Corp. | | | 2,000 | US\$ 574 | 4 | US\$ | | |
| Ralink Technology (Taiwan), Inc. | | | 1,833 | US\$ 791 | 3 | US\$ | | |
| Auden Technology MFG Co., Ltd. | | | 953 | US\$ 223 | 4 | US\$ | | |
| Preferred stock | | | | | | | | |
| eLCOS Microdisplay Technology, Ltd. | | Financial assets carried at cost | 2,667 | US\$ 3,500 | 8 | US\$ | | |
| Alchip Technologies Limited | | | 3,531 | US\$ 2,950 | 15 | US\$ | | |
| FangTek, Inc. | | | 6,930 | US\$ 3,250 | 20 | US\$ | | |
| Kilopass Technology, Inc. | | | 3,887 | US\$ 2,000 | 6 | US\$ | | |
| Memsic, Inc. | | | 2,289 | US\$ 1,560 | 7 | US\$ | | |
| NanoAmp Solutions, Inc. | | | 375 | US\$ 1,500 | 1 | US\$ | | |
| Sonics, Inc. | | | 2,115 | US\$ 3,082 | 6 | US\$ | | |
| Open-end mutual funds | | | | | | | | |
| ABN AMRO Bond Fund | | Available-for-sale financial assets | 2,352 | \$ 35,041 | N/A | | | |
| Ta Chong Bond Fund | | | 2,306 | 30,037 | N/A | | | |
| Dresdner Bond DAM Fund | | | 2,592 | 30,036 | N/A | | | |
| NITC Taiwan Bond | | | 2,132 | 30,035 | N/A | | | |
| AIG Taiwan Bond Fund | | | 2,355 | 30,031 | N/A | | | |
| Fuh Hwa You Li Bond Fund | | | 2,018 | 25,035 | N/A | | | |
| Stock | | | | | | | | |
| Global Unichip Corporation America | North | Subsidiary | 100 | 6,396 | 100 | | | |
| Global Unichip Japan | | Subsidiary | | 2,681 | 100 | | | |
| Government bond | | | | | | | | |
| United States Treas Nts | | Available-for-sale financial assets | | US\$ 151,045 | N/A | US\$ | | |
| Corporate bonds | | | | | | | | |
| Abbott Labs | | Available-for-sale financial assets | | US\$ 1,505 | N/A | US\$ | | |
| Abbott Labs | | | | US\$ 2,547 | N/A | US\$ | | |
| Ace Ltd. | | | | US\$ 1,001 | N/A | US\$ | | |
| Aig Sunamerica Global Fing Ix | | | | US\$ 1,000 | N/A | US\$ | | |
| Allstate Life Global Fdg Secd | | | | US\$ 2,956 | N/A | US\$ | | |

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| Company | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2006 | | | |
|---------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-------------------------|-------------------------------|
| | | | | Shares/Units (in US\$ in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Value (US\$ in thousands) |
| | American Express Co. | | Available-for-sale financial assets | | US\$ 3,452 | N/A | US\$ |
| | American Gen Fin Corp. | | " | | US\$ 1,620 | N/A | US\$ |
| | American Gen Fin Corp. Mtn | | " | | US\$ 3,448 | N/A | US\$ |
| | American Gen Fin Corp. Mtn | | " | | US\$ 1,971 | N/A | US\$ |
| | American Gen Fin Corp. Mtn | | " | | US\$ 1,001 | N/A | US\$ |
| | American Honda Fin Corp. Mtn | | " | | US\$ 3,092 | N/A | US\$ |
| | American Honda Fin Corp. Mtn | | " | | US\$ 801 | N/A | US\$ |
| | Ameritech Capital Funding Co. | | " | | US\$ 483 | N/A | US\$ |
| | Amgen Inc. | | " | | US\$ 2,905 | N/A | US\$ |
| | Anz Cap Tr I | | " | | US\$ 972 | N/A | US\$ |
| | Associates Corp. North Amer | | " | | US\$ 2,541 | N/A | US\$ |
| | Axa Finl Inc. | | " | | US\$ 2,151 | N/A | US\$ |
| | Bank New York Inc. | | " | | US\$ 1,487 | N/A | US\$ |
| | Bank One Corp. | | " | | US\$ 3,365 | N/A | US\$ |
| | Bank One Corp. | | " | | US\$ 2,045 | N/A | US\$ |
| | Bank Utd Houston Tx Mtn | | " | | US\$ 528 | N/A | US\$ |
| | Bear Stearns Cos Inc. | | " | | US\$ 3,379 | N/A | US\$ |
| | Beneficial Corp. Mtn Bk Entry | | " | | US\$ 2,297 | N/A | US\$ |
| | Berkshire Hathaway Fin Corp. | | " | | US\$ 1,486 | N/A | US\$ |
| | Chase Manhattan Corp. New | | " | | US\$ 5,077 | N/A | US\$ |
| | Chase Manhattan Corp. New | | " | | US\$ 2,115 | N/A | US\$ |
| | Chubb Corp. | | " | | US\$ 2,116 | N/A | US\$ |
| | Cit Group Hldgs Inc. | | " | | US\$ 3,027 | N/A | US\$ |
| | Citicorp | | " | | US\$ 1,372 | N/A | US\$ |
| | Cogentrix Energy Inc. | | " | | US\$ 3,751 | N/A | US\$ |
| | Colonial Pipeline Co. | | " | | US\$ 1,494 | N/A | US\$ |
| | Consolidated Edison Inc. | | " | | US\$ 2,910 | N/A | US\$ |
| | Countrywide Fdg Corp. Mtn | | " | | US\$ 2,037 | N/A | US\$ |
| | Credit Suisse Fincl Products | | " | | US\$ 1,500 | N/A | US\$ |
| | Credit Suisse First Boston | | " | | US\$ 734 | N/A | US\$ |
| | Credit Suisse First Boston Usa | | " | | US\$ 2,177 | N/A | US\$ |
| | Daimlerchrysler North Amer | | " | | US\$ 977 | N/A | US\$ |
| | Daimlerchrysler North Amer Hld | | " | | US\$ 751 | N/A | US\$ |
| | Dayton Hudson Corp. | | " | | US\$ 2,020 | N/A | US\$ |
| | Deere John Cap Corp. | | " | | US\$ 4,928 | N/A | US\$ |
| | Dell Computer Corp. | | " | | US\$ 2,820 | N/A | US\$ |
| | Den Danske Bk Aktieselskab | | " | | US\$ 2,019 | N/A | US\$ |
| | Diageo Plc | | " | | US\$ 3,444 | N/A | US\$ |
| | Emerson Elec Co. | | " | | US\$ 3,215 | N/A | US\$ |

European Invt Bk

"

US\$ 3,970 N/A US\$
(Continued)

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December 31, 2006

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value Shares/Units (in US\$ in thousands) | Percentage of Ownership | T |
|--|--------------------------------------|-------------------------------------|---|--------------------------------|----------|
| European Invt Bk | | Available-for-sale financial assets | US\$ 6,057 | N/A | |
| Federal Home Ln Bks | | | US\$ 7,937 | N/A | |
| Fifth Third Bk Cincinnati Oh | | | US\$ 2,427 | N/A | |
| Fleet Boston Corp. | | | US\$ 2,643 | N/A | |
| Fleet Finl Group Inc. New | | | US\$ 905 | N/A | |
| Fpl Group Cap Inc. | | | US\$ 849 | N/A | |
| Ge Global Ins Hldg Corp. | | | US\$ 1,915 | N/A | |
| General Elec Cap Corp. Mtn | | | US\$ 3,888 | N/A | |
| General Elec Cap Corp. Mtn | | | US\$ 8,759 | N/A | |
| General Elec Cap Corp. Mtn | | | US\$ 8,282 | N/A | |
| General Elec Cap Corp. Mtn | | | US\$ 2,119 | N/A | |
| General Re Corp. | | | US\$ 3,292 | N/A | |
| Goldman Sachs Group Inc. | | | US\$ 4,989 | N/A | |
| Goldman Sachs Group Inc. | | | US\$ 3,456 | N/A | |
| Greenpoint Finl Corp. | | | US\$ 968 | N/A | |
| Hancock John Global Fdg Ii Mtn | | | US\$ 2,896 | N/A | |
| Hancock John Global Fdg Ii Mtn | | | US\$ 5,132 | N/A | |
| Hancock John Global Fdg Mtn | | | US\$ 975 | N/A | |
| Hartford Finl Svcs Group Inc. | | | US\$ 5,037 | N/A | |
| Hartford Finl Svcs Group Inc. | | | US\$ 1,345 | N/A | |
| Hbos Plc Medium Term Sr Nts | | | US\$ 3,205 | N/A | |
| Hbos Plc Medium Term Sr Nts | | | US\$ 2,952 | N/A | |
| Heller Finl Inc. | | | US\$ 1,929 | N/A | |
| Hershey Foods Corp. | | | US\$ 1,504 | N/A | |
| Household Fin Corp. | | | US\$ 2,903 | N/A | |
| Household Fin Corp. | | | US\$ 501 | N/A | |
| Household Intl Inc. | | | US\$ 2,851 | N/A | |
| Hsbc Fin Corp. | | | US\$ 3,028 | N/A | |
| Hsbc Fin Corp. Mtn | | | US\$ 5,096 | N/A | |
| Huntington National Bank | | | US\$ 1,886 | N/A | |
| Ing Sec Life Instl Fdg | | | US\$ 2,483 | N/A | |
| International Business Machs | | | US\$ 2,217 | N/A | |
| Intl Lease Fin Corp. Mtn | | | US\$ 2,939 | N/A | |
| Intl Lease Fin Corp. Mtn | | | US\$ 4,138 | N/A | |
| J P Morgan Chase + Co. | | | US\$ 3,298 | N/A | |
| Jackson Natl Life Global Fdg | | | US\$ 1,000 | N/A | |
| Key Bk Na Med Term Nts Bk Entr | | | US\$ 4,401 | N/A | |
| KeyCorp. Mtn Book Entry | | | US\$ 3,010 | N/A | |
| Kraft Foods Inc. | | | US\$ 1,000 | N/A | |

(Continued)

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| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value Shares/Units (in US\$ in thousands) | Percentage of Ownership T |
|--|--------------------------------------|-------------------------------------|---|--------------------------------------|
| Lehman Brothers Hldgs Inc. | | Available-for-sale financial assets | US\$ 1,626 | N/A |
| Lehman Brothers Hldgs Inc. | | | US\$ 487 | N/A |
| Lehman Brothers Hldgs Inc. | | | US\$ 989 | N/A |
| Lehman Brothers Hldgs Inc. | | | US\$ 3,150 | N/A |
| Lehman Brothers Hldgs Inc. | | | US\$ 1,077 | N/A |
| Lincoln Natl Corp. In | | | US\$ 500 | N/A |
| Marshall + Ilsley Corp. | | | US\$ 8,420 | N/A |
| Mbna America Bank Na Y | | | US\$ 6,403 | N/A |
| Merita Bk Ltd. Ny Brh | | | US\$ 501 | N/A |
| Merrill Lynch + Co. Inc. | | | US\$ 3,453 | N/A |
| Merrill Lynch + Co. Inc. | | | US\$ 1,985 | N/A |
| Merrill Lynch + Co. Inc. | | | US\$ 4,865 | N/A |
| Metropolitan Life Global Mtn | | | US\$ 3,369 | N/A |
| Mgic Invt Corp. | | | US\$ 1,204 | N/A |
| Monumental Global Fdg Ii | | | US\$ 1,468 | N/A |
| Monumental Global Fdg Ii 2002a | | | US\$ 1,000 | N/A |
| Monunmetal Global Fdg Ii | | | US\$ 1,961 | N/A |
| Mony Group Inc. | | | US\$ 2,175 | N/A |
| Morgan Stanley | | | US\$ 1,926 | N/A |
| Morgan Stanley | | | US\$ 2,126 | N/A |
| National City Corp. | | | US\$ 3,410 | N/A |
| National Westminster Bk Plc | | | US\$ 1,323 | N/A |
| Nationwide Bldg Soc | | | US\$ 3,537 | N/A |
| Nationwide Life Global Fdg I | | | US\$ 3,501 | N/A |
| Nationwide Life Global Mtn | | | US\$ 1,485 | N/A |
| Nucor Corp. | | | US\$ 3,797 | N/A |
| Oracle Corp. / Ozark Hldg Inc. | | | US\$ 1,973 | N/A |
| Pepsico Inc. Mtn Book Entry | | | US\$ 3,619 | N/A |
| Pnc Fdg Corp. | | | US\$ 1,007 | N/A |
| Popular North Amer Inc. | | | US\$ 2,910 | N/A |
| Praxair Inc. | | | US\$ 3,138 | N/A |
| Premark Intl Inc. | | | US\$ 2,729 | N/A |
| Pricoa Global Fdg I Mtn | | | US\$ 3,401 | N/A |
| Principal Finl Group Australia | | | US\$ 1,013 | N/A |
| Principal Life Global Fdg I Gl | | | US\$ 1,165 | N/A |
| Protective Life Secd Trs | | | US\$ 2,913 | N/A |
| Protective Life Secd Trs Mtn | | | US\$ 3,390 | N/A |
| Prudential Ins Co. Amer | | | US\$ 2,629 | N/A |
| Public Svc Elec Gas Co. | | | US\$ 3,682 | N/A |
| Regions Finl Corp. New | | | US\$ 2,371 | N/A |

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| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value Shares/Units (in US\$ in thousands) | Percentage of Ownership T |
|--|--------------------------------------|-------------------------------------|---|--------------------------------------|
| Safeco Corp. | | Available-for-sale financial assets | US\$ 715 | N/A |
| Sbc Communications Inc. | | | US\$ 1,041 | N/A |
| Sbc Communications Inc. | | | US\$ 697 | N/A |
| Simon Ppty Group Lp | | | US\$ 1,009 | N/A |
| Slm Corp. Medium Term Nts | | | US\$ 8,998 | N/A |
| Sp Powerasests Ltd. Global | | | US\$ 969 | N/A |
| St Paul Cos Inc. Mtn Bk Ent | | | US\$ 2,550 | N/A |
| Suntrust Bk Atlanta Ga Medium | | | US\$ 3,442 | N/A |
| Tiaa Global Mkts Inc. | | | US\$ 500 | N/A |
| Unitedhealth Group Inc. | | | US\$ 3,000 | N/A |
| Us Bk Natl Assn Cincinnati Oh | | | US\$ 2,915 | N/A |
| Vodafone Airtouch Plc | | | US\$ 4,449 | N/A |
| Wachovia Corp. New | | | US\$ 2,040 | N/A |
| Washington Mut Bk Fa | | | US\$ 3,997 | N/A |
| Washington Mut Inc. | | | US\$ 1,692 | N/A |
| Washington Mut Inc. | | | US\$ 1,000 | N/A |
| Washington Post Co. | | | US\$ 3,001 | N/A |
| Wells Fargo + Co. New | | | US\$ 2,943 | N/A |
| Wells Fargo + Co. New Med Trm | | | US\$ 4,311 | N/A |
| Westfield Cap Corp. Ltd. | | | US\$ 2,005 | N/A |
| Wps Resources Corp. | | | US\$ 1,047 | N/A |
| Corporate issued asset - backed securities | | | | |
| American Home Mtg Invt Tr | | Available-for-sale financial assets | US\$ 116 | N/A |
| Americredit Auto Rec Tr | | | US\$ 1,004 | N/A |
| Americredit Automobile Rec Tr | | | US\$ 1,116 | N/A |
| Americredit Automobile Rec Tr | | | US\$ 2,598 | N/A |
| Americredit Automobile Rec Tr | | | US\$ 3,269 | N/A |
| Americredit Automobile Receiva | | | US\$ 4,609 | N/A |
| Americredit Automobile Receivb | | | US\$ 2,891 | N/A |
| Atlantic City Elc Trns Fdglc | | | US\$ 420 | N/A |
| Ba Cr Card Tr | | | US\$ 4,300 | N/A |
| Banc Amer Coml Mtg Inc. | | | US\$ 2,869 | N/A |
| Banc Amer Fdg 2006 I Tr | | | US\$ 4,332 | N/A |
| Bank Of Amer Lease Equip Tr | | | US\$ 1,057 | N/A |
| Bear Stearns Alt A Tr | | | US\$ 628 | N/A |
| Bear Stearns Arm Tr | | | US\$ 3,480 | N/A |
| Bear Stearns Arm Tr | | | US\$ 1,951 | N/A |
| Bear Stearns Coml Mtg Secs Inc. | | | US\$ 6,358 | N/A |
| Bear Stearns Coml Mtg Secs Inc. | | | US\$ 3,541 | N/A |

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| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | Percentage of Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|------------------------|-------------------------|
| | | | Value | |
| | | | (in US\$ in thousands) | |
| Capital Auto Receivables Asset | | Available-for-sale financial assets | US\$ 3,243 | N/A |
| Capital One Auto Fin Tr | | | US\$ 2,618 | N/A |
| Capital One Auto Fin Tr | | | US\$ 2,986 | N/A |
| Capital One Auto Fin Tr | | | US\$ 4,998 | N/A |
| Capital One Multi Asset Execut | | | US\$ 3,941 | N/A |
| Capital One Multi Asset Execut | | | US\$ 2,963 | N/A |
| Capital One Prime Auto Rec | | | US\$ 3,981 | N/A |
| Capital One Prime Auto Receiv | | | US\$ 2,507 | N/A |
| Caterpillar Finl Asset Tr | | | US\$ 1,525 | N/A |
| Caterpillar Finl Asset Tr | | | US\$ 8,142 | N/A |
| Cbass Tr | | | US\$ 4,262 | N/A |
| Cendant Rent Car Fdg Aesop Llc | | | US\$ 9,297 | N/A |
| Cit Equip Coll Tr | | | US\$ 1,899 | N/A |
| Cit Equip Coll Tr | | | US\$ 3,985 | N/A |
| Citibank Cr Card Issuance Tr | | | US\$ 9,864 | N/A |
| Citibank Cr Card Issuance Tr | | | US\$ 2,688 | N/A |
| CitiCorp. Mtg Secs | | | US\$ 582 | N/A |
| Cnh Equip Tr | | | US\$ 1,984 | N/A |
| Credit Suisse First Boston Mtg | | | US\$ 3,740 | N/A |
| Credit Suisse First Boston Mtg | | | US\$ 3,576 | N/A |
| Credit Suisse First Boston Mtg | | | US\$ 444 | N/A |
| Cwabs | | | US\$ 4,261 | N/A |
| Cwabs Inc. | | | US\$ 224 | N/A |
| Cwmbs Inc. | | | US\$ 893 | N/A |
| Daimlerchrysler Auto Tr | | | US\$ 4,315 | N/A |
| Daimlerchrysler Auto Tr | | | US\$ 1,695 | N/A |
| Deere John Owner Tr | | | US\$ 2,452 | N/A |
| Drive Auto Receivables Tr | | | US\$ 3,191 | N/A |
| Fifth Third Auto Tr | | | US\$ 12 | N/A |
| First Franklin Mtg Ln Tr | | | US\$ 4,290 | N/A |
| First Horizon Abs Tr | | | US\$ 528 | N/A |
| First Union Lehman Bros Mtg Tr | | | US\$ 1,715 | N/A |
| Ford Credit Auto Owner Trust | | | US\$ 4,324 | N/A |
| Ge Cap Cr Card Master Nt Tr | | | US\$ 2,846 | N/A |
| Granite Mtgs Plc | | | US\$ 564 | N/A |
| Gs Mtg Secs Corp. | | | US\$ 4,145 | N/A |
| Gsamp Tr | | | US\$ 4,251 | N/A |
| Harley Davidson Motorcycle Tr | | | US\$ 150 | N/A |
| Harley Davidson Motorcycle Tr | | | US\$ 5,825 | N/A |

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December 31, 2006

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value Shares/Units (in US\$ in thousands) | Percentage of Ownership | T |
|--|--------------------------------------|-------------------------------------|---|------------------------------------|----------|
| Hertz Veh Fing Llc | | Available-for-sale financial assets | US\$ 5,319 | N/A | |
| Holmes Fing No 8 Plc | | | US\$ 5,000 | N/A | |
| Home Equity Mtg Tr 2006 4 | | | US\$ 4,222 | N/A | |
| Hsbc Automotive Tr | | | US\$ 2,980 | N/A | |
| Hyundai Auto Receivables Tr | | | US\$ 5,537 | N/A | |
| Hyundai Auto Receivables Tr | | | US\$ 3,212 | N/A | |
| Hyundai Auto Receivables Tr | | | US\$ 3,928 | N/A | |
| Impac Cmb Tr | | | US\$ 308 | N/A | |
| Impac Cmb Tr | | | US\$ 238 | N/A | |
| Lb Ubs Coml Mtg Tr | | | US\$ 3,493 | N/A | |
| Long Beach Mtg Ln Tr | | | US\$ 3,203 | N/A | |
| Mastr Asset Backed | | | US\$ 4,224 | N/A | |
| Mbna Master Cr Card Tr Ii | | | US\$ 7,605 | N/A | |
| Merrill Lynch Mtg Invs Inc. | | | US\$ 5,887 | N/A | |
| Morgan Stanley Ixis Estate Tr | | | US\$ 4,110 | N/A | |
| National City Auto Receivables | | | US\$ 41 | N/A | |
| Navistar Finl 2003 A Owner Tr | | | US\$ 2,956 | N/A | |
| Nissan Auto Receivables | | | US\$ 72 | N/A | |
| Nissan Auto Receivables | | | US\$ 3,928 | N/A | |
| Nomura Asset Accep Corp. | | | US\$ 4,150 | N/A | |
| Onyx Accep Owner Tr | | | US\$ 3,774 | N/A | |
| Pg+E Energy Recovery Fdg Llc | | | US\$ 3,997 | N/A | |
| Providian Gateway Owner Tr | | | US\$ 3,942 | N/A | |
| Reliant Energy Transition Bd | | | US\$ 2,486 | N/A | |
| Residential Asset Mtg Prods | | | US\$ 2,484 | N/A | |
| Residential Asset Sec Mtg Pass | | | US\$ 1,865 | N/A | |
| Residential Asset Sec Mtg Pass | | | US\$ 2,711 | N/A | |
| Residential Fdg Mtg Secs I Inc. | | | US\$ 2,014 | N/A | |
| Residential Fdg Mtg Secs I Inc. | | | US\$ 4,058 | N/A | |
| Sequoia Mtg Tr | | | US\$ 548 | N/A | |
| Sequoia Mtg Tr | | | US\$ 496 | N/A | |
| Sequoia Mtg Tr | | | US\$ 737 | N/A | |
| Structured Adj Rate Mtg Ln Tr | | | US\$ 1,389 | N/A | |
| Structured Adj Rate Mtg Ln Tr | | | US\$ 472 | N/A | |
| Terwin Mtg Tr | | | US\$ 4,065 | N/A | |
| Tw Hotel Fdg 2005 Llc | | | US\$ 4,103 | N/A | |
| Txu Elec Delivery Transition | | | US\$ 2,219 | N/A | |
| Usaa Auto Owner Tr | | | US\$ 4,238 | N/A | |
| Wamu Mtg Pass Thru Ctfs | | | US\$ 1,002 | N/A | |
| Wamu Tr | | | US\$ 975 | N/A | |

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December 31, 2006

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in thousands) | Carrying Value (in US\$ in thousands) | Percentage of Ownership |
|--|--------------------------------------|-------------------------------------|--|--|--------------------------------|
| Washington Mut Mtg Pass | | Available-for-sale financial assets | | US\$ 1,759 | N/A |
| Washington Mut Mtg Secs Corp. | | | | US\$ 2,984 | N/A |
| Wells Fargo Finl Auto Owner Tr | | | | US\$ 4,986 | N/A |
| Wells Fargo Finl Auto Owner Tr | | | | US\$ 4,926 | N/A |
| Wells Fargo Mtg Backed Secs | | | | US\$ 4,367 | N/A |
| Wells Fargo Mtg Bkd Secs | | | | US\$ 2,856 | N/A |
| Wells Fargo Mtg Bkd Secs | | | | US\$ 3,399 | N/A |
| Wells Fargo Mtg Bkd Secs Tr | | | | US\$ 2,748 | N/A |
| Wfs Finl | | | | US\$ 620 | N/A |
| Wfs Finl 2004 4 Owner Tr | | | | US\$ 932 | N/A |
| Wfs Finl 2005 2 Oner Tr | | | | US\$ 2,220 | N/A |
| Whole Auto Ln Tr | | | | US\$ 1,219 | N/A |
| Whole Auto Ln Tr | | | | US\$ 2,955 | N/A |
| Agency bond | | | | | |
| Federal Home Ln Bks | | Available-for-sale financial assets | | US\$ 8,768 | N/A |
| Federal Home Ln Bks | | | | US\$ 4,920 | N/A |
| Federal Home Ln Bks | | | | US\$ 8,743 | N/A |
| Federal Home Ln Bks | | | | US\$ 4,856 | N/A |
| Federal Home Ln Bks | | | | US\$ 5,851 | N/A |
| Federal Home Ln Bks | | | | US\$ 7,952 | N/A |
| Federal Home Ln Bks | | | | US\$ 4,885 | N/A |
| Federal Home Ln Bks | | | | US\$ 2,991 | N/A |
| Federal Home Ln Bks | | | | US\$ 6,099 | N/A |
| Federal Home Ln Bks | | | | US\$ 12,279 | N/A |
| Federal Home Ln Bks | | | | US\$ 6,905 | N/A |
| Federal Home Ln Bks | | | | US\$ 5,898 | N/A |
| Federal Home Ln Bks | | | | US\$ 7,506 | N/A |
| Federal Home Ln Bks | | | | US\$ 2,386 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 1,976 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 5,948 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 6,440 | N/A |
| Federal Home Loan Banks | | | | US\$ 8,049 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 4,365 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 5,915 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 3,943 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 7,868 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 19,766 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 14,973 | N/A |

(Continued)

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December 31, 2006

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | Percentage of Ownership | |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|-------------------------|---------------------------------|
| | | | Shares/Units (in thousands) | | Value (in US\$ in thousands) |
| Federal Natl Mtg Assn | | Available-for-sale financial assets | | US\$ 10,467 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 6,511 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 3,000 | N/A |
| Federal Natl Mtg Assn Medium | | | | US\$ 3,415 | N/A |
| Federal Natl Mtg Assn Mtn | | | | US\$ 2,914 | N/A |
| Federal Natl Mtg Assn Mtn | | | | US\$ 2,900 | N/A |
| Federal Natl Mtg Assn Mtn | | | | US\$ 5,318 | N/A |
| Tennessee Valley Auth | | | | US\$ 6,024 | N/A |
| Fed Hm Ln Pc Pool 1H2520 | | | | US\$ 3,100 | N/A |
| Fed Hm Ln Pc Pool 1H2524 | | | | US\$ 2,354 | N/A |
| Fed Hm Ln Pc Pool 781959 | | | | US\$ 6,040 | N/A |
| Fed Hm Ln Pc Pool 847628 | | | | US\$ 3,796 | N/A |
| Fed Hm Ln Pc Pool B19205 | | | | US\$ 8,560 | N/A |
| Fed Hm Ln Pc Pool E89857 | | | | US\$ 1,595 | N/A |
| Fed Hm Ln Pc Pool G11295 | | | | US\$ 1,371 | N/A |
| Fed Hm Ln Pc Pool M80855 | | | | US\$ 3,287 | N/A |
| Federal Home Ln Mtg | | | | US\$ 3,019 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 2,208 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,917 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,626 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,076 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 4,464 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 1,389 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,176 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,738 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,216 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 1,356 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 8,535 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,409 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 2,976 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 4,502 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 2,965 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,743 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 4,381 | N/A |
| Federal Home Ln Mtg Corp. | | | | US\$ 4,223 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 2,807 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 259 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 3,158 | N/A |
| Federal Natl Mtg Assn | | | | US\$ 2,465 | N/A |

(Continued)

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December 31, 2006

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | Percentage of Ownership |
|-------------------------------------|-------------------------------|-------------------------------------|---|-------------------------|
| | | | Shares/Units Value (in US\$ in thousands) | |
| Federal Natl Mtg Assn | | Available-for-sale financial assets | US\$ 4,290 | N/A |
| Federal Natl Mtg Assn | | | US\$ 1,994 | N/A |
| Federal Natl Mtg Assn | | | US\$ 4,339 | N/A |
| Federal Natl Mtg Assn | | | US\$ 632 | N/A |
| Federal Natl Mtg Assn Gtd | | | US\$ 2,215 | N/A |
| Federal Natl Mtg Assn Gtd | | | US\$ 2,239 | N/A |
| Fnma Pool 254507 | | | US\$ 1,616 | N/A |
| Fnma Pool 254834 | | | US\$ 1,417 | N/A |
| Fnma Pool 255883 | | | US\$ 3,490 | N/A |
| Fnma Pool 555549 | | | US\$ 1,616 | N/A |
| Fnma Pool 632399 | | | US\$ 434 | N/A |
| Fnma Pool 662401 | | | US\$ 659 | N/A |
| Fnma Pool 667766 | | | US\$ 1,574 | N/A |
| Fnma Pool 680932 | | | US\$ 1,307 | N/A |
| Fnma Pool 681393 | | | US\$ 2,749 | N/A |
| Fnma Pool 685116 | | | US\$ 629 | N/A |
| Fnma Pool 687863 | | | US\$ 2,647 | N/A |
| Fnma Pool 696485 | | | US\$ 3,194 | N/A |
| Fnma Pool 703711 | | | US\$ 538 | N/A |
| Fnma Pool 725095 | | | US\$ 1,204 | N/A |
| Fnma Pool 730033 | | | US\$ 1,470 | N/A |
| Fnma Pool 740934 | | | US\$ 1,415 | N/A |
| Fnma Pool 790828 | | | US\$ 2,559 | N/A |
| Fnma Pool 793025 | | | US\$ 2,466 | N/A |
| Fnma Pool 793932 | | | US\$ 631 | N/A |
| Fnma Pool 794040 | | | US\$ 825 | N/A |
| Fnma Pool 795548 | | | US\$ 411 | N/A |
| Fnma Pool 806642 | | | US\$ 1,235 | N/A |
| Fnma Pool 813641 | | | US\$ 3,720 | N/A |
| Fnma Pool 815626 | | | US\$ 2,945 | N/A |
| Fnma Pool 816594 | | | US\$ 2,067 | N/A |
| Fnma Pool 825395 | | | US\$ 2,818 | N/A |
| Fnma Pool 825398 | | | US\$ 4,224 | N/A |
| Fnma Pool 841069 | | | US\$ 2,882 | N/A |
| Fnma Pool 879906 | | | US\$ 1,636 | N/A |
| Gnma Ii Pool 081150 | | | US\$ 613 | N/A |
| Gnma Ii Pool 081153 | | | US\$ 2,119 | N/A |
| Money market funds | | | | |
| SSGA Cash Mgmt Global Offshore | | Available-for-sale financial assets | US\$ 20,488 | N/A |

Table of Contents**TABLE 4**

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

| Financial Statement Account | Nature of Shares/Units Counter-party Relationship (in Thousands) | Beginning Balance | | Acquisition | | Disposal |
|-------------------------------------|--|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------|
| | | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | |
| Available-for-sale financial assets | | US\$ 6,881 | | US\$ | | US\$ 6 |
| | | US\$ 46,173 | | US\$ 268,521 | | US\$ 310 |
| | KGI Securities Co., Ltd. and several financial institutions | \$ | | \$ 1,005,115 | | \$ |
| | KGI Securities Co., Ltd. and several financial institutions | | | 998,324 | | |
| Hold-to-maturity financial assets | KGI Securities Co., Ltd. and several financial institutions | | | 3,658,659 | | |
| | KGI Securities Co., Ltd. and several financial institutions | 2,548,977 | | 499,084 | | |
| | KGI Securities Co., Ltd. and several financial institutions | | | 1,647,823 | | |

| | | | | | |
|-------------------------------------|---|---------|-----------|---------|-----------|
| | JP Morgan Chase Bank | | | | 827,820 |
| | KGI Securities Co., Ltd. and several financial institutions | 149,441 | | | 647,445 |
| | KGI Securities Co., Ltd. and several financial institutions | | | | 401,728 |
| | KGI Securities Co., Ltd. and several financial institutions | | | | 367,600 |
| | KGI Securities Co., Ltd. and several financial institutions | | | | 249,998 |
| | JP Morgan Chase Bank | | | | 87,461 |
| available-for-sale financial assets | National Investment Trust Co., Ltd. | 3,764 | 610,864 | 18,455 | 3,000,000 |
| | ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 134,906 | 2,004,862 | 40,250 | 600,000 |
| | Fuh Hwa Investment Trust Co. | | | 125,122 | 1,655,781 |
| | Mega Investment Trust Corporation | | | 139,333 | 1,600,000 |
| | Cathay Securities | | | 103,751 | 1,500,000 |

Investment
Trust Co., Ltd.

