

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

September 01, 2006

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2006

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
Taiwan

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

Taiwan Semiconductor Manufacturing Company Limited
Financial Statements for the
Six Months Ended June 30, 2006 and 2005 and
Independent Auditors Report

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 June 30, 2006 and 2005, and the related statements of income, changes in shareholders' equity and cash flows for the six months 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 June 30, 2006 and 2005, and the results of its operations and its cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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 six months ended June 30, 2006 and 2005, and have expressed an unqualified opinion on the consolidated financial statements.

July 12, 2006

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited**BALANCE SHEETS****JUNE 30, 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) | \$ 127,713,018 | 22 | \$ 78,597,384 | 16 |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 5) | 322,456 | | 121,841 | |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 62,102,387 | 11 | 48,298,762 | 10 |
| Held-to-maturity financial assets (Notes 2, 3 and 7) | 5,738,737 | 1 | 1,109,846 | |
| Notes and accounts receivable | 19,713,819 | 4 | 20,040,283 | 4 |
| Receivables from related parties (Note 23) | 22,909,889 | 4 | 14,999,678 | 3 |
| Allowance for doubtful receivables (Note 2) | (975,704) | | (978,577) | |
| Allowance for sales returns and others (Note 2) | (5,571,076) | (1) | (3,945,057) | |
| Other receivables from related parties (Note 23) | 1,659,482 | | 1,565,784 | |
| Other financial assets (Note 3) | 872,627 | | 1,603,340 | |
| Inventories, net (Notes 2 and 8) | 18,375,580 | 3 | 14,113,615 | 3 |
| Deferred income tax assets (Notes 2 and 16) | 6,084,277 | 1 | 5,330,000 | 1 |
| Prepaid expenses and other current assets (Note 3) | 954,026 | | 969,974 | |
| Total current assets | 259,899,518 | 45 | 181,826,873 | 37 |
| LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 9 and 10) | | | | |
| Available-for-sale financial assets | 4,873,970 | 1 | | |
| Held-to-maturity financial assets | 23,524,067 | 4 | 27,297,965 | 5 |
| Financial assets carried at cost | 818,969 | | 784,939 | |
| Investments accounted for using equity method | 54,000,233 | 9 | 48,351,666 | 10 |
| Total long-term investments | 83,217,239 | 14 | 76,434,570 | 15 |
| PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 11 and 23) | | | | |
| Cost | | | | |
| Buildings | 91,815,148 | 16 | 88,695,499 | 18 |
| Machinery and equipment | 484,487,876 | 84 | 441,034,330 | 88 |
| Office equipment | 8,090,185 | 1 | 7,586,253 | 1 |
| | 584,393,209 | 101 | 537,316,082 | 107 |
| Accumulated depreciation | (388,228,761) | (67) | (330,854,258) | (66) |
| Advance payments and construction in progress | 27,054,673 | 5 | 18,601,286 | 4 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Net property, plant, and equipment | 223,219,121 | 39 | 225,063,110 | 45 |
| GOODWILL (Note 2) | 1,567,756 | | 1,741,951 | |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 16) | 7,394,956 | 1 | 6,313,825 | 1 |
| Deferred charges, net (Notes 2 and 12) | 6,163,992 | 1 | 7,874,553 | 2 |
| Refundable deposits | 83,655 | | 87,542 | |
| Assets leased to others, net (Note 2) | 70,012 | | 75,746 | |
| Idle assets | 6,789 | | 13,995 | |
| Total other assets | 13,719,404 | 2 | 14,365,661 | 3 |
| TOTAL | \$ 581,623,038 | 100 | \$ 499,432,165 | 100 |

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

| | | | | |
|---|-------------|----|------------|----|
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5) | \$ 599,909 | | \$ 836,704 | |
| Accounts payable | 6,772,076 | 1 | 5,680,946 | 1 |
| Payables to related parties (Note 23) | 3,281,423 | | 2,146,317 | |
| Income tax payable (Notes 2 and 16) | 4,486,901 | 1 | 252,800 | |
| Cash dividends and bonus payable (Note 18) | 65,257,190 | 11 | 49,590,312 | 10 |
| Payables to contractors and equipment suppliers | 16,952,057 | 3 | 10,004,328 | 2 |
| Accrued expenses and other current liabilities (Notes 3 and 14) | 7,385,228 | 1 | 7,712,787 | 2 |
| Current portion of bonds payable (Note 13) | 2,500,000 | 1 | 10,500,000 | 2 |
| Total current liabilities | 107,234,784 | 18 | 86,724,194 | 17 |

LONG-TERM LIABILITIES

| | | | | |
|---|------------|---|------------|---|
| Bonds payable (Note 13) | 17,000,000 | 3 | 19,500,000 | 4 |
| Other long-term payables (Note 14) | 1,458,603 | | 1,644,136 | |
| Other payables to related parties (Notes 23 and 26) | 1,085,366 | | 1,727,133 | 1 |
| Total long-term liabilities | 19,543,969 | 3 | 22,871,269 | 5 |

OTHER LIABILITIES

| | | | | |
|---------------------------------------|-----------|---|-----------|---|
| Accrued pension cost (Notes 2 and 15) | 3,484,350 | 1 | 3,410,250 | 1 |
| Guarantee deposits (Note 26) | 3,354,046 | 1 | 1,517,584 | |
| Deferred credits (Notes 2 and 23) | 1,173,542 | | 708,941 | |

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| | | | | |
|--|----------------|-----|----------------|-----|
| Total other liabilities | 8,011,938 | 2 | 5,636,775 | 1 |
| Total liabilities | 134,790,691 | 23 | 115,232,238 | 23 |
| CAPITAL STOCK \$10 PAR VALUE | | | | |
| Authorized: 27,050,000 thousand shares, Issued: 25,823,357 thousand shares in 2006, 24,726,129 thousand shares in 2005 | 258,233,569 | 44 | 247,261,288 | 50 |
| CAPITAL SURPLUS (Notes 2 and 18) | 53,822,486 | 9 | 56,720,875 | 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 | 92,376,976 | 16 | 47,808,698 | 10 |
| | 136,723,429 | 24 | 84,383,333 | 17 |
| OTHERS (Notes 2 and 3) | | | | |
| Cumulative translation adjustments | (1,145,616) | | (2,612,996) | (1) |
| Unrealized gains on financial instruments | 116,554 | | | |
| | (1,029,062) | | (2,612,996) | (1) |
| TREASURY STOCK (AT COST, Notes 2 and 20) 33,926 thousand shares in 2006 and 46,862 thousand shares in 2005 | | | | |
| | (918,075) | | (1,552,573) | |
| Total shareholders equity | 446,832,347 | 77 | 384,199,927 | 77 |
| TOTAL | \$ 581,623,038 | 100 | \$ 499,432,165 | 100 |

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

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2006 | | 2005 | |
|---|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 23) | \$ 161,789,754 | | \$ 116,819,058 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | 3,269,063 | | 2,649,624 | |
| NET SALES | 158,520,691 | 100 | 114,169,434 | 100 |
| COST OF SALES (Notes 17 and 23) | 80,991,942 | 51 | 69,315,398 | 61 |
| GROSS PROFIT | 77,528,749 | 49 | 44,854,036 | 39 |
| OPERATING EXPENSES (Notes 17 and 23) | | | | |
| Research and development | 7,255,721 | 4 | 6,632,293 | 6 |
| General and administrative | 3,379,438 | 2 | 3,743,998 | 3 |
| Marketing | 1,053,473 | 1 | 617,811 | |
| Total operating expenses | 11,688,632 | 7 | 10,994,102 | 9 |
| INCOME FROM OPERATIONS | 65,840,117 | 42 | 33,859,934 | 30 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 3,404,382 | 2 | | |
| Interest income (Notes 2 and 3) | 1,910,958 | 1 | 1,175,969 | 1 |
| Settlement income (Note 25) | 483,734 | 1 | 711,324 | 1 |
| Gain on disposal of financial instruments, net (Notes 2, 3, 5 and 22) | 468,482 | | 1,394,620 | 1 |
| Technical service income (Notes 23 and 26) | 344,601 | | 186,962 | |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 23) | 257,239 | | 107,395 | |
| Others (Note 23) | 172,551 | | 221,233 | |
| Total non-operating income and gains | 7,041,947 | 4 | 3,797,503 | 3 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |

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| | | | | |
|--|-----------|---|-----------|---|
| Foreign exchange loss, net (Note 2) | 1,250,047 | 1 | 2,035,490 | 2 |
| Interest expense (Notes 3 and 13) | 330,600 | | 606,225 | |
| Valuation loss on financial instruments, net (Notes 2, 3, 5 and 22) | 277,453 | | 41,467 | |
| Loss on idle assets | 37,283 | | 106,972 | |

(Continued)

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| | 2006 | | 2005 | |
|---|-------------------|----------|-------------------|----------|
| | Amount | % | Amount | % |
| Loss on disposal of property, plant, and equipment (Note 2) | \$ 8,996 | | \$ 53,599 | |
| Equity in losses of equity method investees, net (Notes 2 and 10) | | | 786,018 | 1 |
| Others | 71,630 | | 29,942 | |
| Total non-operating expenses and losses | 1,976,009 | 1 | 3,659,713 | 3 |
| INCOME BEFORE INCOME TAX | 70,906,055 | 45 | 33,997,724 | 30 |
| INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 16) | (4,051,241) | (3) | 1,189,610 | 1 |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 66,854,814 | 42 | 35,187,334 | 31 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3) | (246,186) | | | |
| NET INCOME | \$ 66,608,628 | 42 | \$ 35,187,334 | 31 |

| | 2006 | | 2005 | |
|------------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 21) | | | | |
| Basic earnings per share | \$ 2.74 | \$ 2.58 | \$ 1.32 | \$ 1.37 |
| Diluted earnings per share | \$ 2.73 | \$ 2.58 | \$ 1.32 | \$ 1.37 |

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

| | 2006 | 2005 |
|--|-------------------|-------------------|
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | \$ 66,937,134 | \$ 35,278,370 |
| NET INCOME | \$ 66,690,948 | \$ 35,278,370 |

EARNINGS PER SHARE (NT\$)

| | | | | |
|----------------------------|----|------|----|------|
| Basic earnings per share | \$ | 2.58 | \$ | 1.37 |
| Diluted earnings per share | \$ | 2.58 | \$ | 1.37 |

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 SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Dividend Per Share)

| Period | 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 | | | | |
| 2005 | \$ 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) | | | |
| 2003 | 3,432,129 | | | | (3,432,129) | (3,432,129) | | | |
| | | | | | (61,825,061) | (61,825,061) | | | |
| 2000 | 3,709,504 | | | | (3,709,504) | (3,709,504) | | | |
| | | | | | (257,410) | (257,410) | | | |
| 2000 | 3,709,504 | (3,709,504) | | | | | | | |
| 1999 | 82,186 | 243,864 | | | | | | | |
| | | 87,920 | | | | | | | |

82,320

66,608,628 66,608,628

(504,874)

(504,874)

(191,469)

(191,469)

308,023

308,023

57 \$ 258,233,569 \$ 53,822,486 \$ 43,705,711 \$ 640,742 \$ 92,376,976 \$ 136,723,429 \$ (1,145,616) \$ 116,554 \$ (1,029,062

(Continued)

| Capital Stock (in thousands) | Amount | Capital Surplus | Legal Capital Reserve | Retained Earnings | | Total | Cumulative on Translation Adjustments | Others Unrealized Gain | Total | Treasury Stock |
|------------------------------------|----------------|--------------------|-----------------------------|-------------------------------|----------------------------|----------------|---|------------------------------|----------------|-------------------|
| | | | | Special Capital Reserve | Unappropriated Earnings | | | Financial Instruments | | |
| 1,964 | \$ 232,519,637 | \$ 56,537,259 | \$ 25,528,007 | \$ | \$ 88,202,009 | \$ 113,730,016 | \$ (2,226,427) | \$ (2,226,427) | \$ (1,500,000) | |
| | | | 8,820,201 | | (8,820,201) | | | | | |
| | | | | 2,226,427 | (2,226,427) | | | | | |
| | | | | | (3,086,215) | (3,086,215) | | | | |
| 1,622 | 3,086,215 | | | | (3,086,215) | (3,086,215) | | | | |
| | | | | | (46,504,097) | (46,504,097) | | | | |
| 1,602 | 11,626,024 | | | | (11,626,024) | (11,626,024) | | | | |
| | | | | | (231,466) | (231,466) | | | | |
| 1,941 | 29,412 | 87,806 | | | | | | | | |
| | | 4,774 | | | | | | | | |

84,285

35,187,334 35,187,334

(386,569) (386,569)

6,751

,129 \$ 247,261,288 \$ 56,720,875 \$ 34,348,208 \$ 2,226,427 \$ 47,808,698 \$ 84,383,333 \$ (2,612,996) \$ (2,612,996) \$ (1,5

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 66,608,628 | \$ 35,187,334 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 32,154,504 | 34,330,028 |
| Amortization of premium/ discount of financial assets | 43,781 | 58,771 |
| Loss (gain) on disposal of available-for-sale financial assets, net | (1,116) | 111,808 |
| Gain on disposal of financial assets carried at cost, net | | (94) |
| Gain on disposal of property, plant, and equipment, net | (248,243) | (53,796) |
| Equity in losses (earnings) of equity method investees, net | (3,404,382) | 786,018 |
| Loss on idle assets | 37,283 | 106,972 |
| Deferred income taxes | 293,722 | (1,149,822) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | 1,424,079 | 1,872,228 |
| Notes and accounts receivable | 877,999 | (4,713,402) |
| Receivables from related parties | (1,859,285) | 1,136,361 |
| Allowance for doubtful receivables | (640) | (1,884) |
| Allowance for sales returns and others | 1,301,107 | 617,143 |
| Other receivables from related parties | 473,280 | (1,095,494) |
| Other financial assets | 233,403 | (768,010) |
| Inventories, net | (2,117,625) | 58,330 |
| Prepaid expenses and other current assets | 217,747 | 785,308 |
| Increase (decrease) in: | | |
| Accounts payable | (1,280,030) | (807,671) |
| Payables to related parties | 24,117 | (1,619,155) |
| Income tax payable | 671,013 | (127,103) |
| Accrued expenses and other current liabilities | (645,267) | (1,235,137) |
| Accrued pension cost | 22,958 | 309,054 |
| Deferred credits | (47,872) | |
| Net cash provided by operating activities | 94,779,161 | 63,787,787 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (64,826,510) | (42,911,838) |
| Held-to-maturity financial assets | (7,754,790) | (3,485,821) |
| Financial assets carried at cost | (11,479) | (14,207) |
| Investments accounted for using equity method | (274,687) | (3,225,972) |
| Property, plant, and equipment | (32,170,773) | (51,194,392) |
| Proceeds from disposal of: | | |

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| | | |
|---|------------|-------------|
| Available-for-sale financial assets | 44,101,660 | 43,277,329 |
| Financial assets carried at cost | | 1,996 |
| Property, plant, and equipment and other assets | 710,702 | 1,430,769 |
| | | (Continued) |

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| | 2006 | 2005 |
|--|--------------------|-------------------|
| Redemption of held-to-maturity financial assets upon maturity | \$ 7,837,000 | \$ 4,914,180 |
| Increase in deferred charges | (693,239) | (503,079) |
| Increase in refundable deposits | (13) | (2,129) |
| Proceeds from return of capital by investee | 102,662 | |
| Net cash used in investing activities | (52,979,467) | (51,713,164) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in guarantee deposits | 461,101 | 1,105,191 |
| Proceeds from exercise of employee stock options | 326,050 | 117,218 |
| Bonus to directors and supervisors | (257,410) | (231,466) |
| Net cash provided by financing activities | 529,741 | 990,943 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 42,329,435 | 13,065,566 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 85,383,583 | 65,531,818 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 127,713,018 | \$ 78,597,384 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 420,000 | \$ 420,000 |
| Income tax paid | \$ 2,994,232 | \$ 87,315 |
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant, and equipment | \$ 40,263,600 | \$ 30,044,411 |
| Decrease (increase) in payables to contractors and equipment suppliers | (8,092,827) | 21,149,981 |
| Cash paid | \$ 32,170,773 | \$ 51,194,392 |
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of bonds payable | \$ 2,500,000 | \$ 10,500,000 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 940,123 | \$ 1,417,437 |
| The accompanying notes are an integral part of the financial statements. | | (Concluded) |

Taiwan Semiconductor Manufacturing Company Limited

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 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 June 30, 2006 and 2005, the Company had 20,357 and 18,734 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds, 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 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 current income. 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. The 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 values for beneficiary certificates of open-end funds and publicly traded stocks are determined using the net assets value and the closing-price at the balance sheet date, respectively. For other debt securities, fair value is determined using the average of bid and asked prices at the balance sheet date.

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 investment if such dividends are declared on the earnings of the investees attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new 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. Earnings 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 of the financial asset that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

Financial Assets Carried at Cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost, such as non-publicly traded stocks and mutual funds. The costs of funds and non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence 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.