Allianz 93,312 1,300,000
Dresdner
Securities
Investment
Consulting
Co.,Ltd.

JF Asset 62,009 933,430 23,136 350,000
Management
(Taiwan)
Ltd.

National 122,762 1,400,000 13,042 150
Investment
Trust Co., Ltd.

JIH SUN 88,165 1,200,000
Investment
Trust (Taiwan)
Ltd.

JF Asset 69,303 792,068 34,914 400,000 8,664 100
Management
(Taiwan) Ltd.

Fuh Hwa 63,947 1,000,000
Investment
Trust Co.

HSBC 72,002 1,100,000 6,506 100
Investment
(Taiwan) Ltd.

AGI Securities 78,629 1,000,000
Investment
Trust (Taiwan)
Ltd.

ABN-AMRO 63,131 875,416 14,399 200,000 10,704 150
Securities
Investment
Trust (Taiwan)
Ltd.

Fuh Hwa 55,063 778,482 17,617 250,000 10,497 150
Investment
Trust Co.

ABN-AMRO 18,235 203,860 93,738 1,050,000 35,380 400
Securities
Investment
Trust (Taiwan)

Ltd.

(Continued)

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| Financial Statement | Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Shares/Units (in thousands) | Total |
|--|---------|---|------------------------|-------------------|-----------|-------------|-----------|-----------------------------|--------|
| | | | | Amount | Amount | Amount | Amount | | |
| Available-for-sale financial assets | | Uni-President Assets Management Corp. | | \$ | | \$ | 800,000 | \$ | |
| | | Polaris International Securities Investment Trust Co., Ltd. | | | | | 700,000 | | |
| | | Shinkong Securities Investment Trust (Taiwan) Ltd. | | | | | 700,000 | | 12,127 |
| | | Taiwan International Securities Corp. | | | | | 700,000 | | 13,574 |
| | | Taishin Securities Investment Trust (Taiwan) Ltd. | | | | | 403,727 | | |
| | | Invesco Asset management Taiwan | | | | | 1,000,000 | | 89,510 |
| | | Taishin Securities Investment Trust (Taiwan) Ltd. | | | | | 500,000 | | 44,180 |
| Investment accounted for using equity method | | | Equity method investee | 382 | 4,215,200 | 81 | 2,432,705 | | |

| | | | | |
|--|---|------------|------------|------|
| Investment accounted for using equity method | Subsidiary | 642,479 | 130,956 | |
| | | | 243,545 | |
| Held-to-maturity financial assets | KGI Securities Co., Ltd. | 3,263,349 | 1,690,567 | |
| | KGI Securities Co., Ltd. | 1,093,283 | 2,769,533 | |
| | KGI Securities Co., Ltd. | 2,150,842 | 1,097,943 | |
| | KGI Securities Co., Ltd. and several financial institutions | 705,436 | 1,000,441 | |
| | KGI Securities Co., Ltd. | 1,010,532 | 1,000,000 | |
| | KGI Securities Co., Ltd. and several financial institutions | 268,855 | 379,809 | |
| | KGI Securities Co., Ltd. | | 283,996 | |
| Available-for-sale financial assets | HSBC | | 1,526,049 | |
| | HSBC | | 1,144,877 | |
| | KGI Securities Co., Ltd. | | 1,046,302 | |
| | KGI Securities Co., Ltd. | | 397,076 | |
| | | US\$ 3,550 | | US\$ |
| | | | US\$ 3,415 | US\$ |
| | | | US\$ 3,087 | US\$ |
| | | US\$ 3,800 | | US\$ |
| | | | US\$ 3,326 | US\$ |
| | | US\$ 3,329 | | US\$ |
| | | US\$ 3,757 | | US\$ |
| | | | US\$ 3,337 | US\$ |
| | | US\$ 5,721 | | US\$ |
| | | US\$ 1,628 | US\$ 3,540 | US\$ |
| | | US\$ 3,203 | | US\$ |
| | | US\$ 2,885 | US\$ 1,132 | US\$ |
| | | US\$ 5,210 | | US\$ |
| | | US\$ 4,141 | | US\$ |

| | | | | |
|--|------|-------|-------|------|
| | | US\$ | 4,911 | US\$ |
| | US\$ | 5,079 | | US\$ |
| | US\$ | 3,459 | | US\$ |
| | US\$ | 8,315 | | US\$ |
| | US\$ | 3,918 | | US\$ |
| | | US\$ | 5,995 | US\$ |
| | | US\$ | 7,937 | US\$ |
| | | US\$ | 3,351 | US\$ |

(Continued)

Table of Contents

| Name | Account | Counter-party Relationship | Nature of Shares/Units (in Thousands) | Beginning Balance | Acquisition | Disposal |
|------------------|-------------------------------------|----------------------------|---------------------------------------|----------------------------|----------------------------|----------------------------|
| | | | | Amount (US\$ in Thousands) | Amount (US\$ in Thousands) | Amount (US\$ in Thousands) |
| o Corp. Mtn | Available-for-sale financial assets | | | US\$ 3,989 | US\$ | US\$ 3,893 |
| o Corp. Mtn | | | | US\$ 8,862 | | US\$ 8,716 |
| . | | | | US\$ 3,500 | | US\$ 3,319 |
| ic. | | | | US\$ 3,412 | | US\$ 3,415 |
| Group Inc. | | | | US\$ 4,981 | | US\$ 4,941 |
| Group Inc. | | | | US\$ 3,477 | | US\$ 3,453 |
| lobal Fdg Ii Mtn | | | | US\$ 3,566 | | US\$ 3,486 |
| lobal Fdg Ii Mtn | | | | | US\$ 3,808 | US\$ 3,808 |
| es Group Inc. | | | | | US\$ 5,016 | US\$ 5,048 |
| m Term Sr Nts | | | | US\$ 3,201 | | US\$ 3,182 |
| Co. | | | | US\$ 3,373 | | US\$ 3,177 |
| | | | | US\$ 3,284 | | US\$ 3,017 |
| Mtn | | | | US\$ 5,097 | | US\$ 5,066 |
| orp. Mtn | | | | US\$ 2,471 | US\$ 4,100 | US\$ 6,578 |
| e + Co. | | | | US\$ 3,406 | | US\$ 3,310 |
| e + Co. | | | | US\$ 3,663 | | US\$ 3,519 |
| Term Nts Bk Entr | | | | US\$ 4,450 | | US\$ 4,393 |
| ok Entry | | | | US\$ 3,500 | | US\$ 3,508 |
| ok Entry | | | | | US\$ 3,006 | US\$ 3,016 |
| Co. Inc. | | | | US\$ 3,486 | | US\$ 3,426 |
| Co. Inc. | | | | US\$ 4,900 | | US\$ 4,842 |
| e Global Mtn | | | | US\$ 1,907 | US\$ 1,419 | US\$ 3,361 |
| bal Fdg Ii 2 | | | | | US\$ 3,348 | US\$ 3,382 |
| Group Inc. | | | | US\$ 4,507 | | US\$ 4,386 |
| orp. | | | | US\$ 3,426 | | US\$ 3,402 |
| Soc | | | | US\$ 3,457 | | US\$ 3,495 |
| Soc Mtn | | | | US\$ 3,000 | | US\$ 3,004 |
| Global Fdg I | | | | | US\$ 3,491 | US\$ 3,520 |
| | | | | | US\$ 3,828 | US\$ 3,811 |
| Book Entry | | | | US\$ 3,818 | | US\$ 3,624 |
| | | | | | US\$ 3,180 | US\$ 3,147 |
| g 1 Mtn | | | | US\$ 3,500 | | US\$ 3,504 |
| g I Mtn | | | | | US\$ 3,394 | US\$ 3,403 |
| Gas Co. | | | | US\$ 3,225 | US\$ 483 | US\$ 3,684 |
| bt S A Uniperso | | | | US\$ 4,998 | | US\$ 4,957 |
| m Term Nts | | | | US\$ 2,950 | US\$ 6,012 | US\$ 8,949 |
| nta Ga Medium | | | | | US\$ 3,409 | US\$ 3,448 |
| Inc. | | | | US\$ 4,735 | | US\$ 4,505 |

| | | | | |
|------------------|--|-------------|------------|-------------|
| Co. | | US\$ 3,182 | | US\$ 3,007 |
| D. New | | US\$ 3,697 | | US\$ 3,512 |
| D. New | | | US\$ 6,076 | US\$ 6,073 |
| asset-backed | | | | |
| omobile Rec Tr | Available-for-sale financial assets | | US\$ 3,249 | US\$ 3,261 |
| omobile Recept | | US\$ 5,000 | | US\$ 4,959 |
| omobile Recept | | US\$ 4,949 | | US\$ 3,826 |
| l Mtg Inc. | | US\$ 4,462 | | US\$ 3,254 |
| n Tr | | | US\$ 3,826 | US\$ 3,597 |
| nl Mtg Secs Inc. | | US\$ 6,350 | | US\$ 6,362 |
| ceivables Asset | | | US\$ 3,250 | US\$ 3,232 |
| o Fin Tr | | | US\$ 5,000 | US\$ 5,008 |
| ti Asset Execut | | US\$ 4,957 | | US\$ 4,879 |
| ti Asset Execut | | US\$ 3,974 | | US\$ 3,932 |
| Asset Tr | | US\$ 8,219 | | US\$ 8,121 |
| r Fdg Aesop Llc | | US\$ 11,626 | | US\$ 11,412 |
| r | | | US\$ 3,975 | US\$ 3,996 |

(Continued)

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| Securities Type and Financial Statement | Name | Account | Counter-party Relationship | Nature of | Beginning Balance | Acquisition | Disposal |
|---|--------------------|---------|----------------------------|----------------|-------------------|--------------|------------|
| | | | | | Shares/Units | Amount | Amount |
| | | | | | (US\$ in | (in | (in |
| | | | | (in Thousands) | Thousands | Thousands | Thousands |
| | | | | | US\$ | US\$ | US\$ |
| | Available-for-sale | | | | US\$ 9,782 | US\$ | US\$ 9,797 |
| | financial assets | | | | US\$ 5,000 | | US\$ 3,457 |
| First Boston Mtg | | | | | | US\$ 4,773 | US\$ 4,834 |
| First Boston Mtg | | | | | | US\$ 3,750 | US\$ 3,728 |
| First Boston Mtg | | | | | | US\$ 3,572 | US\$ 3,566 |
| Receivables Tr | | | | | US\$ 3,200 | | US\$ 3,183 |
| Leasing Assn | | | | | | US\$ 4,828 | US\$ 4,577 |
| Owner Tr | | | | | US\$ 10,908 | | US\$ 5,782 |
| Corp. | | | | | | US\$ 4,150 | US\$ 4,134 |
| | | | | | | US\$ 4,250 | US\$ 4,241 |
| Motorcycle Tr | | | | | US\$ 5,999 | | US\$ 5,793 |
| Llc | | | | | US\$ 5,350 | | US\$ 5,284 |
| 8 Plc | | | | | US\$ 5,001 | | US\$ 5,000 |
| Mtg Tr 2006 4 | | | | | | US\$ 4,200 | US\$ 4,200 |
| Receivables Tr | | | | | US\$ 6,442 | | US\$ 6,202 |
| Receivables Tr | | | | | US\$ 3,250 | | US\$ 3,208 |
| Receivables Tr | | | | | US\$ 3,999 | | US\$ 3,904 |
| Mtg Tr | | | | | US\$ 4,001 | | US\$ 3,733 |
| g Ln Tr | | | | | | US\$ 3,200 | US\$ 3,195 |
| Trb Spl Purp Tr | | | | | US\$ 3,900 | | US\$ 3,830 |
| ked Secs Tr | | | | | US\$ 3,499 | | US\$ 3,083 |
| Card Tr li | | | | | US\$ 8,108 | | US\$ 7,653 |
| Mtg Invs Inc. | | | | | | US\$ 6,665 | US\$ 6,561 |
| 03 A Owner Tr | | | | | US\$ 4,928 | | US\$ 3,994 |
| Receivables | | | | | US\$ 7,000 | | US\$ 6,132 |
| Accep Corp. | | | | | | US\$ 4,150 | US\$ 4,144 |
| Owner Tr | | | | | US\$ 4,913 | | US\$ 4,885 |
| Recovery Fdg Llc | | | | | US\$ 4,749 | | US\$ 4,646 |
| Way Owner Tr | | | | | US\$ 3,992 | | US\$ 3,911 |
| Transition Bd | | | | | US\$ 4,973 | | US\$ 3,994 |
| st Sec Mtg Pass | | | | | US\$ 3,780 | | US\$ 3,052 |
| Mtg Secs I Inc. | | | | | US\$ 4,817 | | US\$ 4,224 |
| | | | | | | US\$ 4,050 | US\$ 4,033 |
| Receivables 2003 B | | | | | US\$ 4,970 | | US\$ 4,963 |
| 005 Llc | | | | | US\$ 8,197 | US\$ (4,100) | US\$ 4,116 |
| er Tr | | | | | US\$ 3,718 | | US\$ 3,696 |
| st Mtg Secs Corp. | | | | | US\$ 4,067 | | US\$ 3,261 |
| 1 Auto Owner Tr | | | | | US\$ 5,299 | | US\$ 5,235 |

| | | | | |
|-------------------|--------------------|------------|------------|------------|
| l Auto Owner Tr | | | US\$ 4,893 | US\$ 4,932 |
| g Bkd Secs | | US\$ 3,661 | | US\$ 3,020 |
| g Bkd Secs | | | US\$ 3,772 | US\$ 3,488 |
| Owner Tr | | US\$ 4,994 | | US\$ 4,913 |
| Owner Tr | | US\$ 5,399 | | US\$ 4,883 |
| to Receivables Tr | | US\$ 5,963 | | US\$ 5,869 |
| | | | | |
| Pool 1h2520 | Available-for-sale | | | |
| | financial assets | US\$ 3,753 | | US\$ 3,329 |
| Pool 781959 | | US\$ 7,112 | | US\$ 6,577 |
| Pool M80855 | | | US\$ 3,882 | US\$ 3,381 |
| n Mtg | | US\$ 3,848 | | US\$ 3,308 |
| n Mtg Corp. | | | US\$ 3,898 | US\$ 3,919 |
| n Mtg Corp. | | US\$ 3,954 | | US\$ 3,909 |
| n Mtg Corp. | | US\$ 6,096 | | US\$ 4,316 |
| n Mtg Corp. | | | US\$ 4,962 | US\$ 4,665 |
| n Mtg Corp. | | | US\$ 3,351 | US\$ 3,299 |
| n Mtg Corp. | | | US\$ 4,317 | US\$ 3,893 |
| n Mtg Corp. | | US\$ 4,098 | | US\$ 3,388 |
| n Mtg Corp. | | US\$ 9,905 | | US\$ 8,812 |

(Continued)

Table of Contents

| Item | Account | Counter-party | Relationship | Beginning Balance | Acquisition | Disposal |
|-----------|-------------------------------------|---------------|--------------|---------------------|---------------------|---------------------|
| | | | | | | |
| Item | Account | Counter-party | Relationship | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) |
| Mtg Corp. | Available-for-sale financial assets | | | US\$ 4,902 | US\$ | US\$ 4,069 |
| Mtg Corp. | | | | US\$ 3,755 | | US\$ 3,308 |
| Mtg Corp. | | | | | US\$ 4,481 | US\$ 4,476 |
| Mtg Corp. | | | | | US\$ 3,349 | US\$ 3,114 |
| Mtg Corp. | | | | | US\$ 3,857 | US\$ 3,789 |
| Mtg Corp. | | | | | US\$ 5,380 | US\$ 4,574 |
| Mtg Corp. | | | | | US\$ 4,631 | US\$ 4,450 |
| Mtg Corp. | | | | | US\$ 4,488 | US\$ 4,444 |
| an Mtg | | | | | US\$ 5,009 | US\$ 4,937 |
| Assn | | | | US\$ 4,030 | | US\$ 3,515 |
| Assn | | | | US\$ 4,051 | | US\$ 3,131 |
| 3 | | | | US\$ 3,771 | | US\$ 3,559 |
| 5 | | | | US\$ 4,175 | | US\$ 3,393 |
| 1 | | | | | US\$ 3,906 | US\$ 3,916 |
| 6 | | | | US\$ 3,622 | | US\$ 3,189 |
| 8 | | | | US\$ 4,949 | | US\$ 4,562 |
| 9 | | | | US\$ 3,673 | | US\$ 3,134 |
| Bks | | | | US\$ 3,985 | | US\$ 3,940 |
| Bank | | | | US\$ 3,962 | | US\$ 3,955 |
| Bks | | | | US\$ 3,976 | | US\$ 3,964 |
| Bks | | | | US\$ 8,594 | | US\$ 8,519 |
| Bks | | | | US\$ 3,932 | | US\$ 3,980 |
| Bks | | | | US\$ 4,927 | | US\$ 4,930 |
| Bks | | | | | US\$ 8,628 | US\$ 8,716 |
| Bks | | | | US\$ 4,136 | | US\$ 4,140 |
| Bks | | | | US\$ 4,939 | | US\$ 4,872 |
| Bks | | | | US\$ 8,672 | | US\$ 8,735 |
| Bks | | | | US\$ 4,965 | | US\$ 4,944 |
| Bks | | | | US\$ 4,808 | | US\$ 4,850 |
| Bks | | | | | US\$ 5,740 | US\$ 5,825 |
| Bks | | | | US\$ 7,558 | | US\$ 7,515 |
| Bks | | | | | US\$ 4,823 | US\$ 4,882 |
| Bks | | | | US\$ 7,886 | | US\$ 7,960 |
| Bks | | | | US\$ 6,110 | | US\$ 6,061 |
| Bks | | | | | US\$ 12,227 | US\$ 12,233 |
| Bks | | | | US\$ 3,972 | | US\$ 3,951 |
| Bks | | | | US\$ 7,887 | | US\$ 7,758 |
| Bks | | | | US\$ 19,846 | | US\$ 19,800 |

| | | | |
|---------------|------------|-------------|-------------|
| Bks | US\$ 6,908 | | US\$ 6,881 |
| Bks | US\$ 6,098 | | US\$ 5,907 |
| Bks | US\$ 9,134 | | US\$ 8,968 |
| Bks | US\$ 3,379 | | US\$ 3,296 |
| Bks | | US\$ 7,490 | US\$ 7,490 |
| Mtg Corp. | US\$ 3,388 | | US\$ 3,481 |
| Mtg Corp. | US\$ 9,997 | | US\$ 9,788 |
| Mtg Corp. | US\$ 6,980 | | US\$ 6,941 |
| Mtg Corp. | US\$ 5,929 | | US\$ 5,930 |
| Mtg Corp. | | US\$ 6,415 | US\$ 6,410 |
| Mtg Corp. | | US\$ 14,175 | US\$ 14,269 |
| Mtg Corp. | | US\$ 9,974 | US\$ 9,929 |
| Mtg Corp. Mtn | US\$ 4,930 | | US\$ 4,912 |
| an Bank | US\$ 3,475 | | US\$ 3,459 |
| an Mtg Assn | US\$ 4,847 | | US\$ 4,901 |
| an Mtg Corp. | US\$ 4,903 | | US\$ 4,927 |
| Assn | US\$ 4,943 | | US\$ 4,944 |
| Assn | US\$ 8,971 | | US\$ 8,940 |
| Assn | US\$ 4,921 | | US\$ 4,916 |
| Assn | US\$ 7,892 | | US\$ 7,908 |
| Assn | US\$ 4,430 | | US\$ 4,364 |

(Continued)

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| Account and Financial Statement | Nature of Counter-party Relationship (in Thousands) | Beginning Balance | | Acquisition | | Disposals | |
|--|---|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) |
| Available-for-sale financial assets | | | US\$ 17,888 | | US\$ | | US\$ 17,782 |
| | | | US\$ 5,928 | | | | US\$ 5,885 |
| | | | | | US\$ 7,800 | | US\$ 7,832 |
| | | | US\$ 7,926 | | | | US\$ 7,834 |
| | | | | | US\$ 19,539 | | US\$ 19,702 |
| | | | | | US\$ 14,901 | | US\$ 14,931 |
| | | | | | US\$ 10,430 | | US\$ 10,459 |
| | | | | | US\$ 7,966 | | US\$ 7,979 |
| | | | | | US\$ 3,353 | | US\$ 3,417 |
| | | | | US\$ 15,787 | | | US\$ 15,851 |
| | | | | US\$ 9,758 | | | US\$ 9,781 |
| | | | | US\$ 7,000 | | | US\$ 6,925 |
| | | | | | US\$ 5,255 | | US\$ 5,292 |
| | | | | US\$ 5,740 | | | US\$ 5,562 |
| | | | | | US\$ 9,391 | | US\$ 9,314 |
| | | | US\$ 6,039 | | US\$ 6,038 | | |
| Investment accounted for using equity method | Equity method investee | | \$ | 5,032 | \$ | 100,116 | \$ |
| Available-for-sale financial assets | | | | | US\$ 501,897 | | US\$ 351,917 |
| Available-for-sale financial assets | | | | | US\$ 3,432 | | |
| | | | | | US\$ 3,446 | | |
| | | | | | US\$ 3,095 | | |
| | | | | | US\$ 3,325 | | |
| | | | | | US\$ 3,340 | | |
| | | | | | US\$ 3,036 | | |
| | | | | | US\$ 5,091 | | |
| | | | | | US\$ 3,777 | | |
| | | | | | US\$ 5,005 | | US\$ 5,005 |
| | | | | | US\$ 4,899 | | |
| | | | US\$ 3,436 | | | | |
| | | | US\$ 3,222 | | | | |

| | |
|---------|------------|
| | US\$ 3,930 |
| | US\$ 5,994 |
| | US\$ 7,937 |
| | US\$ 8,716 |
| | US\$ 3,893 |
| | US\$ 8,268 |
| | US\$ 3,319 |
| | US\$ 3,453 |
| | US\$ 4,941 |
| Nts | US\$ 3,182 |
| | US\$ 5,066 |
| | US\$ 3,028 |
| Mtn | US\$ 5,170 |
| c. | US\$ 5,048 |
| | US\$ 4,118 |
| | US\$ 3,310 |
| 3k Entr | US\$ 4,393 |
| | US\$ 3,016 |
| | US\$ 3,150 |

(Continued)

Table of Contents

| Name | Account | Counter-party Relationship | Nature of | Shares/Units (in Thousands) | Beginning Balance | Acquisition | Disposal | Ca |
|--------------------|-------------------------------------|----------------------------|-----------|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | | | | | Amount | Amount | Amount | V |
| | | | | | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| a Bank Na Y | Available-for-sale financial assets | | | | US\$ | US\$ 6,437 | US\$ | US\$ |
| ley Corp. | | | | | | US\$ 8,453 | | |
| + Co. Inc. | | | | | | US\$ 3,426 | | |
| + Co. Inc. | | | | | | US\$ 4,842 | | |
| Life Global Mtn | | | | | | US\$ 3,361 | | |
| ey Group Inc. | | | | | | US\$ 4,386 | US\$ 4,384 | US\$ |
| Corp. | | | | | | US\$ 3,402 | | |
| ldg Soc | | | | | | US\$ 3,495 | | |
| ife Global Fdg I | | | | | | US\$ 3,520 | | |
| | | | | | | US\$ 3,811 | | |
| Mtn Book Entry | | | | | | US\$ 3,624 | | |
| | | | | | | US\$ 3,147 | | |
| Fdg I Mtn | | | | | | US\$ 3,403 | | |
| e Secd Trs Mtn | | | | | | US\$ 3,396 | | |
| ec Gas Co. | | | | | | US\$ 3,684 | | |
| edium Term Nts | | | | | | US\$ 8,949 | | |
| atlanta Ga Medium | | | | | | US\$ 3,448 | | |
| touch Plc | | | | | | US\$ 4,477 | | |
| mut Inc. | | | | | | US\$ 4,505 | US\$ 3,500 | US\$ |
| mut Bk Fa | | | | | | US\$ 5,000 | US\$ 1,000 | US\$ |
| ost Co. | | | | | | US\$ 3,007 | | |
| Co. New | | | | | | US\$ 6,073 | US\$ 3,167 | US\$ |
| Co. New Med Trm | | | | | | US\$ 4,282 | | |
| ed asset-backed | | | | | | | | |
| utomobile Rec Tr | Available-for-sale financial assets | | | | | | US\$ 3,261 | |
| utomobile Receivb | | | | | | | US\$ 3,826 | |
| utomobile Receiva | | | | | | | US\$ 4,959 | |
| | | | | | | | US\$ 4,350 | |
| oml Mtg Inc. | | | | | | | US\$ 3,254 | |
| lg 2006 I Tr | | | | | | | US\$ 4,336 | |
| Coml Mtg Secs Inc. | | | | | | | US\$ 3,551 | |
| Arm Tr | | | | | | | US\$ 3,597 | |
| Coml Mtg Secs Inc. | | | | | | | US\$ 6,362 | |
| l Tr | | | | | | | US\$ 3,996 | |

| | | |
|--------------------|------------|-----------------|
| | US\$ 3,457 | |
| | US\$ 4,300 | |
| Receivables Asset | US\$ 3,232 | |
| Auto Fin Tr | US\$ 5,008 | |
| Multi Asset Execut | US\$ 4,879 | US\$ 4,883 US\$ |
| Multi Asset Execut | US\$ 3,932 | |
| Prime Auto Rec | US\$ 3,999 | |
| l Asset Tr | US\$ 8,121 | |
| | US\$ 4,260 | |
| Car Fdg Aesop Llc | US\$ 9,249 | |
| ard Issuance Tr | US\$ 9,797 | |
| First Boston Mtg | US\$ 3,566 | |
| First Boston Mtg | US\$ 3,728 | |
| er Auto Tr | US\$ 4,334 | |
| Receivables Tr | US\$ 3,183 | |
| Mtg Ln Tr | US\$ 4,301 | |
| Auto Owner Trust | US\$ 4,310 | |
| Corp. | US\$ 4,134 | |
| | US\$ 4,241 | |
| son Motorcycle Tr | US\$ 5,793 | |
| g Llc | US\$ 5,284 | |
| No 8 Plc | US\$ 5,000 | |

(Continued)

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| Securities Type and Financial Statement | Name | Account | Counter-party Relationship (in Thousands) | Nature of | Beginning Balance | Acquisition | Disposal | Ca |
|---|--------------------|-------------------------------------|---|-----------|---------------------|---------------------|---------------------|---------------------|
| | | | | | Amount | Amount | Amount | V |
| | | | | | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| | Mtg Tr 2006 4 | Available-for-sale financial assets | | | US\$ | US\$ 4,200 | US\$ | US\$ |
| | Receivables Tr | | | | | US\$ 6,202 | | |
| | Receivables Tr | | | | | US\$ 3,208 | | |
| | Receivables Tr | | | | | US\$ 3,904 | | |
| | Mtg Tr | | | | | US\$ 3,733 | | |
| | Mtg Ln Tr | | | | | US\$ 3,195 | | |
| | Cr Card Tr Ii | | | | | US\$ 7,653 | | |
| | Rrb Spl Purp Tr | | | | | US\$ 3,830 | US\$ 3,416 | US\$ |
| | Backed Secs Tr | | | | | US\$ 3,083 | US\$ 3,082 | US\$ |
| | Backed | | | | | US\$ 4,300 | | |
| | Mtg Invs Inc. | | | | | US\$ 6,561 | | |
| | Key Ixis Estate Tr | | | | | US\$ 4,300 | | |
| | 2003 A Owner Tr | | | | | US\$ 3,994 | | |
| | Receivables | | | | | US\$ 3,943 | | |
| | Accep Corp. | | | | | US\$ 4,144 | | |
| | Owner Tr | | | | | US\$ 4,885 | | |
| | Recovery Fdg Llc | | | | | US\$ 4,646 | | |
| | eway Owner Tr | | | | | US\$ 3,911 | | |
| | y Transition Bd | | | | | US\$ 3,994 | | |
| | Asset Sec Mtg Pass | | | | | US\$ 3,052 | | |
| | lg Mtg Secs I Inc. | | | | | US\$ 4,224 | | |
| | 2005 Llc | | | | | US\$ 4,116 | | |
| | r | | | | | US\$ 4,033 | | |
| | wner Tr | | | | | US\$ 4,246 | | |
| | Mut Mtg Secs Corp. | | | | | US\$ 3,261 | | |
| | Mtg Backed Secs | | | | | US\$ 4,426 | | |
| | inl Auto Owner Tr | | | | | US\$ 5,235 | | |
| | inl Auto Owner Tr | | | | | US\$ 4,932 | | |
| | Mtg Bkd Secs | | | | | US\$ 3,020 | | |
| | Mtg Bkd Secs | | | | | US\$ 3,488 | | |
| | s | | | | | | | |
| | Pool M80855 | Available-for-sale financial assets | | | | US\$ 3,381 | | |
| | Pool 847628 | | | | | US\$ 3,884 | | |
| | Pool 1h2520 | | | | | US\$ 3,286 | | |
| | Pool B19205 | | | | | US\$ 8,626 | | |

| | | | |
|--------------|------------|------------|------|
| Ln Mtg Corp. | US\$ 4,574 | | |
| Pool 781959 | US\$ 6,472 | | |
| 5883 | US\$ 3,559 | | |
| Mtg Assn | US\$ 4,375 | | |
| Mtg Assn | US\$ 4,577 | | |
| Ln Mtg Corp. | US\$ 3,919 | | |
| Ln Mtg Corp. | US\$ 4,316 | | |
| Mtg Assn | US\$ 3,515 | | |
| Mtg Assn | US\$ 3,131 | | |
| Ln Mtg Corp. | US\$ 3,909 | | |
| Ln Mtg Corp. | US\$ 3,789 | | |
| Ln Mtg Corp. | US\$ 3,388 | | |
| Ln Mtg Corp. | US\$ 4,450 | | |
| Ln Mtg Corp. | US\$ 4,069 | | |
| Ln Mtg Corp. | US\$ 3,893 | | |
| Ln Mtg Corp. | US\$ 3,114 | | |
| Ln Mtg Corp. | US\$ 3,299 | | |
| Ln Mtg Corp. | US\$ 4,665 | | |
| Ln Mtg Corp. | US\$ 3,308 | | |
| Ln Mtg | US\$ 3,308 | | |
| Ln Mtg Corp. | US\$ 8,812 | | |
| Loan Mtg | US\$ 4,937 | US\$ 4,868 | US\$ |

(Continued)

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| Securities Type and Financial Statement | Account | Counter-party Relationship (in Thousands) | Nature of | Beginning Balance | Acquisition | Disposal (| Ca |
|---|-------------------------------------|---|-----------|-------------------|--------------|--------------|--------------|
| | | | | Amount | Amount | Amount | V |
| | | | | (US\$ in | (US\$ in | (US\$ in | (U |
| | | | | Shares/Units | Shares/Units | Shares/Units | Shares/Units |
| in Mtg Corp. | Available-for-sale financial assets | | | US\$ | US\$ 4,476 | US\$ | US\$ |
| 85 | | | | | US\$ 3,393 | | |
| 41 | | | | | US\$ 3,916 | | |
| 26 | | | | | US\$ 3,189 | | |
| 98 | | | | | US\$ 4,562 | | |
| 69 | | | | | US\$ 3,134 | | |
| in Mtg Corp. | | | | | US\$ 3,481 | | |
| in Mtg Corp. Mtn | | | | | US\$ 4,912 | US\$ 4,953 | US\$ |
| loan Mtg Assn | | | | | US\$ 4,901 | US\$ 4,951 | US\$ |
| loan Mtg Corp. | | | | | US\$ 4,927 | US\$ 4,968 | US\$ |
| in Mtg Corp. | | | | | US\$ 9,789 | US\$ 7,906 | US\$ |
| | | | | | US\$ 9,314 | US\$ 9,378 | US\$ |
| in Mtg Corp. | | | | | US\$ 6,410 | | |
| in Mtg Corp. | | | | | US\$ 5,930 | | |
| in Mtg Corp. | | | | | US\$ 9,929 | US\$ 10,000 | US\$ |
| in Mtg Corp. | | | | | US\$ 14,269 | US\$ 14,304 | US\$ |
| Bks | | | | | US\$ 3,940 | US\$ 3,946 | US\$ |
| in Bks | | | | | US\$ 4,851 | | |
| in Bks | | | | | US\$ 3,296 | US\$ 3,297 | US\$ |
| in Bks | | | | | US\$ 4,930 | US\$ 4,971 | US\$ |
| in Bks | | | | | US\$ 4,882 | | |
| in Bks | | | | | US\$ 8,735 | | |
| in Bks | | | | | US\$ 8,716 | | |
| in Bks | | | | | US\$ 5,825 | | |
| in Bks | | | | | US\$ 5,907 | | |
| in Bks | | | | | US\$ 7,960 | | |
| in Bks | | | | | US\$ 4,872 | | |
| in Bks | | | | | US\$ 6,061 | | |
| in Bks | | | | | US\$ 4,140 | US\$ 4,141 | US\$ |
| in Bks | | | | | US\$ 12,233 | | |
| in Bks | | | | | US\$ 7,515 | US\$ 7,520 | US\$ |
| in Bks | | | | | US\$ 6,881 | | |
| loan Bank | | | | | US\$ 3,459 | US\$ 3,463 | US\$ |
| in Bank | | | | | US\$ 3,955 | US\$ 3,967 | US\$ |
| in Bks | | | | | US\$ 7,490 | | |
| loan Banks | | | | | US\$ 8,081 | | |
| g Assn | | | | | US\$ 14,931 | | |

| | | | |
|---------------|-------------|------------|------|
| g Assn | US\$ 7,979 | US\$ 5,001 | US\$ |
| g Assn | US\$ 4,364 | | |
| g Assn | US\$ 6,516 | | |
| g Assn | US\$ 5,885 | | |
| g Assn | US\$ 7,834 | | |
| g Assn | US\$ 3,950 | | |
| g Assn | US\$ 19,702 | | |
| g Assn | US\$ 10,459 | | |
| g Assn Mtn | US\$ 5,562 | US\$ 5,560 | US\$ |
| g Assn Mtn | US\$ 5,292 | | |
| g Assn Medium | US\$ 3,417 | | |
| y Auth | US\$ 6,038 | | |

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

Note 2: The ending balance included the amortization of premium or discount on bonds investments and unrealized valuation gains or losses on financial assets.

(Concluded)

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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 YEAR ENDED DECEMBER 31, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationships | Prior Transaction of Related Counter-party Owner Relationships | Transfer Date | Amount | Price Range |
|------------------|--------------------|------------------------------|---|-------------------------|--|---------------|--------|-------------|
| 2006 | \$ 854,000 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | US\$ 3,340 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | \$ 487,000 | By the construction progress | United Integrated Services Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | US\$ 3,770 | By the construction progress | Celerity, Inc. | | N/A | N/A | N/A | Public bid |
| 2006 | \$ 197,500 | By the construction progress | China Steel Structure Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | 192,000 | By the construction progress | Marketch International Corp. | | N/A | N/A | N/A | Public bid |
| 2006 | 142,000 | By the construction progress | Uangyih-tech Industrial Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | EUR 2,733 | By the construction progress | Siemens Limited | | N/A | N/A | N/A | Public bid |
| 2006 | \$ 517,500 | By the construction progress | United Steel Engineering & Construction Corp. | | N/A | N/A | N/A | Public bid |
| 2006 | 453,000 | By the construction progress | China Steel Structure Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | 1,365,000 | By the construction progress | Fu Tsu Construction Co., Ltd. | | N/A | N/A | N/A | Public bid |
| 2006 | JPY 1,080,000 | By the construction progress | Organo Corporation | | N/A | N/A | N/A | Public bid |

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| | | | | | | | | | |
|---------|------|---------|------------------------------|---|-----|-----|-----|-----|-----------|
| 28, | \$ | 407,000 | By the construction progress | Organo Technology Co., Ltd. | N/A | N/A | N/A | N/A | Public bi |
| 29, | US\$ | 4,250 | By the construction progress | York Internation Corp. | N/A | N/A | N/A | N/A | Public bi |
| 2, 2006 | \$ | 278,950 | By the construction progress | Shihlin Electric & Engineering Corp. | N/A | N/A | N/A | N/A | Public bi |
| 20, | US\$ | 9,150 | By the construction progress | Mega Union Technology Inc. | N/A | N/A | N/A | N/A | Public bi |
| 23, | \$ | 179,573 | By the construction progress | United Integrated Services Co., Ltd. | N/A | N/A | N/A | N/A | Public bi |
| 24, | US\$ | 9,890 | By the construction progress | Marketech International Corp. | N/A | N/A | N/A | N/A | Public bi |
| 28, | US\$ | 29,750 | By the construction progress | United Integrated Services Co., Ltd. | N/A | N/A | N/A | N/A | Public bi |
| 29, | US\$ | 15,000 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | N/A | N/A | N/A | N/A | Public bi |

(Continued)

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| Transaction Date | Transaction | | Counter-party | Nature of Relationships | Prior Transaction of Related Counter-party | | | Price Ref | |
|------------------|-------------|------------------------------|---|-------------------------|--|---------------|---------------|-----------|------------|
| | Amount | Payment Term | | | Owner | Relationships | Transfer Date | | Amount |
| er 29, | \$847,365 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | N/A | Public bid |
| er 29, | 123,000 | By the construction progress | Desiccant Technology Corp. | | N/A | N/A | N/A | N/A | Public bid |
| er 7, 2006 | 177,200 | By the construction progress | Uangyih-tech Industrial Co., Ltd. | | N/A | N/A | N/A | N/A | Public bid |
| er 8, 2006 | US\$ 12,900 | By the construction progress | Marketch International Corp. | | N/A | N/A | N/A | N/A | Public bid |
| er 28, | US\$ 9,100 | By the construction progress | Celerity, Inc. | | N/A | N/A | N/A | N/A | Public bid |

(Concluded)

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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 YEAR ENDED DECEMBER 31, 2006
(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Transaction Details | | Total Payment Terms | Abnormal Transaction Payment Unit Price | Notes/Accounts Payable or Receivable | Ending Balance | % |
|--------------|--------------------|--|---------------------|---------------|---------------------|--|--------------------------------------|----------------|---|
| | | | Purchase/Sale | Amount | | | | | |
| Company | TSMC-North America | Subsidiary | Sales | \$190,459,073 | 60 | Net 30 days after invoice date | | \$ 16,461,956 | 5 |
| | Philips | Major shareholder | | | 1 | Net 30 days/Net 45 days (since 12/27/2006) after monthly closing | | 250,919 | 1 |
| | GUC | Investee over which the Company had a controlling interest | Sales | 4,024,990 | | Net 30 days after monthly closing | | 155,216 | |
| | WaferTech | Indirect subsidiary | | | 27 | Net 30 days after monthly closing | | (864,733) | 9 |
| | SSMC | Investee accounted for using equity method | Purchase | 2,530,552 | 15 | Net 30 days after monthly closing | | (459,305) | 5 |
| | TSMC-Shanghai | Subsidiary | Purchase | 6,820,632 | 10 | Net 30 days after monthly closing | | (478,714) | 5 |
| | VIS | Investee accounted for using equity method | Purchase | 4,405,843 | 8 | Net 30 days after monthly closing | | (717,562) | 8 |
| | TSMC-North America | The same parent | Purchase | 3,911,838 | 60 | Net 30 days after invoice date | | (301,507) | 4 |
| | | | | 920,045 | | | | | |

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

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

| Name | Related Party | Nature of Relationships | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance |
|------|--------------------|--|----------------|---------------|--------------|--|---------------------------------------|-----------|
| | | | | | Amounts | Action Taken | | |
| | TSMC-North America | Subsidiary | \$ 16,521,503 | 36 days | \$ 4,721,288 | | \$ 5,883,939 | \$ |
| | Philips | Major shareholder | 257,313 | 38 days | 11,304 | | 18,648 | |
| | GUC | Investee over which the Company had a controlling interest | 155,216 | 49 days | 117 | | 38,062 | |
| | TSMC-Shanghai | Subsidiary | | Note | | Accelerate demand on account receivables | | |
| | | | 123,853 | | 21,089 | | | |
| VIS | | Investee accounted for using equity method | 121,911 | Note | 3,064 | | 3,064 | |

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

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Taiwan Semiconductor Manufacturing Company Limited
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY
EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2006
(Amounts in Thousands of New Taiwan Dollars)

| Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2006 | | | Net Income (Losses) of the Investee |
|----------------|---------------------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|-----------------------|-------------------------------------|
| | | | December 31, 2006 | December 31, 2005 | Share (in Thousands) | Percentage of Ownership | Carrying Value (Note) | |
| Global | Tortola, British Virgin Islands | Investment activities | \$42,327,245 | | 1 | 100 | 42,496,592 | 616,171 |
| 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 | \$ 26,593,749 | \$ 2,802,637 |
| -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 | 9,027,984 | (637,220) |
| | Singapore | Fabrication and supply of integrated circuits | 8,840,895 | 6,408,190 | 463 | 39 | 7,960,869 | 4,437,059 |
| | 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 | 442,262 | 27 | 5,741,870 | 3,018,694 |
| Partners | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 4,433,819 | 308,009 |
| -North America | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,014,990 | 238,111 |
| ing Alliance | Cayman Islands | Investing in new start-up technology companies | 1,418,717 | 1,526,074 | | 99 | 793,585 | (2,644) |
| II | Cayman Islands | Investing in new start-up technology companies | 785,465 | 654,509 | | 98 | 733,130 | (37,339) |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and | 386,568 | 409,920 | 41,263 | 38 | 629,755 | 237,295 |

marketing of integrated circuits

| | | | | | | | |
|---------|----------------------------|--|---------|---------|-----|---------|----------|
| III | Cayman Islands | Investing in new start-up technology companies | 243,545 | | 98 | 228,005 | (20,794) |
| erng | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 115,507 | 99,647 |
| uey | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 114,297 | 98,605 |
| -Japan | Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 95,757 | 2,963 |
| -Europe | Amsterdam, the Netherlands | Marketing activities | 15,749 | 15,749 | 100 | 49,741 | 23,164 |
| -Korea | Seoul, Korea | Marketing activities | 13,656 | | 80 | 14,706 | 685 |

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

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Taiwan Semiconductor Manufacturing Company Limited
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2006

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

| | Total Amount | | Accumulated Outflow of Investment from Taiwan as of January 1, 2006 | | Accumulated Outflow of Investment from Taiwan as of December 31, 2006 | | Equity in the Earnings (Losses) (Note 2) | Percentage of Ownership | Ca V a Dec |
|---|--|-------------------------|--|---|---|--------------------------------|--|-------------------------------|---------------------|
| | of Paid-in Capital | Method of Investment | (US\$ in Thousand) | Investment Flows Outflow (US\$ in Thousand) | Inflow (US\$ in Thousand) | (US\$ in Thousand) | | | |
| Manufacturing and of integrated products at the order of pursuant to product design modifications provided by customers | (RMB in Thousand) \$ 12,180,367 (RMB3,070,623) | (Note 1) | \$12,180,367 (US\$371,000) | \$ | \$ | \$ 12,180,367 (US\$371,000) | 100% | \$ (637,220) | \$ 9, |
| | Accumulated Investment in Mainland China as of December 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 audited financial statements.

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**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries
Consolidated Financial Statements for the
Years Ended December 31, 2006 and 2005 and
Independent Auditors Report**

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REPRESENTATION LETTER

The entities included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2006, which are required under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, Consolidated Financial Statements . In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By /s/ MORRIS CHANG

MORRIS CHANG

Chairman

January 11, 2007

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2006 and 2005, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

January 11, 2007

Notice to Readers

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

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

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)

| | 2006 | | 2005 | |
|--|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 117,837,192 | 20 | \$ 96,483,707 | 19 |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 5) | 1,206,854 | | 1,770,445 | |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 67,523,858 | 12 | 46,452,838 | 9 |
| Held-to-maturity financial assets (Notes 2, 3 and 7) | 8,510,823 | 2 | 602,509 | |
| Notes and accounts receivable | 34,957,650 | 6 | 43,082,275 | 8 |
| Receivables from related parties (Note 25) | 252,339 | | 693,266 | |
| Allowance for doubtful receivables (Note 2) | (749,888) | | (980,594) | |
| Allowance for sales returns and others (Note 2) | (2,870,802) | (1) | (4,317,413) | (1) |
| Other receivables from related parties (Note 25) | 256,863 | | 597,910 | |
| Other financial assets (Note 3) | 2,356,542 | 1 | 1,617,797 | 1 |
| Inventories, net (Notes 2 and 8) | 21,430,728 | 4 | 17,728,303 | 3 |
| Deferred income tax assets, net (Notes 2 and 18) | 8,013,992 | 1 | 7,149,306 | 2 |
| Prepaid expenses and other current assets (Note 3) | 1,591,017 | | 1,420,441 | |
| Total current assets | 260,317,168 | 45 | 212,300,790 | 41 |
| LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 9 and 10) | | | | |
| Investments accounted for using equity method | 15,000,891 | 2 | 10,287,424 | 2 |
| Available-for-sale financial assets | 6,648,485 | 1 | 117,247 | |
| Held-to-maturity financial assets | 28,973,495 | 5 | 28,775,308 | 5 |
| Financial assets carried at cost | 3,272,280 | 1 | 3,202,515 | 1 |
| Total long-term investments | 53,895,151 | 9 | 42,382,494 | 8 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 25) | | | | |
| Cost | | | | |
| Land and land improvements | 844,644 | | 851,225 | |
| Buildings | 112,595,124 | 19 | 105,832,028 | 21 |
| Machinery and equipment | 579,825,289 | 99 | 510,922,064 | 98 |
| Office equipment | 10,646,725 | 2 | 9,670,611 | 2 |
| Leased assets | 612,941 | | 597,669 | |

| | | | | |
|--|-----------------------|------------|-----------------------|------------|
| | 704,524,723 | 120 | 627,873,597 | 121 |
| Accumulated depreciation | (463,038,084) | (79) | (398,124,607) | (77) |
| Advance payments and construction in progress | 12,607,551 | 2 | 15,074,302 | 3 |
| Net property, plant and equipment | 254,094,190 | 43 | 244,823,292 | 47 |
| GOODWILL (Note 2) | 5,984,993 | 1 | 6,010,601 | 1 |
| OTHER ASSETS | | | | |
| Deferred charges, net (Notes 2, and 12) | 5,936,915 | 1 | 7,006,250 | 2 |
| Deferred income tax assets, net (Notes 2 and 18) | 5,802,142 | 1 | 6,788,418 | 1 |
| Refundable deposits | 1,331,245 | | 106,802 | |
| Others | 123,355 | | 90,942 | |
| Total other assets | 13,193,657 | 2 | 13,992,412 | 3 |
| TOTAL | \$ 587,485,159 | 100 | \$ 519,509,589 | 100 |

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

| | | | | |
|---|----|------------|------------|---|
| Short-term bank loans (Note 13) | \$ | | \$ 328,500 | |
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5) | | 10,864 | 234,279 | |
| Accounts payable | | 7,934,388 | 9,421,452 | 2 |
| Payables to related parties (Note 25) | | 1,867,728 | 1,743,069 | |
| Income tax payable (Notes 2 and 18) | | 7,946,473 | 4,015,451 | 1 |
| Accrued expenses and other current liabilities (Notes 2, 3 and 16) | | 11,328,350 | 10,307,951 | 2 |
| Payables to contractors and equipment suppliers | | 10,768,591 | 9,066,036 | 2 |
| Current portion of bonds payable and long-term liabilities (Notes 14 and 15) | | 7,004,137 | 5,489 | |
| Total current liabilities | | 46,860,531 | 35,122,227 | 7 |

LONG-TERM LIABILITIES

| | | | | |
|---|--|------------|------------|---|
| Bonds payable (Note 14) | | 12,500,000 | 19,500,000 | 4 |
| Long-term bank loans (Note 15) | | 653,959 | 663,140 | |
| Other long-term payables (Notes 16 and 27) | | 8,703,267 | 8,548,887 | 2 |
| Other payables to related parties (Notes 25 and 27) | | 403,375 | 1,100,475 | |
| Obligations under capital leases (Note 2) | | 612,941 | 597,669 | |

| | | | | |
|---|-------------|----|-------------|----|
| Total long-term liabilities | 22,873,542 | 4 | 30,410,171 | 6 |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 17) | 3,540,060 | 1 | 3,474,384 | 1 |
| Guarantee deposits (Note 27) | 3,817,132 | 1 | 2,896,430 | |
| Deferred credits (Notes 2 and 25) | 1,177,138 | | 1,343,959 | |
| Others | 78,640 | | 23,710 | |
| Total other liabilities | 8,612,970 | 2 | 7,738,483 | 1 |
| Total liabilities | 78,347,043 | 14 | 73,270,881 | 14 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | |
| Capital stock \$10 par value Authorized:27,050,000 thousand shares Issued: 25,829,688 thousand shares in 2006 and 24,730,025 thousand shares in 2005 | 258,296,879 | 44 | 247,300,246 | 48 |
| Capital surplus (Notes 2 and 20) | 54,107,498 | 9 | 57,117,886 | 11 |
| Retained earnings (Note 20) | | | | |
| Appropriated as legal capital reserve | 43,705,711 | 7 | 34,348,208 | 7 |
| Appropriated as special capital reserve | 640,742 | | 2,226,427 | |
| Unappropriated earnings | 152,778,079 | 26 | 106,196,399 | 20 |
| | 197,124,532 | 33 | 142,771,034 | 27 |
| Others (Notes 2 and 3) | | | | |
| Cumulative translation adjustments | (1,191,165) | | (640,742) | |
| Unrealized gain on financial instruments | 561,615 | | | |
| | (629,550) | | (640,742) | |
| Treasury stock (at cost) -33,926 thousand shares in 2006 and 32,938 thousand shares in 2005 (Notes 2 and 22) | (918,075) | | (918,075) | |
| Equity attributable to shareholders of the parent | 507,981,284 | 86 | 445,630,349 | 86 |
| MINORITY INTERESTS (Note 2) | 1,156,832 | | 608,359 | |

| | | | | |
|---------------------------|----------------|-----|----------------|-----|
| Total shareholders equity | 509,138,116 | 86 | 446,238,708 | 86 |
| TOTAL | \$ 587,485,159 | 100 | \$ 519,509,589 | 100 |

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

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Table of Contents**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005****(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)**

| | 2006 | | 2005 | |
|--|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 25) | \$ 322,883,499 | | \$ 271,801,696 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | 5,476,328 | | 5,236,626 | |
| NET SALES | 317,407,171 | 100 | 266,565,070 | 100 |
| COST OF SALES (Notes 19 and 25) | 161,597,081 | 51 | 148,362,196 | 56 |
| GROSS PROFIT | 155,810,090 | 49 | 118,202,874 | 44 |
| OPERATING EXPENSES (Note 19) | | | | |
| Research and development | 16,076,432 | 5 | 14,016,506 | 5 |
| General and administrative | 8,716,653 | 3 | 9,085,536 | 3 |
| Marketing | 3,752,311 | 1 | 4,132,273 | 2 |
| Total operating expenses | 28,545,396 | 9 | 27,234,315 | 10 |
| INCOME FROM OPERATIONS | 127,264,694 | 40 | 90,968,559 | 34 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income (Notes 2 and 3) | 4,542,149 | 2 | 2,806,226 | 1 |
| Equity in earnings of equity method investees, net (Notes 2 and 9) | 2,347,153 | 1 | 1,433,226 | 1 |
| Settlement income (Note 27) | 979,214 | | 964,710 | |
| Technical service income (Notes 25 and 27) | 571,500 | | 462,624 | |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 25) | 421,051 | | 342,756 | |
| Subsidy income (Note 2) | 334,478 | | 321,850 | |
| Foreign exchange gain, net (Notes 2 and 3) | | | 2,609,979 | 1 |
| Others (Note 25) | 510,047 | | 457,989 | |
| Total non-operating income and gains | 9,705,592 | 3 | 9,399,360 | 3 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |

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| | | | | |
|--|---------|---|-----------|---|
| Interest expense (Note 3) | 890,602 | 1 | 1,413,374 | |
| Valuation loss on financial instruments, net (Notes 2, 3, 5 and 24) | 812,937 | | 337,160 | |
| Loss on settlement and disposal of financial instruments, net (Notes 2, 3 and 5) | 798,610 | | 3,602,799 | 2 |
| Foreign exchange loss, net (Notes 2 and 3) | 400,863 | | | |
| Loss on impairment of financial assets (Note 2) | 279,690 | | 128,900 | |

(Continued)

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Table of Contents**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005****(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)**

| | 2006 | | 2005 | |
|---|-----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| Loss on disposal of property, plant and equipment (Note 2) | \$ 241,397 | | \$ 60,109 | |
| Others | 183,979 | | 562,330 | |
| Total non-operating expenses and losses | 3,608,078 | 1 | 6,104,672 | 2 |
| INCOME BEFORE INCOME TAX | 133,362,208 | 42 | 94,263,247 | 35 |
| INCOME TAX EXPENSE (Notes 2 and 18) | (7,773,711) | 2 | (630,579) | |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 125,588,497 | 40 | 93,632,668 | 35 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3) | 1,606,749 | | | |
| NET INCOME | \$ 127,195,246 | 40 | \$ 93,632,668 | 35 |
| ATTRIBUTABLE TO: | | | | |
| Shareholders of the parent | \$ 127,009,731 | 40 | \$ 93,575,035 | 35 |
| Minority interests | 185,515 | | 57,633 | |
| | \$ 127,195,246 | 40 | \$ 93,632,668 | 35 |

| | 2006 | | 2005 | |
|---|--|---------------------------------|--|---------------------------------|
| | Income Attributable to Shareholders of the Parent | | Income Attributable to Shareholders of the Parent | |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| CONSOLIDATED EARNINGS PER SHARE (Note 23) | | | | |
| Basic earnings per share | \$ 5.22 | \$ 4.93 | \$ 3.66 | \$ 3.63 |

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Diluted earnings per share | \$ 5.22 | \$ 4.92 | \$ 3.66 | \$ 3.63 |
|----------------------------|---------|---------|---------|---------|

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

(Concluded)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

Equity Attributable to Shareholders of the Parent (Notes 2, 16, 17 and 18)

| Account | Capital Surplus | Legal Capital Reserve | Retained Earnings | | Total | Others | | Treasury Stock | Total |
|-----------|-----------------|-----------------------|-------------------------|-------------------------|----------------|------------------------------------|-------------------------------|----------------|----------|
| | | | Special Capital Reserve | Unappropriated Earnings | | Cumulative Translation Adjustments | Gain on Financial Instruments | | |
| 2,519,637 | \$ 56,537,259 | \$ 25,528,007 | | \$ 88,202,009 | \$ 113,730,016 | \$ (2,226,427) | | \$ (1,595,186) | \$ 398,9 |
| | | 8,820,201 | | (8,820,201) | | | | | |
| | | | 2,226,427 | (2,226,427) | | | | | |
| | | | | (3,086,215) | (3,086,215) | | | | (3,0 |
| 3,086,215 | | | | (3,086,215) | (3,086,215) | | | | |
| | | | | (46,504,097) | (46,504,097) | | | | (46,5 |
| 1,626,024 | | | | (11,626,024) | (11,626,024) | | | | |
| | | | | (231,466) | (231,466) | | | | (2 |
| | | | | 93,575,035 | 93,575,035 | | | | 93,5 |
| | 71,405 | | | | | | | | |
| | | | | | | 1,585,685 | | | 1,5 |
| 68,370 | 202,559 | | | | | | | | 2 |

| | | | | | | | | | | |
|-----------|-------------|------------|-------------|--------------|--------------|-----------|--|--|---------|-----------|
| | | | | | | | | | 84,285 | |
| | | | | | | | | | 222,378 | 677,111 |
| 7,300,246 | 57,117,886 | 34,348,208 | 2,226,427 | 106,196,399 | 142,771,034 | (640,742) | | | | (918,075) |
| | | | | | | | | | | 445,6 |
| | | 9,357,503 | | (9,357,503) | | | | | | |
| | | | (1,585,685) | 1,585,685 | | | | | | |
| | | | | (3,432,129) | (3,432,129) | | | | | (3,4 |
| 3,432,129 | | | | (3,432,129) | (3,432,129) | | | | | |
| | | | | (61,825,061) | (61,825,061) | | | | | (61,8 |
| 3,709,504 | | | | (3,709,504) | (3,709,504) | | | | | |
| | | | | (257,410) | (257,410) | | | | | (2 |
| 3,709,504 | (3,709,504) | | | | | | | | | |
| | | | | 127,009,731 | 127,009,731 | | | | | 127,0 |

187,095

(550,423)

(5

145,496 429,701

5

82,320

386,017

3

175,598

1

8,296,879 \$ 54,107,498 \$ 43,705,711 \$ 640,742 \$ 152,778,079 \$ 197,124,532 \$(1,191,165) \$ 561,615 \$ (918,075) \$ 507,9

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

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|----------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income attributable to shareholders of the parent | \$ 127,009,731 | \$ 93,575,035 |
| Net income attributable to minority interests | 185,515 | 57,633 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 73,715,242 | 75,649,429 |
| Amortization of premium/discount of financial assets | 2,399 | 120,872 |
| Loss (gain) on disposal of available-for-sale financial assets, net | (90,826) | 150,081 |
| Equity in earnings of equity method investees, net | (2,347,153) | (1,433,226) |
| Dividends received from equity method investees | 614,567 | 668,464 |
| Gain on disposal of investments accounted for using equity method | | (583) |
| Gain on disposal of financial assets carried at cost, net | (16,210) | (14,721) |
| Loss on impairment of financial assets | 279,690 | 128,900 |
| Gain on disposal of property, plant and equipment and other assets, net | (179,654) | (282,647) |
| Deferred income taxes | 121,590 | (3,353,013) |
| Loss on idle assets | 44,072 | 131,849 |
| Donation of idle assets | | 7,207 |
| Net changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | 340,176 | 72,842 |
| Notes and accounts receivable | 8,124,625 | (11,572,809) |
| Receivables from related parties | 440,927 | (101,915) |
| Allowance for doubtful receivables | (230,706) | (3,145) |
| Allowance for sales returns and others | (1,446,611) | 974,963 |
| Other receivables from related parties | 341,047 | (87,979) |
| Other financial assets | (738,745) | (305,881) |
| Inventories, net | (3,702,425) | (2,006,165) |
| Prepaid expenses and other current assets | (170,576) | 119,985 |
| Increase (decrease) in: | | |
| Accounts payable | (1,487,064) | 2,088,582 |
| Payables to related parties | (572,441) | (1,629,217) |
| Income tax payable | 3,931,022 | 3,611,486 |
| Accrued expenses and other current liabilities | 862,428 | 181,748 |
| Accrued pension cost | 65,676 | 360,128 |
| Deferred credits | (99,310) | 117,335 |
| | | |
| Net cash provided by operating activities | 204,996,986 | 157,225,238 |

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | \$ (119,291,685) | \$ (99,436,242) |
| Held-to-maturity financial assets | (18,554,027) | (14,199,142) |
| Financial assets carried at cost | (511,632) | (456,897) |
| Investments accounted for using equity method | (2,613,009) | (621,883) |
| Property, plant and equipment | (78,737,265) | (79,878,724) |
| Proceeds from disposal of: | | |
| Available-for-sale financial assets | 91,620,367 | 102,577,763 |
| Financial assets carried at cost | 126,465 | 76,186 |
| Investments accounted for using equity method | 518,705 | 65,076 |
| Property, plant and equipment and other assets | 10,410,000 | 14,595,394 |
| Redemption of held-to-maturity financial assets upon maturity | (1,414,742) | (855,967) |
| Increase in deferred charges | (1,224,443) | 771 |
| Decrease (increase) in refundable deposits | (52,086) | 741 |
| Decrease (increase) in other assets | | |
| Net cash used in investing activities | (119,723,352) | (77,652,217) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments on: | | |
| Short-term bank loans | (328,500) | (54,504) |
| Bonds payable | | (10,500,000) |
| Long-term bank loans | (5,489) | (1,337,489) |
| Increase in guarantee deposits | 920,702 | 2,483,549 |
| Cash bonus paid to employees | (3,432,129) | (3,086,215) |
| Cash dividends | (61,742,741) | (46,419,812) |
| Bonus to directors and supervisors | (257,410) | (231,466) |
| Proceeds from: | | |
| Exercise of employee stock options | 575,197 | 270,929 |
| Disposal of treasury stock | | 899,489 |
| Increase in minority interests | 487,017 | 6,832 |
| Net cash used in financing activities | (63,783,353) | (57,968,687) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 21,490,281 | 21,604,334 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (136,796) | 348,921 |

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|--|----------------|---------------|
| EFFECT OF FIRST INCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES | \$ | \$ 228,101 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 96,483,707 | 74,302,351 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 117,837,192 | \$ 96,483,707 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | \$ 951,450 | \$ 1,378,610 |
| Income tax paid | \$ 3,630,029 | \$ 341,671 |
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 80,675,310 | \$ 56,166,205 |
| Decrease (increase) in payables to contractors and equipment suppliers | (1,702,555) | 24,361,666 |
| Increase in other long-term payables | (235,490) | (649,147) |
| Cash paid | \$ 78,737,265 | \$ 79,878,724 |
| NONCASH FINANCING ACTIVITIES | | |
| Current portion of long-term liabilities | \$ 7,004,137 | \$ 5,489 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 617,892 | \$ 869,072 |
| Current portion of other payables to related parties (under payables to related parties) | \$ 688,591 | \$ 693,956 |
| The accompanying notes are an integral part of the consolidated financial statements. | | (Concluded) |

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (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).

TSMC 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 December 31, 2006 and 2005, TSMC and its subsidiaries had 22,969 and 21,950 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

For the convenience of readers, the accompanying consolidated 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 consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of investees in which TSMC's ownership percentage is less than 50% but over which TSMC has a controlling interest. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities were as follows:

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| Name of Investor | Name of Investee | Percentage of Ownership at December 31, 2006 | Remark |
|-------------------------|--|---|---|
| TSMC | TSMC Global, Ltd. (TSMC Global) | 100% | TSMC Global was acquired in August 2006. |
| | TSMC North America (TSMC-NA) | 100% | |
| | TSMC Japan K. K. (TSMC-Japan) | 100% | |
| | Taiwan Semiconductor Manufacturing Company Korea (TSMC-Korea) | 100% | TSMC-Korea was established in May 2006. |
| | TSMC International Investment Ltd. (TSMC International) | 100% | |
| | Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe) | 100% | |
| | TSMC Partners, Ltd. (TSMC Partners) | 100% | |
| | TSMC (Shanghai) Company Limited (TSMC-Shanghai) | 100% | |
| | Chi Cherng Investment Co., Ltd. (Chi Cherng) | 36% | TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of December 31, 2006, Chi Cherng held 16,947 thousand common shares in TSMC (approximately 0.07% of outstanding common shares). |
| | Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 36% | TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey. As of December 31, 2006, Hsin Ruey held 16,979 thousand common shares in TSMC (approximately 0.07% of outstanding common shares). |
| | Emerging Alliance Fund, L.P. (Emerging Alliance) | 99.5% | |
| | VentureTech Alliance Fund II, L.P. (VTAF II) | 98% | |
| | VentureTech Alliance Fund III, L.P. (VTAF III) | 98% | VTAF III was established in April 2006. |
| | Global Unichip Corporation (GUC) | 38% | GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of GUC. |
| | VisEra Technology Company, Ltd. (VisEra) | | Due to the changes in investment structure, TSMC no longer had a controlling interest in VisEra beginning |

in November 2005 resulting in VisEra
being deconsolidated.

(Continued)

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| Name of Investor | Name of Investee | Percentage of Ownership at December 31, 2006 | Remark |
|-------------------------|--|---|--|
| TSMC Partners | VisEra Holding Company (VisEra Holding) | 49% | Due to the changes in investment structure, TSMC no longer had a controlling interest in VisEra beginning in November 2005 resulting in VisEra Holding being deconsolidated. |
| TSMC International | TSMC Technology, Inc. (TSMC Technology) | 100% | |
| | TSMC Development, Inc. (TSMC Development) | 100% | |
| | InveStar Semiconductor Development Fund, Inc. (ISDF) | 97% | |
| | InveStar Semiconductor Development Fund, Inc. (II) LDC (ISDF II) | 97% | |
| TSMC Development | WaferTech, LLC (WaferTech) | 99.996% | |
| GUC | Global Unichip Corp.-North America (GUC-NA) | 100% | GUC-NA, a subsidiary of GUC, became a consolidated entity of TSMC since TSMC has control over GUC. |
| | Global Unichip Japan Co., Ltd. (GUC-Japan) | 100% | GUC-Japan, a subsidiary of GUC, became a consolidated entity of TSMC since TSMC has control over GUC. |

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated subsidiaries as of December 31, 2006:

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TSMC-NA is engaged in selling and marketing of integrated circuits and semiconductor devices. TSMC-Japan, TSMC-Korea and TSMC-Europe are engaged mainly in marketing activities. TSMC International is engaged in investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. TSMC Global, TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC-Shanghai is engaged in the manufacturing and selling of integrated circuits pursuant to the orders from and product design specifications provided by customers. Emerging Alliance, VTAF II, VTAF III, ISDF and ISDF II are engaged in investing in new start-up technology companies. TSMC Technology is engaged mainly in engineering support activities. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in researching, developing, manufacturing, testing and marketing of integrated circuits. GUC-NA and GUC-Japan are engaged in providing products consulting in North America and Japan, respectively.