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. The difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was previously amortized by the straight-line method over five years and was also recorded in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, Long-term Investments in Equity Securities (SFAS No. 5), investment premiums, representing goodwill, are no longer being amortized; while investment discounts continue to be 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 charged to current income.

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 in the investee's net equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

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

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 future period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. 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 credited or charged to non-operating gains or losses in the period of sale or disposal.

Goodwill

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

Deferred Charges

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

Pension Costs

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees individual pension accounts during 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 period s tax provision.

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

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

Stock-based Compensation

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

Treasury Stock

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

Foreign-currency Transactions

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

3. ACCOUNTING CHANGES

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

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

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

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

| | 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 a decrease in net income before cumulative effect of changes in accounting principles of NT\$31,267 thousand, a decrease in net income of NT\$277,453 thousand, and a decrease in basic earnings per share (after income tax) of NT\$0.01, for the six months ended June 30, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's financial statements as of and for the six months ended June 30, 2006.

b. Reclassifications

Upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the six months ended June 30, 2005 were reclassified to conform with the financial statements as of and for the six months ended June 30, 2006. The previous issued financial statements as of and for the six months ended June 30, 2005 need not be restated.

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

1) Short-term investments

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

2) Derivative financial instruments

The Company entered into 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 period, the receivables or payables arising from forward contracts were restated using the prevailing exchange rates with the resulting differences credited or charged to income. In addition, the receivables and payables related to the same forward contracts were netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement was credited or charged to income in the period of settlement.

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

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

Certain accounts in the financial statements as of and for the six months ended June 30, 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 | \$ 49,408,608 | \$ |
| Other financial assets | 78,900 | |
| Prepaid expenses and other current assets | 42,941 | |
| Long-term investments accounted for using cost method | 784,939 | |
| Long-term bonds investment | 16,342,005 | |
| Other long-term investments | 10,955,960 | |
| Accrued expenses and other current liabilities | (836,704) | |
| Financial assets at fair value through profit or loss | | 121,841 |
| Financial liabilities at fair value through profit or loss | | (836,704) |
| Available-for-sale financial assets | | 48,298,762 |
| Held-to-maturity financial assets | | 28,407,811 |
| Financial assets carried at cost | | 784,939 |
| | \$ 76,776,649 | \$ 76,776,649 |
| Statement of income | | |
| Interest income | \$ 449,756 | \$ |
| Foreign exchange gain, net | 1,837,806 | |
| Interest expense | (781,134) | |
| Unrealized valuation loss on short-term investments | (41,467) | |
| Loss on disposal of investment, net | (111,808) | |
| Valuation loss on financial instruments, net | | (41,467) |
| Gain on disposal of financial instruments, net | | 1,394,620 |
| | \$ 1,353,153 | \$ 1,353,153 |

4. CASH AND CASH EQUIVALENTS

| | June 30 | |
|--|----------------|---------------|
| | 2006 | 2005 |
| Cash and deposits in banks | \$ 67,694,314 | \$ 48,158,582 |
| Repurchase agreements collateralized by government bonds | 59,351,764 | 29,804,199 |

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| | | |
|-----------------|----------------|---------------|
| Corporate notes | 666,940 | 172,291 |
| Treasury bills | | 349,892 |
| Agency notes | | 112,420 |
| | \$ 127,713,018 | \$ 78,597,384 |

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

| | June 30 | |
|-----------------------------------|----------------|-------------|
| | 2006 | 2005 |
| Derivatives financial assets | | |
| Forward exchange contracts | \$ | \$ 1,123 |
| Cross currency swap contracts | 322,456 | 120,718 |
| | \$ 322,456 | \$ 121,841 |
| Derivatives financial liabilities | | |
| Forward exchange contracts | \$ 8,265 | \$ 41,092 |
| Cross currency swap contracts | 591,644 | 795,612 |
| | \$ 599,909 | \$ 836,704 |

The Company entered into derivative contracts for the six months ended June 30, 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 instruments.

Outstanding forward contracts as of June 30, 2006 and 2005:

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|---------------|-----------------|--------------------------|---|
| June 30, 2006 | | | |
| Sell | US\$/NT\$ | July 2006 | US\$ 10,000 |
| | EUR/US\$ | July 2006 | EUR 10,000 |
| June 30, 2005 | | | |
| Sell | US\$/NT\$ | July 2005 to August 2005 | US\$ 103,000 |

Outstanding cross currency swap contracts as of June 30, 2006 and 2005:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-----------------------------|---|-------------------------------------|---|
| June 30, 2006 | | | |
| July 2006 to September 2006 | US\$2,266,000 | 2.40%-5.57% | 0.60%-2.78% |

June 30, 2005

July 2005 to August 2005

US\$2,045,000
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3.10%-3.40%

1.03%-1.22%

The Company did not enter into any interest rate swap contracts during the six months ended June 30, 2006. The Company rescinded all interest rate swap contracts in the first quarter of 2005 before their original maturities. The rescission loss of NT\$28,295 thousand has been reclassified and included in the losses on disposal of financial instrument account.

Net gains arising from derivative financial instruments for the six months ended June 30, 2006 were NT\$189,913 thousand (including realized settlement gains of NT\$467,366 thousand and valuation losses of NT\$277,453 thousand).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30 | |
|--|----------------|---------------|
| | 2006 | 2005 |
| Beneficiary certificates of open-end funds | \$ 22,157,124 | \$ 10,300,638 |
| Corporate bonds | 14,297,001 | 11,555,183 |
| Agency bonds | 13,787,394 | 11,511,740 |
| Corporate issued asset-backed securities | 10,921,185 | 11,419,169 |
| Government bonds | 4,831,843 | 2,741,122 |
| Structured time deposits | 498,190 | |
| Money market funds | 385,937 | 491,465 |
| Corporate notes | 97,683 | 158,052 |
| Commercial papers | | 94,770 |
| Publicly-traded stocks | | 26,623 |
| | 66,976,357 | 48,298,762 |
| Current portion | (62,102,387) | (48,298,762) |
| | \$ 4,873,970 | \$ |

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 June 30, 2006, the Company's investment portfolios managed by these fund managers aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as 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 June 30, 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 | \$ 498,190 | 1.76% | March 2008 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | June 30 | |
|--------------------------|----------------|---------------|
| | 2006 | 2005 |
| Government bonds | \$ 5,239,892 | \$ 11,817,146 |
| Corporate bonds | 12,895,132 | 5,634,705 |
| Structured time deposits | 11,127,780 | 10,955,960 |
| | 29,262,804 | 28,407,811 |
| Current portion | (5,738,737) | (1,109,846) |
| | \$ 23,524,067 | \$ 27,297,965 |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|------------------------------------|
| June 30, 2006 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,000,000 | \$ 27,016 | 1.40%-2.01% | June 2007 to March 2009 |
| Callable range accrual deposits | | | (See below) | September 2009 to December 2009 |
| Domestic deposits | 3,887,880 | 4,725 | (See below) | October 2009 to January 2010 |
| Foreign deposits | 3,239,900 | 4,914 | | |
| | \$ 11,127,780 | \$ 36,655 | | |
| June 30, 2005 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,000,000 | \$ 18,027 | 1.40%-2.44% | July 2006 to August 2007 |
| Callable range accrual deposits | | | (See below) | September 2009 to December 2009 |
| Domestic deposits | 3,794,160 | 8,266 | (See below) | October 2009 to January 2010 |
| Foreign deposits | 3,161,800 | 11,971 | | |
| | \$ 10,955,960 | \$ 38,264 | | |

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

As of June 30, 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.

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8. INVENTORIES, NET

| | June 30 | |
|--------------------------|----------------|---------------|
| | 2006 | 2005 |
| Finished goods | \$ 4,163,346 | \$ 2,600,225 |
| Work in process | 13,243,014 | 11,380,115 |
| Raw materials | 1,236,095 | 937,820 |
| Supplies and spare parts | 537,546 | 658,803 |
| | 19,180,001 | 15,576,963 |
| Allowance for losses | (804,421) | (1,463,348) |
| | \$ 18,375,580 | \$ 14,113,615 |

9. FINANCIAL ASSETS CARRIED AT COST

| | June 30 | |
|----------------------------|----------------|-------------|
| | 2006 | 2005 |
| Non-publicly traded stocks | \$ 472,500 | \$ 482,500 |
| Funds | 346,469 | 302,439 |
| | \$ 818,969 | \$ 784,939 |

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | June 30 | | | |
|--|-----------------|---------------|-----------------|---------------|
| | 2006 | | 2005 | |
| | Carrying | % of | Carrying | % of |
| | Amount | Owner- | Amount | Owner- |
| | | ship | | ship |
| TSMC International Investment Ltd. (TSMC International) | \$ 25,984,419 | 100 | \$ 23,057,382 | 100 |
| TSMC (Shanghai) Company Limited (TSMC-Shanghai) | 9,093,788 | 100 | 9,967,851 | 100 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 5,094,733 | 32 | 3,514,280 | 32 |
| Vanguard International Semiconductor Corporation (VIS) | 5,087,101 | 27 | 5,115,164 | 27 |
| TSMC Partners, Ltd. (TSMC Partners) | 4,225,071 | 100 | 3,873,176 | 100 |
| TSMC North America (TSMC-North America) | 1,790,365 | 100 | 794,692 | 100 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 1,050,087 | 99 | 820,765 | 99 |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 707,835 | 98 | 469,749 | 98 |
| Global UniChip Corporation (GUC) | 447,762 | 45 | 403,208 | 46 |
| VentureTech Alliance Fund III, L.P. (VTAF III) | 145,055 | 98 | | |
| Chi Cherng Investment Co., Ltd. (Chi Cherng) | 113,574 | 36 | 77,971 | 36 |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 113,246 | 36 | 77,256 | 36 |
| TSMC Japan K. K. (TSMC-Japan) | 96,536 | 100 | 95,013 | 100 |

Taiwan Semiconductor Manufacturing Company
Europe B.V. (TSMC-Europe)

36,909

100

22,491

100

(Continued)

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| | June 30 | | | |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2006 | % of Owner- ship | 2005 | % of Owner- ship |
| | Carrying Amount | | Carrying Amount | |
| Taiwan Semiconductor Manufacturing Company Korea (TSMC-Korea) | \$ 13,752 | 100 | \$ | |
| VisEra Technologies Company, Ltd. (VisEra) | | | 62,668 | 25 |
| | \$ 54,000,233 | | \$ 48,351,666 | |

For the six months ended June 30, 2006 and 2005, net equity in earnings of NT\$3,404,382 thousand and net equity in losses of NT\$786,018 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.

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

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

| | June 30 | |
|-------------------------|----------------|----------------|
| | 2006 | 2005 |
| Buildings | \$ 46,538,174 | \$ 39,229,473 |
| Machinery and equipment | 335,618,032 | 286,453,058 |
| Office equipment | 6,072,555 | 5,171,727 |
| | \$ 388,228,761 | \$ 330,854,258 |

No interest was capitalized during the six months ended June 30, 2006 and 2005.

12. DEFERRED CHARGES, NET

| | June 30 | |
|----------------------------------|----------------|--------------|
| | 2006 | 2005 |
| Technology license fees | \$ 4,708,484 | \$ 5,836,060 |
| Software and system design costs | 1,401,428 | 1,942,091 |
| Others | 54,080 | 96,402 |
| | \$ 6,163,992 | \$ 7,874,553 |

13. BONDS PAYABLE

| | June 30 | |
|---|----------------------|----------------------|
| | 2006 | 2005 |
| Domestic unsecured bonds: | | |
| Issued in December 2000 and repayable in December 2005 and 2007 in two installments, 5.25% and 5.36% interest payable annually, respectively | \$ 4,500,000 | \$ 15,000,000 |
| Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively | 15,000,000 | 15,000,000 |
| | 19,500,000 | 30,000,000 |
| Current portion | (2,500,000) | (10,500,000) |
| | \$ 17,000,000 | \$ 19,500,000 |

As of June 30, 2006, future principal repayments for the Company's bonds were as follows:

| Year of Repayment | Amount |
|--------------------------|----------------------|
| 2007 | \$ 7,000,000 |
| 2009 | 8,000,000 |
| 2010 and thereafter | 4,500,000 |
| | \$ 19,500,000 |

14. OTHER LONG-TERM PAYABLES

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of June 30, 2006, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|---|---------------------|
| 2006 (3 rd to 4 th quarter) | \$ 493,300 |
| 2007 | 641,216 |
| 2008 | 335,006 |
| 2009 | 335,006 |
| 2010 | 335,006 |
| 2011 and thereafter | 259,192 |
| | 2,398,726 |
| Current portion (classified under accrued expenses and other current liabilities) | (940,123) |
| | \$ 1,458,603 |

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.

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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\$309,709 thousand for the six months ended June 30, 2006.

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

Changes in the Fund and accrued pension cost under the defined benefit plan are summarized as follows:

| | Six Months Ended June 30 | |
|------------------------------|---------------------------------|--------------|
| | 2006 | 2005 |
| The Fund | | |
| Balance, beginning of period | \$ 1,658,864 | \$ 1,428,001 |
| Contributions | 131,250 | 122,103 |
| Interest | 34,384 | 15,629 |
| Payment | (4,677) | (8,419) |
| | | |
| Balance, end of period | \$ 1,819,821 | \$ 1,557,314 |
| | | |
| Accrued pension cost | | |
| Balance, beginning of period | \$ 3,461,392 | \$ 3,101,196 |
| Accruals | 22,958 | 309,054 |
| | | |
| Balance, end of period | \$ 3,484,350 | \$ 3,410,250 |

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:

| | Six Months Ended June 30 | |
|--|---------------------------------|----------------|
| | 2006 | 2005 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ (17,726,514) | \$ (8,499,431) |
| Tax effect of the following: | | |
| Tax-exempt income | 6,411,975 | 4,734,183 |
| Temporary and permanent differences | 721,070 | (635,273) |
| Additional tax at 10% on unappropriated earnings | (1,156,130) | (1,489,709) |
| Cumulative effect of changes in accounting principles | 82,062 | |
| Income tax credits | 7,462,975 | 5,890,230 |
| | | |
| Income tax currently payable | \$ (4,204,562) | \$ |

(Continued)

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

| | Six Months Ended June 30 | |
|--|---------------------------------|--------------|
| | 2006 | 2005 |
| Income tax currently payable | \$ (4,204,562) | \$ |
| Other income tax adjustments | 447,043 | 39,788 |
| Net change in deferred income tax assets | | |
| Investment tax credits | (2,756,331) | 2,512,133 |
| Temporary differences | 1,423,579 | 1,708,642 |
| Adjustment in valuation allowance | 1,039,030 | (3,070,953) |
| | | |
| Income tax benefit (expense) | \$ (4,051,241) | \$ 1,189,610 |

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

| | June 30 | |
|--|----------------|---------------|
| | 2006 | 2005 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 6,084,277 | \$ 5,330,000 |
| | | |
| Noncurrent deferred income tax assets, net | | |
| Investment tax credits | \$ 15,025,163 | \$ 23,066,717 |
| Temporary differences | 741,309 | (741,893) |
| Valuation allowance | (8,371,516) | (16,010,999) |
| | | |
| | \$ 7,394,956 | \$ 6,313,825 |

d. Integrated income tax information:

The balance of the imputation credit account as of June 30, 2006 and 2005 was NT\$743,590 thousand and NT\$15,569 thousand, respectively.

The expected and actual creditable ratios for distribution of earnings of 2005 and 2004 were 2.88% and 0.11%, respectively.

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

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

f. As of June 30, 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 |
| | | 4,113,449 | 1,144,070 | 2007 |
| | | 6,809,054 | 6,809,054 | 2008 |
| | | 6,049,452 | 6,049,452 | 2009 |
| | | 1,722,682 | 1,722,682 | 2010 |
| | | \$ 21,380,442 | \$ 15,725,258 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,780,480 | \$ | 2006 |
| | | 1,243,821 | 1,243,821 | 2007 |
| | | 1,627,535 | 1,627,535 | 2008 |
| | | 1,534,670 | 1,534,670 | 2009 |
| | | 797,450 | 797,450 | 2010 |
| | | \$ 6,983,956 | \$ 5,203,476 | |
| Statute for Upgrading Industries | Personnel training | \$ 27,311 | \$ | 2006 |
| | | 26,780 | 26,780 | 2007 |
| | | 37,207 | 37,207 | 2008 |
| | | 36,915 | 36,915 | 2009 |
| | | \$ 128,213 | \$ 100,902 | |
| 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 2002.

17. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Six Months Ended June 30, 2006 | | |
|----------------------------|---------------------------------------|------------------|---------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 5,183,360 | \$ 2,144,658 | \$ 7,328,018 |
| Labor and health insurance | 340,274 | 167,998 | 508,272 |
| Pension | 309,451 | 152,942 | 462,393 |
| Meal | 225,304 | 76,220 | 301,524 |
| Welfare | 94,186 | 48,784 | 142,970 |
| Others | 103,858 | 12,901 | 116,759 |
| | \$ 6,256,433 | \$ 2,603,503 | \$ 8,859,936 |
| Depreciation | \$ 29,319,569 | \$ 1,617,095 | \$ 30,936,664 |
| Amortization | \$ 722,358 | \$ 479,323 | \$ 1,201,681 |

| | Six Months Ended June 30, 2005 | | |
|----------------------------|---------------------------------------|------------------|---------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 4,091,113 | \$ 1,678,438 | \$ 5,769,551 |
| Labor and health insurance | 303,436 | 144,065 | 447,501 |
| Pension | 295,506 | 140,296 | 435,802 |
| Meal | 208,186 | 67,904 | 276,090 |
| Welfare | 72,159 | 40,344 | 112,503 |
| Others | 51,139 | 45,032 | 96,171 |
| | \$ 5,021,539 | \$ 2,116,079 | \$ 7,137,618 |
| Depreciation | \$ 31,158,607 | \$ 1,489,769 | \$ 32,648,376 |
| Amortization | \$ 814,069 | \$ 859,118 | \$ 1,673,187 |

18. SHAREHOLDERS EQUITY

The Company has issued a total of 863,834 thousand ADSs which are traded on the NYSE as of June 30, 2006. The number of common shares represented by the ADSs is 4,319,169 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 is limited to a certain percentage of the Company's paid-in capital.

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Capital surplus consisted of the following:

| | June 30 | |
|----------------------------------|----------------------|----------------------|
| | 2006 | 2005 |
| From merger | \$ 24,003,546 | \$ 24,003,546 |
| Additional paid-in capital | 19,788,594 | 23,139,481 |
| From convertible bonds | 9,360,424 | 9,360,424 |
| From treasury stock transactions | 389,188 | 91,241 |
| From long-term investments | 280,679 | 126,128 |
| Donations | 55 | 55 |
| | \$ 53,822,486 | \$ 56,720,875 |

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 stipulate that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are recorded in the 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.

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 Year 2005 | Fiscal Year 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 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 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.

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

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

19. STOCK-BASED COMPENSATION PLANS

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

Options of the aforementioned Plans that had never been granted or had been granted but subsequently canceled had expired as of June 30, 2006.

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Information about outstanding stock options for the six months ended June 30, 2006 and 2005 was as follows:

| | Number of Options (in Thousands) | Weighted- Average Exercise Price (NT\$) |
|--------------------------------|---|--|
| Six months ended June 30, 2006 | | |
| Balance, beginning of period | 67,758 | \$ 39.4 |
| Options granted | 2,517 | 39.7 |
| Options exercised | (8,219) | 39.7 |
| Options canceled | (2,304) | 44.5 |
| Balance, end of period | 59,752 | 39.6 |
| Six months ended June 30, 2005 | | |
| Balance, beginning of period | 64,367 | 40.5 |
| Options granted | 14,864 | 48.4 |
| Options exercised | (2,941) | 39.9 |
| Options canceled | (2,931) | 42.7 |
| Balance, end of period | 73,359 | 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 June 30, 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 | 39,415 | 5.64 | \$35.6 | 29,458 | \$35.6 |
| \$45.1-\$52.3 | 20,337 | 7.34 | 47.3 | 312 | 45.5 |
| | 59,752 | | | 29,770 | |

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 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 six months ended June 30, 2006 and 2005 would have been as follows:

| | Six Months Ended June 30 | |
|---|---------------------------------|---------------|
| | 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 | \$ 66,608,628 | \$ 35,187,334 |
| Pro forma net income | 66,552,140 | 35,140,859 |
| Earnings per share (EPS) after income tax (NT\$): | | |
| Basic EPS as reported | \$ 2.58 | \$ 1.37 |
| Pro forma basic EPS | 2.58 | 1.36 |
| Diluted EPS as reported | 2.58 | 1.37 |
| Pro forma diluted EPS | 2.58 | 1.36 |

20. TREASURY STOCK

(Shares in Thousands)

| | Beginning Shares | Increase/ Dividend | Disposal | Ending Shares |
|---|-----------------------------|-------------------------------|-----------------|--------------------------|
| Six months ended June 30, 2006 | | | | |
| Parent company stock held by subsidiaries | 32,938 | 988 | | 33,926 |
| Six months ended June 30, 2005 | | | | |
| Parent company stock held by subsidiaries | 45,521 | 2,242 | 901 | 46,862 |

Proceeds from sales of treasury stock for the six months ended June 30, 2005 were NT\$49,364 thousand. As of June 30, 2006 and 2005, the book value of the treasury stock was NT\$918,075 thousand and NT\$1,552,573 thousand, respectively; the market value was NT\$1,952,452 thousand and NT\$2,648,643 thousand, respectively. The Company's stock held by its 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.

21. EARNINGS PER SHARE

| | Six Months Ended June 30 | | | |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 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 | \$ 2.75 | \$ 2.59 | \$ 1.32 | \$ 1.37 |
| Cumulative effect of changes in accounting principles | (0.01) | (0.01) | | |
| Income for the period | \$ 2.74 | \$ 2.58 | \$ 1.32 | \$ 1.37 |
| Diluted EPS (NT\$) | | | | |
| Income before cumulative effect of change in accounting principles | \$ 2.74 | \$ 2.59 | \$ 1.32 | \$ 1.37 |
| Cumulative effect of changes in accounting principles | (0.01) | (0.01) | | |
| Income for the period | \$ 2.73 | \$ 2.58 | \$ 1.32 | \$ 1.37 |

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 |
| Six months ended June 30, 2006 | | | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$ 70,577,807 | \$ 66,608,628 | 25,784,890 | \$ 2.74 | \$ 2.58 |
| Effect of dilutive potential common stock | | | | | |
| stock options | | | 23,529 | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 70,577,807 | \$ 66,608,628 | 25,808,419 | \$ 2.73 | \$ 2.58 |

Six months ended June 30, 2005

Basic EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income available to common shareholders | \$ 33,997,724 | \$ 35,187,334 | 25,759,865 | \$ 1.32 | \$ 1.37 |
|---|---------------|---------------|------------|---------|---------|

| | | | | | |
|---|--|--|--------|--|--|
| Effect of dilutive potential common stock stock options | | | 10,032 | | |
|---|--|--|--------|--|--|

Diluted EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 33,997,724 | \$ 35,187,334 | 25,769,897 | \$ 1.32 | \$ 1.37 |
|---|---------------|---------------|------------|---------|---------|

22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | June 30 | | | |
|---|--------------------|---------------|--------------------|---------------|
| | 2006 | | 2005 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Available-for-sale financial assets | \$ 66,976,357 | \$ 66,976,357 | \$ 48,298,762 | \$ 48,298,762 |
| Held-to-maturity financial assets | 29,262,804 | 28,857,510 | 28,407,811 | 28,299,261 |
| Long-term investments accounted for using equity method (with market price) | 5,087,101 | 9,567,918 | 5,115,164 | 12,449,270 |
| Liabilities | | | | |
| Forward exchange contracts, net | 8,265 | 8,265 | 39,969 | 36,560 |
| Cross currency swap contracts, net | 269,188 | 269,188 | 674,894 | 452,530 |
| Bonds payable (including current portion) | 19,500,000 | 19,888,147 | 30,000,000 | 30,429,929 |

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) The aforementioned financial instruments do not include long-term payables either. The fair value was determined using the discounted value of expected cash flows, which approximates their carrying amount.
 - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market 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 values of derivatives were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- c. Losses recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$277,453 thousand for the six months ended June 30, 2006.
- d. As of June 30, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$96,561,617 thousand and NT\$76,801,791 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$599,909 thousand and NT\$836,704 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$7,127,780 thousand and NT\$6,955,960 thousand, respectively.
- e. The Company recognized an unrealized loss of NT\$191,469 thousand in shareholder's equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2006. The Company also recognized an unrealized gain of NT\$308,023 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity method investees for the six months ended June 30, 2006.

f. Information about financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge 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 instruments.
- 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 its 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 cash flow 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 is one of its supervisors.
- 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 financial interest)
VIS (accounted for using equity method)
SSMC (accounted for using equity method)

- e. Indirect subsidiaries

WaferTech, LLC (WaferTech)
TSMC Technology, Inc. (TSMC Technology)

- f. Indirect investee

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

structure.

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

| | 2006 | | 2005 | |
|--|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| Six months ended June 30 | | | | |
| Sales | | | | |
| TSMC-North America | \$ 94,075,632 | 58 | \$ 64,760,945 | 56 |
| Philips | 2,318,898 | 2 | 1,147,115 | 1 |
| Others | 406,336 | | 186,880 | |
| | \$ 96,800,866 | 60 | \$ 66,094,940 | 57 |
| Purchases | | | | |
| WaferTech | \$ 6,505,148 | 28 | \$ 5,117,622 | 31 |
| SSMC | 3,718,466 | 16 | 2,094,617 | 13 |
| TSMC-Shanghai | 1,918,584 | 8 | 234,333 | 1 |
| VIS | 1,712,082 | 7 | 2,168,998 | 13 |
| | \$ 13,854,280 | 59 | \$ 9,615,570 | 58 |
| Manufacturing expenses technical assistance fees | | | | |
| Philips (Note 26a) | \$ 377,952 | 1 | \$ 202,334 | |
| Marketing expenses commission | | | | |
| TSMC-Japan | \$ 125,553 | 12 | \$ 133,765 | 22 |
| TSMC-Europe | 116,934 | 11 | 116,034 | 18 |
| TSMC-Korea | 1,118 | | | |
| | \$ 243,605 | 23 | \$ 249,799 | 40 |
| General and administrative expenses rental expense | | | | |
| GUC | \$ 7,659 | | \$ 8,162 | |
| Research and development expenses | | | | |
| GUC | \$ 19,582 | | \$ 3,089 | |
| Sales of property, plant, and equipment | | | | |
| TSMC-Shanghai | \$ 173,299 | 42 | \$ 106,412 | 38 |

Non-operating income and gains

| | | | | |
|---|------------|---|------------|---|
| SSMC (primarily technical service income, see Note 26e) | \$ 147,219 | 2 | \$ 146,655 | 4 |
| VisEra | 140,079 | 2 | 10,752 | |
| TSMC-Shanghai | 123,891 | 2 | 75,743 | 2 |
| VIS (primarily technical service income, see Note 26h) | 105,937 | 2 | 77,504 | 2 |
| | \$ 517,126 | 8 | \$ 310,654 | 8 |

(Continued)

| | 2006 | | 2005 | |
|--------------------------|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| As of June 30 | | | | |
| Receivables | | | | |
| TSMC-North America | \$ 22,374,338 | 98 | \$ 14,513,699 | 97 |
| Philips | 382,251 | 2 | 467,843 | 3 |
| Others | 153,300 | | 18,136 | |
| | \$ 22,909,889 | 100 | \$ 14,999,678 | 100 |
| Other receivables | | | | |
| VIS | \$ 688,807 | 42 | \$ 46,399 | 3 |
| TSMC Technology | 485,449 | 29 | 715,306 | 46 |
| TSMC-North America | 205,327 | 12 | 415,650 | 27 |
| TSMC-Shanghai | 167,585 | 10 | 271,905 | 17 |
| SSMC | 92,700 | 6 | 115,460 | 7 |
| Others | 19,614 | 1 | 1,064 | |
| | \$ 1,659,482 | 100 | \$ 1,565,784 | 100 |
| Payables | | | | |
| WaferTech | \$ 1,155,023 | 35 | \$ 793,200 | 37 |
| VIS | 943,129 | 29 | 883,144 | 41 |
| SSMC | 662,385 | 20 | 284,080 | 13 |
| TSMC-Shanghai | 401,379 | 12 | 70,080 | 3 |
| Others | 119,507 | 4 | 115,813 | 6 |
| | \$ 3,281,423 | 100 | \$ 2,146,317 | 100 |
| Other long-term payables | | | | |
| Philips (Note 26a) | \$ 1,085,366 | 100 | \$ 1,727,133 | 100 |
| Deferred credits | | | | |
| TSMC-Shanghai | \$ 635,124 | 54 | \$ 708,941 | 100 |
| VisEra | 155,437 | 13 | | |
| | \$ 790,561 | 67 | \$ 708,941 | 100 |

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices are 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. The Company also leased certain buildings and facilities to VisEra with a monthly rental of NT\$7,684 (classified under the non-operating income and gains).

24. SIGNIFICANT LONG-TERM LEASES

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

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As of June 30, 2006, future lease payments were as follows:

| Year | Amount |
|---|---------------------|
| 2006 (3 rd to 4 th quarter) | \$ 132,607 |
| 2007 | 248,185 |
| 2008 | 222,450 |
| 2009 | 213,872 |
| 2010 | 166,803 |
| 2011 and thereafter | 1,103,708 |
| | \$ 2,087,625 |

25. SETTLEMENT INCOME

TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, SMIC shall pay TSMC US\$175,000 thousand over six years to resolve TSMC's claims. As of June 30, 2006, SMIC has paid US\$45,000 thousand in accordance with the terms of this settlement agreement.

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of June 30, 2006, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips agreed to cross license the patents owned by each party. The Company also obtained through Philips a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992 and 1997 and on January 1, 2002.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of June 30, 2006, the Company had a total of US\$102,966 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%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. The Company and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but the Company alone is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- i. Amounts available under unused letters of credit as of June 30, 2006 were NT\$6,480 thousand.

27. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;

- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- 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 six months ended June 30, 2006 to manage exposures related to foreign exchange rate fluctuations.

Outstanding forward exchange contracts as of June 30, 2006:

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|------|-----------------|----------------------|---|
| Sell | US\$/JPY | Jul 2006 | JPY 13,500 |
| | US\$/EUR | Jul 2006 | EUR 1,134 |

Valuation losses arising from forward transactions for the six months ended June 30, 2006 were NT\$1,177 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.

TABLE 1

**Taiwan Semiconductor Manufacturing Company Limited and Investees
FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financing No. | Name | Counter-party | Type | Maximum Balance for the Financial Statement (US\$ in Thousands) | Ending Balance (US\$ in Thousands) | Interest Rate | Type of Financing (Note 1) | Amount (US\$ in Thousands) | Reason for Financing Account Item | Allowance for Doubtful Collateral Value | Financing Company's Financing Limit for Each Borrowing Company | Financing Amount Limits (US\$ in Thousands) |
|------------------|------|---------------|--|--|--|------------------|--|-------------------------------------|---|---|---|--|
| | | | | | | | | | | | | |
| 1 | TSMC | TSMC | Other International Development receivables | 133,965 | (US\$35,000) | 1.50% | 2 | \$ | Operating capital | \$ | N/A | \$32,009,175 (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.

TABLE 2**Taiwan Semiconductor Manufacturing Company Limited****ENDORSEMENT/GUARANTEE PROVIDED****FOR THE SIX MONTHS ENDED JUNE 30, 2006****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Counter-party | Nature of Limits on Each Counter-party's | Maximum | Balance for the Period (US\$ in Thousands) | Ending Balance (US\$ in Thousands) | Ratio of Accumulated Amount of Collateral Value to Net of Equity Collateral/ Guarantee Property, Plant and Equipment Latest Financial Statement | Maximum Collateral/Guarantee Amounts Allowable (Note 1) |
|--------------------|--|---------|--|------------------------------------|---|---|
| | | | | | | |
| 0 TSMC | do 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. | | \$ 1,314,000 (US\$ 40,000) | \$ | \$ | \$ 111,708,087 |
| 3 TSMC Development | | | 1,943,940 (US\$ 60,000) | 1,943,940 (US\$ 60,000) | 0.44% | |

Note 1: 25% of the net worth of the Company as of June 30, 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 3**Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES HELD****JUNE 30, 2006****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

| | | | June 30, 2006 | | | |
|--|-----------------------|--|-----------------------------------|---|-------------------------------|-------------------------------------|
| | | | | | | |
| any | Relationship with the | Financial Statement | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Net Value (US\$ Thousands) |
| Marketable Securities Type and Name | Company | Account | | | | |
| Government bond | | | | | | |
| United States Treas NTS | | Available-for-sale financial assets | | US\$ 118,345 | N/A | US\$ |
| 2004 Government Bond Series B | | " | | \$ 997,583 | N/A | \$ |
| 2005 Government Bond Series A | | Held-to-maturity financial assets | | 2,749,071 | N/A | 2 |
| 2006 Government Bond Series D | | " | | 999,583 | N/A | 1 |
| 2004 Kaohsiung Municipal Series A | | " | | 620,000 | N/A | |
| European Investment Bank Bonds | | " | | 368,482 | N/A | |
| 2002 Government Bond Series B | | " | | 353,208 | N/A | |
| 2003 Government Bond Series F | | " | | 149,548 | N/A | |
| Beneficiary certificates of open-end funds | | | | | | |
| NITC Bond Fund | | Available-for-sale financial assets | 22,219 | 3,630,743 | N/A | 3 |
| ABN AMRO Bond Fund | | " | 175,156 | 2,620,910 | N/A | 2 |
| Prudential Financial Bond Fund | | " | 103,751 | 1,505,992 | N/A | 1 |
| Cathay Bond | | " | 122,762 | 1,406,342 | N/A | 1 |
| NITC Taiwan Bond | | " | 93,312 | 1,305,711 | N/A | 1 |
| ABN AMRO Select Bond Fund | | " | 111,974 | 1,260,332 | N/A | 1 |
| Dresdner Bond DAM Fund | | " | 104,217 | 1,199,200 | N/A | 1 |
| JF Taiwan Bond Fund | | " | 75,286 | 1,140,778 | N/A | 1 |
| President James Bond | | " | 72,002 | 1,103,437 | N/A | 1 |
| JF Taiwan First Bond Fund | | " | 77,530 | 1,082,117 | N/A | 1 |
| Shinkong Chi Shin Bond Fund | | " | 72,680 | 1,034,238 | N/A | 1 |
| ABN AMRO Income | | " | 63,947 | 1,004,697 | N/A | 1 |
| Fuhwa Albatross Fund | | " | 89,510 | 1,003,570 | N/A | 1 |
| Fuh Hwa Bond | | " | 60,642 | 802,844 | N/A | |
| HSBC Taiwan Money Management | | " | 40,864 | 602,784 | N/A | |
| Taishin Lucky Fund | | " | 54,132 | 551,429 | N/A | |
| TIIM High Yield | | " | 40,639 | 500,864 | N/A | |
| INVESCO Income Fund | | " | 35,359 | 401,136 | N/A | |