TSMC together with its consolidated subsidiaries are hereinafter referred to collectively as the Company .

Minority interests in the aforementioned subsidiaries are presented as a separate component of shareholders equity.

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds, corporate notes and treasury bills acquired with maturities of 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 and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is determined as follows: Publicly-traded stocks closing price at the end of the year; and derivatives using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

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Available-for-Sale Financial Assets

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

Fair value is determined as follows: Structured time deposits - using valuation techniques; open-end mutual funds and money market funds - net asset value at the end of the year; publicly-traded stocks - closing prices at the end of the year; and other debt securities - average of bid and asked prices at the end of the year.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as reductions to the original cost of investments 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 total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

Held-to-Maturity Financial Assets

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

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

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.

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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 manufacture of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. Provisions for estimated sales returns and others are generally recorded in the period the related revenue is recognized based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

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

Inventories

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

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. Prior to January 1, 2006, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was amortized by the straight-line method over five years, with the amortization recorded in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, Long-term Investments in Equity Securities (SFAS No. 5), the cost of an investment shall be analyzed and the difference between the cost of investment and the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually. The accounting treatment for the investment premiums acquired before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentage in the investees until such gains or losses are realized through transactions with third parties. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's

ownership percentages in the investees until they are realized through transactions with third parties.

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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.

Financial Assets Carried at Cost

Investments in which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost, such as non-publicly traded stocks and mutual funds. The costs of non-publicly traded stocks and mutual funds are determined using the weighted-average method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease, with the corresponding amount recorded as obligations under capital leases. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated service lives: Land improvements 20 years; buildings 10 to 20 years; machinery and equipment 3 to 10 years; office equipment 3 to 15 years; and leased assets 20 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss recorded as non-operating gains or losses in the year of sale or disposal.

Goodwill

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised SFAS No. 25, Business Combinations Accounting Treatment under Purchase Method (SFAS No. 25), goodwill is no longer amortized and instead is tested for impairment annually. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent recovery in fair value of goodwill is not allowed.

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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 – 2 to 5 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Pension Costs

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

Government Subsidies

Income-related subsidies from foreign governments are recognized in earnings when the requirements for subsidies are met.

Income Tax

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

Any tax credits arising from purchases of machinery, equipment and technology, research and development expenditures, personnel training, 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 year's tax provision.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

The R.O.C. government enacted the Alternative Minimum Tax Act (the AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the 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.

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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 recognized in earnings over the employee vesting period.

Treasury Stock

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

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

Translation of Foreign-currency Financial Statements

Statements of Financial Accounting Standards No. 14, Accounting for Foreign-currency Translation applies to foreign subsidiaries that use the local currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities spot rates at year-end; shareholders' equity historical rates; income and expenses average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, Financial Instruments: Recognition and Measurement (SFAS No. 34) and No. 36, Financial Instruments: Disclosure and Presentation 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 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; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

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

| | Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax) | Recognized as a Separate Component of Shareholders Equity |
|---|---|--|
| Financial assets/liabilities at fair value through profit or loss | \$ 1,606,749 | \$ |
| Available-for-sale financial assets | | 306,531 |
| | \$ 1,606,749 | \$ 306,531 |

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$1,083,574 thousand, an increase in net income of NT\$ 523,175 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.02 for the year ended December 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 a change in accounting principle did not have a material effect on the Company's consolidated financial statements as of and for the year ended December 31, 2006.

b. Reclassifications

Upon adoption of SFAS No. 34, certain accounts in the consolidated financial statements as of and for the year ended December 31, 2005 were reclassified to conform with the consolidated financial statements as of and for the year ended December 31, 2006. The previously issued consolidated financial statements as of and for the year ended December 31, 2005 were not required to 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 year.

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2) Derivative financial instruments

The Company entered into forward exchange 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 year, 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 year 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 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 rates were amortized over the terms of the contracts using the straight-line method. At the end of each year, the receivables or payables arising from cross-currency swap contracts were restated using 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 year 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 consolidated financial statements as of and for the year ended December 31, 2005 have been reclassified to conform to the classifications prescribed by the newly released SFASs. The reclassifications of the whole or a part of the account balances of certain accounts are summarized as follows:

| | Before Reclassification | After Reclassification |
|--|------------------------------------|-----------------------------------|
| Balance sheet | | |
| Short-term investments, net | \$ 47,399,308 | \$ |
| Other financial assets | 2,915,696 | 1,617,797 |
| Prepaid expenses and other current assets | 1,503,447 | 1,420,441 |
| Long-term investments accounted for using cost method | 3,365,341 | |
| Long-term bond investments | 18,548,308 | |
| Other long-term investments | 10,227,000 | |
| Accrued expenses and other current liabilities | (10,542,230) | (10,307,951) |
| Financial assets at fair value through profit or loss | | 1,770,445 |
| Financial liabilities at fair value through profit or loss | | (234,279) |
| Available-for-sale financial assets | | 46,570,085 |
| Held-to-maturity financial assets | | 29,377,817 |
| Financial assets carried at cost | | 3,202,515 |

\$ 73,416,870 \$ 73,416,870

(Continued)

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| | Before Reclassification | After Reclassification |
|---|------------------------------------|-----------------------------------|
| Statement of income | | |
| Interest income | \$ 3,069,435 | \$ 2,806,226 |
| Foreign exchange gain, net | 3,040 | 2,609,979 |
| Interest expense | (2,662,458) | (1,413,374) |
| Unrealized valuation loss on short-term investments | (337,160) | |
| Loss on disposal of investment, net | (9,985) | |
| Valuation loss on financial instruments, net | | (337,160) |
| Loss on settlement and disposal of financial instruments, net | | (3,602,799) |
| | \$ 62,872 | \$ 62,872 |

(Concluded)

4. CASH AND CASH EQUIVALENTS

| | December 31 | |
|--|--------------------|---------------|
| | 2006 | 2005 |
| Cash and deposits in banks | \$ 85,496,085 | \$ 48,107,316 |
| Repurchase agreements collateralized by government bonds | 31,241,594 | 47,963,226 |
| Corporate notes | 1,026,522 | 413,165 |
| Treasury bills | 72,991 | |
| | \$ 117,837,192 | \$ 96,483,707 |

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

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2006 | 2005 |
| Trading financial assets | | |
| Publicly-traded stocks | \$ 1,162,253 | \$ 389,540 |
| Forward exchange contracts | | 26,720 |
| Cross currency swap contracts | 44,601 | 1,354,185 |
| | \$ 1,206,854 | \$ 1,770,445 |
| Trading financial liabilities | | |
| Forward exchange contracts | \$ 113 | \$ |
| Cross currency swap contracts | 10,751 | 234,279 |
| | \$ 10,864 | \$ 234,279 |

The Company entered into derivative contracts during the years ended December 31, 2006 and 2005 to manage exposures due to the fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, effective from January 1, 2006, the Company discontinued applying hedge accounting treatment for its derivative financial contracts.

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

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|-------------------|-----------------|----------------------|---|
| December 31, 2006 | | | |
| Buy | US\$/JPY\$ | January 2007 | JPY\$ 38,610 |
| December 31, 2005 | | | |
| Sell | US\$/NT\$ | January 2006 | US\$ 60,000 |

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

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------------|---|---|---|
| December 31, 2006 | | | |
| January 2007 to February 2007 | US\$ 820,000 | 3.19%-5.91% | 0.90%-3.25% |
| December 31, 2005 | | | |
| January 2006 to March 2006 | US\$2,089,000 | 4.15%-4.54% | 0.02%-2.12% |

The Company did not enter into any interest rate swap contracts during the year ended December 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 loss on settlement and disposal of financial instruments account.

Net losses arising from derivative financial instruments for the year ended December 31, 2006 were NT\$1,613,366 thousand (including realized settlement losses of NT\$1,647,103 thousand and a valuation gain of NT\$33,737 thousand).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|--|--------------------|--------------|
| | 2006 | 2005 |
| Open-end mutual funds | \$ 26,147,276 | \$ 6,198,982 |
| Corporate bonds | 16,494,244 | 11,853,044 |
| Agency bonds | 12,691,612 | 14,496,728 |
| Corporate issued asset-backed securities | 10,541,679 | 11,582,590 |
| Government bonds | 6,921,532 | 1,776,279 |
| Money market funds | 667,828 | 260,686 |
| Structured time deposits | 499,242 | |
| Publicly-traded stocks | 208,930 | 138,527 |
| Corporate notes | | 263,249 |
| | 74,172,343 | 46,570,085 |
| Current portion | (67,523,858) | (46,452,838) |

\$ 6,648,485 \$ 117,247

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Starting from 2004, the Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2006, the Company's investment portfolios managed by these fund managers aggregated to an original amount of US\$1,206,211 thousand. The investment portfolios included securities such as corporate bonds, agency bonds, asset-backed securities, government bonds and others. Securities acquired with maturities of less than three months from the date of purchase were classified as cash equivalents.

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

| | Principal Amount | Carrying Amount | Range of Interest Rates | Maturity Date |
|---------------------------|-----------------------------|----------------------------|--|--------------------------|
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 499,242 | 1.76% | March 2008 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | December 31 | |
|--------------------------|--------------------|---------------|
| | 2006 | 2005 |
| Corporate bonds | \$ 13,742,541 | \$ 8,927,317 |
| Structured time deposits | 11,671,120 | 10,227,000 |
| Government bonds | 12,070,657 | 10,223,500 |
| | 37,484,318 | 29,377,817 |
| Current portion | (8,510,823) | (602,509) |
| | \$ 28,973,495 | \$ 28,775,308 |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|------------------------------------|
| December 31, 2006 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,500,000 | \$ 13,928 | 1.40%-1.83% | June 2007 to October 2008 |
| Callable range accrual deposits | | | (See below) | September 2009 to December 2009 |
| Domestic deposits | 3,911,520 | 4,808 | (See below) | October 2009 to January 2010 |
| Foreign deposits | 3,259,600 | 4,998 | | |
| | \$ 11,671,120 | \$ 23,734 | | |

December 31, 2005

| | | | | |
|---------------------------------|---------------|-----------|-------------|------------------------------------|
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,000,000 | \$ 8,145 | 1.40%-1.50% | June 2007 to October 2007 |
| Callable range accrual deposits | | | | |
| | | | (See below) | September 2009 to December 2009 |
| Domestic deposits | 3,942,000 | 4,928 | (See below) | October 2009 to January 2010 |
| Foreign deposits | 3,285,000 | 5,023 | | |
| | \$ 10,227,000 | \$ 18,096 | | |

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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 contracts, 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 December 31, 2006 and 2005, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$80,000 thousand; those resided in banks located in Singapore amounted to US\$20,000 thousand.

8. INVENTORIES, NET

| | December 31 | |
|--------------------------|--------------------|---------------|
| | 2006 | 2005 |
| Finished goods | \$ 5,146,839 | \$ 2,963,989 |
| Work in process | 14,688,719 | 13,359,209 |
| Raw materials | 1,673,982 | 1,765,369 |
| Supplies and spare parts | 926,120 | 1,325,582 |
| | 22,435,660 | 19,414,149 |
| Allowance for losses | (1,004,932) | (1,685,846) |
| | \$ 21,430,728 | \$ 17,728,303 |

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2006 | | 2005 | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | \$ 7,960,869 | 39 | \$ 4,215,200 | 32 |
| Vanguard International Semiconductor Corporation (VIS) | 5,931,755 | 27 | 5,419,747 | 27 |
| VisEra Holding | 1,108,267 | 49 | 652,477 | 50 |
| | \$ 15,000,891 | | \$ 10,287,424 | |

In November 2006, the Company acquired 81 thousand shares in SSMC from EDB Investments Pte Ltd. under a Shareholders Agreement. After the acquisition, the number of SSMC shares owned by the Company increased from 382 thousand to 463 thousand; the percentage of ownership increased from 32% to 39%.

For the years ended December 31, 2006 and 2005, net equity in earnings of NT\$2,347,153 thousand and NT\$1,433,226 thousand were recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings of equity method investees were determined based on the audited financial statements of the investees as of and for the same periods ended as the Company.

Table of Contents**10. FINANCIAL ASSETS CARRIED AT COST**

| | December 31 | |
|----------------------------|---------------------|---------------------|
| | 2006 | 2005 |
| Non-publicly traded stocks | \$ 2,924,350 | \$ 2,867,525 |
| Mutual funds | 347,930 | 334,990 |
| | \$ 3,272,280 | \$ 3,202,515 |

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

| | December 31 | |
|-------------------------|-----------------------|-----------------------|
| | 2006 | 2005 |
| Land improvements | \$ 234,377 | \$ 206,408 |
| Buildings | 54,288,225 | 46,560,127 |
| Machinery and equipment | 400,579,587 | 344,431,001 |
| Office equipment | 7,839,303 | 6,862,502 |
| Leased assets | 96,592 | 64,569 |
| | \$ 463,038,084 | \$ 398,124,607 |

No interest was capitalized during the years ended December 31, 2006 and 2005.

12. DEFERRED CHARGES, NET

| | December 31 | |
|----------------------------------|---------------------|---------------------|
| | 2006 | 2005 |
| Technology license fees | \$ 4,132,174 | \$ 5,099,227 |
| Software and system design costs | 1,669,781 | 1,737,384 |
| Others | 134,960 | 169,639 |
| | \$ 5,936,915 | \$ 7,006,250 |

13. SHORT-TERM BANK LOANS

| | December 31 | |
|--|--------------------|-------------|
| | 2006 | 2005 |
| Unsecured loans: | | |
| US\$10,000 thousand repayable by June 2006, annual interest at 4.77% | \$ | \$ 328,500 |

Table of Contents**14. BONDS PAYABLE**

| | December 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 | \$ 4,500,000 |
| Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively | 15,000,000 | 15,000,000 |
| | 19,500,000 | 19,500,000 |
| Current portion | (7,000,000) | |
| | \$ 12,500,000 | \$ 19,500,000 |

As of December 31, 2006, future principal repayments for the Company's bonds were as follows:

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2007 | \$ 7,000,000 |
| 2009 | 8,000,000 |
| 2012 | 4,500,000 |
| | \$ 19,500,000 |

15. LONG-TERM BANK LOANS

| | December 31 | |
|--|--------------------|-------------|
| | 2006 | 2005 |
| Secured loan: | | |
| US\$20,000 thousand, repayable by November 2008 in 5 payments, annual interest at 5.91% | \$ 651,871 | \$ 656,914 |
| Unsecured loans: | | |
| Science Park Administration (SPA) SOC loan, repayable by July 2008 in 20 payments, interest-free | 4,873 | 7,658 |
| SPA DSP loan, repayable by April 2007 in 20 payments, interest-free | 1,352 | 4,057 |
| | 658,096 | 668,629 |
| Current portion | (4,137) | (5,489) |
| | \$ 653,959 | \$ 663,140 |

As of December 31, 2006, assets of TSMC-Shanghai with an aggregate carrying amount of NT\$4,293,595 thousand (RMB1,028,652 thousand) were provided as collateral for the aforementioned secured loan. Pursuant to the loan agreement, the annual audited financial statements of TSMC-Shanghai must comply with certain financial covenants. As of December 31, 2006, TSMC-Shanghai was in compliance with all such financial covenants.

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As of December 31, 2006, future principal repayments under the Company's long-term bank loans were as follows:

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2007 | \$ 4,137 |
| 2008 | 132,463 |
| 2009 | 260,748 |
| 2010 | 260,748 |
| | \$ 658,096 |

16. OTHER LONG-TERM PAYABLES

| | December 31 | |
|--|--------------------|--------------|
| | 2006 | 2005 |
| Payables for acquisition of property, plant and equipment (Note 27k) | \$ 7,431,371 | \$ 7,037,787 |
| Payables for royalties | 1,889,788 | 2,380,172 |
| | 9,321,159 | 9,417,959 |
| Current portion (under accrued expenses and other current liabilities) | (617,892) | (869,072) |
| | \$ 8,703,267 | \$ 8,548,887 |

The payables for royalties were primarily attributable to several license arrangements that the Company entered into for certain semiconductor-related patents.

As of December 31, 2006, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|------------------------|---------------|
| 2007 | \$ 617,892 |
| 2008 | 337,043 |
| 2009 | 337,043 |
| 2010 | 337,043 |
| 2011 | 260,767 |
| 2012 and thereafter | 7,431,371 |
| | \$ 9,321,159 |

17. PENSION PLANS

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

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The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, TSMC and GUC have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005. Furthermore, TSMC-NA and TSMC-Shanghai are required by local regulations to make monthly contributions, at a certain percentage of the monthly basic salary of their local employees. Pursuant to the aforementioned Act and local regulations, the Company has made monthly contributions and recognized pension costs of NT\$679,919 thousand and NT\$305,270 thousand for the years ended December 31, 2006 and 2005, respectively.

TSMC and GUC have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary at retirement. TSMC and GUC contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the pension fund monitoring committees and deposited by the names of the committees in the Central Trust of China.

Information about the defined benefit plans is summarized as follows:

a. Components of net periodic pension cost for the year

| | 2006 | 2005 |
|---------------------------------|-------------|-------------|
| Service cost | \$ 178,460 | \$ 470,886 |
| Interest cost | 164,168 | 163,854 |
| Projected return on plan assets | (49,399) | (49,843) |
| Amortization | 12,096 | 8,345 |
| Net periodic pension cost | \$ 305,325 | \$ 593,242 |

b. Reconciliation of funded status of the plans and accrued pension cost at December 31, 2006 and 2005

| | 2006 | 2005 |
|--|--------------|--------------|
| Benefit obligation | | |
| Vested benefit obligation | \$ 102,920 | \$ 62,302 |
| Nonvested benefit obligation | 3,883,344 | 3,364,333 |
| Accumulated benefit obligation | 3,986,264 | 3,426,635 |
| Additional benefits based on future salaries | 2,969,830 | 2,550,307 |
| Projected benefit obligation | 6,956,094 | 5,976,942 |
| Fair value of plan assets | (1,958,595) | (1,691,603) |
| Funded status | 4,997,499 | 4,285,339 |
| Unrecognized net transition obligation | (118,420) | (126,969) |
| Unrecognized net loss | (1,339,019) | (684,429) |
| Accrued pension cost | \$ 3,540,060 | \$ 3,473,941 |
| Vested benefit | \$ 106,645 | \$ 67,752 |

c. Actuarial assumptions at December 31, 2006 and 2005

| | 2006 | 2005 |
|--|-------------|-------------|
| Discount rate used in determining present values | 2.25%-3.50% | 2.75%-3.50% |
| Future salary increase rate | 2.00%-3.00% | 2.00%-3.00% |
| Expected rate of return on plan assets | 2.50% | 2.50%-2.75% |

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| | 2006 | 2005 |
|--|-------------|-------------|
| d. Contributions to the Funds for the year | \$ 233,111 | \$ 226,181 |
| e. Payments from the Funds for the year | \$ 7,407 | \$ 8,419 |

18. INCOME TAX

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

| | Years Ended December 31 | |
|---|--------------------------------|-----------------|
| | 2006 | 2005 |
| Income tax expense based on income before income tax at statutory rates | \$ (34,786,278) | \$ (23,658,498) |
| Tax effect of the following: | | |
| Tax-exempt income | 12,281,413 | 12,243,435 |
| Temporary and permanent differences | 2,817,104 | (1,123,735) |
| Additional tax at 10% on unappropriated earnings | (1,170,108) | (1,494,811) |
| Cumulative effect of changes in accounting principles | 82,062 | |
| Investment tax credits used | 12,769,386 | 10,133,848 |
| Income tax currently payable | \$ (8,006,421) | \$ (3,899,761) |

- b. Income tax expense consisted of the following:

| | Years Ended December 31 | |
|--|--------------------------------|----------------|
| | 2006 | 2005 |
| Income tax currently payable | \$ (8,006,421) | \$ (3,899,761) |
| Other income tax adjustments | 328,152 | (117,314) |
| Net change in deferred income tax assets | | |
| Investment tax credits | (3,914,757) | (1,965,878) |
| Temporary differences | 2,181,558 | 2,402,406 |
| Net operating loss carryforwards | (1,412,946) | (690,615) |
| Adjustments in valuation allowance | 3,050,703 | 3,640,583 |
| Income tax expense | \$ (7,773,711) | \$ (630,579) |

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

| | December 31 | |
|---|--------------------|--------------|
| | 2006 | 2005 |
| Current deferred income tax assets, net | | |
| Investment tax credits | \$ 7,870,800 | \$ 7,033,622 |
| Temporary differences | 584,210 | 454,051 |
| Net operating loss carryforwards | | 15,825 |
| Valuation allowance | (441,018) | (354,192) |

\$ 8,013,992 \$ 7,149,306

(Continued)

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| | December 31 | |
|---|--------------------|---------------|
| | 2006 | 2005 |
| Non-current deferred income tax assets, net | | |
| Investment tax credits | \$ 12,252,389 | \$ 17,004,324 |
| Temporary differences | (3,580,754) | (5,640,477) |
| Net operating loss carryforwards | 4,816,846 | 6,261,469 |
| Valuation allowance | (7,686,339) | (10,836,898) |
| | \$ 5,802,142 | \$ 6,788,418 |

(Concluded)

As of December 31, 2006, the net operating loss carryforwards were generated by WaferTech, TSMC Development and TSMC Technology and will expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2006 and 2005 was NT\$828,612 thousand and NT\$20,087 thousand, respectively.

The estimated creditable ratio for distribution of TSMC's earnings of 2006 and 2005 was 0.54% and 2.88%, respectively.

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

e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.

f. As of December 31, 2006, the Company's investment tax credits consisted of the following:

| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-------------------------------------|--|--|--|------------------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 2,685,977 | \$ | 2006 |
| | | 4,113,439 | | 2007 |
| | | 6,802,983 | 3,955,980 | 2008 |
| | | 6,030,309 | 6,030,309 | 2009 |
| | | 5,114,762 | 5,114,762 | 2010 |
| | | \$ 24,747,470 | \$ 15,101,051 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,800,884 | \$ | 2006 |
| | | 1,283,760 | 38,618 | 2007 |
| | | 1,668,780 | 1,668,780 | 2008 |

| | | |
|-----------|-----------|------|
| 1,572,164 | 1,572,164 | 2009 |
| 1,580,589 | 1,580,589 | 2010 |

| | |
|--------------|--------------|
| \$ 7,906,177 | \$ 4,860,151 |
|--------------|--------------|

(Continued)

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| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|-------------------------------------|--|--|--|------------------------|
| Statute for Upgrading Industries | Personnel training | \$ 27,357 | \$ | 2006 |
| | | 16,379 | 182 | 2007 |
| | | 40,777 | 40,777 | 2008 |
| | | 40,628 | 40,628 | 2009 |
| | | 596 | 596 | 2010 |
| | | \$ 125,737 | \$ 82,183 | |
| Statute for Upgrading Industries | Investments in important technology-based enterprises | \$ 79,804 | \$ 79,804 | 2010 |

(Concluded)

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

| | Tax-Exemption Periods |
|---|------------------------------|
| Construction of Fab 8 - module B | 2002 to 2005 |
| Expansion of Fab 2 - modules A and B, Fab 3, 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 TSMC through 2003.

19. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Year Ended December 31, 2006 | | |
|----------------------------|--|---|---------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 11,713,445 | \$ 6,692,437 | \$ 18,405,882 |
| Labor and health insurance | 714,170 | 404,845 | 1,119,015 |
| Pension | 627,731 | 369,398 | 997,129 |
| Meal | 460,980 | 173,185 | 634,165 |
| Welfare | 236,022 | 211,272 | 447,294 |
| Others | 226,032 | 217,045 | 443,077 |
| | \$ 13,978,380 | \$ 8,068,182 | \$ 22,046,562 |
| Depreciation | \$ 67,685,744 | \$ 3,539,472 | \$ 71,225,216 |

| | | | |
|--------------|--------------|--------------|--------------|
| Amortization | \$ 1,436,908 | \$ 1,035,482 | \$ 2,472,390 |
|--------------|--------------|--------------|--------------|

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| | Year Ended December 31, 2005 | | |
|----------------------------|-------------------------------------|---------------------|----------------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 11,031,464 | \$ 6,678,630 | \$ 17,710,094 |
| Labor and health insurance | 633,790 | 343,937 | 977,727 |
| Pension | 589,342 | 320,607 | 909,949 |
| Meal | 434,729 | 160,175 | 594,904 |
| Welfare | 167,218 | 166,360 | 333,578 |
| Others | 168,959 | 225,389 | 394,348 |
| | \$ 13,025,502 | \$ 7,895,098 | \$ 20,920,600 |
| Depreciation | \$ 68,135,117 | \$ 3,250,651 | \$ 71,385,768 |
| Amortization | \$ 1,766,702 | \$ 2,574,566 | \$ 4,341,268 |

20. SHAREHOLDERS EQUITY

As of December 31, 2006, 889,740 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs is 4,448,702 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

| | December 31 | |
|----------------------------------|----------------------|----------------------|
| | 2006 | 2005 |
| From merger | \$ 24,003,546 | \$ 24,003,546 |
| Additional paid-in capital | 19,974,431 | 23,254,234 |
| From convertible bonds | 9,360,424 | 9,360,424 |
| From treasury stock transactions | 389,188 | 306,868 |
| From long-term investments | 379,854 | 192,759 |
| Donations | 55 | 55 |
| | \$ 54,107,498 | \$ 57,117,886 |

TSMC's Articles of Incorporation as revised on May 10, 2005 provide that, when allocating the net profits for each fiscal year, TSMC 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 TSMC's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

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c. Bonus to directors and supervisors and bonus to employees of TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors and supervisors. TSMC 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 Articles of Incorporation also provide that profits of TSMC may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are recorded in the year of shareholder approval and given effect to in the financial statements of that year.

The appropriation for legal capital reserve shall be made until the reserve equals TSMC'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 TSMC has no unappropriated earnings and the reserve balance has exceeded 50% of TSMC's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of TSMC'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 had been approved in the shareholders' meetings held on May 16, 2006 and May 10, 2005, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|------------------------------------|----------------------------------|-------------------|---------------------------------------|---------------|
| | For Fiscal | For Fiscal | For | For |
| | Year 2005 | Year 2004 | Fiscal | Fiscal |
| | | | Year | Year |
| | | | 2005 | 2004 |
| 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 shareholders | 61,825,061 | 46,504,097 | \$ 2.50 | \$ 2.00 |
| Stock dividends to 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 shareholders' meeting held on May 16, 2006 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$3,709,504 thousand.

The amounts of the above appropriations of earnings for 2005 and 2004 are consistent with the resolutions of the meetings of the Board of Directors held on February 14, 2006 and February 22, 2005, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2005 and 2004, the basic earnings per share (after income tax) for the years ended December 31, 2005 and 2004 shown in the respective financial statements would have decreased from NT\$3.79 to NT\$3.50 and NT\$3.97 to NT\$3.70, respectively.

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

As of January 11, 2007, the Board of Directors had not resolved the appropriation for earnings of 2006.

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

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

21. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans under the TSMC 2004 Plan, TSMC 2003 Plan and TSMC 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 TSMC 2004 Plan, TSMC 2003 Plan and TSMC 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 TSMC or any of its domestic or foreign subsidiaries, in which TSMC'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 TSMC's common shares listed on the TSE on the grant date.

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

Information about TSMC's outstanding stock options for the years ended December 31, 2006 and 2005 was as follows:

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|------------------------------|---|--|
| Year ended December 31, 2006 | | |
| Balance, beginning of year | 67,758 | \$39.4 |
| Options granted | 2,758 | 40.1 |
| Options exercised | (14,550) | 40.1 |
| Options canceled | (3,152) | 43.7 |
| Balance, end of year | 52,814 | 39.6 |
| Year ended December 31, 2005 | | |

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| | | |
|----------------------------|---------|--------|
| Balance, beginning of year | 64,367 | \$40.5 |
| Options granted | 14,864 | 48.4 |
| Options exercised | (6,837) | 39.6 |
| Options canceled | (4,636) | 44.1 |
| Balance, end of year | 67,758 | 42.1 |

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

As of December 31, 2006, information about TSMC's 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\$) |
| \$27.6-\$39.7 | 34,584 | 5.15 | \$ 35.5 | 28,351 | \$ 35.5 |
| 45.1- 52.3 | 18,230 | 6.88 | 47.5 | 4,390 | 45.7 |
| | 52,814 | | | 32,741 | |

GUC's Employee Stock Option Plans, consisting of the GUC 2003 Plan and GUC 2002 Plan, were approved by its Board of Directors on January 23, 2003 and July 1, 2002, respectively. The maximum number of options authorized to be granted under the GUC 2003 Plan and GUC 2002 Plan was 7,535 and 5,000, respectively, with each option eligible to subscribe for one thousand common shares when exercisable. The options may be granted to qualified employees of GUC. The options of all the plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Moreover, the GUC 2006 Plan and GUC 2004 Plan were approved by the SFB on July 3, 2006 and August 16, 2004 to grant a maximum of 3,665 options and 2,500 options, respectively, with each option eligible to subscribe for one thousand common shares when exercisable. The options may be granted to qualified employees of GUC or any of its subsidiaries. The options of the GUC 2006 Plan are valid until August 15, 2011 and the options of the GUC 2004 Plan are valid for six years. Options of both Plans are exercisable at certain percentages subsequent to the second anniversary of the grant date.

Options of the aforementioned GUC Plans, except those of the GUC 2006 Plan, that had never been granted, or had been granted but subsequently canceled had expired as of December 31, 2006.

Information about GUC's outstanding stock options for the years ended December 31, 2006 and 2005 was as follows:

| | Number of Options | Weighted- average Exercise Prices (NT\$) |
|------------------------------|----------------------|--|
| Year ended December 31, 2006 | | |
| Balance, beginning of year | 7,132 | \$ 10.7 |

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| | | |
|----------------------|---------|------|
| Options granted | 3,689 | 19.5 |
| Options exercised | (2,862) | 10.5 |
| Options canceled | (617) | 12.1 |
| Balance, end of year | 7,342 | 14.0 |

(Continued)

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| | Number of Options | Weighted- average Exercise Prices (NT\$) |
|------------------------------|------------------------------|---|
| Year ended December 31, 2005 | | |
| Balance, beginning of year | 7,889 | 10.5 |
| Options granted | 2,499 | 11.0 |
| Options exercised | (2,641) | 10.5 |
| Options canceled | (615) | 10.6 |
| | | |
| Balance, end of year | 7,132 | 10.7 |

(Concluded)

As of December 31, 2006, information about GUC's outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Options Outstanding | | | Options Exercisable | |
|---|----------------------------------|---|--|----------------------------------|--|
| | Number of Options | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options | Weighted- average Exercise Price (NT\$) |
| \$10.0-\$18.4 | 7,342 | 1.58-4.75 | \$ 14.0 | 15 | \$ 10.5 |

No compensation cost was recognized under the intrinsic value method for the years ended December 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 years ended December 31, 2006 and 2005 would have been as follows:

| | | 2006 | 2005 |
|--------------|-------------------------|---------------|---------------|
| Assumptions: | | | |
| TSMC | Expected dividend yield | 1.00%-3.44% | 1.00%-3.44% |
| | Expected volatility | 43.77%-46.15% | 43.77%-46.15% |
| | Risk free interest rate | 3.07%-3.85% | 3.07%-3.85% |
| | Expected life | 5 years | 5 years |
| | | | |
| GUC | Expected dividend yield | 22.65%-41.74% | 22.65%-28.02% |
| | Expected volatility | 2.23%-2.56% | 2.56% |
| | Risk free interest rate | 3-6 years | 6 years |

| | 2006 | 2005 |
|--|----------------|---------------|
| Net income attributable to shareholders of the parent: | | |
| As reported | \$ 127,009,731 | \$ 93,575,035 |

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| | | |
|--|-------------|------------|
| Pro forma | 126,887,247 | 93,456,533 |
| Consolidated earnings per share (EPS) after income tax (NT\$): | | |
| Basic EPS as reported | \$ 4.93 | \$ 3.63 |
| Pro forma basic EPS | 4.92 | 3.63 |
| Diluted EPS as reported | 4.92 | 3.63 |
| Pro forma diluted EPS | 4.92 | 3.63 |

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Table of Contents**22. TREASURY STOCK**

| | (Shares in Thousands) | | | |
|---|-----------------------|--------------------|----------|------------------|
| | Beginning Shares | Stock Dividends | Disposal | Ending Shares |
| Year ended December 31, 2006 | | | | |
| Parent company stock held by subsidiaries | 32,938 | 988 | | 33,926 |
| Year ended December 31, 2005 | | | | |
| Parent company stock held by subsidiaries | 45,521 | 2,242 | 14,825 | 32,938 |

Proceeds from sales of treasury stock for the year ended December 31, 2005 were NT\$899,489 thousand. As of December 31, 2006 and 2005, the book value of the treasury stock was NT\$918,075 thousand, the market value was NT\$2,290,026 thousand and NT\$2,047,126 thousand, respectively. TSMC's stock held by subsidiaries is 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.