(Continued)

| June 30, 2006 | | | | | | |
|--|--|---|----------------|---------------------|--------------|--|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units | Carrying Value | Percentage | Market Value |
| | | | (in Thousands) | (US\$ in Thousands) | of Ownership | or Net Asset Value (US\$ in Thousands) |
| Rock | | | | | | |
| SMC International | Subsidiary | Investments accounted for using equity method | 987,968 | \$25,984,419 | 100 | \$25,984,419 |
| SMC | Equity method investee | ² | 382 | 5,094,733 | 32 | 5,094,733 |
| SMC | Equity method investee | ² | 437,891 | 5,087,101 | 27 | 9,567,101 |
| SMC Partners | Subsidiary | ² | 300 | 4,225,071 | 100 | 4,225,071 |
| SMC-North America | Subsidiary | ² | 11,000 | 1,790,365 | 100 | 1,790,365 |
| SMC | Investee over which the company had a controlling interest | ² | 40,147 | 447,762 | 45 | 462,762 |
| SMC-Japan | Subsidiary | ² | 6 | 96,536 | 100 | 96,536 |
| SMC-Europe | Subsidiary | ² | | 36,909 | 100 | 36,909 |
| SMC-Korea | Subsidiary | ² | 80 | 13,752 | 100 | 13,752 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 | 10 | 285,584 |
| Yin-Etsu Handotai Taiwan Co., Ltd. | | ² | 10,500 | 105,000 | 7 | 194,500 |
| Yontung Venture Capital Co., Ltd. | | ² | 8,392 | 83,916 | 10 | 53,916 |
| Yobaltop Partner I Venture Capital Corp. | | ² | 5,000 | 50,000 | 1 | 50,000 |
| Y.K. Technology Fund IV | | ² | 4,000 | 40,000 | 2 | 50,000 |
| Capital | | | | | | |
| SMC-Shanghai | Subsidiary | Investments accounted for using equity method | | 9,093,788 | 100 | 9,093,788 |
| Emerging Alliance | Subsidiary | ² | | 1,050,087 | 100 | 1,050,087 |
| EAF II | Subsidiary | ² | | 707,835 | 98 | 707,835 |
| EAF III | Subsidiary | ² | | 145,055 | 98 | 143,055 |
| Ei Cheng | Subsidiary | ² | | 113,574 | 36 | 572,574 |
| Yin Ruey | Subsidiary | ² | | 113,246 | 36 | 572,246 |

| | | | | | | |
|------------------------|--------------------|------|-------|-----|------|---|
| Agency bond | | | | | | |
| d Hm Ln Pc Pool 1h2520 | Available-for-sale | US\$ | 3,348 | N/A | US\$ | 3 |
| | financial assets | | | | | |
| d Hm Ln Pc Pool 1h2524 | 2 | US\$ | 2,575 | N/A | US\$ | 2 |
| d Hm Ln Pc Pool 781959 | 2 | US\$ | 6,640 | N/A | US\$ | 6 |
| d Hm Ln Pc Pool E89857 | 2 | US\$ | 1,680 | N/A | US\$ | 1 |
| d Hm Ln Pc Pool G11295 | 2 | US\$ | 1,492 | N/A | US\$ | 1 |
| d Hm Ln Pc Pool M80855 | 2 | US\$ | 3,520 | N/A | US\$ | 3 |

(Continued)

| | | June 30, 2006 | | | Market Value or | | | |
|-----------------|---|--------------------------------|---|-------------------------------|--|------|------------|--|
| Held Company | Relationship with Financial the Statement | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Asset Value (US\$ in Thousands) | Note | | |
| Name | Marketable Securities Type and Name | Company | Account | Ownership | Thousands) | Note | | |
| | Federal Home Ln Mtg | | Available-for-sale financial assets | | US\$ 3,420 | N/A | US\$ 3,420 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 2,786 | N/A | US\$ 2,786 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,916 | N/A | US\$ 3,916 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 4,665 | N/A | US\$ 4,665 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 4,897 | N/A | US\$ 4,897 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 2,278 | N/A | US\$ 2,278 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 4,117 | N/A | US\$ 4,117 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,671 | N/A | US\$ 3,671 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 1,426 | N/A | US\$ 1,426 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 9,168 | N/A | US\$ 9,168 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 4,182 | N/A | US\$ 4,182 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,358 | N/A | US\$ 3,358 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,347 | N/A | US\$ 3,347 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,834 | N/A | US\$ 3,834 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 4,956 | N/A | US\$ 4,956 | |
| | Federal Home Loan Mtg | | " | | US\$ 5,009 | N/A | US\$ 5,009 | |
| | Federal Natl Mtg Assn | | " | | US\$ 3,193 | N/A | US\$ 3,193 | |
| | Federal Natl Mtg Assn | | " | | US\$ 1,035 | N/A | US\$ 1,035 | |
| | Federal Natl Mtg Assn | | " | | US\$ 3,673 | N/A | US\$ 3,673 | |
| | Federal Natl Mtg Assn | | " | | US\$ 3,256 | N/A | US\$ 3,256 | |
| | Federal Natl Mtg Assn | | " | | US\$ 1,976 | N/A | US\$ 1,976 | |
| | Federal Natl Mtg Assn | | " | | US\$ 1,085 | N/A | US\$ 1,085 | |
| | Federal Natl Mtg Assn Gtd | | " | | US\$ 2,403 | N/A | US\$ 2,403 | |
| | Federal Natl Mtg Assn Gtd | | " | | US\$ 2,915 | N/A | US\$ 2,915 | |
| | Fnma Pool 254507 | | " | | US\$ 1,867 | N/A | US\$ 1,867 | |
| | Fnma Pool 254834 | | " | | US\$ 1,527 | N/A | US\$ 1,527 | |
| | Fnma Pool 255883 | | " | | US\$ 3,538 | N/A | US\$ 3,538 | |
| | Fnma Pool 685116 | | " | | US\$ 635 | N/A | US\$ 635 | |
| | Fnma Pool 687863 | | " | | US\$ 2,979 | N/A | US\$ 2,979 | |
| | Fnma Pool 696485 | | " | | US\$ 3,533 | N/A | US\$ 3,533 | |
| | Fnma Pool 725095 | | " | | US\$ 1,315 | N/A | US\$ 1,315 | |
| | Fnma Pool 730033 | | " | | US\$ 1,581 | N/A | US\$ 1,581 | |
| | Fnma Pool 740934 | | " | | US\$ 1,540 | N/A | US\$ 1,540 | |
| | Fnma Pool 790828 | | " | | US\$ 2,965 | N/A | US\$ 2,965 | |
| | Fnma Pool 793025 | | " | | US\$ 2,761 | N/A | US\$ 2,761 | |
| | Fnma Pool 793932 | | " | | US\$ 664 | N/A | US\$ 664 | |
| | Fnma Pool 794040 | | " | | US\$ 832 | N/A | US\$ 832 | |
| | Fnma Pool 795548 | | " | | US\$ 501 | N/A | US\$ 501 | |

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| | | | | |
|------------------|---|------------|-----|------------|
| Fnma Pool 806642 | " | US\$ 1,401 | N/A | US\$ 1,401 |
| Fnma Pool 815626 | " | US\$ 3,272 | N/A | US\$ 3,272 |

(Continued)

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| | | | | | | | June 30, 2006 | |
|--------------|---------------------------------------|---------|-------------------------------------|-----------------------------|------------------------------------|-------------------------|-------------------------------------|------|
| | | | | | | | Market Value or | |
| Held Company | Relationship with Financial Statement | | | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Asset Value (US\$ in thousands) | |
| Name | Marketable Securities Type and Name | Company | Account | Thousands | Thousands | Ownership | Thousands | Note |
| | Fnma Pool 816594 | | Available-for-sale financial assets | | US\$ 2,298 | N/A | US\$ 2,298 | |
| | Fnma Pool 825395 | | " | | US\$ 2,910 | N/A | US\$ 2,910 | |
| | Fnma Pool 825398 | | " | | US\$ 4,541 | N/A | US\$ 4,541 | |
| | Fnma Pool 841069 | | " | | US\$ 3,281 | N/A | US\$ 3,281 | |
| | Fnma Pool 879906 | | " | | US\$ 1,815 | N/A | US\$ 1,815 | |
| | Gnma II Pool 081150 | | " | | US\$ 699 | N/A | US\$ 699 | |
| | Gnma II Pool 081153 | | " | | US\$ 2,485 | N/A | US\$ 2,485 | |
| | Federal Farm Cr Bks | | " | | US\$ 3,919 | N/A | US\$ 3,919 | |
| | Federal Home Ln Bank | | " | | US\$ 3,938 | N/A | US\$ 3,938 | |
| | Federal Home Ln Bks | | " | | US\$ 3,965 | N/A | US\$ 3,965 | |
| | Federal Home Ln Bks | | " | | US\$ 4,916 | N/A | US\$ 4,916 | |
| | Federal Home Ln Bks | | " | | US\$ 8,650 | N/A | US\$ 8,650 | |
| | Federal Home Ln Bks | | " | | US\$ 4,123 | N/A | US\$ 4,123 | |
| | Federal Home Ln Bks | | " | | US\$ 4,855 | N/A | US\$ 4,855 | |
| | Federal Home Ln Bks | | " | | US\$ 8,609 | N/A | US\$ 8,609 | |
| | Federal Home Ln Bks | | " | | US\$ 4,779 | N/A | US\$ 4,779 | |
| | Federal Home Ln Bks | | " | | US\$ 5,772 | N/A | US\$ 5,772 | |
| | Federal Home Ln Bks | | " | | US\$ 7,482 | N/A | US\$ 7,482 | |
| | Federal Home Ln Bks | | " | | US\$ 4,818 | N/A | US\$ 4,818 | |
| | Federal Home Ln Bks | | " | | US\$ 2,963 | N/A | US\$ 2,963 | |
| | Federal Home Ln Bks | | " | | US\$ 7,960 | N/A | US\$ 7,960 | |
| | Federal Home Ln Bks | | " | | US\$ 6,034 | N/A | US\$ 6,034 | |
| | Federal Home Ln Bks | | " | | US\$ 12,145 | N/A | US\$ 12,145 | |
| | Federal Home Ln Bks | | " | | US\$ 3,936 | N/A | US\$ 3,936 | |
| | Federal Home Ln Bks | | " | | US\$ 6,817 | N/A | US\$ 6,817 | |
| | Federal Home Ln Bks | | " | | US\$ 5,800 | N/A | US\$ 5,800 | |
| | Federal Home Ln Bks | | " | | US\$ 3,292 | N/A | US\$ 3,292 | |
| | Federal Home Ln Bks | | " | | US\$ 7,475 | N/A | US\$ 7,475 | |
| | Federal Home Ln Bks | | " | | US\$ 2,378 | N/A | US\$ 2,378 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 3,442 | N/A | US\$ 3,442 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 9,759 | N/A | US\$ 9,759 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 5,876 | N/A | US\$ 5,876 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 6,398 | N/A | US\$ 6,398 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 14,166 | N/A | US\$ 14,166 | |
| | Federal Home Ln Mtg Corp. | | " | | US\$ 9,887 | N/A | US\$ 9,887 | |
| | Federal Home Ln Mtg Corp. Mtn | | " | | US\$ 4,898 | N/A | US\$ 4,898 | |
| | Federal Home Loan Bank | | " | | US\$ 3,442 | N/A | US\$ 3,442 | |
| | Federal Home Loan Mtg Assn | | " | | US\$ 4,885 | N/A | US\$ 4,885 | |

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| | | | | |
|-----------------------------|---|------------|-----|------------|
| Federal Home Loan Mtg Corp. | " | US\$ 4,912 | N/A | US\$ 4,912 |
| Federal Natl Mtg Assn | " | US\$ 4,292 | N/A | US\$ 4,292 |

(Continued)

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| | | | | | | | June 30, 2006 | | |
|--|---------------------------------------|------|------------------|-------------------------------------|------------------------------------|-------------------------|-------------------------------------|-------------|--|
| | | | | | | | Market Value or | | |
| Held Company | Relationship with Financial Statement | | | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Asset Value (US\$ in thousands) | Note | |
| Name | Marketable Securities | Type | and Name Company | Account | (in thousands) | (thousands) | Thousands) | Note | |
| | Federal Natl Mtg Assn | | | Available-for-sale financial assets | | US\$ 5,847 | N/A | US\$ 5,847 | |
| | Federal Natl Mtg Assn | | | " | | US\$ 7,763 | N/A | US\$ 7,763 | |
| | Federal Natl Mtg Assn | | | " | | US\$ 19,565 | N/A | US\$ 19,565 | |
| | Federal Natl Mtg Assn | | | " | | US\$ 4,104 | N/A | US\$ 4,104 | |
| | Federal Natl Mtg Assn | | | " | | US\$ 10,413 | N/A | US\$ 10,413 | |
| | Federal Natl Mtg Assn | | | " | | US\$ 7,963 | N/A | US\$ 7,963 | |
| | Federal Natl Mtg Assn Mtn | | | " | | US\$ 2,873 | N/A | US\$ 2,873 | |
| | Federal Natl Mtg Assn Mtn | | | " | | US\$ 2,852 | N/A | US\$ 2,852 | |
| | Federal Natl Mtg Assn Mtn | | | " | | US\$ 5,553 | N/A | US\$ 5,553 | |
| | Freddie Mac | | | " | | US\$ 9,273 | N/A | US\$ 9,273 | |
| Corporate issued asset-backed securities | | | | | | | | | |
| | American Home Mtg Invt Tr | | | Available-for-sale financial assets | | US\$ 266 | N/A | US\$ 266 | |
| | Americredit Auto Rec Tr | | | " | | US\$ 996 | N/A | US\$ 996 | |
| | Americredit Automobile Rec Tr | | | " | | US\$ 690 | N/A | US\$ 690 | |
| | Americredit Automobile Rec Tr | | | " | | US\$ 1,983 | N/A | US\$ 1,983 | |
| | Americredit Automobile Rec Tr | | | " | | US\$ 2,591 | N/A | US\$ 2,591 | |
| | Americredit Automobile Receiva | | | " | | US\$ 4,942 | N/A | US\$ 4,942 | |
| | Americredit Automobile Receivb | | | " | | US\$ 4,021 | N/A | US\$ 4,021 | |
| | Atlantic City Elc Trns Fdglc | | | " | | US\$ 548 | N/A | US\$ 548 | |
| | Banc Amer Coml Mtg Inc. | | | " | | US\$ 3,327 | N/A | US\$ 3,327 | |
| | Banc Amer Mtg Secs Inc. | | | " | | US\$ 1,840 | N/A | US\$ 1,840 | |
| | Bank Of Amer Lease Equip Tr | | | " | | US\$ 1,943 | N/A | US\$ 1,943 | |
| | Bear Stearns Alt A Tr | | | " | | US\$ 788 | N/A | US\$ 788 | |
| | Bear Stearns Arm Tr | | | " | | US\$ 3,635 | N/A | US\$ 3,635 | |
| | Bear Stearns Arm Tr | | | " | | US\$ 1,906 | N/A | US\$ 1,906 | |
| | Bear Stearns Coml Mtg Secs Inc. | | | " | | US\$ 6,362 | N/A | US\$ 6,362 | |
| | California Infrastructure Dev | | | " | | US\$ 180 | N/A | US\$ 180 | |
| | Capital Auto Receivables Asset | | | " | | US\$ 3,217 | N/A | US\$ 3,217 | |
| | Capital One Auto Fin Tr | | | " | | US\$ 2,599 | N/A | US\$ 2,599 | |
| | Capital One Auto Fin Tr | | | " | | US\$ 2,968 | N/A | US\$ 2,968 | |
| | Capital One Auto Fin Tr | | | " | | US\$ 4,979 | N/A | US\$ 4,979 | |
| | Capital One Multi Asset Execut | | | " | | US\$ 4,815 | N/A | US\$ 4,815 | |
| | Capital One Multi Asset Execut | | | " | | US\$ 3,904 | N/A | US\$ 3,904 | |
| | Capital One Multi Asset Execut | | | " | | US\$ 2,933 | N/A | US\$ 2,933 | |
| | Capitail One Prime Auto Receiv | | | " | | US\$ 2,767 | N/A | US\$ 2,767 | |