23. CONSOLIDATED EARNINGS PER SHARE

| | Years Ended December 31 | | | |
|--|-------------------------|------------------------|-------------------------|------------------------|
| | | 2006 | | 2005 |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| Consolidated basic EPS (NT\$) | | | | |
| Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent | \$ 5.16 | \$ 4.87 | \$ 3.66 | \$ 3.63 |
| Cumulative effect of changes in accounting principles attributable to shareholders of the parent | 0.06 | 0.06 | | |
| Income attributable to shareholders of the parent | \$ 5.22 | \$ 4.93 | \$ 3.66 | \$ 3.63 |
| Consolidated diluted EPS (NT\$) | | | | |
| Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent | \$ 5.16 | \$ 4.86 | \$ 3.66 | \$ 3.63 |
| Cumulative effect of changes in accounting principles attributable to shareholders of the parent | 0.06 | 0.06 | | |
| Income attributable to shareholders of the parent | \$ 5.22 | \$ 4.92 | \$ 3.66 | \$ 3.63 |

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Consolidated EPS for the years ended December 31, 2006 and 2005 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 |
| Year ended December 31, 2006 | | | | | |
| Consolidated basic EPS | | | | | |
| Income available to common shareholders of the parent | \$ 134,698,725 | \$ 127,009,731 | 25,788,555 | \$ 5.22 | \$ 4.93 |
| Effect of dilutive potential common stock stock options | | | 24,628 | | |
| Consolidated diluted EPS | | | | | |
| Income available to common shareholders of the parent (including effect of dilutive potential common stock) | \$ 134,698,725 | \$ 127,009,731 | 25,813,183 | \$ 5.22 | \$ 4.92 |
| Year ended December 31, 2005 | | | | | |
| Consolidated basic EPS | | | | | |
| Income available to common shareholders of the parent | \$ 94,214,625 | \$ 93,575,035 | 25,763,320 | \$ 3.66 | \$ 3.63 |
| Effect of dilutive potential common stock stock options | | | 12,647 | | |
| Consolidated diluted EPS | | | | | |
| Income available to common shareholders of the parent (including effect of dilutive potential common stock) | \$ 94,214,625 | \$ 93,575,035 | 25,775,967 | \$ 3.66 | \$ 3.63 |

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | December 31 | | | |
|--------|--------------------|--------------|--------------------|--------------|
| | 2006 | | 2005 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| | \$ 1,206,854 | \$ 1,206,854 | \$ 1,770,445 | \$ 3,000,839 |

Financial assets at fair value through
profit or loss

| | | | | |
|--|------------|------------|------------|------------|
| Available-for-sale financial assets | 74,172,343 | 74,172,343 | 46,570,085 | 46,560,924 |
| Held-to-maturity financial assets | 37,484,318 | 37,375,517 | 29,377,817 | 29,081,927 |
| Investments accounted for using equity method (with market price) | 5,931,755 | 11,027,066 | 5,419,747 | 10,991,064 |

Liabilities

Financial liabilities at fair value through
profit or loss

| | | | | |
|---|------------|------------|------------|------------|
| Bonds payable (including current portion) | 10,864 | 10,864 | 234,279 | 173 |
| Long-term bank loans (including current portion) | 19,500,000 | 19,817,149 | 19,500,000 | 19,924,923 |
| Other long-term payables (including current portion) | 658,096 | 658,096 | 668,629 | 668,629 |
| Obligations under capital leases | 10,413,125 | 10,413,125 | 11,212,390 | 11,212,390 |
| | 612,941 | 612,941 | 597,669 | 597,669 |

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, short-term bank loans, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values.
- 2) Fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices.

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- 3) Fair values of derivatives and structured time deposits were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair values of long-term bank loans, other long-term payables and obligation under capital leases were based on the present value of expected cash flows, which approximate their carrying amount.
- c. Gains recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$33,739 thousand for the year ended December 31, 2006.
- d. As of December 31, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$111,492,332 thousand and NT\$77,190,280 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$10,864 thousand and NT\$234,279 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$7,171,120 thousand and NT\$7,227,000 thousand, respectively.
- e. The Company recognized an unrealized gain of NT\$388,164 thousand (NT\$386,017 thousand attributable to shareholders' equity of the parent and NT\$2,147 thousand attributable to minority interests) in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006. The Company also recognized an unrealized gain of NT\$175,598 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets held by equity method investees for the year ended December 31, 2006.
- f. Information about financial risk
 - 1) Market risk. The publicly-traded stocks categorized as financial assets at fair value through profit or loss are exposed to market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency-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 securities. Therefore, the fluctuations in market interest rates would result in changes in fair values of these debt securities.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.
 - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and loans. Therefore, the liquidity risk is low.
 - 4) Cash flow interest rate risk. The Company mainly engages in investments in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

Table of Contents**25. RELATED PARTY TRANSACTIONS**

Except as disclosed in the consolidated financial statements and other notes, the following is a summary of significant related party transactions:

- a. Industrial Technology Research Institute (ITRI), the chairman of TSMC was one of ITRI's supervisors, who resigned in October 2006.

- b. Philips, a major shareholder of TSMC

- c. Investees of TSMC

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

- d. 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.

XinTec Corporation (XinTec), the chairman of VisEra was previously one of Xintec's directors. Because VisEra has not been a consolidated entity of the Company since November 2005, XinTec is no longer considered a related party.

- e. Omnivision International Holding, Ltd. (Omnivision), originally a shareholder holding a 25% ownership in VisEra. Because VisEra has not been a consolidated entity of the Company since November 2005, Omnivision is no longer considered a related party.

- f. Huawei Semiconductor (Shanghai) Co., Ltd. (Huawei), which has the same president as VisEra. However, because VisEra has not been a consolidated entity of the Company since November 2005, Huawei is no longer considered a related party.

| | 2006 | | 2005 | |
|--------------|---------------|---|--------------|---|
| | Amount | % | Amount | % |
| For the year | | | | |
| Sales | | | | |
| Philips | \$ 4,024,990 | 1 | \$ 3,298,770 | 1 |
| Omnivision | | | 2,489,252 | 1 |
| Others | 162,343 | | 492,683 | |
| | \$ 4,187,333 | 1 | \$ 6,280,705 | 2 |
| Purchases | | | | |
| SSMC | \$ 6,820,632 | 4 | \$ 5,729,672 | 4 |
| VIS | 3,919,566 | 3 | 4,142,457 | 3 |
| | \$ 10,740,198 | 7 | \$ 9,872,129 | 7 |

| | | |
|--|------------|------------|
| Manufacturing expenses - technical assistance fees | | |
| Philips (see Note 27a) | \$ 755,904 | \$ 581,059 |

(Continued)

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| | 2006 | | 2005 | |
|--|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| Non-operating income and gains SSMC (primarily technical service income; see Note 27e) | \$ 314,953 | 3 | \$ 316,243 | 4 |
| VIS (primarily technical service income; see Note 27h) | 261,245 | 3 | 210,720 | 3 |
| VisEra | 246,242 | 2 | 308,071 | 4 |
| | \$ 822,440 | 8 | \$ 835,034 | 11 |
| As of December 31 | | | | |
| Receivables | | | | |
| Philips | \$ 250,919 | 99 | \$ 573,565 | 83 |
| Others | 1,420 | 1 | 119,701 | 17 |
| | \$ 252,339 | 100 | \$ 693,266 | 100 |
| Other receivables | | | | |
| VIS | \$ 121,911 | 47 | \$ 74,457 | 12 |
| SSMC | 69,568 | 27 | 149,251 | 25 |
| VisEra | 58,989 | 23 | 374,202 | 63 |
| Others | 6,395 | 3 | | |
| | \$ 256,863 | 100 | \$ 597,910 | 100 |
| Payables | | | | |
| VIS | \$ 719,832 | 38 | \$ 563,240 | 32 |
| Philips | 688,591 | 37 | 693,956 | 40 |
| SSMC | 459,305 | 25 | 485,873 | 28 |
| | \$ 1,867,728 | 100 | \$ 1,743,069 | 100 |
| Other long-term payables Philips (see Note 27a) | \$ 403,375 | 100 | \$ 1,100,475 | 100 |
| Deferred credits | | | | |
| VisEra | \$ 124,350 | 11 | \$ 186,525 | 14 |

(Concluded)

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

The Company leased certain buildings and facilities to VisEra with a monthly rental of NT\$7,684 thousand (classified under non-operating incomes and gains). The Company deferred the gains (classified under deferred credits) derived from sales of property, plant, and equipment to VisEra, and then recognized such gains (classified under non-operating incomes and gains) over the depreciable lives of the disposed assets.

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Table of Contents**26. SIGNIFICANT LONG-TERM LEASES**

The Company leases several parcels of land from the SPA. These operating leases expire on various dates from March 2008 to December 2021 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in North America, Japan and Shanghai. These operating leases expire between 2007 and 2011 and can be renewed upon expiration.

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

| Year | Amount |
|---------------------|---------------------|
| 2007 | \$ 945,657 |
| 2008 | 697,264 |
| 2009 | 422,415 |
| 2010 | 306,709 |
| 2011 | 211,051 |
| 2012 and thereafter | 1,507,005 |
| | \$ 4,090,101 |

27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2006, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, TSMC 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 TSMC and Philips will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, TSMC will pay Philips royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of TSMC's annual net sales. TSMC and Philips agreed to cross license the patents owned by each party. TSMC also obtained through Philips a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992, 1997, 2002 and on January 1, 2007.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2006, TSMC had a total of US\$116,297 thousand of guarantee deposits.

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- 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. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC 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, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC 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, TSMC entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC 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, TSMC will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC 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 TSMC certain products at prices as agreed by the parties.
- i. Effective January 1, 2006, the Company entered into the Joint Technology Cooperation Agreement with Philips, Freescale Semiconductor, Inc. and STMicroelectronics to jointly develop 45-nm and beyond advanced CMOS Logic and e-DRAM technologies. The Company will contribute process technologies and share a portion of the costs associated with this joint development project. This agreement will expire on December 31, 2008.

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- j. 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\$175,000 thousand over six years to resolve TSMC's claims. As of December 31, 2006, SMIC had paid US\$ 60,000 thousand in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC-North America and Wafertech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court, alleging TSMC of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC's August complaint. The outcome of this litigation cannot be determined at this time.
- k. TSMC-Shanghai entered into an agreement with a certain foreign company. In accordance with the agreement, TSMC-Shanghai is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC-Shanghai is obligated to compensate the counterparty for the loss incurred.
- l. Amounts available under unused letters of credit as of December 31, 2006 were NT\$6,480 thousand.

28. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC 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;
- 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;

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- j. Information on investment in Mainland China
- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 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 Table 10 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

29. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

The Company is engaged mainly in the manufacturing, selling, packaging and testing of integrated circuits. Therefore, the disclosure of industry financial information is not applicable to the Company.

b. Geographic information:

| | North America and Others | | Taiwan | Adjustments and Elimination | Consolidated |
|---|---|-------------|----------------|--|---------------------|
| 2006 | | | | | |
| Sales to other than consolidated entities | \$ | 191,511,929 | \$ 125,895,242 | \$ | \$ 317,407,171 |
| Sales among consolidated entities | | 18,998,614 | 191,345,140 | (210,343,754) | |
| Total sales | \$ | 210,510,543 | \$ 317,240,382 | \$ (210,343,754) | \$ 317,407,171 |
| Gross profit | \$ | 5,641,405 | \$ 150,498,038 | \$ (329,353) | \$ 155,810,090 |
| Operating expenses | | | | | (28,545,396) |
| Non-operating income and gains | | | | | 9,705,592 |
| Non-operating expenses and losses | | | | | (3,608,078) |
| Income before income tax | | | | | \$ 133,362,208 |
| Identifiable assets | \$ | 133,341,631 | \$ 441,339,388 | \$ (41,091,011) | \$ 533,590,008 |
| Long-term investments | | | | | 53,895,151 |
| Total assets | | | | | \$ 587,485,159 |

(Continued)

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| | North America and Others | | Taiwan | Adjustments and Elimination | Consolidated |
|---|---|-------------|----------------|--|---------------------|
| 2005 | | | | | |
| Sales to other than consolidated entities | \$ | 152,517,793 | \$ 114,047,277 | \$ | \$ 266,565,070 |
| Sales among consolidated entities | | 13,513,219 | 152,132,512 | (165,645,731) | |
| Total sales | \$ | 166,031,012 | \$ 266,179,789 | \$ (165,645,731) | \$ 266,565,070 |
| Gross profit | \$ | 2,858,063 | \$ 115,722,187 | \$ (377,376) | \$ 118,202,874 |
| Operating expenses | | | | | (27,234,315) |
| Non-operating income and gains | | | | | 9,399,360 |
| Non-operating expenses and losses | | | | | (6,104,672) |
| Income before income tax | | | | | \$ 94,263,247 |
| Identifiable assets | \$ | 92,904,411 | \$ 430,083,964 | \$ (45,861,280) | \$ 477,127,095 |
| Long-term investments | | | | | 42,382,494 |
| Total assets | | | | | \$ 519,509,589 |
| | | | | | (Concluded) |

c. Export sales

The export sales were as follows:

| Area | Years Ended December 31 | |
|-------------------|--------------------------------|---------------|
| | 2006 | 2005 |
| Asia | \$ 62,434,071 | \$ 64,942,647 |
| Europe and others | 23,764,877 | 15,932,575 |
| | \$ 86,198,948 | \$ 80,875,222 |

The export sales information is based on the amounts billed to customers within the areas.

d. Major customers representing at least 10% of gross sales

| | Years Ended December 31 | | | |
|------------|--------------------------------|----------|---------------|----------|
| | 2006 | | 2005 | |
| | Amount | % | Amount | % |
| Customer A | \$ 33,950,441 | 11 | \$ 24,718,306 | 9 |

| | | | | |
|------------|------------|---|------------|----|
| Customer B | 25,214,878 | 8 | 29,855,447 | 11 |
|------------|------------|---|------------|----|

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Financing No. | Name of Counter-party | Maximum Financial Balance for the Period (US\$ in Thousands) | Ending Balance in Thousands (US\$) | Interest Rate | Type of Financing (Note 1) | Reasons for Short-term Financing | Allowance for Bad Debt Items | Collateral Value | Borrowing Limit for Each Company (US\$ in Thousands) | Financing Company's Financing Amount (US\$ in Thousands) |
|---------------|---------------------------|--|------------------------------------|---------------|----------------------------|----------------------------------|------------------------------|------------------|--|--|
| | | | | | | | | | | |
| 1 | International Development | | \$ 1,140,860 | 1.50% | 2 | Operating capital | | \$ | N/A | \$ 32,203,805 |
| | | | (US\$35,000) | | | | | | | (US\$987,968) (Note 2) |

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

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

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Counter-party | Nature of Relationship (Note 2) | Limits on Each Counter-party's Endorsement/ Guarantee Amounts | Maximum Balance for the Period (US\$ in Thousands) | Ending Balance (US\$ in Thousands) | Value of Collateral Property, Plant and Equipment | Ratio Amount to N L |
|---------------|------------------------------------|---|--|---------------------------------------|---|------------------------------|
| America | 2 | Not exceed 10% of the net worth of the Company, and be also limited to the paid-in capital of the | \$1,303,840 (US\$40,000) | \$ | \$ | |
| ment | 3 | endorsement/guarantee company, unless otherwise approved by Board of Directors. | \$1,955,760 (US\$60,000) | | | |

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

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.

The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

Table of Contents**TABLE 3****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
MARKETABLE SECURITIES HELD****DECEMBER 31, 2006****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****December 31, 2006**

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership |
|---|--------------------------------------|-------------------------------------|--|---|--------------------------------|
| Government bond | | | | | |
| 04 Government Bond Series B | | Available-for-sale financial assets | | \$ 999,779 | N/A |
| 03 Government Bond Series B | | | | 998,288 | N/A |
| 06 Government Bond Series D | | Held-to-maturity financial assets | | 3,657,320 | N/A |
| 05 Government Bond Series A | | | | 3,049,919 | N/A |
| 03 Government Bond Series B | | | | 1,647,851 | N/A |
| 03 Asian Development Bank Govt. bond | | | | 835,840 | N/A |
| 03 Government Bond Series F | | | | 797,299 | N/A |
| 04 Kaohsiung Municipal Series A | | | | 620,000 | N/A |
| 03 Government Bond Series H | | | | 401,568 | N/A |
| European Investment Bank Bonds | | | | 372,265 | N/A |
| 02 Government Bond Series B | | | | 350,399 | N/A |
| 04 Kaohsiung Municipal Series B | | | | 249,998 | N/A |
| 03 European Bank for Reconstruction and Development Govt. Bond Series A | | | | 88,198 | N/A |
| Open-end mutual funds | | | | | |
| TC Bond Fund | | Available-for-sale financial assets | 22,219 | 3,655,939 | N/A |
| BN AMRO Bond Fund | | | 175,156 | 2,639,459 | N/A |
| n Hwa Bond | | | 125,122 | 1,667,908 | N/A |
| ega Diamond Bond Fund | | | 139,333 | 1,602,947 | N/A |
| idential Financial Bond Fund | | | 103,751 | 1,516,294 | N/A |
| TC Taiwan Bond | | | 93,312 | 1,314,669 | N/A |
| Taiwan Bond Fund | | | 85,145 | 1,299,088 | N/A |
| thay Bond | | | 109,720 | 1,265,092 | N/A |
| Sun Bond Fund | | | 88,165 | 1,202,901 | N/A |
| esdner Bond DAM Fund | | | 95,553 | 1,107,206 | N/A |
| BN AMRO Income | | | 63,947 | 1,012,377 | N/A |
| resident James Bond | | | 65,496 | 1,010,426 | N/A |
| G Taiwan Bond Fund | | | 78,629 | 1,002,595 | N/A |
| Taiwan First Bond Fund | | | 66,826 | 939,082 | N/A |
| ankong Chi Shin Bond Fund | | | 62,183 | 890,660 | N/A |

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| | | December 31, 2006 | | | |
|--|--|--|--|--------------------------------|-------------------|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Carrying | Percentage |
| | | | | Value | of |
| | | | | (US\$ in Thousands) | Ownership |
| ABN AMRO Select Bond Fund | | Available-for-sale financial assets | 76,593 | \$ 868,076 | N/A |
| Taishin Lucky Fund | | | 78,624 | 806,386 | N/A |
| Polaris De-Bao Fund | | | 63,273 | 701,069 | N/A |
| TIIM High Yield | | | 44,685 | 554,863 | N/A |
| HSBC Taiwan Money Management | | | 34,093 | 506,250 | N/A |
| Invesco Bond Fund | | | 27,176 | 403,774 | N/A |
| Corporate bond | | | | | |
| Hua Nan Bank | | Available-for-sale financial assets | | 1,545,864 | N/A |
| Cathay Bank | | | | 1,159,576 | N/A |
| Taiwan Power Company | | | | 1,046,799 | N/A |
| Formosa Petrochemical Corporation | | | | 397,963 | N/A |
| Taiwan Power Company | | Hold-to-maturity financial assets | | 4,080,391 | N/A |
| Formosa Petrochemical Corporation | | | | 3,566,946 | N/A |
| Nan Ya Plastics Corporation | | | | 2,773,810 | N/A |
| Chinese Petroleum Corporation | | | | 1,451,378 | N/A |
| China Steel Corporation | | | | 1,000,000 | N/A |
| Formosa Plastic Corporation | | | | 516,663 | N/A |
| Shanghai commercial & Saving Bank | | | | 286,497 | N/A |
| Formosa Chemicals & Fiber Corporation | | | | 66,856 | N/A |
| Stocks | | | | | |
| TSMC Global | Subsidiary | Invest accounted for using equity method | 1 | 42,496,592 | 100 |
| TSMC International | Subsidiary | | 987,968 | 26,593,749 | 100 |
| SSMC | Investee accounted for using equity method | | 463 | 7,960,869 | 39 |
| VIS | Investee accounted for using equity method | | 442,262 | 5,741,870 | 27 |
| TSMC Partners | Subsidiary | | 300 | 4,433,819 | 100 |
| TSMC-North America | Subsidiary | | 11,000 | 2,014,990 | 100 |
| GUC | Investee with controlling financial interest | | 41,263 | 629,755 | 38 |
| TSMC-Japan | Subsidiary | | 6 | 95,757 | 100 |
| TSMC-Europe | Subsidiary | | | 49,741 | 100 |
| TSMC-Korea | Subsidiary | | 80 | 14,706 | 100 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 | 10 |

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| | | | |
|-------------------------------------|--------|---------|----|
| Shin-Etsu Handotai Taiwan Co., Ltd. | 10,500 | 105,000 | 7 |
| W.K. Technology Fund IV | 4,000 | 40,000 | 2 |
| Hontung Venture Capital Co., Ltd. | 2,633 | 26,329 | 10 |

(Continued)

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| Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 20 | | |
|----------------------------|-------------------------------|---|-----------------------------------|--|-------------------------------|
| | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership |
| Investment Fund Capital | | Financial assets carried at cost | | \$ 280,179 67,751 | 12 1 |
| Investment | Subsidiary | Investment accounted for using equity method | | 9,027,984 | 100 |
| | Subsidiary | | | 793,585 | 99 |
| | Subsidiary | | | 733,130 | 98 |
| | Subsidiary | | | 228,005 | 98 |
| | Subsidiary | | | 115,507 | 36 |
| | Subsidiary | | | 114,297 | 36 |
| | Parent Company | Available-for-sale financial assets | 16,947 | 1,143,941 | N/A |
| | Equity method investee | Investments accounted for using equity method | 5,032 | 107,224 | |
| | Parent Company | Available-for-sale financial assets | 16,979 | 1,146,085 | N/A |
| | Equity method investee | Investments accounted for using equity method | 3,711 | 82,661 | |
| | Subsidiary | Investments accounted for using equity method | 9,207 | US\$ 26,185 | 97 |
| | Subsidiary | | 51,300 | US\$ 46,195 | 97 |
| | Subsidiary | | 1 | US\$ 659,356 | 100 |

| | | | | | | |
|----------|---------------------------|---|--------|------|---------|-----|
| ology | Subsidiary | | 1 | US\$ | 6,058 | 100 |
| | Subsidiary | Investments accounted for using equity method | | US\$ | 282,420 | 100 |
| k ngs | Equity method investee | Investments accounted for using equity method | 25,000 | US\$ | 34,000 | 49 |

(Continued)

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December 31, 2006

| Company | Relationship with the | Financial Statement Account | Carrying Value | | Percentage of Ownership |
|-------------------------------------|-----------------------|---|-----------------------------|---------------------|-------------------------|
| | | | Shares/Units (in Thousands) | (US\$ in Thousands) | |
| Marketable Securities Type and Name | Company | | | | |
| Common stock | | | | | |
| NetLogic Microsystems, Inc. | | Financial assets at fair value through profit or loss | 84 | US\$ 1,828 | |
| Pixim, Inc. | | Financial assets carried at cost | 1,924 | US\$ 512 | 4 |
| RichWave Technology Corp. | | | 4,247 | US\$ 1,648 | 13 |
| Global Investment Holding Inc. | | | 10,800 | \$ 100,000 | 6 |
| Preferred stock | | | | | |
| Ikanos Communication, Inc. | | Available-for-sale financial assets | 515 | US\$ 4,473 | 2 |
| Audience, Inc. | | Financial assets carried at cost | 1,654 | US\$ 250 | 1 |
| Axiom Microdevices, Inc. | | | 1,000 | US\$ 1,000 | 3 |
| Centrality Communications | | | 1,325 | US\$ 1,800 | 3 |
| Miradia, Inc. | | | 3,040 | US\$ 1,000 | 3 |
| Mobilygen | | | 1,415 | US\$ 750 | 1 |
| Mosaic Systems, Inc. | | | 2,481 | US\$ 12 | 6 |
| Next IO, Inc. | | | 800 | US\$ 500 | 2 |
| NuCORE Technology Inc. | | | 2,254 | US\$ 1,455 | 2 |
| Optichron, Inc. | | | 714 | US\$ 1,000 | 4 |
| Optimal Corporation | | | 582 | US\$ 600 | 4 |
| Pixim, Inc. | | | 2,193 | US\$ 583 | |
| Reflectivity, Inc. | | | 4,848 | US\$ 531 | 4 |
| Teknovus, Inc. | | | 6,977 | US\$ 1,327 | 3 |
| Zenasis Technologies, Inc. | | | 2,410 | US\$ 1,399 | 5 |
| Option | | | | | |
| Pixim, Inc. | | Financial assets carried at cost | 242 | US\$ | NA |
| Common stock | | | | | |
| Beceem Communications | | Financial assets carried at cost | 650 | US\$ 1,600 | 1 |
| Leadtrend | | | 1,150 | US\$ 660 | 6 |
| Yobon | | | 1,675 | US\$ 787 | 13 |
| Sentelic | | | 1,200 | US\$ 2,040 | 15 |
| Preferred stock | | | | | |
| 5V Technologies, Inc. | | Financial assets carried at cost | 2,357 | US\$ 1,768 | 11 |
| Ageia Technologies, Inc. | | | 2,030 | US\$ 2,074 | 2 |
| Aquantia Corporation | | | 1,264 | US\$ 1,150 | 5 |

| | | | | | |
|--------------------------|-------|------|-------|---|---|
| Audience, Inc. | 2,208 | US\$ | 474 | 1 | U |
| Axiom Microdevices, Inc. | 3,015 | US\$ | 1,466 | 2 | U |
| GemFire Corporation | 600 | US\$ | 68 | 1 | U |
| Impinj, Inc. | 257 | US\$ | 500 | | U |

(Continued)

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| Company | Relationship with the Company | Financial Statement Account | December 31, 2006 | | | |
|-------------------------------------|-------------------------------|---|-----------------------------|------------------------------------|-------------------------|-------------------------------|
| | | | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Value (US\$ in thousands) |
| Miradia, Inc. | | Financial assets carried at cost | 2,740 | US\$ 2,424 | 3 | US\$ |
| Next IO, Inc. | | | 216 | US\$ 182 | | US\$ |
| Optichron, Inc. | | | 353 | US\$ 869 | 2 | US\$ |
| Power Analog Microelectronics | | | 2,000 | US\$ 1,500 | 13 | US\$ |
| Powerprecise Solutions, Inc. | | | 1,445 | US\$ 1,400 | 11 | US\$ |
| RichWave Technology Corp. | | | 500 | US\$ 231 | 2 | US\$ |
| Teknovus, Inc. | | | 518 | US\$ 119 | | US\$ |
| Tzero Technologies, Inc. | | | 730 | US\$ 1,500 | 2 | US\$ |
| Xceive | | | 714 | US\$ 1,000 | 2 | US\$ |
| Common stock | | | | | | |
| M2000, Inc. | | Financial assets carried at cost | 1,500 | US\$ 1,500 | 4 | US\$ |
| Mutual-Pak Limited | | | 170 | US\$ 52 | 13 | US\$ |
| Quellan, Inc. | | | 2,231 | US\$ 2,500 | 7 | US\$ |
| SynDiTec, Inc. | | | 4,332 | US\$ 720 | 7 | US\$ |
| Validity-Pak Limited | | | 5,333 | US\$ 2,000 | 7 | US\$ |
| Common stock | | | | | | |
| Monolithic Power Systems, Inc. | | Financial assets at fair value through profit or loss | 1,975 | US\$ 21,939 | 7 | US\$ |
| Broadtek Electronics Corp. | | | 29 | US\$ 10 | | US\$ |
| Broadtek Electronics Corp. | | Available-for-sale financial assets | 116 | US\$ 40 | | US\$ |
| Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 530 | US\$ 154 | 2 | US\$ |
| Preferred stock | | | | | | |
| Integrated Memory Logic, Inc. | | Financial assets carried at cost | 1,831 | US\$ 1,221 | 9 | US\$ |
| IP Unity, Inc. | | | 1,008 | US\$ 494 | 1 | US\$ |
| Memsic, Inc. | | | 2,724 | US\$ 1,500 | 9 | US\$ |
| NanoAmp Solutions, Inc. | | | 541 | US\$ 853 | 2 | US\$ |
| Sonics, Inc. | | | 1,843 | US\$ 3,530 | 2 | US\$ |
| Common stock | | | | | | |
| Monolithic Power Systems, Inc. | | Financial assets at fair value through profit or loss | 864 | US\$ 9,604 | 3 | US\$ |
| RichTek Technology Corp. | | | 255 | US\$ 2,045 | | US\$ |
| Geo Vision, Inc. | | | 46 | US\$ 229 | | US\$ |
| RichTek Technology Corp. | | Available-for-sale financial assets | 227 | US\$ 1,824 | | US\$ |
| Geo Vision, Inc. | | | 15 | US\$ 73 | | US\$ |

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| | | | | | | |
|-------------------------------------|----------------------------------|-----|------|-------|---|------|
| eChannelOpen Holding, Inc. | Financial assets carried at cost | 358 | US\$ | 251 | 4 | US\$ |
| eLCOS Microdisplay Technology, Ltd. | | 270 | US\$ | 27 | 1 | US\$ |
| EoNEX Technologies, Inc. | | 55 | US\$ | 3,048 | 5 | US\$ |

(Continued)

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| | | December 31, 2006 | | | | |
|-------------------------------------|-------------------------------|-------------------------------------|---|---------------------|-------------------------|-----|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Value | | Percentage of Ownership | |
| | | | Shares/Units (in Thousands) | (US\$ in Thousands) | | |
| Sonics, Inc. | | Financial assets carried at cost | 2,220 | US\$ 32 | US | |
| Epic Communications, Inc. | | | 191 | US\$ 37 | 1 US | |
| EON Technology, Corp. | | | 4,247 | US\$ 1,175 | 7 US | |
| Goyatek Technology, Corp. | | | 2,088 | US\$ 545 | 7 US | |
| Capella Microsystems (Taiwan), Inc. | | | 534 | US\$ 210 | 2 US | |
| Trendchip Technologies Corp. | | | 2,000 | US\$ 574 | 4 US | |
| Ralink Technology (Taiwan), Inc. | | | 1,833 | US\$ 791 | 3 US | |
| Auden Technology MFG Co., Ltd. | | | 953 | US\$ 223 | 4 US | |
| Preferred stock | | | | | | |
| eLCOS Microdisplay Technology, Ltd. | | Financial assets carried at cost | 2,667 | US\$ 3,500 | 8 US | |
| Alchip Technologies Limited | | | 3,531 | US\$ 2,950 | 15 US | |
| FangTek, Inc. | | | 6,930 | US\$ 3,250 | 20 US | |
| Kilopass Technology, Inc. | | | 3,887 | US\$ 2,000 | 6 US | |
| Memsic, Inc. | | | 2,289 | US\$ 1,560 | 7 US | |
| NanoAmp Solutions, Inc. | | | 375 | US\$ 1,500 | 1 US | |
| Sonics, Inc. | | | 2,115 | US\$ 3,082 | 6 US | |
| Open-end mutual funds | | | | | | |
| ABN AMRO Bond Fund | | Available-for-sale financial assets | 2,325 | \$ 35,041 | N/A | |
| Ta Chong Bond Fund | | | 2,306 | 30,037 | N/A | |
| Dresdner Bond DAM Fund | | | 2,592 | 30,036 | N/A | |
| NITC Taiwan Bond | | | 2,132 | 30,035 | N/A | |
| AIG Taiwan Bond Fund | | | 2,355 | 30,031 | N/A | |
| Fuh Hwa You Li Bond Fund | | | 2,018 | 25,035 | N/A | |
| Stock | | | | | | |
| Global Unichip Corporation | North America | Subsidiary | Investments accounted for using equity method | 100 | 6,396 | 100 |
| Global Unichip Japan | | Subsidiary | | | 2,681 | 100 |
| Government bond | | | | | | |
| United States Treas Nts | | | Available-for-sale financial assets | US\$ 151,045 | N/A | US |
| Corporate bonds | | | | | | |
| Abbott Labs | | | Available-for-sale financial assets | US\$ 1,505 | N/A | US |
| Abbott Labs | | | | US\$ 2,547 | N/A | US |
| Ace Ltd. | | | | US\$ 1,001 | N/A | US |
| Aig Sunamerica Global Fing Ix | | | | US\$ 1,000 | N/A | US |
| Allstate Life Global Fdg Secd | | | | US\$ 2,956 | N/A | US |

(Continued)

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| Company | Relationship with the | Financial Statement Account | December 31, 2006 | | |
|--------------------------------|-----------------------|-------------------------------------|--------------------------------|--|--|
| | | | Shares/Units (in thousands) | Carrying Value (in US\$ in thousands) | Percentage of Ownership (Net Value in US\$ thousands) |
| American Express Co. | | Available-for-sale financial assets | | US\$ 3,452 | N/A |
| American Gen Fin Corp. | | | | US\$ 1,620 | N/A |
| American Gen Fin Corp. Mtn | | | | US\$ 3,448 | N/A |
| American Gen Fin Corp. Mtn | | | | US\$ 1,971 | N/A |
| American Gen Fin Corp. Mtn | | | | US\$ 1,001 | N/A |
| American Honda Fin Corp. Mtn | | | | US\$ 3,092 | N/A |
| American Honda Fin Corp. Mtn | | | | US\$ 801 | N/A |
| Ameritech Capital Funding Co. | | | | US\$ 483 | N/A |
| Amgen Inc. | | | | US\$ 2,905 | N/A |
| Anz Cap Tr I | | | | US\$ 972 | N/A |
| Associates Corp. North Amer | | | | US\$ 2,541 | N/A |
| Axa Finl Inc. | | | | US\$ 2,151 | N/A |
| Bank New York Inc. | | | | US\$ 1,487 | N/A |
| Bank One Corp. | | | | US\$ 3,365 | N/A |
| Bank One Corp. | | | | US\$ 2,045 | N/A |
| Bank Utd Houston Tx Mtn | | | | US\$ 528 | N/A |
| Bear Stearns Cos Inc. | | | | US\$ 3,379 | N/A |
| Beneficial Corp. Mtn Bk Entry | | | | US\$ 2,297 | N/A |
| Berkshire Hathaway Fin Corp. | | | | US\$ 1,486 | N/A |
| Chase Manhattan Corp. New | | | | US\$ 5,077 | N/A |
| Chase Manhattan Corp. New | | | | US\$ 2,115 | N/A |
| Chubb Corp. | | | | US\$ 2,116 | N/A |
| Cit Group Hldgs Inc. | | | | US\$ 3,027 | N/A |
| Citicorp | | | | US\$ 1,372 | N/A |
| Cogentrix Energy Inc. | | | | US\$ 3,751 | N/A |
| Colonial Pipeline Co. | | | | US\$ 1,494 | N/A |
| Consolidated Edison Inc. | | | | US\$ 2,910 | N/A |
| Countrywide Fdg Corp. Mtn | | | | US\$ 2,037 | N/A |
| Credit Suisse Fincl Products | | | | US\$ 1,500 | N/A |
| Credit Suisse First Boston | | | | US\$ 734 | N/A |
| Credit Suisse First Boston USA | | | | US\$ 2,177 | N/A |
| Daimlerchrysler North Amer | | | | US\$ 977 | N/A |
| Daimlerchrysler North Amer Hld | | | | US\$ 751 | N/A |
| Dayton Hudson Corp. | | | | US\$ 2,020 | N/A |
| Deere John Cap Corp. | | | | US\$ 4,928 | N/A |
| Dell Computer Corp. | | | | US\$ 2,820 | N/A |
| Den Danske Bk Aktieselskab | | | | US\$ 2,019 | N/A |
| Diageo Plc | | | | US\$ 3,444 | N/A |
| Emerson Elec Co. | | | | US\$ 3,215 | N/A |
| European Invt Bk | | | | US\$ 3,970 | N/A |

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| Company | Relationship with the | Financial Statement Account | December 31, 2006 | | | |
|--------------------------------|-----------------------|-------------------------------------|--------------------------------|--|-----------------------------------|-------------------------------------|
| | | | Shares/Units (in thousands) | Carrying Value (in US\$ in thousands) | Percentage of Ownership (in %) | Net Value (in US\$ in thousands) |
| European Inv't Bk | | Available-for-sale financial assets | | US\$ 6,057 | N/A | US\$ |
| Federal Home Ln Bks | | | | US\$ 7,937 | N/A | US\$ |
| Fifth Third Bk Cincinnati Oh | | | | US\$ 2,427 | N/A | US\$ |
| Fleet Boston Corp. | | | | US\$ 2,643 | N/A | US\$ |
| Fleet Finl Group Inc. New | | | | US\$ 905 | N/A | US\$ |
| Fpl Group Cap Inc. | | | | US\$ 849 | N/A | US\$ |
| Ge Global Ins Hldg Corp. | | | | US\$ 1,915 | N/A | US\$ |
| General Elec Cap Corp. Mtn | | | | US\$ 3,888 | N/A | US\$ |
| General Elec Cap Corp. Mtn | | | | US\$ 8,759 | N/A | US\$ |
| General Elec Cap Corp. Mtn | | | | US\$ 8,282 | N/A | US\$ |
| General Elec Cap Corp. Mtn | | | | US\$ 2,119 | N/A | US\$ |
| General Re Corp. | | | | US\$ 3,292 | N/A | US\$ |
| Goldman Sachs Group Inc. | | | | US\$ 4,989 | N/A | US\$ |
| Goldman Sachs Group Inc. | | | | US\$ 3,456 | N/A | US\$ |
| Greenpoint Finl Corp. | | | | US\$ 968 | N/A | US\$ |
| Hancock John Global Fdg Ii Mtn | | | | US\$ 2,896 | N/A | US\$ |
| Hancock John Global Fdg Ii Mtn | | | | US\$ 5,132 | N/A | US\$ |
| Hancock John Global Fdg Mtn | | | | US\$ 975 | N/A | US\$ |
| Hartford Finl Svcs Group Inc. | | | | US\$ 5,037 | N/A | US\$ |
| Hartford Finl Svcs Group Inc. | | | | US\$ 1,345 | N/A | US\$ |
| Hbos Plc Medium Term Sr Nts | | | | US\$ 3,205 | N/A | US\$ |
| Hbos Plc Medium Term Sr Nts | | | | US\$ 2,952 | N/A | US\$ |
| Heller Finl Inc. | | | | US\$ 1,929 | N/A | US\$ |
| Hershey Foods Corp. | | | | US\$ 1,504 | N/A | US\$ |
| Household Fin Corp. | | | | US\$ 2,903 | N/A | US\$ |
| Household Fin Corp. | | | | US\$ 501 | N/A | US\$ |
| Household Intl Inc. | | | | US\$ 2,851 | N/A | US\$ |
| Hsbc Fin Corp. | | | | US\$ 3,028 | N/A | US\$ |
| Hsbc Fin Corp. Mtn | | | | US\$ 5,096 | N/A | US\$ |
| Huntington National Bank | | | | US\$ 1,886 | N/A | US\$ |
| Ing Sec Life Instl Fdg | | | | US\$ 2,483 | N/A | US\$ |
| International Business Machs | | | | US\$ 2,217 | N/A | US\$ |
| Intl Lease Fin Corp. Mtn | | | | US\$ 2,939 | N/A | US\$ |
| Intl Lease Fin Corp. Mtn | | | | US\$ 4,138 | N/A | US\$ |
| J P Morgan Chase + Co. | | | | US\$ 3,298 | N/A | US\$ |
| Jackson Natl Life Global Fdg | | | | US\$ 1,000 | N/A | US\$ |
| Key Bk Na Med Term Nts Bk Entr | | | | US\$ 4,401 | N/A | US\$ |
| KeyCorp. Mtn Book Entry | | | | US\$ 3,010 | N/A | US\$ |
| Kraft Foods Inc. | | | | US\$ 1,000 | N/A | US\$ |

(Continued)

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| Company | Relationship with the | Financial Statement Account | December 31, 2006 | | | |
|--------------------------------|-----------------------|-------------------------------------|--------------------------------|---------------------------------------|--------------------------------|----------------------------------|
| | | | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership (%) | Net Value (US\$ in thousands) |
| Lehman Brothers Hldgs Inc. | | Available-for-sale financial assets | | US\$ 1,626 | N/A | US\$ |
| Lehman Brothers Hldgs Inc. | | | | US\$ 487 | N/A | US\$ |
| Lehman Brothers Hldgs Inc. | | | | US\$ 989 | N/A | US\$ |
| Lehman Brothers Hldgs Inc. | | | | US\$ 3,150 | N/A | US\$ |
| Lehman Brothers Hldgs Inc. | | | | US\$ 1,077 | N/A | US\$ |
| Lincoln Natl Corp. In | | | | US\$ 500 | N/A | US\$ |
| Marshall + Ilsley Corp. | | | | US\$ 8,420 | N/A | US\$ |
| Mbna America Bank Na Y | | | | US\$ 6,403 | N/A | US\$ |
| Merita Bk Ltd. Ny Brh | | | | US\$ 501 | N/A | US\$ |
| Merrill Lynch + Co. Inc. | | | | US\$ 3,453 | N/A | US\$ |
| Merrill Lynch + Co. Inc. | | | | US\$ 1,985 | N/A | US\$ |
| Merrill Lynch + Co. Inc. | | | | US\$ 4,865 | N/A | US\$ |
| Metropolitan Life Global Mtn | | | | US\$ 3,369 | N/A | US\$ |
| Mgic Invt Corp. | | | | US\$ 1,204 | N/A | US\$ |
| Monumental Global Fdg II | | | | US\$ 1,468 | N/A | US\$ |
| Monumental Global Fdg II 2002a | | | | US\$ 1,000 | N/A | US\$ |
| Monunmetal Global Fdg II | | | | US\$ 1,961 | N/A | US\$ |
| Mony Group Inc. | | | | US\$ 2,175 | N/A | US\$ |
| Morgan Stanley | | | | US\$ 1,926 | N/A | US\$ |
| Morgan Stanley | | | | US\$ 2,126 | N/A | US\$ |
| National City Corp. | | | | US\$ 3,410 | N/A | US\$ |
| National Westminster Bk Plc | | | | US\$ 1,323 | N/A | US\$ |
| Nationwide Bldg Soc | | | | US\$ 3,537 | N/A | US\$ |
| Nationwide Life Global Fdg I | | | | US\$ 3,501 | N/A | US\$ |
| Nationwide Life Global Mtn | | | | US\$ 1,485 | N/A | US\$ |
| Nucor Corp. | | | | US\$ 3,797 | N/A | US\$ |
| Oracle Corp. / Ozark Hldg Inc. | | | | US\$ 1,973 | N/A | US\$ |
| Pepsico Inc. Mtn Book Entry | | | | US\$ 3,619 | N/A | US\$ |
| Pnc Fdg Corp. | | | | US\$ 1,007 | N/A | US\$ |
| Popular North Amer Inc. | | | | US\$ 2,910 | N/A | US\$ |
| Praxair Inc. | | | | US\$ 3,138 | N/A | US\$ |
| Premark Intl Inc. | | | | US\$ 2,729 | N/A | US\$ |
| Pricoa Global Fdg I Mtn | | | | US\$ 3,401 | N/A | US\$ |
| Principal Finl Group Australia | | | | US\$ 1,013 | N/A | US\$ |
| Principal Life Global Fdg I Gl | | | | US\$ 1,165 | N/A | US\$ |
| Protective Life Secd Trs | | | | US\$ 2,913 | N/A | US\$ |
| Protective Life Secd Trs Mtn | | | | US\$ 3,390 | N/A | US\$ |
| Prudential Ins Co. Amer | | | | US\$ 2,629 | N/A | US\$ |
| Public Svc Elec Gas Co. | | | | US\$ 3,682 | N/A | US\$ |
| Regions Finl Corp. New | | | | US\$ 2,371 | N/A | US\$ |

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| Company | Relationship with the | Financial Statement Account | December 31, 2006 | | | |
|--|-----------------------|-------------------------------------|--------------------------------|--|-----------------------------------|-------------------------------------|
| | | | Shares/Units (in thousands) | Carrying Value (in US\$ in thousands) | Percentage of Ownership (in %) | Net Value (in US\$ in thousands) |
| Safeco Corp. | | Available-for-sale financial assets | | US\$ 715 | N/A | US\$ |
| Sbc Communications Inc. | | | | US\$ 1,041 | N/A | US\$ |
| Sbc Communications Inc. | | | | US\$ 697 | N/A | US\$ |
| Simon Pty Group Lp | | | | US\$ 1,009 | N/A | US\$ |
| Slm Corp. Medium Term Nts | | | | US\$ 8,998 | N/A | US\$ |
| Sp Powerasests Ltd. Global | | | | US\$ 969 | N/A | US\$ |
| St Paul Cos Inc. Mtn Bk Ent | | | | US\$ 2,550 | N/A | US\$ |
| Suntrust Bk Atlanta Ga Medium | | | | US\$ 3,442 | N/A | US\$ |
| Tiaa Global Mkts Inc. | | | | US\$ 500 | N/A | US\$ |
| Unitedhealth Group Inc. | | | | US\$ 3,000 | N/A | US\$ |
| Us Bk Natl Assn Cincinnati Oh | | | | US\$ 2,915 | N/A | US\$ |
| Vodafone Airtouch Plc | | | | US\$ 4,449 | N/A | US\$ |
| Wachovia Corp. New | | | | US\$ 2,040 | N/A | US\$ |
| Washington Mut Bk Fa | | | | US\$ 3,997 | N/A | US\$ |
| Washington Mut Inc. | | | | US\$ 1,692 | N/A | US\$ |
| Washington Mut Inc. | | | | US\$ 1,000 | N/A | US\$ |
| Washington Post Co. | | | | US\$ 3,001 | N/A | US\$ |
| Wells Fargo + Co. New | | | | US\$ 2,943 | N/A | US\$ |
| Wells Fargo + Co. New Med Trm | | | | US\$ 4,311 | N/A | US\$ |
| Westfield Cap Corp. Ltd. | | | | US\$ 2,005 | N/A | US\$ |
| Wps Resources Corp. | | | | US\$ 1,047 | N/A | US\$ |
| Corporate issued asset - backed securities | | | | | | |
| American Home Mtg Invt Tr | | Available-for-sale financial assets | | US\$ 116 | N/A | US\$ |
| Americredit Auto Rec Tr | | | | US\$ 1,004 | N/A | US\$ |
| Americredit Automobile Rec Tr | | | | US\$ 1,116 | N/A | US\$ |
| Americredit Automobile Rec Tr | | | | US\$ 2,598 | N/A | US\$ |
| Americredit Automobile Rec Tr | | | | US\$ 3,269 | N/A | US\$ |
| Americredit Automobile Receiva | | | | US\$ 4,609 | N/A | US\$ |
| Americredit Automobile Receivb | | | | US\$ 2,891 | N/A | US\$ |
| Atlantic City Elc Trns Fdglc | | | | US\$ 420 | N/A | US\$ |
| Ba Cr Card Tr | | | | US\$ 4,300 | N/A | US\$ |
| Banc Amer Coml Mtg Inc. | | | | US\$ 2,869 | N/A | US\$ |
| Banc Amer Fdg 2006 I Tr | | | | US\$ 4,332 | N/A | US\$ |
| Bank Of Amer Lease Equip Tr | | | | US\$ 1,057 | N/A | US\$ |
| Bear Stearns Alt A Tr | | | | US\$ 628 | N/A | US\$ |
| Bear Stearns Arm Tr | | | | US\$ 3,480 | N/A | US\$ |
| Bear Stearns Arm Tr | | | | US\$ 1,951 | N/A | US\$ |
| Bear Stearns Coml Mtg Secs Inc. | | | | US\$ 6,358 | N/A | US\$ |

Bear Stearns Coml Mtg Secs Inc.

US\$ 3,541 N/A US\$
(Continued)

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| Company | Relationship with the | Marketable Securities Type and Name | Company | Financial Statement Account | December 31, 2006 | | | |
|---------|-----------------------|-------------------------------------|---------|-------------------------------------|--------------------------------|--|-------------------------|-------------------------------------|
| | | | | | Shares/Units (in thousands) | Carrying Value (in US\$ in thousands) | Percentage of Ownership | Net Value (in US\$ in thousands) |
| | | Capital Auto Receivables Asset | | Available-for-sale financial assets | | US\$ 3,243 | N/A | US\$ |
| | | Capital One Auto Fin Tr | | | | US\$ 2,618 | N/A | US\$ |
| | | Capital One Auto Fin Tr | | | | US\$ 2,986 | N/A | US\$ |
| | | Capital One Auto Fin Tr | | | | US\$ 4,998 | N/A | US\$ |
| | | Capital One Multi Asset Execut | | | | US\$ 3,941 | N/A | US\$ |
| | | Capital One Multi Asset Execut | | | | US\$ 2,963 | N/A | US\$ |
| | | Capital One Prime Auto Rec | | | | US\$ 3,981 | N/A | US\$ |
| | | Capital One Prime Auto Receiv | | | | US\$ 2,507 | N/A | US\$ |
| | | Caterpillar Finl Asset Tr | | | | US\$ 1,525 | N/A | US\$ |
| | | Caterpillar Finl Asset Tr | | | | US\$ 8,142 | N/A | US\$ |
| | | Cbass Tr | | | | US\$ 4,262 | N/A | US\$ |
| | | Cendant Rent Car Fdg Aesop Llc | | | | US\$ 9,297 | N/A | US\$ |
| | | Cit Equip Coll Tr | | | | US\$ 1,899 | N/A | US\$ |
| | | Cit Equip Coll Tr | | | | US\$ 3,985 | N/A | US\$ |
| | | Citibank Cr Card Issuance Tr | | | | US\$ 9,864 | N/A | US\$ |
| | | Citibank Cr Card Issuance Tr | | | | US\$ 2,688 | N/A | US\$ |
| | | CitiCorp. Mtg Secs | | | | US\$ 582 | N/A | US\$ |
| | | Cnh Equip Tr | | | | US\$ 1,984 | N/A | US\$ |
| | | Credit Suisse First Boston Mtg | | | | US\$ 3,740 | N/A | US\$ |
| | | Credit Suisse First Boston Mtg | | | | US\$ 3,576 | N/A | US\$ |
| | | Credit Suisse First Boston Mtg | | | | US\$ 444 | N/A | US\$ |
| | | Cwabs | | | | US\$ 4,261 | N/A | US\$ |
| | | Cwabs Inc. | | | | US\$ 224 | N/A | US\$ |
| | | Cwmbs Inc. | | | | US\$ 893 | N/A | US\$ |
| | | Daimlerchrysler Auto Tr | | | | US\$ 4,315 | N/A | US\$ |
| | | Daimlerchrysler Auto Tr | | | | US\$ 1,695 | N/A | US\$ |
| | | Deere John Owner Tr | | | | US\$ 2,452 | N/A | US\$ |
| | | Drive Auto Receivables Tr | | | | US\$ 3,191 | N/A | US\$ |
| | | Fifth Third Auto Tr | | | | US\$ 12 | N/A | US\$ |
| | | First Franklin Mtg Ln Tr | | | | US\$ 4,290 | N/A | US\$ |
| | | First Horizon Abs Tr | | | | US\$ 528 | N/A | US\$ |
| | | First Union Lehman Bros Mtg Tr | | | | US\$ 1,715 | N/A | US\$ |
| | | Ford Credit Auto Owner Trust | | | | US\$ 4,324 | N/A | US\$ |
| | | Ge Cap Cr Card Master Nt Tr | | | | US\$ 2,846 | N/A | US\$ |
| | | Granite Mtgs Plc | | | | US\$ 564 | N/A | US\$ |
| | | Gs Mtg Secs Corp. | | | | US\$ 4,145 | N/A | US\$ |
| | | Gsamp Tr | | | | US\$ 4,251 | N/A | US\$ |
| | | Harley Davidson Motorcycle Tr | | | | US\$ 150 | N/A | US\$ |
| | | Harley Davidson Motorcycle Tr | | | | US\$ 5,825 | N/A | US\$ |

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| Company | Relationship with the | Financial Statement Account | December 31, 2006 | | | |
|---------------------------------|-----------------------|-------------------------------------|--------------------------------|--|-----------------------------------|-------------------------------------|
| | | | Shares/Units (in thousands) | Carrying Value (in US\$ in thousands) | Percentage of Ownership (in %) | Net Value (in US\$ in thousands) |
| Hertz Veh Fing Llc | | Available-for-sale financial assets | | US\$ 5,319 | N/A | US\$ |
| Holmes Fing No 8 Plc | | | | US\$ 5,000 | N/A | US\$ |
| Home Equity Mtg Tr 2006 4 | | | | US\$ 4,222 | N/A | US\$ |
| Hsbc Automotive Tr | | | | US\$ 2,980 | N/A | US\$ |
| Hyundai Auto Receivables Tr | | | | US\$ 5,537 | N/A | US\$ |
| Hyundai Auto Receivables Tr | | | | US\$ 3,212 | N/A | US\$ |
| Hyundai Auto Receivables Tr | | | | US\$ 3,928 | N/A | US\$ |
| Impac Cmb Tr | | | | US\$ 308 | N/A | US\$ |
| Impac Cmb Tr | | | | US\$ 238 | N/A | US\$ |
| Lb Ubs Coml Mtg Tr | | | | US\$ 3,493 | N/A | US\$ |
| Long Beach Mtg Ln Tr | | | | US\$ 3,203 | N/A | US\$ |
| Mastr Asset Backed | | | | US\$ 4,224 | N/A | US\$ |
| Mbna Master Cr Card Tr II | | | | US\$ 7,605 | N/A | US\$ |
| Merrill Lynch Mtg Invs Inc. | | | | US\$ 5,887 | N/A | US\$ |
| Morgan Stanley Ixis Estate Tr | | | | US\$ 4,110 | N/A | US\$ |
| National City Auto Receivables | | | | US\$ 41 | N/A | US\$ |
| Navistar Finl 2003 A Owner Tr | | | | US\$ 2,956 | N/A | US\$ |
| Nissan Auto Receivables | | | | US\$ 72 | N/A | US\$ |
| Nissan Auto Receivables | | | | US\$ 3,928 | N/A | US\$ |
| Nomura Asset Accep Corp. | | | | US\$ 4,150 | N/A | US\$ |
| Onyx Accep Owner Tr | | | | US\$ 3,774 | N/A | US\$ |
| Pg+E Energy Recovery Fdg Llc | | | | US\$ 3,997 | N/A | US\$ |
| Providian Gateway Owner Tr | | | | US\$ 3,942 | N/A | US\$ |
| Reliant Energy Transition Bd | | | | US\$ 2,486 | N/A | US\$ |
| Residential Asset Mtg Prods | | | | US\$ 2,484 | N/A | US\$ |
| Residential Asset Sec Mtg Pass | | | | US\$ 1,865 | N/A | US\$ |
| Residential Asset Sec Mtg Pass | | | | US\$ 2,711 | N/A | US\$ |
| Residential Fdg Mtg Secs I Inc. | | | | US\$ 2,014 | N/A | US\$ |
| Residential Fdg Mtg Secs I Inc. | | | | US\$ 4,058 | N/A | US\$ |
| Sequoia Mtg Tr | | | | US\$ 548 | N/A | US\$ |
| Sequoia Mtg Tr | | | | US\$ 496 | N/A | US\$ |
| Sequoia Mtg Tr | | | | US\$ 737 | N/A | US\$ |
| Structured Adj Rate Mtg Ln Tr | | | | US\$ 1,389 | N/A | US\$ |
| Structured Adj Rate Mtg Ln Tr | | | | US\$ 472 | N/A | US\$ |
| Terwin Mtg Tr | | | | US\$ 4,065 | N/A | US\$ |
| Tw Hotel Fdg 2005 Llc | | | | US\$ 4,103 | N/A | US\$ |
| Txu Elec Delivery Transition | | | | US\$ 2,219 | N/A | US\$ |
| Usaa Auto Owner Tr | | | | US\$ 4,238 | N/A | US\$ |
| Wamu Mtg Pass Thru Ctf | | | | US\$ 1,002 | N/A | US\$ |
| Wamu Tr | | | | US\$ 975 | N/A | US\$ |

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| Company | Relationship with the | Financial Statement Account | December 31, 2006 | | | |
|-------------------------------------|-----------------------|-------------------------------------|---|--|----------------------------|-------------------------------------|
| | | | Shares/Units (in US\$ in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Value (US\$ thousands) |
| Marketable Securities Type and Name | Company | | | | | |
| Washington Mut Mtg Pass | | Available-for-sale financial assets | US\$ 1,759 | N/A | US\$ | |
| Washington Mut Mtg Secs Corp. | | | US\$ 2,984 | N/A | US\$ | |
| Wells Fargo Finl Auto Owner Tr | | | US\$ 4,986 | N/A | US\$ | |
| Wells Fargo Finl Auto Owner Tr | | | US\$ 4,926 | N/A | US\$ | |
| Wells Fargo Mtg Backed Secs | | | US\$ 4,367 | N/A | US\$ | |
| Wells Fargo Mtg Bkd Secs | | | US\$ 2,856 | N/A | US\$ | |
| Wells Fargo Mtg Bkd Secs | | | US\$ 3,399 | N/A | US\$ | |
| Wells Fargo Mtg Bkd Secs Tr | | | US\$ 2,748 | N/A | US\$ | |
| Wfs Finl | | | US\$ 620 | N/A | US\$ | |
| Wfs Finl 2004 4 Owner Tr | | | US\$ 932 | N/A | US\$ | |
| Wfs Finl 2005 2 Oner Tr | | | US\$ 2,220 | N/A | US\$ | |
| Whole Auto Ln Tr | | | US\$ 1,219 | N/A | US\$ | |
| Whole Auto Ln Tr | | | US\$ 2,955 | N/A | US\$ | |
| Agency bond | | | | | | |
| Federal Home Ln Bks | | Available-for-sale financial assets | US\$ 8,768 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 4,920 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 8,743 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 4,856 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 5,851 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 7,952 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 4,885 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 2,991 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 6,099 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 12,279 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 6,905 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 5,898 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 7,506 | N/A | US\$ | |
| Federal Home Ln Bks | | | US\$ 2,386 | N/A | US\$ | |
| Federal Home Ln Mtg Corp. | | | US\$ 1,976 | N/A | US\$ | |
| Federal Home Ln Mtg Corp. | | | US\$ 5,948 | N/A | US\$ | |
| Federal Home Ln Mtg Corp. | | | US\$ 6,440 | N/A | US\$ | |
| Federal Home Loan Banks | | | US\$ 8,049 | N/A | US\$ | |
| Federal Natl Mtg Assn | | | US\$ 4,365 | N/A | US\$ | |
| Federal Natl Mtg Assn | | | US\$ 5,915 | N/A | US\$ | |
| Federal Natl Mtg Assn | | | US\$ 3,943 | N/A | US\$ | |
| Federal Natl Mtg Assn | | | US\$ 7,868 | N/A | US\$ | |
| Federal Natl Mtg Assn | | | US\$ 19,766 | N/A | US\$ | |
| Federal Natl Mtg Assn | | | US\$ 14,973 | N/A | US\$ | |

(Continued)

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| | | | December 31, 2006 | | |
|-------------------------------------|-------------------------------|-------------------------------------|-------------------|---------------------|------------|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units | Carrying Value | Percentage |
| | | | (in Thousands) | (US\$ in Thousands) | Owned |
| General Natl Mtg Assn | | Available-for-sale financial assets | | US\$ 10,467 | N/A |
| General Natl Mtg Assn | | " | | US\$ 6,511 | N/A |
| General Natl Mtg Assn | | " | | US\$ 3,000 | N/A |
| General Natl Mtg Assn Medium | | " | | US\$ 3,415 | N/A |
| General Natl Mtg Assn Mtn | | " | | US\$ 2,914 | N/A |
| General Natl Mtg Assn Mtn | | " | | US\$ 2,900 | N/A |
| General Natl Mtg Assn Mtn | | " | | US\$ 5,318 | N/A |
| Tennessee Valley Auth | | " | | US\$ 6,024 | N/A |
| Home Ln Pc Pool 1H2520 | | " | | US\$ 3,100 | N/A |
| Home Ln Pc Pool 1H2524 | | " | | US\$ 2,354 | N/A |
| Home Ln Pc Pool 781959 | | " | | US\$ 6,040 | N/A |
| Home Ln Pc Pool 847628 | | " | | US\$ 3,796 | N/A |
| Home Ln Pc Pool B19205 | | " | | US\$ 8,560 | N/A |
| Home Ln Pc Pool E89857 | | " | | US\$ 1,595 | N/A |
| Home Ln Pc Pool G11295 | | " | | US\$ 1,371 | N/A |
| Home Ln Pc Pool M80855 | | " | | US\$ 3,287 | N/A |
| General Home Ln Mtg | | " | | US\$ 3,019 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 2,208 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,917 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,626 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,076 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 4,464 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 1,389 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,176 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,738 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,216 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 1,356 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 8,535 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,409 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 2,976 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 4,502 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 2,965 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 3,743 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 4,381 | N/A |
| General Home Ln Mtg Corp. | | " | | US\$ 4,223 | N/A |
| General Natl Mtg Assn | | " | | US\$ 2,807 | N/A |
| General Natl Mtg Assn | | " | | US\$ 259 | N/A |
| General Natl Mtg Assn | | " | | US\$ 3,158 | N/A |
| General Natl Mtg Assn | | " | | US\$ 2,465 | N/A |

(Continued)

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| | | | December 31, 2006 | | |
|-------------------------------------|-------------------------------|--|-------------------|------------------------------------|-------------------------|
| Investible Securities Type and Name | Relationship with the Company | Financial Statement Account (in Thousands) | Shares/Units | Carrying Value (US\$ in Thousands) | Percentage of Ownership |
| | | | | | |
| Central Natl Mtg Assn | | Available-for-sale financial assets | | US\$ 4,290 | N/A |
| Central Natl Mtg Assn | | " | | US\$ 1,994 | N/A |
| Central Natl Mtg Assn | | " | | US\$ 4,339 | N/A |
| Central Natl Mtg Assn | | " | | US\$ 632 | N/A |
| Central Natl Mtg Assn Gtd | | " | | US\$ 2,215 | N/A |
| Central Natl Mtg Assn Gtd | | " | | US\$ 2,239 | N/A |
| China Pool 254507 | | " | | US\$ 1,616 | N/A |
| China Pool 254834 | | " | | US\$ 1,417 | N/A |
| China Pool 255883 | | " | | US\$ 3,490 | N/A |
| China Pool 555549 | | " | | US\$ 1,616 | N/A |
| China Pool 632399 | | " | | US\$ 434 | N/A |
| China Pool 662401 | | " | | US\$ 659 | N/A |
| China Pool 667766 | | " | | US\$ 1,574 | N/A |
| China Pool 680932 | | " | | US\$ 1,307 | N/A |
| China Pool 681393 | | " | | US\$ 2,749 | N/A |
| China Pool 685116 | | " | | US\$ 629 | N/A |
| China Pool 687863 | | " | | US\$ 2,647 | N/A |
| China Pool 696485 | | " | | US\$ 3,194 | N/A |
| China Pool 703711 | | " | | US\$ 538 | N/A |
| China Pool 725095 | | " | | US\$ 1,204 | N/A |
| China Pool 730033 | | " | | US\$ 1,470 | N/A |
| China Pool 740934 | | " | | US\$ 1,415 | N/A |
| China Pool 790828 | | " | | US\$ 2,559 | N/A |
| China Pool 793025 | | " | | US\$ 2,466 | N/A |
| China Pool 793932 | | " | | US\$ 631 | N/A |
| China Pool 794040 | | " | | US\$ 825 | N/A |
| China Pool 795548 | | " | | US\$ 411 | N/A |
| China Pool 806642 | | " | | US\$ 1,235 | N/A |
| China Pool 813641 | | " | | US\$ 3,720 | N/A |
| China Pool 815626 | | " | | US\$ 2,945 | N/A |
| China Pool 816594 | | " | | US\$ 2,067 | N/A |
| China Pool 825395 | | " | | US\$ 2,818 | N/A |
| China Pool 825398 | | " | | US\$ 4,224 | N/A |
| China Pool 841069 | | " | | US\$ 2,882 | N/A |
| China Pool 879906 | | " | | US\$ 1,636 | N/A |
| China Li Pool 081150 | | " | | US\$ 613 | N/A |
| China Li Pool 081153 | | " | | US\$ 2,119 | N/A |
| Money market funds | | | | | |
| USA Cash Mgmt Global Offshore | | | | US\$ 20,488 | N/A |

Available-for-sale financial
assets

(Concluded)