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| | | | | |
|--------------------------------|---|------------|-----|------------|
| Caterpillar Finl Asset Tr | " | US\$ 2,783 | N/A | US\$ 2,783 |
| Caterpillar Finl Asset Tr | " | US\$ 8,059 | N/A | US\$ 8,059 |
| Cendant Rent Car Fdg Aesop LLC | " | US\$ 9,186 | N/A | US\$ 9,186 |
| Centex Home Equity Ln Tr | " | US\$ 336 | N/A | US\$ 336 |

(Continued)

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| | | June 30, 2006 | | | Market | |
|---------|-------------------------------------|----------------|---|------------|------------|------------|
| Held | | Relationship | Shares/Units | Carrying | Percentage | Net Asset |
| Company | | with Financial | Statement (in | Value | of | Value |
| Name | Marketable Securities Type and Name | Company | thousands) | (US\$ in | Ownership | (US\$ in |
| | | Account | thousands) | thousands) | Thousands | Note |
| | Cit Equip Coll Tr | | Available-for-sale financial assets | US\$ 3,291 | N/A | US\$ 3,291 |
| | Cit Equip Coll Tr | | " | US\$ 3,941 | N/A | US\$ 3,941 |
| | Citibank Cr Card Issuance Tr | | " | US\$ 9,739 | N/A | US\$ 9,739 |
| | Citicorp Mtg Secs | | " | US\$ 682 | N/A | US\$ 682 |
| | Cnh Equip Tr | | " | US\$ 3,778 | N/A | US\$ 3,778 |
| | Credit Suisse First Boston Mtg | | " | US\$ 4,752 | N/A | US\$ 4,752 |
| | Credit Suisse First Boston Mtg | | " | US\$ 953 | N/A | US\$ 953 |
| | Credit Suisse First Boston Mtg | | " | US\$ 3,715 | N/A | US\$ 3,715 |
| | Credit Suisse First Boston Mtg | | " | US\$ 3,554 | N/A | US\$ 3,554 |
| | Cwabs Inc. | | " | US\$ 414 | N/A | US\$ 414 |
| | Cwabs Inc. | | " | US\$ 1,280 | N/A | US\$ 1,280 |
| | Cwabs Inc. | | " | US\$ 2,175 | N/A | US\$ 2,175 |
| | Cwalt Inc. | | " | US\$ 243 | N/A | US\$ 243 |
| | Cwmb Inc. | | " | US\$ 1,054 | N/A | US\$ 1,054 |
| | Daimlerchrysler Auto Tr | | " | US\$ 2,933 | N/A | US\$ 2,933 |
| | Deere John Owner Tr | | " | US\$ 2,425 | N/A | US\$ 2,425 |
| | Drive Auto Receivables Tr | | " | US\$ 3,174 | N/A | US\$ 3,174 |
| | Fifth Third Auto Tr | | " | US\$ 1,543 | N/A | US\$ 1,543 |
| | First Horizon Abs Tr | | " | US\$ 712 | N/A | US\$ 712 |
| | First Union Lehman Bros Mtg Tr | | " | US\$ 2,180 | N/A | US\$ 2,180 |
| | Ford Cr Auto Owner Tr | | " | US\$ 2,826 | N/A | US\$ 2,826 |
| | Granite Mtgs Plc | | " | US\$ 2,398 | N/A | US\$ 2,398 |
| | Gs Auto Ln Tr | | " | US\$ 746 | N/A | US\$ 746 |
| | Gs Mtg Secs Corp. | | " | US\$ 4,124 | N/A | US\$ 4,124 |
| | Gsamp Tr | | " | US\$ 4,232 | N/A | US\$ 4,232 |
| | Harley Davidson Motorcycle Tr | | " | US\$ 781 | N/A | US\$ 781 |
| | Harley Davidson Motorcycle Tr | | " | US\$ 5,783 | N/A | US\$ 5,783 |
| | Hertz Veh Fing LLC | | " | US\$ 5,256 | N/A | US\$ 5,256 |
| | Holmes Fing No 8 Plc | | " | US\$ 5,002 | N/A | US\$ 5,002 |
| | HSBC Automotive Tr | | " | US\$ 2,962 | N/A | US\$ 2,962 |
| | Hyundai Auto Receivables Tr | | " | US\$ 6,328 | N/A | US\$ 6,328 |
| | Hyundai Auto Receivables Tr | | " | US\$ 3,186 | N/A | US\$ 3,186 |
| | Hyundai Auto Receivables Tr | | " | US\$ 3,886 | N/A | US\$ 3,886 |
| | Impac Cmb Tr | | " | US\$ 494 | N/A | US\$ 494 |
| | Impac Cmb Tr | | " | US\$ 371 | N/A | US\$ 371 |
| | Impac Secd Assets Corp. | | " | US\$ 43 | N/A | US\$ 43 |
| | Lb Ubs Coml Mtg Tr | | " | US\$ 3,747 | N/A | US\$ 3,747 |
| | Long Beach Accep Auto Receivab | | " | US\$ 1,858 | N/A | US\$ 1,858 |

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| | | | | |
|-------------------------------|---|------------|-----|------------|
| Long Beach Mtg Ln Tr | " | US\$ 3,188 | N/A | US\$ 3,188 |
| Massachusetts Rrb Spl Purp Tr | " | US\$ 3,820 | N/A | US\$ 3,820 |

(Continued)

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| | | | | | | | June 30, 2006 | | |
|--------------|---------------------------------|---------------|---------|-------------------------------------|-----------------------------|------------------------------------|-------------------------|-------------------------------------|------|
| | | | | | | | Market Value or | | |
| Held Company | Relationship with the | | | Financial Statement | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Net Asset Value (US\$ in thousands) | Note |
| Name | Marketable Securities | Type and Name | Company | Account | (in thousands) | (US\$ in thousands) | Ownership | Thousands) | Note |
| | Mastr Asset Backed Secs Tr | | | Available-for-sale financial assets | | US\$3,504 | N/A | US\$ 3,504 | |
| | Mbna Master Cr Card Tr II | | | " | | US\$7,567 | N/A | US\$ 7,567 | |
| | Merrill Lynch Mtg Invs Inc. | | | " | | US\$6,635 | N/A | US\$ 6,635 | |
| | Monumentl Global Fdg II | | | " | | US\$ 1,002 | N/A | US\$ 1,002 | |
| | National City Auto Receivables | | | " | | US\$ 457 | N/A | US\$ 457 | |
| | Navistar Finl 2003 A Owner Tr | | | " | | US\$4,242 | N/A | US\$ 4,242 | |
| | Nissan Auto Receivables | | | " | | US\$ 1,437 | N/A | US\$ 1,437 | |
| | Nomura Asset Accep Corp. | | | " | | US\$4,131 | N/A | US\$ 4,131 | |
| | Onyx Accep Owner Tr | | | " | | US\$4,875 | N/A | US\$ 4,875 | |
| | Pg+E Energy Recovery Fdg LLC | | | " | | US\$4,628 | N/A | US\$ 4,628 | |
| | Providian Gateway Owner Tr | | | " | | US\$3,899 | N/A | US\$ 3,899 | |
| | Reliant Energy Transition Bd | | | " | | US\$3,989 | N/A | US\$ 3,989 | |
| | Residential Asset Mtg Prods | | | " | | US\$2,626 | N/A | US\$ 2,626 | |
| | Residential Asset Sec Mtg Pass | | | " | | US\$2,918 | N/A | US\$ 2,918 | |
| | Residential Asset Sec Mtg Pass | | | " | | US\$3,692 | N/A | US\$ 3,692 | |
| | Residential Fdg Mtg Secs I Inc. | | | " | | US\$2,217 | N/A | US\$ 2,217 | |
| | Residential Fdg Mtg Secs I Inc. | | | " | | US\$4,358 | N/A | US\$ 4,358 | |
| | Revolving Home Equity Ln Tr | | | " | | US\$2,096 | N/A | US\$ 2,096 | |
| | Sequoia Mtg Tr | | | " | | US\$ 948 | N/A | US\$ 948 | |
| | Sequoia Mtg Tr | | | " | | US\$ 735 | N/A | US\$ 735 | |
| | Sequoia Mtg Tr | | | " | | US\$ 794 | N/A | US\$ 794 | |
| | Structured Adj Rate Mtg Ln Tr | | | " | | US\$ 1,641 | N/A | US\$ 1,641 | |
| | Structured Adj Rate Mtg Ln Tr | | | " | | US\$ 555 | N/A | US\$ 555 | |
| | Structured Asset Invt Ln Tr | | | " | | US\$ 93 | N/A | US\$ 93 | |
| | Terwin Mtg Tr | | | " | | US\$4,014 | N/A | US\$ 4,014 | |
| | Toyota Auto Receivables 2003 B | | | " | | US\$4,898 | N/A | US\$ 4,898 | |
| | TW Hotel Fdg 2005 LLC | | | " | | US\$4,097 | N/A | US\$ 4,097 | |
| | Txu Elec Delivery Transition | | | " | | US\$2,619 | N/A | US\$ 2,619 | |
| | Usaa Auto Owner Tr | | | " | | US\$3,678 | N/A | US\$ 3,678 | |
| | Wachovia Auto Owner Tr | | | " | | US\$2,768 | N/A | US\$ 2,768 | |
| | Washington Mut Mtg Secs Corp. | | | " | | US\$3,354 | N/A | US\$ 3,354 | |
| | Wells Fargo Finl Auto Owner Tr | | | " | | US\$5,230 | N/A | US\$ 5,230 | |
| | Wells Fargo Finl Auto Owner Tr | | | " | | US\$4,885 | N/A | US\$ 4,885 | |
| | Wells Fargo Mtg Backed Secs | | | " | | US\$ 777 | N/A | US\$ 777 | |
| | Wells Fargo Mtg Bkd Secs | | | " | | US\$3,128 | N/A | US\$ 3,128 | |
| | Wells Fargo Mtg Bkd Secs | | | " | | US\$3,519 | N/A | US\$ 3,519 | |
| | WFS Financial Owner Trust | | | " | | US\$2,723 | N/A | US\$ 2,723 | |
| | WFS Finl | | | " | | US\$ 916 | N/A | US\$ 916 | |

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| | | | | |
|--------------------------|---|-----------|-----|------------|
| WFS Finl 2004 2 Owner Tr | " | US\$4,880 | N/A | US\$ 4,880 |
| WFS Finl 2004 4 Owner Tr | " | US\$1,672 | N/A | US\$ 1,672 |

(Continued)

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| | | June 30, 2006 | | | | |
|-----------------|--|---|--|-------------------------------|--|------------------|
| | | | | | Market Value or | |
| Held Company | Relationship with Financial the Statement | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Net Asset Value (US\$ in Thousands) | Note |
| Name | Marketable Securities Type and Name Company | Account | Thousands | Thousands | Ownership | Thousands |
| | WFS Finl 2005 2 Oner Tr | Available-for-sale financial assets | US\$ 2,205 | N/A | US\$ 2,205 | |
| | Whole Auto Ln Tr | " | US\$ 1,978 | N/A | US\$ 1,978 | |
| | Whole Auto Ln Tr | " | US\$ 3,803 | N/A | US\$ 3,803 | |
| | Whole Auto Ln Tr | " | US\$ 2,920 | N/A | US\$ 2,920 | |
| | World Omni Auto Receivables Tr | " | US\$ 5,848 | N/A | US\$ 5,848 | |
| | Corporate bond Hua Nan Bank | Available-for-sale financial assets | \$ 1,532,448 | N/A | \$ 1,532,448 | |
| | Cathay United Bank | " | 1,149,382 | N/A | 1,149,382 | |
| | Formosa Petrochemical Corporation | " | 397,332 | N/A | 397,332 | |
| | Taiwan Power Company | " | 299,034 | N/A | 299,034 | |
| | Taiwan Power Company | Held-to-maturity financial assets | 4,217,617 | N/A | 4,219,522 | |
| | Formosa Petrochemical Corporation | " | 2,488,834 | N/A | 2,485,390 | |
| | Nan Ya Plastics Corporation | " | 2,379,459 | N/A | 2,381,576 | |
| | Chinese Petroleum Corporation | " | 1,703,676 | N/A | 1,702,082 | |
| | China Steel Corporation | " | 1,602,604 | N/A | 1,602,685 | |
| | Far Eastone Telecommunications Co. Ltd. | " | 300,012 | N/A | 299,989 | |
| | Formosa Plastic Corporation | " | 135,306 | N/A | 137,054 | |
| | Formosa Chemicals & Fiber Corporation | " | 67,624 | N/A | 69,791 | |
| | Abbott Labs | Available-for-sale financial assets | US\$ 1,496 | N/A | US\$ 1,496 | |
| | Abbott Labs | " | US\$ 2,541 | N/A | US\$ 2,541 | |
| | Ace Ltd. | " | US\$ 1,001 | N/A | US\$ 1,001 | |
| | AIG Sunamerica Global Fing Ix | " | US\$ 996 | N/A | US\$ 996 | |
| | Allstate Life Global Fdg Secd | " | US\$ 2,927 | N/A | US\$ 2,927 | |
| | Alltel Corp. | " | US\$ 595 | N/A | US\$ 595 | |
| | American Express Co. | " | US\$ 3,420 | N/A | US\$ 3,420 | |
| | American Gen Fin Corp. | " | US\$ 1,616 | N/A | US\$ 1,616 | |
| | American Gen Fin Corp. Mtn | " | US\$ 1,001 | N/A | US\$ 1,001 | |
| | American Honda Fin Corp. Mtn | " | US\$ 3,046 | N/A | US\$ 3,046 | |
| | American Honda Fin Corp. Mtn | " | US\$ 802 | N/A | US\$ 802 | |
| | Ameritech Capital Funding Co. | " | US\$ 481 | N/A | US\$ 481 | |

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| | | | | | | |
|-----------------------------|---|------|-------|-----|------|-------|
| Amgen Inc. | " | US\$ | 2,851 | N/A | US\$ | 2,851 |
| Amsouth Bk Birmingham Ala | " | US\$ | 1,982 | N/A | US\$ | 1,982 |
| Anz Cap Tr I | " | US\$ | 944 | N/A | US\$ | 944 |
| Associates Corp. North Amer | " | US\$ | 2,529 | N/A | US\$ | 2,529 |
| Bank New York Inc. | " | US\$ | 1,475 | N/A | US\$ | 1,475 |
| Bank One Corp. | " | US\$ | 3,303 | N/A | US\$ | 3,303 |
| Bank Utd Houston Tx Mtn | " | US\$ | 528 | N/A | US\$ | 528 |
| Bear Stearns Cos Inc. | " | US\$ | 3,319 | N/A | US\$ | 3,319 |

(Continued)

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| | | June 30, 2006 | | | | | | |
|-----------------|---|--------------------------------|---|-------------------------------|--|------|------------|--|
| Held Company | Relationship with Financial the Statement | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | Note | | |
| Name | Marketable Securities Type and Name Company | Account | Type | Ownership | Thousands) | Note | | |
| | Bear Stearns Cos Inc. | | Available-for-sale financial assets | | US\$ 3,585 | N/A | US\$ 3,585 | |
| | Beneficial Corp. Mtn Bk Entry | | " | | US\$ 2,289 | N/A | US\$ 2,289 | |
| | Berkshire Hathaway Fin Corp. | | " | | US\$ 1,470 | N/A | US\$ 1,470 | |
| | Caterpillar Finl Svcs Mtn | | " | | US\$ 5,752 | N/A | US\$ 5,752 | |
| | Chase Manhattan Corp. New | | " | | US\$ 1,512 | N/A | US\$ 1,512 | |
| | Chase Manhattan Corp. New | | " | | US\$ 2,106 | N/A | US\$ 2,106 | |
| | Chubb Corp. | | " | | US\$ 2,103 | N/A | US\$ 2,103 | |
| | Cit Group Hldgs Inc. | | " | | US\$ 3,011 | N/A | US\$ 3,011 | |
| | Citicorp | | " | | US\$ 1,382 | N/A | US\$ 1,382 | |
| | Cogentrix Energy Inc. | | " | | US\$ 3,777 | N/A | US\$ 3,777 | |
| | Colonial Pipeline Co. | | " | | US\$ 1,506 | N/A | US\$ 1,506 | |
| | Consolidated Edison Inc. | | " | | US\$ 2,866 | N/A | US\$ 2,866 | |
| | Corestates Cap Corp. | | " | | US\$ 1,006 | N/A | US\$ 1,006 | |
| | Countrywide Fdg Corp. Mtn | | " | | US\$ 2,019 | N/A | US\$ 2,019 | |
| | Credit Suisse Fincl Products | | " | | US\$ 1,508 | N/A | US\$ 1,508 | |
| | Credit Suisse First Boston | | " | | US\$ 734 | N/A | US\$ 734 | |
| | Credit Suisse First Boston USA | | " | | US\$ 2,135 | N/A | US\$ 2,135 | |
| | Daimlerchrysler North Amer | | " | | US\$ 966 | N/A | US\$ 966 | |
| | Daimlerchrysler North Amer Hld | | " | | US\$ 753 | N/A | US\$ 753 | |
| | Dayton Hudson Corp. | | " | | US\$ 2,013 | N/A | US\$ 2,013 | |
| | Deere John Cap Corp. | | " | | US\$ 4,880 | N/A | US\$ 4,880 | |
| | Dell Computer Corp. | | " | | US\$ 2,822 | N/A | US\$ 2,822 | |
| | Den Danske Bk Aktieselskab | | " | | US\$ 2,034 | N/A | US\$ 2,034 | |
| | Diageo Plc | | " | | US\$ 3,405 | N/A | US\$ 3,405 | |
| | European Invt Bk | | " | | US\$ 3,918 | N/A | US\$ 3,918 | |
| | European Invt Bk | | " | | US\$ 5,945 | N/A | US\$ 5,945 | |
| | Federal Home Ln Bks | | " | | US\$ 7,937 | N/A | US\$ 7,937 | |
| | Fifth Third Bk Cincinnati Oh | | " | | US\$ 2,393 | N/A | US\$ 2,393 | |
| | First Data Corp. | | " | | US\$ 2,827 | N/A | US\$ 2,827 | |
| | Fleet Boston Corp. | | " | | US\$ 2,634 | N/A | US\$ 2,634 | |
| | Fleet Finl Group Inc. New | | " | | US\$ 905 | N/A | US\$ 905 | |
| | Fpl Group Cap Inc. | | " | | US\$ 843 | N/A | US\$ 843 | |
| | Gannett Co. Inc. | | " | | US\$ 2,907 | N/A | US\$ 2,907 | |
| | General Elec Cap Corp. Mtn | | " | | US\$ 3,363 | N/A | US\$ 3,363 | |
| | General Elec Cap Corp. Mtn | | " | | US\$ 3,824 | N/A | US\$ 3,824 | |
| | General Elec Cap Corp. Mtn | | " | | US\$ 8,678 | N/A | US\$ 8,678 | |
| | General Re Corp. | | " | | US\$ 3,307 | N/A | US\$ 3,307 | |
| | Genworth Finl Inc. | | " | | US\$ 3,417 | N/A | US\$ 3,417 | |

Goldman Sachs Group Inc.