- 63 -

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
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 YEAR ENDED DECEMBER 31, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Financial Statement | Nature of Shares/Units | Beginning Balance | | Acquisition | | Disposal | |
|-------------------------------------|---|---------------------|----------------|---------------------|----------------|---------------------|---------------------|
| | | Amount | Shares/Units | Amount | Shares/Units | Amount | Amount |
| Account | Counter-party Relationship (in Thousands) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) | (in Thousands) | (US\$ in Thousands) | (US\$ in Thousands) |
| Available-for-sale financial assets | | US\$ 6,881 | | US\$ | | US\$ 6,866 | |
| " | | US\$ 46,173 | | US\$ 268,521 | | US\$ 310,469 | |
| " | KGI Securities Co., Ltd. and several financial institutions | \$ | | \$ 1,005,115 | | \$ | |
| " | KGI Securities Co., Ltd. and several financial institutions | | | 998,324 | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | | | 3,658,659 | | | |
| Held-to-maturity financial assets | | | | | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | 2,548,977 | | 499,084 | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | | | 1,647,823 | | | |
| " | JP Morgan Chase Bank | | | 827,820 | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | 149,441 | | 647,445 | | | |

| | | | | | | | | | |
|-------------------------------------|---|---------|-----------|---------|--|-----------|--------|--|---------|
| | financial institutions | | | | | | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | | | | | 401,728 | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | | | | | 367,600 | | | |
| " | KGI Securities Co., Ltd. and several financial institutions | | | | | 249,998 | | | |
| " | JP Morgan Chase Bank | | | | | 87,461 | | | |
| Available-for-sale financial assets | National Investment Trust Co., Ltd. | 3,764 | 610,864 | 18,455 | | 3,000,000 | | | |
| " | ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 134,906 | 2,004,862 | 40,250 | | 600,000 | | | |
| " | Fuh Hwa Investment Trust Co. | | | 125,122 | | 1,655,781 | | | |
| " | Mega Investment Trust Corporation | | | 139,333 | | 1,600,000 | | | |
| " | Cathay Securities Investment Trust Co., Ltd. | | | 103,751 | | 1,500,000 | | | |
| " | Allianz Dresdner Securities Investment Consulting Co., Ltd. | | | 93,312 | | 1,300,000 | | | |
| " | JF Asset Management (Taiwan) Ltd. | 62,009 | 933,430 | 23,136 | | 350,000 | | | |
| " | | | | 122,762 | | 1,400,000 | 13,042 | | 150,000 |

| | | | | | | | |
|---|--|--------|---------|--------|-----------|--------|---------|
| " | National Investment Trust Co., Ltd. JIH SUN Investment Trust (Taiwan) Ltd. | | | 88,165 | 1,200,000 | | |
| " | JF Asset Management (Taiwan) Ltd. | 69,303 | 792,068 | 34,914 | 400,000 | 8,664 | 100,000 |
| " | Fuh Hwa Investment Trust Co. | | | 63,947 | 1,000,000 | | |
| " | HSBC Investment (Taiwan) Ltd. | | | 72,002 | 1,100,000 | 6,506 | 100,000 |
| " | AGI Securities Investment Trust (Taiwan) Ltd. | | | 78,629 | 1,000,000 | | |
| " | ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 63,131 | 875,416 | 14,399 | 200,000 | 10,704 | 150,000 |
| " | Fuh Hwa Investment Trust Co. | 55,063 | 778,482 | 17,617 | 250,000 | 10,497 | 150,000 |
| " | ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 18,235 | 203,860 | 93,738 | 1,050,000 | 35,380 | 400,000 |
| " | Uni-President Assets Management Corp. | | | 78,624 | 800,000 | | |

(Continued)

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| 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) | Amount (US\$ in thousands) |
| Available-for-sale financial assets | Polaris International Securities Investment Trust Co., Ltd. | | | \$ | 63,273 | \$ | 700,000 | \$ |
| " | Shinkong Securities Investment Trust (Taiwan) Ltd. | | | | 56,812 | | 700,000 | 150,000 |
| " | Taiwan International Securities Corp. | | | | 47,667 | | 700,000 | 200,007 |
| " | Taishin Securities Investment Trust (Taiwan) Ltd. | | | | 27,176 | | 403,727 | |
| " | Invesco Asset management Taiwan | | | | 89,510 | | 1,000,000 | 1,005,781 |
| " | Taishin Securities Investment Trust (Taiwan) Ltd. | | | | 44,180 | | 500,000 | 503,727 |
| Investment accounted for using equity method | | Equity method investee | | 382 | 4,215,200 | 81 | 2,432,705 | |
| Investment accounted for using equity method | | Subsidiary | | | 642,479 | | 130,956 | |
| " | | " | | | | | 243,545 | |

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| | | | | | |
|--|---|------------|------------|------------|---|
| Held-to-maturity financial assets | KGI Securities Co., Ltd. | 3,263,349 | 1,690,567 | | |
| " | KGI Securities Co., Ltd. | 1,093,283 | 2,769,533 | | |
| " | KGI Securities Co., Ltd. | 2,150,842 | 1,097,943 | | |
| " | KGI Securities Co., Ltd. and several financial institutions | 705,436 | 1,000,441 | | |
| " | KGI Securities Co., Ltd. | 1,010,532 | 1,000,000 | | |
| " | KGI Securities Co., Ltd. and several financial institutions | 268,855 | 379,809 | | |
| " | KGI Securities Co., Ltd. | | 283,996 | | |
| Available-for-sale financial assets | HSBC | | 1,526,049 | | |
| " | HSBC | | 1,144,877 | | |
| " | KGI Securities Co., Ltd. | | 1,046,302 | | |
| " | KGI Securities Co., Ltd. | | 397,076 | | |
| " | | US\$ 3,550 | | US\$ 3,432 | U |
| " | | | US\$ 3,415 | US\$ 3,446 | U |
| " | | | US\$ 3,087 | US\$ 3,095 | U |
| " | | US\$ 3,800 | | US\$ 3,805 | U |
| " | | | US\$ 3,326 | US\$ 3,325 | U |
| " | | US\$ 3,329 | | US\$ 3,340 | U |
| " | | US\$ 3,757 | | US\$ 3,575 | U |
| " | | | US\$ 3,337 | US\$ 3,370 | U |
| " | | US\$ 5,721 | | US\$ 5,761 | U |
| " | | US\$ 1,628 | US\$ 3,540 | US\$ 5,091 | U |
| " | | US\$ 3,203 | | US\$ 3,036 | U |
| " | | US\$ 2,885 | US\$ 1,132 | US\$ 3,777 | U |
| " | | US\$ 5,210 | | US\$ 5,001 | U |
| " | | US\$ 4,141 | | US\$ 4,003 | U |
| " | | | US\$ 4,911 | US\$ 4,899 | U |
| " | | US\$ 5,079 | | US\$ 5,013 | U |
| " | | US\$ 3,459 | | US\$ 3,436 | U |
| " | | US\$ 8,315 | | US\$ 8,002 | U |
| " | | US\$ 3,918 | | US\$ 3,930 | U |
| " | | | US\$ 5,995 | US\$ 5,994 | U |
| " | | | US\$ 7,937 | US\$ 7,937 | U |
| " | | | US\$ 3,351 | US\$ 3,399 | U |

(Continued)

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| 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) | |
| | Available-for-sale financial assets | | | | US\$ 3,989 | | US\$ | |
| | " | | | | US\$ 8,862 | | | US\$ |
| | " | | | | US\$ 3,500 | | | US\$ |
| | " | | | | US\$ 3,412 | | | US\$ |
| | " | | | | US\$ 4,981 | | | US\$ |
| | " | | | | US\$ 3,477 | | | US\$ |
| | " | | | | US\$ 3,566 | | | US\$ |
| | " | | | | | | US\$ 3,808 | US\$ |
| | " | | | | | | US\$ 5,016 | US\$ |
| | " | | | | US\$ 3,201 | | | US\$ |
| | " | | | | US\$ 3,373 | | | US\$ |
| | " | | | | US\$ 3,284 | | | US\$ |
| | " | | | | US\$ 5,097 | | | US\$ |
| | " | | | | US\$ 2,471 | | US\$ 4,100 | US\$ |
| | " | | | | US\$ 3,406 | | | US\$ |
| | " | | | | US\$ 3,663 | | | US\$ |
| | " | | | | US\$ 4,450 | | | US\$ |
| | " | | | | US\$ 3,500 | | | US\$ |
| | " | | | | | | US\$ 3,006 | US\$ |
| | " | | | | US\$ 3,486 | | | US\$ |
| | " | | | | US\$ 4,900 | | | US\$ |
| | " | | | | US\$ 1,907 | | US\$ 1,419 | US\$ |
| | " | | | | | | US\$ 3,348 | US\$ |
| | " | | | | US\$ 4,507 | | | US\$ |
| | " | | | | US\$ 3,426 | | | US\$ |
| | " | | | | US\$ 3,457 | | | US\$ |
| | " | | | | US\$ 3,000 | | | US\$ |
| | " | | | | | | US\$ 3,491 | US\$ |
| | " | | | | | | US\$ 3,828 | US\$ |
| | " | | | | US\$ 3,818 | | | US\$ |
| | " | | | | | | US\$ 3,180 | US\$ |
| | " | | | | US\$ 3,500 | | | US\$ |
| | " | | | | | | US\$ 3,394 | US\$ |
| | " | | | | US\$ 3,225 | | US\$ 483 | US\$ |
| | " | | | | US\$ 4,998 | | | US\$ |
| | " | | | | US\$ 2,950 | | US\$ 6,012 | US\$ |
| | " | | | | | | US\$ 3,409 | US\$ |
| | " | | | | US\$ 4,735 | | | US\$ |

| | | | |
|--|-------------|------------|------|
| " | US\$ 3,182 | | US\$ |
| " | US\$ 3,697 | | US\$ |
| " | | US\$ 6,076 | US\$ |
| available-for-sale financial assets | | US\$ 3,249 | US\$ |
| " | US\$ 5,000 | | US\$ |
| " | US\$ 4,949 | | US\$ |
| " | US\$ 4,462 | | US\$ |
| " | | US\$ 3,826 | US\$ |
| " | US\$ 6,350 | | US\$ |
| " | | US\$ 3,250 | US\$ |
| " | | US\$ 5,000 | US\$ |
| " | US\$ 4,957 | | US\$ |
| " | US\$ 3,974 | | US\$ |
| " | US\$ 8,219 | | US\$ |
| " | US\$ 11,626 | | US\$ |
| " | | US\$ 3,975 | US\$ |

(Continued)

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| Company Name | Name | Financial Type and Statement | Nature | Beginning | Acquisition | Disposal (Note 1) | | Gain (Loss) on Disposal | Ending Balance |
|--------------|---------------------------------|-------------------------------------|--------|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| | | | | Amount | Amount | Amount | Carrying Value | | |
| | | | | Shares/Units | Shares/Units | Amount | Value | | |
| | | | | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) |
| | Citibank Cr Card Issuance TA | Available-for-sale financial assets | | US\$ 9,782 | US\$ | US\$ 9,797 | US\$ 9,782 | US\$ 15 | |
| | Cnh Equip Tr | | | US\$ 5,000 | | US\$ 3,457 | US\$ 3,500 | US\$ (43) | |
| | Credit Suisse First Boston Mtg | | | | US\$ 4,773 | US\$ 4,834 | US\$ 4,773 | US\$ 61 | |
| | Credit Suisse First Boston Mtg | | | | US\$ 3,750 | US\$ 3,728 | US\$ 3,750 | US\$ (22) | |
| | Credit Suisse First Boston Mtg | | | | | US\$ 3,572 | US\$ 3,566 | US\$ (6) | |
| | Drive Auto Receivables Tr | | | US\$ 3,200 | | US\$ 3,183 | US\$ 3,200 | US\$ (17) | |
| | Federal Natl Mtg Assn | | | | US\$ 4,828 | US\$ 4,577 | US\$ 4,561 | US\$ 16 | |
| | Ford Cr Auto Owner Tr | | | US\$ 10,908 | | US\$ 5,782 | US\$ 5,836 | US\$ (54) | |
| | Gs Mtg Secs Corp. | | | | US\$ 4,150 | US\$ 4,134 | US\$ 4,150 | US\$ (16) | |
| | Gsamp Tr | | | | US\$ 4,250 | US\$ 4,241 | US\$ 4,250 | US\$ (9) | |
| | Harley Davidson Motorcycle Tr | | | US\$ 5,999 | | US\$ 5,793 | US\$ 5,999 | US\$ (206) | |
| | Hertz Veh Fing Llc | | | US\$ 5,350 | | US\$ 5,284 | US\$ 5,350 | US\$ (66) | |
| | Holmes Fing No 8 Plc | | | US\$ 5,001 | | US\$ 5,000 | US\$ 5,001 | | |
| | Home Equity Mtg Tr 2006 4 | | | | US\$ 4,200 | US\$ 4,200 | US\$ 4,200 | | |
| | Hyundai Auto Receivables Tr | | | US\$ 6,442 | | US\$ 6,202 | US\$ 6,279 | US\$ (77) | |
| | Hyundai Auto Receivables Tr | | | US\$ 3,250 | | US\$ 3,208 | US\$ 3,250 | US\$ (42) | |
| | Hyundai Auto Receivables Tr | | | US\$ 3,999 | | US\$ 3,904 | US\$ 3,999 | US\$ (95) | |
| | Lb Ubs Coml Mtg Tr | | | US\$ 4,001 | | US\$ 3,733 | US\$ 3,779 | US\$ (46) | |
| | Long Beach Mtg Ln Tr | | | | US\$ 3,200 | US\$ 3,195 | US\$ 3,200 | US\$ (5) | |
| | Massachusetts Rrb Spl Purp Tr | | | US\$ 3,900 | | US\$ 3,830 | US\$ 3,900 | US\$ (70) | |
| | Mastr Asset Backed Secs Tr | | | US\$ 3,499 | | US\$ 3,083 | US\$ 3,079 | US\$ 4 | |
| | Mbna Master Cr Card Tr Ii | | | US\$ 8,108 | | US\$ 7,653 | US\$ 8,108 | US\$ (455) | |
| | Merrill Lynch Mtg Invs Inc. | | | | US\$ 6,665 | US\$ 6,561 | US\$ 6,558 | US\$ 3 | |
| | Navistar Finl 2003 A Owner Tr | | | US\$ 4,928 | | US\$ 3,994 | US\$ 4,035 | US\$ (41) | |
| | Nissan Auto Receivables | | | US\$ 7,000 | | US\$ 6,132 | US\$ 6,194 | US\$ (62) | |
| | Nomura Asset Accep Corp. | | | | US\$ 4,150 | US\$ 4,144 | US\$ 4,150 | US\$ (6) | |
| | Onyx Accep Owner Tr | | | US\$ 4,913 | | US\$ 4,885 | US\$ 4,913 | US\$ (28) | |
| | Pg+E Energy Recovery Fdg Llc | | | US\$ 4,749 | | US\$ 4,646 | US\$ 4,749 | US\$ (103) | |
| | Providian Gateway Owner Tr | | | US\$ 3,992 | | US\$ 3,911 | US\$ 3,992 | US\$ (81) | |
| | Reliant Energy Transition Bd | | | US\$ 4,973 | | US\$ 3,994 | US\$ 4,162 | US\$ (168) | |
| | Residential Asset Sec Mtg Pass | | | US\$ 3,780 | | US\$ 3,052 | US\$ 3,100 | US\$ (48) | |
| | Residential Fdg Mtg Secs I Inc. | | | US\$ 4,817 | | US\$ 4,224 | US\$ 4,309 | US\$ (85) | |
| | Terwin Mtg Tr | | | | US\$ 4,050 | US\$ 4,033 | US\$ 4,050 | US\$ (17) | |
| | Toyota Auto Receivables 2003 B | | | US\$ 4,970 | | US\$ 4,963 | US\$ 4,970 | US\$ (7) | |
| | Tw Hotel Fdg 2005 Llc | | | US\$ 8,197 | US\$ (4,100) | US\$ 4,116 | US\$ 4,097 | US\$ 19 | |
| | Usaa Auto Owner Tr | | | US\$ 3,718 | | US\$ 3,696 | US\$ 3,718 | US\$ (22) | |

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| | | | | | |
|--|------------|------------|------------|------------|------------|
| Washington Mut Mtg Secs Corp. | US\$ 4,067 | | US\$ 3,261 | US\$ 3,302 | US\$ (41) |
| Wells Fargo Finl Auto Owner Tr | US\$ 5,299 | | US\$ 5,235 | US\$ 5,299 | US\$ (64) |
| Wells Fargo Finl Auto Owner Tr | | US\$ 4,893 | US\$ 4,932 | US\$ 4,893 | US\$ 39 |
| Wells Fargo Mtg Bkd Secs | US\$ 3,661 | | US\$ 3,020 | US\$ 3,054 | US\$ (34) |
| Wells Fargo Mtg Bkd Secs | | US\$ 3,772 | US\$ 3,488 | US\$ 3,500 | US\$ (12) |
| Wfs Finl 2004 2 Owner Tr | US\$ 4,994 | | US\$ 4,913 | US\$ 4,994 | US\$ (81) |
| Wfs Finl 2004 4 Owner Tr | US\$ 5,399 | | US\$ 4,883 | US\$ 4,955 | US\$ (72) |
| World Omni Auto Receivables Tr | US\$ 5,963 | | US\$ 5,869 | US\$ 5,963 | US\$ (94) |
| Agency bond | | | | | |
| Fed Hm Ln Pc Pool 1h2520 Available-for-sale financial assets | US\$ 3,753 | | US\$ 3,329 | US\$ 3,345 | US\$ (16) |
| Fed Hm Ln Pc Pool 781959 | US\$ 7,112 | | US\$ 6,577 | US\$ 6,553 | US\$ 24 |
| Fed Hm Ln Pc Pool M80855 | | US\$ 3,882 | US\$ 3,381 | US\$ 3,462 | US\$ (81) |
| Federal Home Ln Mtg | US\$ 3,848 | | US\$ 3,308 | US\$ 3,336 | US\$ (28) |
| Federal Home Ln Mtg Corp. | | US\$ 3,898 | US\$ 3,919 | US\$ 3,898 | US\$ 21 |
| Federal Home Ln Mtg Corp. | US\$ 3,954 | | US\$ 3,909 | US\$ 3,920 | US\$ (11) |
| Federal Home Ln Mtg Corp. | US\$ 6,096 | | US\$ 4,316 | US\$ 4,424 | US\$ (108) |
| Federal Home Ln Mtg Corp. | | US\$ 4,962 | US\$ 4,665 | US\$ 4,683 | US\$ (18) |
| Federal Home Ln Mtg Corp. | | US\$ 3,351 | US\$ 3,299 | US\$ 3,294 | US\$ 5 |
| Federal Home Ln Mtg Corp. | | US\$ 4,317 | US\$ 3,893 | US\$ 3,883 | US\$ 10 |
| Federal Home Ln Mtg Corp. | US\$ 4,098 | | US\$ 3,388 | US\$ 3,402 | US\$ (14) |
| Federal Home Ln Mtg Corp. | US\$ 9,905 | | US\$ 8,812 | US\$ 8,851 | US\$ (39) |

(Continued)

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| Company Name | Name | Financial Nature | Beginning | Acquisition | Disposal (Note 1) | | Gain (Loss) on Disposal | Share/A |
|--------------|---------------------------|-------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|----------------|
| | | | Amount | Amount | Amount | Carrying Value | | |
| Marketplace | Statement | Shares/Units | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (in thousands) |
| | Federal Home Ln Mtg Corp | Available-for-sale financial assets | US\$ 4,902 | US\$ | US\$ 4,069 | US\$ 4,159 | US\$ (90) | |
| | Federal Home Ln Mtg Corp. | | US\$ 3,755 | | US\$ 3,308 | US\$ 3,362 | US\$ (54) | |
| | Federal Home Ln Mtg Corp. | | | US\$ 4,481 | US\$ 4,476 | US\$ 4,481 | US\$ (5) | |
| | Federal Home Ln Mtg Corp. | | | US\$ 3,349 | US\$ 3,114 | US\$ 3,089 | US\$ 25 | |
| | Federal Home Ln Mtg Corp. | | | US\$ 3,857 | US\$ 3,789 | US\$ 3,776 | US\$ 13 | |
| | Federal Home Ln Mtg Corp. | | | US\$ 5,380 | US\$ 4,574 | US\$ 4,565 | US\$ 9 | |
| | Federal Home Ln Mtg Corp. | | | US\$ 4,631 | US\$ 4,450 | US\$ 4,435 | US\$ 15 | |
| | Federal Home Ln Mtg Corp. | | | US\$ 4,488 | US\$ 4,444 | US\$ 4,406 | US\$ 38 | |
| | Federal Home Loan Mtg | | | US\$ 5,009 | US\$ 4,937 | US\$ 4,889 | US\$ 48 | |
| | Federal Natl Mtg Assn | | US\$ 4,030 | | US\$ 3,515 | US\$ 3,568 | US\$ (53) | |
| | Federal Natl Mtg Assn | | US\$ 4,051 | | US\$ 3,131 | US\$ 3,196 | US\$ (65) | |
| | Fnma Pool 255883 | | US\$ 3,771 | | US\$ 3,559 | US\$ 3,581 | US\$ (22) | |
| | Fnma Pool 696485 | | US\$ 4,175 | | US\$ 3,393 | US\$ 3,403 | US\$ (10) | |
| | Fnma Pool 813641 | | | US\$ 3,906 | US\$ 3,916 | US\$ 3,906 | US\$ 10 | |
| | Fnma Pool 815626 | | US\$ 3,622 | | US\$ 3,189 | US\$ 3,203 | US\$ (14) | |
| | Fnma Pool 825398 | | US\$ 4,949 | | US\$ 4,562 | US\$ 4,672 | US\$ (110) | |
| | Fnma Pool 841069 | | US\$ 3,673 | | US\$ 3,134 | US\$ 3,156 | US\$ (22) | |
| | Federal Farm Cr Bks | | US\$ 3,985 | | US\$ 3,940 | US\$ 3,985 | US\$ (45) | |
| | Federal Home Ln Bank | | US\$ 3,962 | | US\$ 3,955 | US\$ 3,962 | US\$ (7) | |
| | Federal Home Ln Bks | | US\$ 3,976 | | US\$ 3,964 | US\$ 3,976 | US\$ (12) | |
| | Federal Home Ln Bks | | US\$ 8,594 | | US\$ 8,519 | US\$ 8,594 | US\$ (75) | |
| | Federal Home Ln Bks | | US\$ 3,932 | | US\$ 3,980 | US\$ 3,932 | US\$ 47 | |
| | Federal Home Ln Bks | | US\$ 4,927 | | US\$ 4,930 | US\$ 4,927 | US\$ 3 | |
| | Federal Home Ln Bks | | | US\$ 8,628 | US\$ 8,716 | US\$ 8,628 | US\$ 88 | |
| | Federal Home Ln Bks | | US\$ 4,136 | | US\$ 4,140 | US\$ 4,136 | US\$ 4 | |
| | Federal Home Ln Bks | | US\$ 4,939 | | US\$ 4,872 | US\$ 4,939 | US\$ (67) | |
| | Federal Home Ln Bks | | US\$ 8,672 | | US\$ 8,735 | US\$ 8,672 | US\$ 63 | |
| | Federal Home Ln Bks | | US\$ 4,965 | | US\$ 4,944 | US\$ 4,965 | US\$ (21) | |
| | Federal Home Ln Bks | | US\$ 4,808 | | US\$ 4,850 | US\$ 4,808 | US\$ 42 | |
| | Federal Home Ln Bks | | | US\$ 5,740 | US\$ 5,825 | US\$ 5,740 | US\$ 85 | |
| | Federal Home Ln Bks | | US\$ 7,558 | | US\$ 7,515 | US\$ 7,558 | US\$ (43) | |
| | Federal Home Ln Bks | | | US\$ 4,823 | US\$ 4,882 | US\$ 4,823 | US\$ 59 | |
| | Federal Home Ln Bks | | US\$ 7,886 | | US\$ 7,960 | US\$ 7,886 | US\$ 74 | |
| | Federal Home Ln Bks | | US\$ 6,110 | | US\$ 6,061 | US\$ 6,110 | US\$ (49) | |
| | Federal Home Ln Bks | | | US\$ 12,227 | US\$ 12,233 | US\$ 12,227 | US\$ 6 | |
| | Federal Home Ln Bks | | US\$ 3,972 | | US\$ 3,951 | US\$ 3,972 | US\$ (21) | |

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| | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|------------|
| Federal Home Ln Bks | US\$ 7,887 | | US\$ 7,758 | US\$ 7,887 | US\$ (129) |
| Federal Home Ln Bks | US\$ 19,846 | | US\$ 19,800 | US\$ 19,846 | US\$ (46) |
| Federal Home Ln Bks | US\$ 6,908 | | US\$ 6,881 | US\$ 6,908 | US\$ (27) |
| Federal Home Ln Bks | US\$ 6,098 | | US\$ 5,907 | US\$ 6,098 | US\$ (191) |
| Federal Home Ln Bks | US\$ 9,134 | | US\$ 8,968 | US\$ 9,134 | US\$ (166) |
| Federal Home Ln Bks | US\$ 3,379 | | US\$ 3,296 | US\$ 3,379 | US\$ (83) |
| Federal Home Ln Bks | | US\$ 7,490 | US\$ 7,490 | US\$ 7,490 | |
| Federal Home Ln Mtg Corp. | US\$ 3,388 | | US\$ 3,481 | US\$ 3,388 | US\$ 93 |
| Federal Home Ln Mtg Corp. | US\$ 9,997 | | US\$ 9,788 | US\$ 9,997 | US\$ (209) |
| Federal Home Ln Mtg Corp. | US\$ 6,980 | | US\$ 6,941 | US\$ 6,980 | US\$ (39) |
| Federal Home Ln Mtg Corp. | US\$ 5,929 | | US\$ 5,930 | US\$ 5,929 | US\$ 1 |
| Federal Home Ln Mtg Corp. | | US\$ 6,415 | US\$ 6,410 | US\$ 6,415 | US\$ (5) |
| Federal Home Ln Mtg Corp. | | US\$ 14,175 | US\$ 14,269 | US\$ 14,175 | US\$ 94 |
| Federal Home Ln Mtg Corp. | | US\$ 9,974 | US\$ 9,929 | US\$ 9,974 | US\$ (45) |
| Federal Home Ln Mtg Corp. Mtn | US\$ 4,930 | | US\$ 4,912 | US\$ 4,930 | US\$ (18) |
| Federal Home Loan Bank | US\$ 3,475 | | US\$ 3,459 | US\$ 3,475 | US\$ (16) |
| Federal Home Loan Mtg Assn | US\$ 4,847 | | US\$ 4,901 | US\$ 4,847 | US\$ 54 |
| Federal Home Loan Mtg Corp. | US\$ 4,903 | | US\$ 4,927 | US\$ 4,903 | US\$ 24 |
| Federal Natl Mtg Assn | US\$ 4,943 | | US\$ 4,944 | US\$ 4,943 | US\$ 1 |
| Federal Natl Mtg Assn | US\$ 8,971 | | US\$ 8,940 | US\$ 8,971 | US\$ (31) |
| Federal Natl Mtg Assn | US\$ 4,921 | | US\$ 4,916 | US\$ 4,921 | US\$ (5) |
| Federal Natl Mtg Assn | US\$ 7,892 | | US\$ 7,908 | US\$ 7,892 | US\$ 16 |
| Federal Natl Mtg Assn | US\$ 4,430 | | US\$ 4,364 | US\$ 4,430 | US\$ (66) |

(Continued)

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| Name | Financial Nature | Beginning | Acquisition | | Disposal (Note 1) | | Gain (Loss) on Disposal | Shares/Units |
|------------------------------|---|-------------|-------------|--------------|-------------------|--------------|-------------------------|--------------|
| | | Amount | Amount | Amount | Carrying Value | (Loss) | | |
| Marketplace | Statement | US\$ in | (in | (US\$ in | (in | (US\$ in | (US\$ in | (in |
| Stock | Account | Thousands | Thousands | Thousands | Thousands | Thousands | Thousands | Thousands |
| Federal Natl Mtg Assn | Available-for-sale financial assets | US\$ 17,888 | | US\$ 17,782 | US\$ 17,888 | US\$ (106) | | |
| Federal Natl Mtg Assn | | US\$ 5,928 | | US\$ 5,885 | US\$ 5,928 | US\$ (43) | | |
| Federal Natl Mtg Assn | | | US\$ 7,800 | US\$ 7,832 | US\$ 7,800 | US\$ 32 | | |
| Federal Natl Mtg Assn | | US\$ 7,926 | | US\$ 7,834 | US\$ 7,926 | US\$ (92) | | |
| Federal Natl Mtg Assn | | | US\$ 19,539 | US\$ 19,702 | US\$ 19,539 | US\$ 163 | | |
| Federal Natl Mtg Assn | | | US\$ 14,901 | US\$ 14,931 | US\$ 14,901 | US\$ 30 | | |
| Federal Natl Mtg Assn | | | US\$ 10,430 | US\$ 10,459 | US\$ 10,430 | US\$ 29 | | |
| Federal Natl Mtg Assn | | | US\$ 7,966 | US\$ 7,979 | US\$ 7,966 | US\$ 13 | | |
| Federal Natl Mtg Assn Medium | | | US\$ 3,353 | US\$ 3,417 | US\$ 3,353 | US\$ 64 | | |
| Federal Natl Mtg Assn Mtn | | US\$ 15,787 | | US\$ 15,851 | US\$ 15,787 | US\$ 64 | | |
| Federal Natl Mtg Assn Mtn | | US\$ 9,758 | | US\$ 9,781 | US\$ 9,758 | US\$ 23 | | |
| Federal Natl Mtg Assn Mtn | | US\$ 7,000 | | US\$ 6,925 | US\$ 7,000 | US\$ (75) | | |
| Federal Natl Mtg Assn Mtn | | | US\$ 5,255 | US\$ 5,292 | US\$ 5,255 | US\$ 37 | | |
| Federal Natl Mtg Assn Mtn | | US\$ 5,740 | | US\$ 5,562 | US\$ 5,740 | US\$ (178) | | |
| Freddie Mac | | | US\$ 9,391 | US\$ 9,314 | US\$ 9,391 | US\$ (77) | | |
| Tennessee Valley Auth | | | US\$ 6,039 | US\$ 6,038 | US\$ 6,039 | US\$ (1) | | |
| Stock | | | | | | | | |
| VIS | Investment accounted for using Equity method investee | \$ | 5,032 | \$ 100,116 | \$ | \$ | \$ | 5,032 |
| Government bond | | | | | | | | |
| United States Treas Nts | Available-for-sale financial assets | | | US\$ 501,897 | US\$ 351,917 | US\$ 351,594 | US\$ 323 | |
| Corporate bond | | | | | | | | |
| American Express Co. | Available-for-sale financial assets | | | US\$ 3,432 | | | | |
| American Gen Fin Corp. Mtn | | | | US\$ 3,446 | | | | |
| American Honda Fin Corp. Mtn | | | | US\$ 3,095 | | | | |
| Bank One Corp. | | | | US\$ 3,325 | | | | |

| | | | | |
|--------------------------------|------|-------|------|------------------|
| Bear Stearns Cos Inc. | US\$ | 3,340 | | |
| Cit Group Hldgs Inc. | US\$ | 3,036 | | |
| Chase Manhattan Corp. New | US\$ | 5,091 | | |
| Cogentrix Energy Inc. | US\$ | 3,777 | | |
| Counrywide Finl Corp. | US\$ | 5,005 | US\$ | 5,005 US\$ 5,005 |
| Deere John Cap Corp. | US\$ | 4,899 | | |
| Diageo Plc | US\$ | 3,436 | | |
| Emerson Elec Co. | US\$ | 3,222 | | |
| European Invt Bk | US\$ | 3,930 | | |
| European Invt Bk | US\$ | 5,994 | | |
| Federal Home Ln Bks | US\$ | 7,937 | | |
| General Elec Cap Corp. Mtn | US\$ | 8,716 | | |
| General Elec Cap Corp. Mtn | US\$ | 3,893 | | |
| General Elec Cap Corp. Mtn | US\$ | 8,268 | | |
| General Re Corp. | US\$ | 3,319 | | |
| Goldman Sachs Group Inc. | US\$ | 3,453 | | |
| Goldman Sachs Group Inc. | US\$ | 4,941 | | |
| Hbos Plc Medium Term Sr Nts | US\$ | 3,182 | | |
| Hsbc Fin Corp. Mtn | US\$ | 5,066 | | |
| Hsbc Fin Corp. | US\$ | 3,028 | | |
| Hancock John Global Fdg Ii Mtn | US\$ | 5,170 | | |
| Hartford Finl Svcs Group Inc. | US\$ | 5,048 | | |
| Intl Lease Fin Corp. Mtn | US\$ | 4,118 | | |
| J P Morgan Chase + Co. | US\$ | 3,310 | | |
| Key Bk Na Med Term Nts Bk Entr | US\$ | 4,393 | | |
| Keycorp Mtn Book Entry | US\$ | 3,016 | | |
| Lehman Brothers Hldgs Inc. | US\$ | 3,150 | | |