”

US\$ 4,910

N/A

US\$ 4,910

(Continued)

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| | | June 30, 2006 | | | Market | |
|---------|-------------------------------------|---|---------------|------------|------------|------------|
| Held | | Relationship | Shares/Units | Carrying | Percentage | Net Asset |
| Company | | with Financial | Statement (in | Value | of | Value |
| Name | Marketable Securities Type and Name | Company | Thousands) | (US\$ in | Ownership | (US\$ in |
| | | Account | thousands) | thousands) | Thousands) | Note |
| | Goldman Sachs Group Inc. | Available-for-sale financial assets | | US\$ 3,426 | N/A | US\$ 3,426 |
| | Goldman Sachs Group LP | " | | US\$ 1,509 | N/A | US\$ 1,509 |
| | Greenpoint Finl Corp. | " | | US\$ 954 | N/A | US\$ 954 |
| | Hancock John Global Fdg II Mtn | " | | US\$ 3,481 | N/A | US\$ 3,481 |
| | Hancock John Global Fdg Mtn | " | | US\$ 961 | N/A | US\$ 961 |
| | Hartford Finl Svcs Group Inc. | " | | US\$ 1,342 | N/A | US\$ 1,342 |
| | Hbos Plc Medium Term Sr Nts | " | | US\$ 3,172 | N/A | US\$ 3,172 |
| | Hbos Plc Medium Term Sr Nts | " | | US\$ 2,921 | N/A | US\$ 2,921 |
| | Heller Finl Inc. | " | | US\$ 1,923 | N/A | US\$ 1,923 |
| | Hershey Foods Corp. | " | | US\$ 1,513 | N/A | US\$ 1,513 |
| | Honeywell Inc. | " | | US\$ 3,031 | N/A | US\$ 3,031 |
| | Household Fin Corp. | " | | US\$ 2,848 | N/A | US\$ 2,848 |
| | Household Fin Corp. | " | | US\$ 504 | N/A | US\$ 504 |
| | Household Intl Inc. | " | | US\$ 2,848 | N/A | US\$ 2,848 |
| | HSBC Fin Corp. Mtn | " | | US\$ 5,045 | N/A | US\$ 5,045 |
| | HSBC USA Inc. New | " | | US\$ 1,076 | N/A | US\$ 1,076 |
| | Huntington Natl Bk Columbus Oh | " | | US\$ 2,977 | N/A | US\$ 2,977 |
| | ING Sec Life Instl Fdg | " | | US\$ 2,445 | N/A | US\$ 2,445 |
| | International Business Machs | " | | US\$ 2,194 | N/A | US\$ 2,194 |
| | Intl Lease Fin Corp. Mtn | " | | US\$ 2,889 | N/A | US\$ 2,889 |
| | Intl Lease Fin Corp. Mtn | " | | US\$ 4,100 | N/A | US\$ 4,100 |
| | Intl Lease Fin Corp. Mtn | " | | US\$ 2,968 | N/A | US\$ 2,968 |
| | JP Morgan Chase + Co. | " | | US\$ 3,285 | N/A | US\$ 3,285 |
| | Jackson Natl Life Global Fdg | " | | US\$ 998 | N/A | US\$ 998 |
| | Key Bk Na Med Term Nts Bk Entr | " | | US\$ 4,364 | N/A | US\$ 4,364 |
| | Keycorp Mtn Book Entry | " | | US\$ 2,975 | N/A | US\$ 2,975 |
| | Kraft Foods Inc. | " | | US\$ 748 | N/A | US\$ 748 |
| | Kraft Foods Inc. | " | | US\$ 997 | N/A | US\$ 997 |
| | Lehman Brothers Hldgs Inc. | " | | US\$ 1,599 | N/A | US\$ 1,599 |
| | Lehman Brothers Hldgs Inc. | " | | US\$ 478 | N/A | US\$ 478 |
| | Lehman Brothers Hldgs Inc. | " | | US\$ 1,075 | N/A | US\$ 1,075 |
| | Lincoln Natl Corp. In | " | | US\$ 498 | N/A | US\$ 498 |
| | Merita Bk Ltd. Ny Brh | " | | US\$ 505 | N/A | US\$ 505 |
| | Merrill Lynch + Co. Inc. | " | | US\$ 3,415 | N/A | US\$ 3,415 |
| | Merrill Lynch + Co. Inc. | " | | US\$ 1,972 | N/A | US\$ 1,972 |
| | Merrill Lynch + Co. Inc. | " | | US\$ 4,822 | N/A | US\$ 4,822 |
| | Metropolitan Life Global Mtn | " | | US\$ 3,306 | N/A | US\$ 3,306 |
| | Monumental Global Fdg II | " | | US\$ 1,446 | N/A | US\$ 1,446 |

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| | | | | |
|--------------------------------|---|------------|-----|------------|
| Monumental Global Fdg II 2002A | " | US\$ 998 | N/A | US\$ 998 |
| Morgan Stanley | " | US\$ 2,087 | N/A | US\$ 2,087 |

(Continued)

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| | | June 30, 2006 | | | | | | |
|-----------------|---|--------------------------------|---|-------------------------------|--|------|------------|--|
| Held Company | Relationship with Financial the Statement | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | Note | | |
| Name | Marketable Securities Type and Name Company Account | | | | | | | |
| | Morgan Stanley Group Inc. | | Available-for-sale financial assets | | US\$ 4,385 | N/A | US\$ 4,385 | |
| | National City Corp. | | " | | US\$ 3,360 | N/A | US\$ 3,360 | |
| | National Westminster Bk Plc | | " | | US\$ 1,330 | N/A | US\$ 1,330 | |
| | Nationwide Bldg Soc | | " | | US\$ 3,484 | N/A | US\$ 3,484 | |
| | Nationwide Bldg Soc Mtn | | " | | US\$ 3,004 | N/A | US\$ 3,004 | |
| | Nationwide Life Global Mtn | | " | | US\$ 1,463 | N/A | US\$ 1,463 | |
| | Nucor Corp. | | " | | US\$ 2,513 | N/A | US\$ 2,513 | |
| | Pepsico Inc. Mtn Book Entry | | " | | US\$ 3,620 | N/A | US\$ 3,620 | |
| | Pnc Fdg Corp. | | " | | US\$ 1,012 | N/A | US\$ 1,012 | |
| | Popular North Amer Inc. | | " | | US\$ 2,880 | N/A | US\$ 2,880 | |
| | Praxair Inc. | | " | | US\$ 3,141 | N/A | US\$ 3,141 | |
| | Premark Intl Inc. | | " | | US\$ 2,721 | N/A | US\$ 2,721 | |
| | Pricoa Global Fdg 1 Mtn | | " | | US\$ 3,504 | N/A | US\$ 3,504 | |
| | Protective Life Secd Trs | | " | | US\$ 2,869 | N/A | US\$ 2,869 | |
| | Prudential Ins Co. Amer | | " | | US\$ 2,502 | N/A | US\$ 2,502 | |
| | Prudential Ins Co. Amer | | " | | US\$ 2,652 | N/A | US\$ 2,652 | |
| | Public Svc Elec Gas Co. | | " | | US\$ 3,631 | N/A | US\$ 3,631 | |
| | Regions Finl Corp. New | | " | | US\$ 2,347 | N/A | US\$ 2,347 | |
| | Safeco Corp. | | " | | US\$ 718 | N/A | US\$ 718 | |
| | Sbc Communications Inc. | | " | | US\$ 1,020 | N/A | US\$ 1,020 | |
| | Sbc Communications Inc. | | " | | US\$ 682 | N/A | US\$ 682 | |
| | Scotland Intl Fin B V 144a | | " | | US\$ 1,416 | N/A | US\$ 1,416 | |
| | Slm Corp. | | " | | US\$ 498 | N/A | US\$ 498 | |
| | Slm Corp. Medium Term Nts | | " | | US\$ 8,889 | N/A | US\$ 8,889 | |
| | Sp Powerassests Ltd. Global | | " | | US\$ 956 | N/A | US\$ 956 | |
| | St Paul Cos Inc. Mtn Bk Ent | | " | | US\$ 2,536 | N/A | US\$ 2,536 | |
| | Suntrust Bks Inc. | | " | | US\$ 1,000 | N/A | US\$ 1,000 | |
| | Swedbank Sparbanken Svenge Ab | | " | | US\$ 1,006 | N/A | US\$ 1,006 | |
| | Tiaa Global Mkts Inc. | | " | | US\$ 498 | N/A | US\$ 498 | |
| | Unitedhealth Group Inc. | | " | | US\$ 2,993 | N/A | US\$ 2,993 | |
| | Us Bk Natl Assn Cincinnati Oh | | " | | US\$ 2,692 | N/A | US\$ 2,692 | |
| | Virginia Elec + Pwr Co. | | " | | US\$ 2,652 | N/A | US\$ 2,652 | |
| | Vodafone Group Plc New | | " | | US\$ 2,483 | N/A | US\$ 2,483 | |
| | Washington Mut Inc. | | " | | US\$ 4,502 | N/A | US\$ 4,502 | |
| | Washington Post Co. | | " | | US\$ 2,970 | N/A | US\$ 2,970 | |
| | Wells Fargo + Co. New | | " | | US\$ 6,040 | N/A | US\$ 6,040 | |
| | Westfield Cap Corp. Ltd. | | " | | US\$ 2,008 | N/A | US\$ 2,008 | |
| | Wps Resources Corp. | | " | | US\$ 1,042 | N/A | US\$ 1,042 | |

| | | June 30, 2006 | | | | | |
|---------------|--|-------------------------------|---|----------------|---------------------|-------------------------|---------------------|
| Company | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units | Carrying Value | Percentage of Ownership | Net Value |
| | | | | (in Thousands) | (US\$ in Thousands) | | (US\$ in Thousands) |
| | Corporate notes Canadian Imperial BK | | Available-for-sale financial assets | | US\$ 3,015 | N/A | US\$ |
| | Money market funds SSGA Cash Mgmt Global Offshore | | Available-for-sale financial assets | | US\$ 11,912 | N/A | US\$ |
| | Fund Horizon Ventures Fund I, L.P. | | Financial assets carried at cost | | \$ 280,179 | N/A | \$ 2 |
| | Crimson Asia Capital Ltd., L.P. | | " | | 66,290 | N/A | |
| | Stock TSMC | Parent company | Available-for-sale financial assets | 16,947 | 989,720 | | 9 |
| | VIS | Equity method investee | Investments accounted for using equity method | 341 | 7,905 | | |
| | Stock TSMC | Parent company | Available-for-sale financial assets | 16,979 | 991,575 | | 9 |
| | VIS | Equity method investee | Investments accounted for using equity method | 1,748 | 40,179 | | |
| International | Stock InveStar | Subsidiary | Investments accounted for using equity method | 14,476 | US\$ 43,604 | 97 | US\$ |
| | InveStar II | Subsidiary | " | 51,300 | US\$ 45,910 | 97 | US\$ |
| | TSMC Development | Subsidiary | " | 1 | US\$627,773 | 100 | US\$6 |
| | TSMC Technology | Subsidiary | " | 1 | US\$ 5,665 | 100 | US\$ |
| Finance | Common stock NetLogic Microsystems, Inc. | | Financial assets at fair value through profit or loss | 84 | US\$ 2,718 | | US\$ |
| | Ikanos Communication, Inc. | | | 515 | US\$ 7,819 | 2 | US\$ |

| | | | | | |
|--------------------------------|--|--------|------|-----------|---------|
| | Available-for-sale financial assets | | | | |
| RichWave Technology Corp. | Financial assets carried at cost | 4,247 | US\$ | 1,648 | 13 US\$ |
| Quake Technologies, Inc. | " | 46 | US\$ | 35 | US\$ |
| Pixim, Inc. | " | 1,924 | US\$ | 512 | 4 US\$ |
| Global Investment Holding Inc. | " | 10,800 | | \$100,000 | 6 \$1 |

(Continued)

| | | | | | | | | | June 30, 2006 | |
|-----------------|---|------------------------------|---|-----------------------------------|---|-------------------------------|--|--------|---------------|--|
| Held Company | Marketable Securities | Relationship with the | Financial Statement | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousands) | | Note | |
| Name | Type and Name | Company | Account | | | | | | | |
| | Preferred stock | | | | | | | | | |
| | Quake Technologies, Inc. | | Financial assets carried at cost | 555 | US\$ 415 | 1 | US\$ | 415 | | |
| | Quickilver Technology, Inc. | | " | 1,049 | US\$ | 4 | US\$ | | | |
| | Mosaic Systems, Inc. | | " | 2,481 | US\$ 12 | 6 | US\$ | 12 | | |
| | Zenesis Technologies, Inc. | | " | 2,410 | US\$ 1,399 | 5 | US\$ | 1,399 | | |
| | Reflectivity, Inc. | | " | 4,848 | US\$ 2,479 | 4 | US\$ | 2,479 | | |
| | Miradia, Inc. | | " | 3,040 | US\$ 1,000 | 4 | US\$ | 1,000 | | |
| | Axiom Microdevices, Inc. | | " | 1,000 | US\$ 1,000 | 3 | US\$ | 1,000 | | |
| | Optichron, Inc. | | " | 714 | US\$ 1,000 | 4 | US\$ | 1,000 | | |
| | NuCORE Technology Inc. | | " | 2,254 | US\$ 1,455 | 2 | US\$ | 1,455 | | |
| | Next IO, Inc. | | " | 800 | US\$ 500 | 2 | US\$ | 500 | | |
| | Audience, Inc. | | " | 1,654 | US\$ 250 | 2 | US\$ | 250 | | |
| | Centrality Communications Britestream Networks, Inc. | | " | 1,325 | US\$ 1,800 | 2 | US\$ | 1,800 | | |
| | Teknovus, Inc. | | " | 2,444 | US\$ 1,172 | 2 | US\$ | 1,172 | | |
| | Teknovus, Inc. | | " | 6,977 | US\$ 1,327 | 3 | US\$ | 1,327 | | |
| | Optimal Corporation | | " | 485 | US\$ 500 | 6 | US\$ | 500 | | |
| | Mobilygen | | " | 1,415 | US\$ 750 | 1 | US\$ | 750 | | |
| | Pixim, Inc. | | " | 2,193 | US\$ 583 | | US\$ | 583 | | |
| | Warrants | | | | | | | | | |
| | Pixim, Inc. | | Financial assets carried at cost | 242 | | N/A | | | | |
| Partners | Common stock VisEra Holding Company | Equity method investee | Investments accounted for using equity | 18,931 | US\$ 24,113 | 48 | US\$ | 24,113 | | |

| | | method | | | | | |
|------|--------------------|------------|-------|------------|----|------------|--|
| VTAF | | | | | | | |
| II | Common stock | | | | | | |
| | Beceem | | | | | | |
| | Communications | Financial | | | | | |
| | | assets | | | | | |
| | | carried at | | | | | |
| | | cost | 500 | US\$ 1,000 | 1 | US\$ 1,000 | |
| | Yobon | | | | | | |
| | Technologies, Inc. | " | 1,675 | US\$ 787 | 13 | US\$ 787 | |
| | Sentelic Corp. | " | 1,200 | US\$ 2,040 | 15 | US\$ 2,040 | |
| | Preferred stock | | | | | | |
| | Powerprecise | | | | | | |
| | Solutions, Inc. | Financial | | | | | |
| | | assets | | | | | |
| | | carried at | | | | | |
| | | cost | 1,445 | US\$ 1,400 | 11 | US\$ 1,400 | |
| | Tzero | | | | | | |
| | Technologies, Inc. | " | 730 | US\$ 1,500 | 2 | US\$ 1,500 | |
| | Miradia, Inc. | " | 1,809 | US\$ 1,600 | 2 | US\$ 1,600 | |
| | Axiom | | | | | | |
| | Microdevices, Inc. | " | 761 | US\$ 776 | 2 | US\$ 776 | |
| | Next IO, Inc. | " | 216 | US\$ 182 | | US\$ 182 | |
| | Ageia | | | | | | |
| | Technologies, Inc. | " | 2,030 | US\$ 2,074 | 2 | US\$ 2,074 | |

(Continued)

| | | June 30, 2006 | | | | | | Market Value or Net Asset Value (US\$ in Thousands) | | |
|---------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------------|------|--|------|--|
| Held Company | Marketable Securities | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | | | Note | |
| Name | Type and Name | Company | | | | | US\$ | Thousands | | |
| | Audience, Inc. | | Financial assets carried at cost | 2,208 | US\$ 474 | 1 | US\$ | 474 | | |
| | GemFire Corporation | | " | 600 | US\$ 600 | 1 | US\$ | 600 | | |
| | Optichron, Inc. | | " | 353 | US\$ 869 | 2 | US\$ | 869 | | |
| | Xceive | | " | 714 | US\$ 1,000 | 2 | US\$ | 1,000 | | |
| | 5V Technologies, Inc. | | " | 2,357 | US\$ 1,768 | 11 | US\$ | 1,768 | | |
| | Power Analog Microelectronics | | " | 2,000 | US\$ 1,500 | 13 | US\$ | 1,500 | | |
| | Impinj, Inc. | | " | 257 | US\$ 500 | | US\$ | 500 | | |
| | RichWave Technology Corp. | | " | 500 | US\$ 231 | 2 | US\$ | 231 | | |
| | Aquantia | | " | 1,264 | US\$ 1,150 | 5 | US\$ | 1,150 | | |
| | Leadtrend Technology, Inc. | | " | 900 | US\$ 431 | 5 | US\$ | 431 | | |
| | Teknorus, Inc. | | " | 518 | US\$ 119 | | US\$ | 119 | | |
| VTAF III | Common stock Quellan, Inc. | | Financial assets carried at cost | 2,231 | US\$ 2,500 | 7 | US\$ | 2,500 | | |
| TSMC Development | WaferTech stock | Subsidiary | Investments accounted for using equity method | | US\$ 391,196 | 100 | US\$ | 391,196 | | |
| Investar | Common stock Rich Tek Technology Corp. | | Financial assets at fair value through profit or loss | 477 | US\$ 3,198 | | US\$ | 3,198 | | |
| | | | " | 236 | US\$ 202 | 2 | US\$ | 202 | | |

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| | | | | | | |
|---|-------------------------------------|--------|------|--------|----|-------------|
| Advanced Power Electronics Corp. | | | | | | |
| Broadtek Electronics Corp. | " | 29 | US\$ | 9 | | US\$ 9 |
| Monolithic Power Systems, Inc. | " | 1,975 | US\$ | 23,361 | 7 | US\$ 23,361 |
| Global Testing Corp. | " | 51,010 | US\$ | 9,006 | 8 | US\$ 9,006 |
| Advanced Power Electronics Corp. | Available-for-sale financial assets | 674 | US\$ | 576 | 2 | US\$ 576 |
| Broadtek Electronics Corp. | " | 116 | US\$ | 35 | | US\$ 35 |
| Rich Tek Technology Corp. | " | 421 | US\$ | 2,823 | | US\$ 2,823 |
| Capella Microsystems (Taiwan), Inc | Financial assets carried at cost | 530 | US\$ | 154 | 3 | US\$ 154 |
| Preferred stock Integrated Memory Logic, Inc. | Financial assets carried at cost | 1,831 | US\$ | 1,221 | 9 | US\$ 1,221 |
| IP Unity, Inc. | " | 1,008 | US\$ | 494 | 1 | US\$ 494 |
| Sonics, Inc. | " | 1,843 | US\$ | 3,530 | 3 | US\$ 3,530 |
| NanoAmp Solutions, Inc. | " | 541 | US\$ | 853 | 2 | US\$ 853 |
| Memsic, Inc. | " | 2,724 | US\$ | 1,500 | 10 | US\$ 1,500 |

(Continued)

| Held Company | Marketable Securities | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | June 30, 2006 | | Market Value or Net Asset Value (US\$ in Thousands) | Note |
|-----------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------------|--|------|
| | | | | | Carrying Value (US\$ in Thousands) | Percentage of Ownership | | |
| Investar II | Common stock Monolithic Power Systems, Inc. | | Financial assets at fair value through profit or loss | 864 | US\$ 10,227 | 3 | US\$ 10,227 | |
| | Geo Vision, Inc. RichTek Technology Corp. | | " | 46 | US\$ 165 | 1 | US\$ 165 | |
| | Ralink Technology (Taiwan), Inc. | | " | 296 | US\$ 1,988 | | US\$ 1,988 | |
| | Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 1,833 | US\$ 791 | 3 | US\$ 791 | |
| | Auden Technology MFG. Co., Ltd. | | " | 419 | US\$ 122 | 2 | US\$ 122 | |
| | EoNEX Technologies, Inc. | | " | 953 | US\$ 410 | 4 | US\$ 410 | |
| | Conwise Technology Corporation, Ltd. | | " | 55 | US\$ 3,048 | 5 | US\$ 3,048 | |
| | Goyatek Technology, Corp. | | " | 700 | US\$ 204 | 9 | US\$ 204 | |
| | Trendchip Technologies Corp. | | " | 2,088 | US\$ 545 | 7 | US\$ 545 | |
| | EON Technology, Corp. | | " | 2,000 | US\$ 574 | 5 | US\$ 574 | |
| | eChannelOpen Holding, Inc. | | " | 4,247 | US\$ 1,175 | 7 | US\$ 1,175 | |
| | Epic Communications, Inc. | | " | 358 | US\$ 251 | 4 | US\$ 251 | |
| | Preferred stock Memsic, Inc. | | " | 191 | US\$ 37 | 1 | US\$ 37 | |
| | | | Financial assets carried at | 2,289 | US\$ 1,560 | 8 | US\$ 1,560 | |

cost

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TABLE 4

**Taiwan Semiconductor Manufacturing Company Limited
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Name | Accounting Relationship | Statement of Financial Position | Beginning Balance | | Acquisition | | Disposal (Note 1) | | Gain (Loss) on Disposal | Ending Balance |
|------------|-------------------------|---|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|----------------|
| | | | Shares/Units (in thousands) | Amount (US\$ Thousands) | Shares/Units (in thousands) | Amount (US\$ Thousands) | Shares/Units (in thousands) | Amount (US\$ Thousands) | | |
| Investment | Available-for-sale | Financial assets | | | | | | | | |
| | | " KGI Securities Co., Ltd. and several financial institutions | | \$ | | \$1,005,115 | | \$ | \$ | |
| Investment | Available-for-sale | Financial assets | | | | | | | | |
| | | " KGI Securities Co., Ltd. and several financial institutions | | 2,548,977 | | 199,579 | | | | |
| Investment | Available-for-sale | Financial assets | | | | | | | | |
| | | " KGI Securities Co., Ltd. and several financial institutions | | | | 999,553 | | | | |
| Investment | Available-for-sale | Financial assets | | | | | | | | |
| | | " KGI Securities Co., Ltd. and several financial institutions | | US\$ 46,173 | | US\$ 250,828 | | US\$ 173,695 | US\$ 174,336 | US\$ (641) |

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| | | | | | | | | | |
|--------------|---|--------|------------|---------|-------------|------|-------|------|---------|
| Treas | Available-for-sale financial assets | | | | | | | | |
| Fur | " | | | | | | | | |
| | | US\$ | 6,881 | | | US\$ | 6,866 | US\$ | 6,881 |
| | | | | | | | | US\$ | (15) |
| certificates | | | | | | | | | |
| funds | | | | | | | | | |
| und | Available-for-sale financial assets | | | | | | | | |
| | National Investment Trust Co., Ltd. | 3,764 | \$ 610,864 | 18,455 | \$3,000,000 | | | | 22,219 |
| Bond | " ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 4,906 | 2,004,862 | 40,250 | 600,000 | | | | 175,156 |
| Financial | " Reliance Securities Investment Trust Co., Ltd. | | | 103,751 | 1,500,000 | | | | 103,751 |
| | " Cathay Securities Investment Trust Co., Ltd. | | | 122,762 | 1,400,000 | | | | 122,762 |
| Bond | " National Investment Trust Co., Ltd. | | | 93,312 | 1,300,000 | | | | 93,312 |
| d DAM | " Allianz Dresdner Securities Investment Consulting Co.,Ltd. | 69,303 | 792,068 | 34,914 | 400,000 | | | | 104,217 |
| nd Fund | " JF Asset Management (Taiwan) Ltd. | 62,009 | 933,430 | 13,277 | 200,000 | | | | 75,286 |
| st Bond | " JF Asset Management (Taiwan) | 63,131 | 875,416 | 14,399 | 200,000 | | | | 77,530 |

| | | | | | | | | | | |
|-----------|--|--------|---------|--------|-----------|-------|------------|-----------|-------|---------|
| Select | Ltd. " ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 1,235 | 203,860 | 93,739 | 1,050,000 | | | | | 111,974 |
| Income | " ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | | | 63,947 | 1,000,000 | | | | | 63,947 |
| Loss Fund | " Fuh Hwa Investment Trust Co. | | | 89,510 | 1,000,000 | | | | | 89,510 |
| d | " Fuh Hwa Investment Trust Co. | | | 60,642 | 800,000 | | | | | 60,642 |
| n Money | " HSBC Investment (Taiwan) Ltd. | | | 47,667 | 700,000 | 6,803 | \$ 100,004 | \$ 99,905 | \$ 99 | 40,864 |
| es Bond | " Uni-President Assets Management Corp. | | | 72,002 | 1,100,000 | | | | | 72,002 |
| ield | " Taiwan International Securities Corp. | | | 40,639 | 500,000 | | | | | 40,639 |
| Shin | " Shinkong Investment Trust Co., Ltd. | 55,063 | 778,482 | 17,617 | 250,000 | | | | | 72,680 |
| y Fund | " Taishin Investment Trust Co., Ltd. | | | 54,132 | 550,000 | | | | | 54,132 |
| come | " INVESCO Taiwan Ltd. | | | 44,180 | 500,000 | 8,821 | 100,000 | 99,833 | 167 | 35,359 |

(Continued)

| Company | Marketable Securities | Financial Instruments | Nature/Units | Beginning | Acquisition | Disposal (Note 1) | | Ending Balance |
|--------------------------------------|-----------------------|-----------------------|--------------|--------------|---------------|-------------------|-------------------------|----------------|
| | | | | Balance | Amount (US\$) | Carrying Value | Gain (Loss) on Disposal | Amount (US\$) |
| Name | Type and Name | Account | Relationship | in thousands | in thousands | in thousands | in thousands | in thousands |
| | Corporate bond | | | | | | | |
| Taiwan Power Company | | Held | KGI-maturity | | | | | |
| | | financial | Securities | | | | | |
| | | assets | Co., | | | | | |
| | | | Ltd. | \$3,263,349 | \$1,092,832 | \$ | \$ | \$4,217,617 |
| Formosa Petrochemical Corporation | | " | KGI | | | | | |
| | | | Securities | | | | | |
| | | | Co., | | | | | |
| | | | Ltd. | 1,093,283 | 1,695,273 | | | 2,488,834 |
| Nan Ya Plastics Corporation | | " | KGI | | | | | |
| | | | Securities | | | | | |
| | | | Co., | | | | | |
| | | | Ltd. | 2,150,842 | 499,073 | | | 2,379,459 |
| Chinese Petroleum Corporation | | " | KGI | | | | | |
| | | | Securities | | | | | |
| | | | Co., | | | | | |
| | | | Ltd. | | | | | |
| | | | and | | | | | |
| | | | several | | | | | |
| | | | financial | | | | | |
| | | | institutions | 705,436 | 1,000,441 | | | 1,703,676 |
| China Steel Corporation | | " | KGI | | | | | |
| | | | Securities | | | | | |
| | | | Co., | | | | | |
| | | | Ltd. | 1,010,532 | 1,000,000 | | | 1,602,604 |
| Formosa Plastic Corporation | | " | KGI | | | | | |
| | | | Securities | | | | | |
| | | | Co., | | | | | |
| | | | Ltd. | | | | | |
| | | | and | | | | | |
| | | | several | | | | | |
| | | | financial | | | | | |
| | | | institutions | 268,855 | | | | 135,306 |
| Formosa Chemicals &Fiber Corporation | | " | KGI | | | | | |
| | | | Securities | | | | | |
| | | | Co., | | | | | |
| | | | Ltd. | 134,369 | | | | 67,624 |
| Hua Nan Bank | | Available | HSB | | | | | |
| | | financial | C for-sale | | | | | |
| | | assets | | | 1,526,049 | | | 1,532,448 |

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| | | | | | | | | | |
|--|---|------|-------|------------|-----------|-----------|-----------|-----------|-----------|
| Cathay United Bank | " HSBC and other financial institutions | | | 1,144,877 | | | | | 1,149,382 |
| Formosa Petrochemical Corporation | " KGI Securities Co., Ltd. | | | 397,076 | | | | | 397,332 |
| Taiwan Power Company | " KGI Securities Co., Ltd. | | | 298,918 | | | | | 299,034 |
| American Honda Fin Corp. Mtn | " | | US\$ | 3,087 | | | | US\$ | 3,046 |
| American Honda Fin Corp. Mtn | " | US\$ | 3,800 | | US\$3,004 | US\$3,000 | US\$ 4 | US\$ | 802 |
| Bank One Corp. | " | | | US\$ 3,326 | | | | US\$ | 3,303 |
| Countrywide Home Lns Inc. | " | US\$ | 5,210 | | US\$5,001 | US\$5,210 | US\$(209) | | |
| Credit Suisse Fb USA Inc. | " | US\$ | 4,141 | | US\$4,003 | US\$4,141 | US\$(138) | | |
| Deere John Cap Corp. | " | | | US\$ 4,911 | | | | US\$ | 4,880 |
| Deere John Cap Corp. | " | US\$ | 5,079 | | US\$5,013 | US\$5,079 | US\$ (66) | | |
| European Invt Bk | " | | | US\$ 5,995 | | US\$ | | US\$ | 5,945 |
| European Invt Bk | " | US\$ | 8,315 | | US\$8,002 | US\$8,315 | US\$(313) | | |
| Federal Home Ln Bks | " | | | US\$ 7,937 | | | | US\$ | 7,937 |
| General Elec Cap Corp. Mtn | " | | | US\$ 3,351 | | | | US\$ | 3,363 |
| Hewlett Packard Co. Intl Lease Fin Corp. Mtn | " | US\$ | 3,373 | | US\$3,177 | US\$3,373 | US\$(196) | | |
| Jp Morgan Chase + Co. | " | US\$ | 2,471 | US\$ 4,100 | US\$2,461 | US\$2,471 | US\$ (10) | US\$ | 4,100 |
| Keycorp Mtn Book Entry | " | US\$ | 3,663 | | US\$3,519 | US\$3,663 | US\$(144) | | |
| Keycorp Mtn Book Entry | " | | | US\$ 3,500 | | US\$3,508 | US\$3,500 | US\$ 8 | |
| Keycorp Mtn Book Entry | " | | | US\$ 3,006 | | | | US\$ | 2,975 |
| Praxair Inc. | " | | | US\$ 3,180 | | | | US\$ | 3,141 |
| Santander Us Debt S A Uniperso Slm Corp. Medium Term Nts | " | US\$ | 4,998 | | US\$4,957 | US\$4,998 | US\$ (41) | | |
| Wells Fargo + Co. New | " | US\$ | 2,950 | US\$ 6,012 | | | | US\$ | 8,889 |
| Wells Fargo + Co. New Agency bonds | " | | | US\$ 6,076 | | | | US\$ | 6,040 |
| Fed Hm Ln Pc Pool M80855 | " available-for-sale financial assets | | | US\$ 3,882 | | US\$3,512 | US\$3,697 | US\$(185) | |
| Federal Home Ln Mtg Corp. | " | | | US\$ 4,962 | | | | US\$ | 4,897 |
| | " | | | US\$ 4,317 | | | | US\$ | 4,117 |

Federal Home Ln Mtg
Corp.