(Continued)

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| Company Name | Name | Account Type | Financial Nature (in US\$) | Beginning Balance | Acquisition | Disposal (Note 1) | | Gain (Loss) on Disposal | Ending Balance |
|--|-------------------------------------|--------------|----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| | | | | Amount | Amount | Amount | Carrying Value | (Loss) on Disposal | Amount |
| | | | | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) |
| Mbna America Bank Na Y | Available-for-sale financial assets | | US\$ | US\$ 6,437 | | US\$ | US\$ | US\$ | US\$ 6,437 |
| Marshall + Ilsley Corp. | | | | US\$ 8,453 | | | | | US\$ 8,453 |
| Merrill Lynch + Co. Inc. | | | | US\$ 3,426 | | | | | US\$ 3,426 |
| Merrill Lynch + Co. Inc. | | | | US\$ 4,842 | | | | | US\$ 4,842 |
| Metropolitan Life Global Mtn | | | | US\$ 3,361 | | | | | US\$ 3,361 |
| Morgan Stanley Group Inc. | | | | US\$ 4,386 | | US\$ 4,384 | US\$ 4,386 | US\$ (2) | |
| National City Corp. | | | | US\$ 3,402 | | | | | US\$ 3,402 |
| Nationwide Bldg Soc | | | | US\$ 3,495 | | | | | US\$ 3,495 |
| Nationwide Life Global Fdg I | | | | US\$ 3,520 | | | | | US\$ 3,520 |
| Nucor Corp. | | | | US\$ 3,811 | | | | | US\$ 3,811 |
| Pepsico Inc. Mtn Book Entry | | | | US\$ 3,624 | | | | | US\$ 3,624 |
| Praxair Inc. | | | | US\$ 3,147 | | | | | US\$ 3,147 |
| Pricoa Global Fdg I Mtn | | | | US\$ 3,403 | | | | | US\$ 3,403 |
| Protective Life Secd Trs Mtn | | | | US\$ 3,396 | | | | | US\$ 3,396 |
| Public Svc Elec Gas Co. | | | | US\$ 3,684 | | | | | US\$ 3,684 |
| Slm Corp. Medium Term Nts | | | | US\$ 8,949 | | | | | US\$ 8,949 |
| Suntrust Bk Atlanta Ga Medium | | | | US\$ 3,448 | | | | | US\$ 3,448 |
| Vodafone Airtouch Plc | | | | US\$ 4,477 | | | | | US\$ 4,477 |
| Washington Mut Inc. | | | | US\$ 4,505 | | US\$ 3,500 | US\$ 3,504 | US\$ (4) | US\$ 1,005 |
| Washington Mut Bk Fa | | | | US\$ 5,000 | | US\$ 1,000 | US\$ 1,000 | | US\$ 3,999 |
| Washington Post Co. | | | | US\$ 3,007 | | | | | US\$ 3,007 |
| Wells Fargo + Co. New | | | | US\$ 6,073 | | US\$ 3,167 | US\$ 3,148 | US\$ 19 | US\$ 2,906 |
| Wells Fargo + Co. New Med Trm | | | | US\$ 4,282 | | | | | US\$ 4,282 |
| Corporate issued asset-backed securities | | | | | | | | | |
| Americredit Automobile Receiv | Available-for-sale financial assets | | | US\$ 3,261 | | | | | US\$ 3,261 |
| Americredit Automobile Receivb | | | | US\$ 3,826 | | | | | US\$ 3,826 |
| Americredit Automobile Receivea | | | | US\$ 4,959 | | | | | US\$ 4,959 |
| Ba Cr Card Tr | | | | US\$ 4,350 | | | | | US\$ 4,350 |
| Banc Amer Coml Mtg Inc. | | | | US\$ 3,254 | | | | | US\$ 3,254 |
| Banc Amer Fdg 2006 I Tr | | | | US\$ 4,336 | | | | | US\$ 4,336 |
| Bear Stearns Coml Mtg Secs Inc. | | | | US\$ 3,551 | | | | | US\$ 3,551 |

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| | | | | | |
|---------------------------------|------------|------------|------------|--------|----------|
| Bear Stearns Arm Tr | US\$ 3,597 | | | | US\$ 3,4 |
| Bear Stearns Coml Mtg Secs Inc. | US\$ 6,362 | | | | US\$ 6,3 |
| Cit Equip Coll Tr | US\$ 3,996 | | | | US\$ 3,9 |
| Cnh Equip Tr | US\$ 3,457 | | | | US\$ 1,9 |
| Cwabs | US\$ 4,300 | | | | US\$ 4,2 |
| Capital Auto Receivables Asset | US\$ 3,232 | | | | US\$ 3,2 |
| Capital One Auto Fin Tr | US\$ 5,008 | | | | US\$ 4,9 |
| Capital One Multi Asset Execut | US\$ 4,879 | US\$ 4,883 | US\$ 4,879 | US\$ 4 | |
| Capital One Multi Asset Execut | US\$ 3,932 | | | | US\$ 3,9 |
| Capital One Prime Auto Rec | US\$ 3,999 | | | | US\$ 3,9 |
| Caterpillar Finl Asset Tr | US\$ 8,121 | | | | US\$ 8,1 |
| Cbass Tr | US\$ 4,260 | | | | US\$ 4,2 |
| Cendant Rent Car Fdg Aesop Llc | US\$ 9,249 | | | | US\$ 9,2 |
| Citibank Cr Card Issuance Tr | US\$ 9,797 | | | | US\$ 9,8 |
| Credit Suisse First Boston Mtg | US\$ 3,566 | | | | US\$ 3,5 |
| Credit Suisse First Boston Mtg | US\$ 3,728 | | | | US\$ 3,7 |
| Daimlerchrysler Auto Tr | US\$ 4,334 | | | | US\$ 4,3 |
| Drive Auto Receivables Tr | US\$ 3,183 | | | | US\$ 3,1 |
| First Franklin Mtg Ln Tr | US\$ 4,301 | | | | US\$ 4,2 |
| Ford Credit Auto Owner Trust | US\$ 4,310 | | | | US\$ 4,3 |
| Gs Mtg Secs Corp. | US\$ 4,134 | | | | US\$ 4,1 |
| Gsamp Tr | US\$ 4,241 | | | | US\$ 4,2 |
| Harley Davidson Motorcycle Tr | US\$ 5,793 | | | | US\$ 5,8 |
| Hertz Veh Fing Llc | US\$ 5,284 | | | | US\$ 5,3 |
| Holmes Fing No 8 Plc | US\$ 5,000 | | | | US\$ 5,0 |

(Continued)

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| Company Name | Name | Marketable Securities Type | Financial Nature (US\$) | Beginning | Acquisition | Disposal (Note 1) | | | Ending |
|--------------|---------------------------------|----------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| | | | | Balance | Amount | Amount | Carrying Value | Gain (Loss) on Disposal | Balance |
| | | | | Amount | Amount | Amount | Value | on Disposal | Amount |
| | | | | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) |
| | | | | Shares/Units | Shares/Units | Shares/Units | Shares/Units | Shares/Units | Shares/Units |
| | | | | (in thousands) | (in thousands) | (in thousands) | (in thousands) | (in thousands) | (in thousands) |
| | Home Equity Mtg Tr 2006 4 | Available-for-sale | financial assets | US\$ | US\$ 4,200 | US\$ | US\$ | US\$ | US\$ 4,200 |
| | Hyundai Auto Receivables Tr | | | | US\$ 6,202 | | | | US\$ 5,500 |
| | Hyundai Auto Receivables Tr | | | | US\$ 3,208 | | | | US\$ 3,208 |
| | Hyundai Auto Receivables Tr | | | | US\$ 3,904 | | | | US\$ 3,904 |
| | Lb Ubs Coml Mtg Tr | | | | US\$ 3,733 | | | | US\$ 3,400 |
| | Long Beach Mtg Ln Tr | | | | US\$ 3,195 | | | | US\$ 3,200 |
| | Mbna Master Cr Card Tr Ii | | | | US\$ 7,653 | | | | US\$ 7,600 |
| | Massachusetts Rrb Spl Purp Tr | | | | US\$ 3,830 | US\$ 3,416 | US\$ 3,396 | US\$ 20 | |
| | Mastr Asset Backed Secs Tr | | | | US\$ 3,083 | US\$ 3,082 | US\$ 3,083 | US\$ (1) | |
| | Mastr Asset Backed | | | | US\$ 4,300 | | | | US\$ 4,200 |
| | Merrill Lynch Mtg Invs Inc. | | | | US\$ 6,561 | | | | US\$ 5,800 |
| | Morgan Stanley Ixis Estate Tr | | | | US\$ 4,300 | | | | US\$ 4,100 |
| | Navistar Finl 2003 A Owner Tr | | | | US\$ 3,994 | | | | US\$ 2,900 |
| | Nissan Auto Receivables | | | | US\$ 3,943 | | | | US\$ 3,900 |
| | Nomura Asset Accep Corp. | | | | US\$ 4,144 | | | | US\$ 4,100 |
| | Onyx Accep Owner Tr | | | | US\$ 4,885 | | | | US\$ 3,700 |
| | Pg+E Energy Recovery Fdg Llc | | | | US\$ 4,646 | | | | US\$ 3,900 |
| | Providian Gateway Owner Tr | | | | US\$ 3,911 | | | | US\$ 3,900 |
| | Reliant Energy Transition Bd | | | | US\$ 3,994 | | | | US\$ 2,400 |
| | Residential Asset Sec Mtg Pass | | | | US\$ 3,052 | | | | US\$ 2,700 |
| | Residential Fdg Mtg Secs I Inc. | | | | US\$ 4,224 | | | | US\$ 4,000 |
| | Tw Hotel Fdg 2005 Llc | | | | US\$ 4,116 | | | | US\$ 4,100 |
| | Terwin Mtg Tr | | | | US\$ 4,033 | | | | US\$ 4,000 |
| | Usaa Auto Owner Tr | | | | US\$ 4,246 | | | | US\$ 4,200 |
| | Washington Mut Mtg Secs Corp. | | | | US\$ 3,261 | | | | US\$ 2,900 |
| | Wells Fargo Mtg Backed Secs | | | | US\$ 4,426 | | | | US\$ 4,300 |
| | Wells Fargo Finl Auto Owner Tr | | | | US\$ 5,235 | | | | US\$ 4,900 |
| | Wells Fargo Finl Auto Owner Tr | | | | US\$ 4,932 | | | | US\$ 4,900 |
| | Wells Fargo Mtg Bkd Secs | | | | US\$ 3,020 | | | | US\$ 2,800 |
| | Wells Fargo Mtg Bkd Secs | | | | US\$ 3,488 | | | | US\$ 3,300 |
| | Agency bonds | | | | | | | | |
| | Fed Hm Ln Pc Pool M80855A | Available-for-sale | financial assets | | US\$ 3,381 | | | | US\$ 3,200 |

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| | | | | | |
|---------------------------|------------|------------|------------|---------|----------|
| Fed Hm Ln Pc Pool 847628 | US\$ 3,884 | | | | US\$ 3,7 |
| Fed Hm Ln Pc Pool 1h2520 | US\$ 3,286 | | | | US\$ 3,1 |
| Fed Hm Ln Pc Pool B19205 | US\$ 8,626 | | | | US\$ 8,5 |
| Federal Home Ln Mtg Corp. | US\$ 4,574 | | | | US\$ 4,3 |
| Fed Hm Ln Pc Pool 781959 | US\$ 6,472 | | | | US\$ 6,0 |
| Fnma Pool 255883 | US\$ 3,559 | | | | US\$ 3,4 |
| Federal Natl Mtg Assn | US\$ 4,375 | | | | US\$ 4,3 |
| Federal Natl Mtg Assn | US\$ 4,577 | | | | US\$ 4,2 |
| Federal Home Ln Mtg Corp. | US\$ 3,919 | | | | US\$ 3,9 |
| Federal Home Ln Mtg Corp. | US\$ 4,316 | | | | US\$ 3,0 |
| Federal Natl Mtg Assn | US\$ 3,515 | | | | US\$ 3,1 |
| Federal Natl Mtg Assn | US\$ 3,131 | | | | US\$ 2,4 |
| Federal Home Ln Mtg Corp. | US\$ 3,909 | | | | US\$ 3,6 |
| Federal Home Ln Mtg Corp. | US\$ 3,789 | | | | US\$ 3,7 |
| Federal Home Ln Mtg Corp. | US\$ 3,388 | | | | US\$ 3,2 |
| Federal Home Ln Mtg Corp. | US\$ 4,450 | | | | US\$ 4,2 |
| Federal Home Ln Mtg Corp. | US\$ 4,069 | | | | US\$ 3,4 |
| Federal Home Ln Mtg Corp. | US\$ 3,893 | | | | US\$ 3,7 |
| Federal Home Ln Mtg Corp. | US\$ 3,114 | | | | US\$ 2,9 |
| Federal Home Ln Mtg Corp. | US\$ 3,299 | | | | US\$ 3,1 |
| Federal Home Ln Mtg Corp. | US\$ 4,665 | | | | US\$ 4,4 |
| Federal Home Ln Mtg Corp. | US\$ 3,308 | | | | US\$ 2,9 |
| Federal Home Ln Mtg | US\$ 3,308 | | | | US\$ 3,0 |
| Federal Home Ln Mtg Corp. | US\$ 8,812 | | | | US\$ 8,5 |
| Federal Home Loan Mtg | US\$ 4,937 | US\$ 4,868 | US\$ 4,858 | US\$ 10 | |

(Continued)

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| Name | Account | Counter-party | Relationship | Nature of Securities | Beginning | Acquisition | Disposal (Note 1) | | Carrying |
|-----------------------|-------------------------------------|---------------|--------------|----------------------|-------------|---------------------|---------------------|---------------------|----------|
| | | | | | Balance | Shares/Units | Shares/Units | Value | |
| | | | | | (in US\$) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | |
| Home Ln Mtg Corp. | Available-for-sale financial assets | | | | US\$ 4,476 | | | US\$ | |
| 01 696485 | " | | | | US\$ 3,393 | | | | |
| 01 813641 | " | | | | US\$ 3,916 | | | | |
| 01 815626 | " | | | | US\$ 3,189 | | | | |
| 01 825398 | " | | | | US\$ 4,562 | | | | |
| 01 841069 | " | | | | US\$ 3,134 | | | | |
| Home Ln Mtg Corp. | " | | | | US\$ 3,481 | | | | |
| Home Ln Mtg Corp. Mtn | " | | | | US\$ 4,912 | | US\$ 4,953 | US\$ 4,91 | |
| Home Loan Mtg Assn | " | | | | US\$ 4,901 | | US\$ 4,951 | US\$ 4,90 | |
| Home Loan Mtg Corp. | " | | | | US\$ 4,927 | | US\$ 4,968 | US\$ 4,92 | |
| Home Ln Mtg Corp. | " | | | | US\$ 9,789 | | US\$ 7,906 | US\$ 7,83 | |
| Mac | " | | | | US\$ 9,314 | | US\$ 9,378 | US\$ 9,31 | |
| Home Ln Mtg Corp. | " | | | | US\$ 6,410 | | | | |
| Home Ln Mtg Corp. | " | | | | US\$ 5,930 | | | | |
| Home Ln Mtg Corp. | " | | | | US\$ 9,929 | | US\$ 10,000 | US\$ 9,92 | |
| Home Ln Mtg Corp. | " | | | | US\$ 14,269 | | US\$ 14,304 | US\$ 14,26 | |
| Home Cr Bks | " | | | | US\$ 3,940 | | US\$ 3,946 | US\$ 3,94 | |
| Home Ln Bks | " | | | | US\$ 4,851 | | | | |
| Home Ln Bks | " | | | | US\$ 3,296 | | US\$ 3,297 | US\$ 3,29 | |
| Home Ln Bks | " | | | | US\$ 4,930 | | US\$ 4,971 | US\$ 4,93 | |
| Home Ln Bks | " | | | | US\$ 4,882 | | | | |
| Home Ln Bks | " | | | | US\$ 8,735 | | | | |
| Home Ln Bks | " | | | | US\$ 8,716 | | | | |
| Home Ln Bks | " | | | | US\$ 5,825 | | | | |
| Home Ln Bks | " | | | | US\$ 5,907 | | | | |
| Home Ln Bks | " | | | | US\$ 7,960 | | | | |
| Home Ln Bks | " | | | | US\$ 4,872 | | | | |
| Home Ln Bks | " | | | | US\$ 6,061 | | | | |
| Home Ln Bks | " | | | | US\$ 4,140 | | US\$ 4,141 | US\$ 4,14 | |
| Home Ln Bks | " | | | | US\$ 12,233 | | | | |
| Home Ln Bks | " | | | | US\$ 7,515 | | US\$ 7,520 | US\$ 7,51 | |
| Home Ln Bks | " | | | | US\$ 6,881 | | | | |
| Home Loan Bank | " | | | | US\$ 3,459 | | US\$ 3,463 | US\$ 3,45 | |
| Home Ln Bank | " | | | | US\$ 3,955 | | US\$ 3,967 | US\$ 3,95 | |
| Home Ln Bks | " | | | | US\$ 7,490 | | | | |
| Home Loan Banks | " | | | | US\$ 8,081 | | | | |

| | | | | |
|---------------------|---|-------------|------------|-----------|
| atl Mtg Assn | " | US\$ 14,931 | | |
| atl Mtg Assn | " | US\$ 7,979 | US\$ 5,001 | US\$ 4,98 |
| atl Mtg Assn | " | US\$ 4,364 | | |
| atl Mtg Assn | " | US\$ 6,516 | | |
| atl Mtg Assn | " | US\$ 5,885 | | |
| atl Mtg Assn | " | US\$ 7,834 | | |
| atl Mtg Assn | " | US\$ 3,950 | | |
| atl Mtg Assn | " | US\$ 19,702 | | |
| atl Mtg Assn | " | US\$ 10,459 | | |
| atl Mtg Assn Mtn | " | US\$ 5,562 | US\$ 5,560 | US\$ 5,56 |
| atl Mtg Assn Mtn | " | US\$ 5,292 | | |
| atl Mtg Assn Medium | " | US\$ 3,417 | | |
| e Valley Auth | " | US\$ 6,038 | | |

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

Note 2: The ending balance included the amortization of premium or discount on bonds investments and unrealized valuation gains or losses on financial assets.

(Concluded)

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

| Transaction | Amount | Payment Term | Counter-party | Nature of Relationships | Prior Transaction of Owner | Relationships of Related Counter-party | Transfer Date | Amount | P |
|-------------|-----------|------------------------------|---|-------------------------|----------------------------|--|---------------|--------|---|
| \$ | 854,000 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| US\$ | 3,340 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| \$ | 487,000 | By the construction progress | United Integrated Services Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| US\$ | 3,770 | By the construction progress | Celerity, Inc. | | N/A | N/A | N/A | N/A | P |
| \$ | 197,500 | By the construction progress | China Steel Structure Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| | 192,000 | By the construction progress | Marketch International Corp. | | N/A | N/A | N/A | N/A | P |
| | 142,000 | By the construction progress | Uangyih-tech Industrial Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| EUR | 2,733 | By the construction progress | Siemens Limited | | N/A | N/A | N/A | N/A | P |
| \$ | 517,500 | By the construction progress | United Steel Engineering & Construction Corp. | | N/A | N/A | N/A | N/A | P |
| | 453,000 | By the construction progress | China Steel Structure Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| | 1,365,000 | By the construction progress | Fu Tsu Construction Co., Ltd. | | N/A | N/A | N/A | N/A | P |
| 06 JPY | 1,080,000 | By the construction progress | Organo Corporation | | N/A | N/A | N/A | N/A | P |
| 06 \$ | 407,000 | By the construction progress | Organo Technology Co., Ltd. | | N/A | N/A | N/A | N/A | P |

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| | | | | | | | | | |
|----|------|---------|------------------------------|---|-----|-----|-----|-----|---|
| 06 | US\$ | 4,250 | By the construction progress | York Internation Corp. | N/A | N/A | N/A | N/A | P |
| | \$ | 278,950 | By the construction progress | Shihlin Electric & Engineering Corp. | N/A | N/A | N/A | N/A | P |
| 06 | US\$ | 9,150 | By the construction progress | Mega Union Technology Inc. | N/A | N/A | N/A | N/A | P |
| 06 | \$ | 179,573 | By the construction progress | United Integrated Services Co., Ltd. | N/A | N/A | N/A | N/A | P |
| 06 | US\$ | 9,890 | By the construction progress | Marketch International Corp. | N/A | N/A | N/A | N/A | P |
| 06 | US\$ | 29,750 | By the construction progress | United Integrated Services Co., Ltd. | N/A | N/A | N/A | N/A | P |
| 06 | US\$ | 15,000 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | N/A | N/A | N/A | N/A | P |
| 06 | \$ | 847,365 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | N/A | N/A | N/A | N/A | P |
| 06 | | 123,000 | By the construction progress | Desiccant Technology Corp. | N/A | N/A | N/A | N/A | P |
| 5 | | 177,200 | By the construction progress | Uangyih-tech Industrial Co., Ltd. | N/A | N/A | N/A | N/A | P |
| 5 | US\$ | 12,900 | By the construction progress | Marketch International Corp. | N/A | N/A | N/A | N/A | P |
| 06 | US\$ | 9,100 | By the construction progress | Celerity, Inc. | N/A | N/A | N/A | N/A | P |

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

| Related Party | Nature of Relationships | Purchase/ Sale | Transaction Details | | Abnormal Transaction | | Notes Pay Rec |
|-----------------------|--|-------------------|---------------------|---------|---|-------------------------|------------------------|
| | | | Amount | % to | Unit Price (Note) | Payment Terms (Note) | |
| TSMC-North America | Subsidiary | Sales | \$ 190,459,073 | 60 | Net 30 days after invoice date | | End Bal \$ 16,46 |
| Philips | Major shareholder | Sales | 4,024,990 | 1 | Net 30 days/Net 45 days (since 12/27/2006) after monthly closing | | 25 |
| GUC | Investee over which the Company had a controlling interest | Sales | 755,710 | | Net 30 days after monthly closing | | 15 |
| WaferTech | Indirect subsidiary | Purchases | 12,530,552 | 27 | Net 30 days after monthly closing | | (86 |
| SSMC | Investee accounted for using equity method | Purchases | 6,820,632 | 15 | Net 30 days after monthly closing | | (45 |
| TSMC-Shanghai | Subsidiary | Purchases | 4,405,843 | 10 | Net 30 days after monthly closing | | (47 |
| VIS | Investee accounted for using equity method | Purchases | 3,911,838 | 8 | Net 30 days after monthly closing | | (71 |
| TSMC-North America | The same parent | Purchases | 920,045 | 60 | Net 30 days after invoice date | | (30 |

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

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

| Related Party | Nature of Relationships | Ending Balance | Turnover Rate | Amounts | Overdue Action Taken | Amount Receivable in Subsequent Period |
|---------------|--|----------------|---------------|-------------|--|--|
| North a | Subsidiary | \$16,521,503 | 36 days | \$4,721,288 | | \$5,883,000 |
| | Major shareholder | 257,313 | 38 days | 11,304 | | 18,000 |
| | Investee over which the Company had a controlling interest | 155,216 | 49 days | 117 | | 38,000 |
| Shanghai | Subsidiary | 123,853 | Note | 21,089 | Accelerate demand on account receivables | |
| | Investee accounted for using equity method | 121,911 | Note | 3,064 | | 3,000 |

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

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

(Amounts in Thousands of New Taiwan Dollars)

| Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2006 | | | Net Income (Losses) of the Investee |
|----------------|---------------------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|-----------------------|-------------------------------------|
| | | | December 31, 2006 | December 31, 2005 | Share (in Thousands) | Percentage of Ownership | Carrying Value (Note) | |
| Global | Tortola, British Virgin Islands | Investment activities | \$42,327,245 | \$ | 1 | 100 | \$42,496,592 | \$ 616,171 |
| 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 | 26,593,749 | 2,802,637 |
| -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 | 9,027,984 | (637,220) |
| | Singapore | Fabrication and supply of integrated circuits | 8,840,895 | 6,408,190 | 463 | 39 | 7,960,869 | 4,437,059 |
| | 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 | 442,262 | 27 | 5,741,870 | 3,018,694 |
| Partners | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 4,433,819 | 308,009 |
| -North America | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 2,014,990 | 238,111 |
| ing Alliance | Cayman Islands | Investing in new start-up technology companies | 1,418,717 | 1,526,074 | | 99 | 793,585 | (2,644) |
| II | Cayman Islands | Investing in new start-up technology companies | 785,465 | 654,509 | | 98 | 733,130 | (37,339) |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and | 386,568 | 409,920 | 41,263 | 38 | 629,755 | 237,295 |

marketing of integrated circuits

| | | | | | | | |
|---------|----------------------------|--|---------|---------|-----|---------|----------|
| III | Cayman Islands | Investing in new start-up technology companies | 243,545 | | 98 | 228,005 | (20,794) |
| erng | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 115,507 | 99,647 |
| uey | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 114,297 | 98,605 |
| -Japan | Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 95,757 | 2,963 |
| -Europe | Amsterdam, the Netherlands | Marketing activities | 15,749 | 15,749 | 100 | 49,741 | 23,164 |
| -Korea | Seoul, Korea | Marketing activities | 13,656 | | 80 | 14,706 | 685 |

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

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Table of Contents**TABLE 9****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
INFORMATION OF INVESTMENT IN MAINLAND CHINA****FOR THE YEAR ENDED DECEMBER 31, 2006****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| | | Total Amount | Accumulated Outflow of Investment from Taiwan as | Investment Flows | Accumulated Outflow of Investment from Taiwan as | Equity in the | Carrying Value |
|------------------------------------|--|---|--|--|--|--|----------------------------------|
| | Main Businesses and Products | of Paid-in Capital (RMB in Thousand (RMB3,070,623) | Method of 2006 (US\$ in (US\$ 371,000) | of January 1 Outflow (US\$ in (US\$ 371,000) | of December 31, 2006 (US\$ in Thousand) (US\$ 371,000) | Earnings of (Losses) (Note 2) | as of December 31, 2006 |
| TSMC (Shanghai) Company Limited | Manufacturing and sales of integrated circuits at the order of and 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% | \$ (637,220) \$ 9,027,980 |

| Accumulated Investment in Mainland China as of December 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 audited financial statements.

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)
A. FOR THE YEAR ENDED DECEMBER 31, 2006

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Intercompany Transactions | | Percentage of Consolidated Total Gross Sales or Total Assets (Note 2) |
|-----|--------------|---------------|------------------------------------|---|----------------|--|
| | | | | Financial Statements Item | Amount | |
| | | | 1 | Sales | \$ 190,459,073 | 60% |
| | | TSMC-NA | | Receivables from related parties | 16,461,956 | 3% |
| | | | | Other receivables from related parties | 59,547 | |
| | | | | Payables to related parties | 27,455 | |
| | | | 1 | Sales | 61,951 | |
| | | | | Purchases | 4,405,843 | 1% |
| | | | | Gain on disposal of property, plant and equipment | 179,498 | |
| | | TSMC-Shanghai | | Technical service income | 98,797 | |
| | | | | Proceeds from disposal of property, plant and equipment | 401,561 | |
| | | | | Other receivables from related parties | 123,853 | |
| | | | | Payables to related parties | 478,714 | |
| | | | | Deferred credits | 723,661 | |
| 0 | TSMC | TSMC-Japan | 1 | Marketing expenses commission | 254,758 | |
| | | | | Payables to related parties | 20,295 | |
| | | TSMC-Europe | 1 | Marketing expenses commission | 236,454 | |
| | | | | Payables to related parties | 22,158 | |
| | | | 1 | Sales | 755,710 | |
| | | | | General and administrative expenses rental expense | 14,606 | |
| | | GUC | | Research and development expenses | 39,421 | |
| | | | | Receivables from related parties | 155,216 | |
| | | | | Payables to related parties | 2,117 | |

| | | | | | | |
|---|--------------------|--------------------|---|--|------------|----|
| | | | 1 | Other receivables from related parties | 3,785 | |
| | TSMC Technology | | | Payables to related parties | 42,389 | |
| | | | 1 | Sales | 34,517 | |
| | WaferTech | | | Purchases | 12,530,552 | 4% |
| | | | | Payables to related parties | 864,733 | |
| 1 | TSMC International | TSMC Development | 3 | Interest income | 8,029 | |
| | | TSMC Technology | 3 | Deferred royalty income | 643,679 | |
| 2 | TSMC Partners | TSMC International | 3 | Other receivables | 10,003,652 | 3% |
| | | | | Deferred revenue | 8,814,830 | 3% |
| 3 | TSMC Technology | WaferTech | 3 | Receivables from related parties | 1,366 | |
| | | | 3 | Purchases | 920,045 | |
| 4 | GUC | TSMC-NA | | Manufacturing overhead | 330,129 | |
| | | | | Payables to related parties | 301,507 | |
| | | GUC-NA | 3 | Operating expenses | 41,984 | |

Note 1: No. 1 represents the transactions from parent company to subsidiary.

No. 3 represents the transactions between subsidiaries.

Note 2: The terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreements.

(Continued)

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B. FOR THE YEAR ENDED DECEMBER 31, 2005

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | Intercompany Transactions | | Percentage of Consolidated Total Gross Sales or Total Assets (Note 2) | | |
|----------------------------------|--------------|--|------------------------------------|--|----------------|--|-----------|----|
| | | | | Financial Statements Item | Amount | | | |
| 0 | TSMC | TSMC-NA | 1 | Sales | \$ 153,618,916 | 58% | | |
| | | | | Receivables from related parties | 20,407,621 | 4% | | |
| | | | | Other receivables from related parties | 198,505 | | | |
| | | | | Payables to related parties | 21,391 | | | |
| | | | | TSMC-Shanghai | 1 | Sales | 5,591 | |
| | | | | | | Purchases | 1,405,030 | 1% |
| | | | | | | Gain on disposal of property, plant and equipment | 151,591 | |
| | | | | | | Technical service income | 28,643 | |
| | | | | | | Proceeds from disposal of property, plant and equipment | 125,381 | |
| | | TSMC-Japan | 1 | Other receivables from related parties | 28,593 | | | |
| | | | | Payables to related parties | 274,820 | | | |
| | | | | Deferred credits | 641,762 | | | |
| | | TSMC-Europe | 1 | Sales and marketing expenses commission | 243,646 | | | |
| | | | | Payables to related parties | 29,892 | | | |
| | | | | Sales and marketing expenses commission | 221,164 | | | |
| | | GUC | 1 | Payables to related parties | 22,963 | | | |
| | | | | Sales | 347,456 | | | |
| | | | | Research and development expenses | 19,467 | | | |
| | | | | General and administrative expenses rental expense | 16,744 | | | |
| Receivables from related parties | 49,046 | | | | | | | |
| Payables to related parties | 6,173 | | | | | | | |
| TSMC Technology | 1 | Other receivables from related parties | 972,563 | | | | | |
| | | Payables to related parties | 10,672 | | | | | |
| WaferTech | 1 | Purchases | 11,137,313 | 4% | | | | |

| | | | | | |
|---|--------------------|--------------------|-----------------------------|-----------------------------|------------|
| | | | Payables to related parties | 1,133,217 | |
| 1 | TSMC-NA | VisEra | 3 | Sales | 661,949 |
| 2 | TSMC International | TSMC Development | 3 | Interest income | 28,352 |
| | | TSMC Technology | 3 | Other receivables | 1,151,238 |
| | | TSMC Development | 3 | Deferred technology income | 648,695 |
| 3 | TSMC Partners | TSMC International | 3 | Interest income | 25,513 |
| | | | | Other receivables | 10,081,604 |
| | | | | Deferred revenue | 8,883,518 |
| 4 | TSMC Technology | WaferTech | 3 | Management service income | 12,625 |
| 5 | | | 3 | Purchases | 266,372 |
| | GUC | TSMC-NA | | Manufacturing expenses | 345,064 |
| | | | | Operating expenses | 3,333 |
| | | GUC-NA | 3 | Payables to related parties | 66,138 |
| | | | | Operating expenses | 27,871 |

Note 1: No. 1 represents the transactions from parent company to subsidiary.

No. 3 represents the transactions between subsidiaries.

Note 2: The terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreements.

(Concluded)

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SIGNATURES

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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 13, 2007

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