(Continued)

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| Company Name | Type and Name | Financial Statement of (in US\$ in thousands) | Beginning Balance | Acquisition | Disposal (Note 1) | | | Ending Balance |
|--------------|---------------------------|---|------------------------|------------------------|------------------------|-------------------------|------------------------|----------------|
| | | | Amount/Shares/Units | Amount/Shares/Units | Carrying Value | Gain (Loss) on Disposal | Amount/Shares/Units | |
| | | | (in US\$ in thousands) | (in US\$ in thousands) | (in US\$ in thousands) | (in US\$ in thousands) | (in US\$ in thousands) | (in thousands) |
| | Federal Home Ln Mtg Corp. | Available-for-sale financial assets | US\$ | US\$ 3,349 | US\$ | US\$ | US\$ | US\$ 3,347 |
| | Federal Home Ln Mtg Corp. | " | | US\$ 3,857 | | | | US\$ 3,834 |
| | Federal Home Ln Mtg Corp. | " | | US\$ 5,380 | | | | US\$ 4,956 |
| | Federal Home Loan Mtg | " | | US\$ 5,009 | | | | US\$ 5,009 |
| | Federal Home Ln Bks | " | US\$ 3,976 | | US\$ 3,964 | US\$ 3,976 | US\$ (12) | |
| | Federal Home Ln Bks | " | | US\$ 8,628 | | | | US\$ 8,650 |
| | Federal Home Ln Bks | " | US\$ 4,965 | | US\$ 4,944 | US\$ 4,965 | US\$ (21) | |
| | Federal Home Ln Bks | " | | US\$ 5,740 | | | | US\$ 5,772 |
| | Federal Home Ln Bks | " | | US\$ 4,823 | | | | US\$ 4,818 |
| | Federal Home Ln Bks | " | US\$ 8,594 | | US\$ 8,519 | US\$ 8,594 | US\$ (75) | |
| | Federal Home Ln Bks | " | | US\$12,227 | | | | US\$12,145 |
| | 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\$ 9,134 | | US\$ 8,968 | US\$ 9,134 | US\$(166) | |
| | Federal Home Ln Bks | " | | US\$ 7,490 | | | | US\$ 7,475 |
| | Federal Home Ln Mtg Corp. | " | US\$ 6,980 | | US\$ 6,941 | US\$ 6,980 | US\$ (39) | |
| | Federal Home Ln Mtg Corp. | " | | US\$ 6,415 | | | | US\$ 6,398 |
| | Federal Home Ln Mtg Corp. | " | | US\$14,175 | | | | US\$14,166 |
| | Federal Home Ln Mtg Corp. | " | | US\$ 9,974 | | | | US\$ 9,887 |
| | 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\$ 4,943 | | 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\$17,888 | | US\$17,782 | US\$17,888 | US\$(106) | |
| | Federal Natl Mtg Assn | " | | US\$19,539 | | | | US\$19,565 |
| | Federal Natl Mtg Assn | " | | US\$ 4,123 | | | | US\$ 4,104 |
| | Federal Natl Mtg Assn | " | | US\$10,430 | | | | US\$10,413 |
| | Federal Natl Mtg Assn | " | | US\$ 7,966 | | | | US\$ 7,963 |
| | Federal Natl Mtg Assn Mtn | " | US\$ 9,758 | | US\$ 9,781 | US\$ 9,758 | US\$ 23 | |
| | | " | US\$15,787 | | US\$15,851 | US\$15,787 | US\$ 64 | |

| | | | | | | |
|---|---|------------|------------|------------|------------|------------|
| Federal Natl Mtg Assn Mtn | | | | | | |
| Federal Natl Mtg AssnMtn | " | US\$ 7,000 | | US\$ 6,925 | US\$ 7,000 | US\$ (75) |
| Freddie Mac | " | | US\$ 9,391 | | | US\$ 9,273 |
| Corporate issued asset-backed securities | | | | | | |
| Bear Stearns Arm Tr | Available-for-sale financial assets | | US\$ 3,826 | | | US\$ 3,635 |
| Capital Auto Receivables Asset | " | | US\$ 3,250 | | | US\$ 3,217 |
| Capital One Auto Fin Tr | " | | US\$ 5,000 | | | US\$ 4,979 |
| Cit Equip Coll Tr | " | | US\$ 3,975 | | | US\$ 3,941 |
| Credit Suisse First Boston Mtg | " | | US\$ 4,773 | | | US\$ 4,752 |

(Continued)

| Company Name | Type and Name | Account Type | Beginning Balance | Acquisition | Disposal (Note 1) | | | Ending Balance | |
|--------------------------------|-------------------------------------|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| | | | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Amount | Gain (Loss) on Disposal |
| Statement of | | | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) | (US\$ in thousands) |
| Credit Suisse First Boston Mtg | Available-for-sale financial assets | | US\$ | US\$3,750 | US\$ | US\$ | US\$ | US\$3,715 | |
| Credit Suisse First Boston Mtg | " | | | US\$3,572 | | | | US\$3,554 | |
| Ford Cr Auto Owner Tr | " | | US\$10,908 | | US\$4,181 | US\$4,225 | US\$(44) | US\$2,826 | |
| Gs Mtg Secs Corp. | " | | | US\$4,150 | | | | US\$4,124 | |
| Gsamp Tr | " | | | US\$4,250 | | | | US\$4,232 | |
| Long Beach Mtg Ln Tr | " | | | US\$3,200 | | | | US\$3,188 | |
| Merrill Lynch Mtg Invs Inc. | " | | | US\$6,665 | | | | US\$6,635 | |
| Nissan Auto Receivables | " | | US\$ 7,000 | | US\$4,944 | US\$5,000 | US\$(56) | US\$1,437 | |
| Nomura Asset Accep Corp. | " | | | US\$4,150 | | | | US\$4,131 | |
| Terwin Mtg Tr | " | | | US\$4,050 | | | | US\$4,014 | |
| Wells Fargo Finl Auto Owner Tr | " | | | US\$4,893 | | | | US\$4,885 | |
| Wells Fargo Mtg Bkd Secs | " | | | US\$3,772 | | | | US\$3,128 | |
| WFS Finl 2004 4 Owner Tr | " | | US\$ 5,399 | | US\$3,346 | US\$3,400 | US\$(54) | US\$1,672 | |

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

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

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited
ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Transaction Date | Transaction | | Counter-party | Nature of Relationship | Prior Transaction of Related Counter-party | | | Price Reference | |
|------------------|-------------|------------------------------|---|------------------------|--|--------------|---------------|-----------------|----------------|
| | Amount | Payment Term | | | Owner | Relationship | Transfer Date | | Amount |
| 5, 2006 | \$ 854,000 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | N/A | Public bidding |
| 0, 2006 | US \$ 3,340 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | | N/A | N/A | N/A | N/A | Public bidding |
| 006 | \$ 197,500 | By the construction progress | China Steel Structure Co., Ltd. | | N/A | N/A | N/A | N/A | Public bidding |
| 2006 | EUR 2,733 | By the construction progress | Siemens Limited | | N/A | N/A | N/A | N/A | Public bidding |
| 2006 | \$ 517,500 | By the construction progress | United Steel Engineering & Construction Corp. | | N/A | N/A | N/A | N/A | Public bidding |

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TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Investees
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100
MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars)

| e | Related Party | Nature of Relationship | Purchase/ Sale | Transaction Details | | Abnormal Transaction | | Notes/A |
|---|-----------------------|--|-------------------|---------------------|---------|--------------------------------------|-------------------------|-----------------------|
| | | | | Amount | % to | Unit Price (Note) | Payment Terms (Note) | Payable Receivable |
| | | | | | | | | Ending Balance |
| | TSMC-North America | Subsidiary | Sales | \$94,075,632 | 58 | Net 30 days after invoice date | | \$22,374,000 |
| | Philips | Major shareholder | Sales | 2,318,898 | 2 | Net 30 days after monthly closing | | 382,000 |
| | GUC | Investee over which the Company had a controlling interest | Sales | 332,080 | | Net 30 days after monthly closing | | 148,000 |
| | WaferTech | Indirect subsidiary | Purchases | 6,505,148 | 28 | Net 30 days after monthly closing | | (1,155,000) |
| | SSMC | Investee accounted for using equity method | Purchases | 3,718,466 | 16 | Net 30 days after monthly closing | | (662,000) |
| | TSMC-Shanghai | Subsidiary | Purchases | 1,918,584 | 8 | Net 30 days after monthly closing | | (401,000) |
| | VIS | Investee accounted for using equity method | Purchases | 1,712,082 | 7 | Net 30 days after monthly closing | | (943,000) |
| | TSMC-North America | The same Parent | Purchases | 253,238 | 51 | Net 30 days after invoice date | | (75,000) |

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

TABLE 7

Taiwan Semiconductor Manufacturing Company Limited
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
JUNE 30, 2006

(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Amounts Overdue | Action Taken | Period of Subsequent Balance | Amounts Received |
|--------------|--------------------|--|----------------|---------------|-----------------|--|------------------------------|------------------|
| the Company | TSMC-North America | Subsidiary | \$22,579,665 | 42 days | \$5,809,994 | | \$8,734,125 | |
| | Philips | | 382,251 | 38 days | 21,743 | Accelerate demand on account receivables | 20,826 | |
| | GUC | Major shareholder Investee over which the Company had a controlling interest | 148,386 | 54 days | 2,019 | | 60,991 | |
| | VIS | | 688,807 | Note | 6,668 | Accelerate demand on account receivables | | |
| | TSMC Technology | Investee accounted for using equity method | 485,449 | Note | 495 | Accelerate demand on account receivables | | |
| | TSMC-Shanghai | Indirect subsidiaries | 167,585 | Note | 32,343 | Accelerate demand on account receivables | | |
| | | Subsidiary | | | | | | |

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

TABLE 8

Taiwan Semiconductor Manufacturing Company Limited
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY
EXERCISES SIGNIFICANT INFLUENCE
JUNE 30, 2006

(Amounts in Thousands of New Taiwan Dollars)

| Investee Company | Location | Main Businesses and Products | Original Investment | | Balance as of June 30, 2006 | | | Net Income (Losses) of the Investee |
|------------------|---------------------------------|--|---------------------|-------------------|---------------------------------|----------------------|-----------------------|-------------------------------------|
| | | | Amount | December 31, 2005 | Share Percentage (in thousands) | Ownership Percentage | Carrying Value (Note) | |
| International | Tortola, British Virgin Islands | Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry | \$31,445,780 | \$31,445,780 | 987,968 | 100 | \$25,984,419 | \$2,264,286 |
| -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 | 9,093,788 | (302,853) |
| | Singapore | Fabrication and supply of integrated circuits | 6,408,190 | 6,408,190 | 382 | 32 | 5,094,733 | 2,916,458 |
| | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 8,119,816 | 8,119,816 | 437,891 | 27 | 5,087,101 | 1,043,109 |
| Partners | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 4,225,071 | 137,223 |
| -North ca | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 1,790,365 | 24,647 |
| ing Alliance | Cayman Islands | Investing in new start-up technology companies | 1,455,564 | 1,545,288 | | 99 | 1,050,087 | 114,784 |
| II | Cayman Islands | Investing in new start-up technology companies | 736,934 | 654,509 | | 98 | 707,835 | (9,355) |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 409,920 | 409,920 | 40,147 | 45 | 447,762 | 31,320 |

| | | | | | | | |
|---------|----------------------------|--|---------|---------|-----|---------|---------|
| III | Cayman Islands | Investing in new start-up technology companies | 146,454 | | 98 | 145,055 | (5,744) |
| erng | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 113,574 | 99,216 |
| uey | Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 113,246 | 100,327 |
| -Japan | Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 | 96,536 | 798 |
| -Europe | Amsterdam, the Netherlands | Marketing activities | 15,749 | 15,749 | 100 | 36,909 | 12,048 |
| -Korea | Seoul, Korea | Marketing activities | 13,656 | | 80 | 13,752 | 112 |

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

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TABLE 9

Taiwan Semiconductor Manufacturing Company Limited
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2006

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

| Main Businesses and Products | Total Amount | | Accumulated Outflow of Investment from Taiwan as of January 1, 2006 | | Accumulated Outflow of Investment from Taiwan as of June 30, 2006 | | Equity in the Earnings | |
|--|---------------------------------|----------------------|---|--------------------|---|--------------------|-------------------------|-------------|
| | (RMB in Thousand) | Method of Investment | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | Percentage of Ownership | (Losses) |
| Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$12,180,367 (RMB 3,070,623) | (Note 1) | \$12,180,367 (US\$ 371,000) | \$ \$ | \$12,180,367 (US\$ 371,000) | 100% | \$(302,853) | \$9,000,000 |

Accumulated Investment in Mainland

China as of June 30, 2006
(US\$ in Thousand)

\$ 12,180,367
(US\$ 371,000)

Investment Amounts Authorized by

Investment Commission, MOEA
(US\$ in Thousand)

\$12,180,367
(US\$ 371,000)

Upper Limit on Investment
(US\$ in Thousand)

\$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.

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries
Consolidated Financial Statements for the
Six Months Ended June 30, 2006 and 2005 and
Independent Auditors Report**

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 June 30, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months 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 June 30, 2006 and 2005, and the results of their consolidated operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

July 12, 2006

Notice to Readers

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

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

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED BALANCE SHEETS
JUNE 30, 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) | \$ 141,451,709 | 24 | \$ 88,405,154 | 17 |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 5) | 1,970,690 | | 315,550 | |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 62,429,761 | 11 | 48,298,762 | 10 |
| Held-to-maturity financial assets (Notes 2, 3 and 7) | 5,738,737 | 1 | 1,109,846 | |
| Notes and accounts receivable | 44,231,283 | 8 | 36,302,501 | 7 |
| Receivables from related parties (Note 25) | 387,388 | | 740,202 | |
| Allowance for doubtful receivables (Note 2) | (991,840) | | (984,650) | |
| Allowance for sales returns and others (Note 2) | (5,657,954) | (1) | (3,963,039) | (1) |
| Other receivables from related parties (Note 25) | 798,883 | | 161,859 | |
| Other financial assets (Note 3) | 1,625,406 | | 1,816,025 | 1 |
| Inventories, net (Notes 2 and 8) | 20,051,180 | 3 | 15,158,776 | 3 |
| Deferred income tax assets (Notes 2 and 18) | 6,258,263 | 1 | 5,408,883 | 1 |
| Prepaid expenses and other current assets (Note 3) | 1,396,823 | | 1,230,671 | |
| Total current assets | 279,690,329 | 47 | 194,000,540 | 38 |
| LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 9 and 10) | | | | |
| Available-for-sale financial assets | 4,955,849 | 1 | 24,646 | 3 |
| Held-to-maturity financial assets | 23,524,067 | 4 | 27,297,965 | 2 |
| Financial assets carried at cost | 3,287,050 | | 3,255,358 | 1 |
| Investments accounted for using equity method | 11,011,139 | 2 | 8,629,444 | 2 |
| Total long-term investments | 42,778,105 | 7 | 39,207,413 | 8 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11) | | | | |
| Cost | | | | |
| Land and land improvements | 839,539 | | 795,981 | |
| Buildings | 106,751,906 | 18 | 102,814,480 | 20 |
| Machinery and equipment | 534,997,102 | 90 | 488,162,101 | 95 |
| Office equipment | 9,901,513 | 2 | 9,261,975 | 2 |
| Leased assets | 595,172 | | 560,957 | |

| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| | 653,085,232 | 110 | 601,595,494 | 117 |
| Accumulated depreciation | (429,993,526) | (72) | (365,018,772) | (71) |
| Advance payments and construction in progress | 28,038,154 | 5 | 20,429,713 | 4 |
| Net property, plant and equipment | 251,129,860 | 43 | 257,006,435 | 50 |
| GOODWILL (Note 2) | 5,953,802 | 1 | 6,441,721 | 1 |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 18) | 7,428,728 | 1 | 6,338,720 | 1 |
| Deferred charges, net (Notes 2 and 12) | 6,512,023 | 1 | 8,210,644 | 2 |
| Refundable deposits | 106,600 | | 114,435 | |
| Others | 143,562 | | 101,340 | |
| Total other assets | 14,190,913 | 2 | 14,765,139 | 3 |
| TOTAL | \$ 593,743,009 | 100 | \$ 511,421,248 | 100 |

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

| | | | | |
|---|-------------|----|------------|----|
| Short-term bank loans (Note 13) | \$ | | \$ 316,180 | |
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5) | 601,086 | | 841,617 | |
| Accounts payable | 8,676,146 | 2 | 6,365,721 | 1 |
| Payables to related parties (Note 25) | 1,605,514 | | 1,239,322 | |
| Income tax payable (Notes 2 and 18) | 4,602,621 | 1 | 444,303 | |
| Cash dividends and bonus payable (Note 20) | 65,174,870 | 11 | 49,506,027 | 10 |
| Payables to contractors and equipment suppliers | 17,214,474 | 3 | 11,383,836 | 3 |
| Accrued expenses and other current liabilities (Notes 2, 3 and 16) | 9,920,464 | 2 | 9,459,152 | 2 |
| Current portion of bonds payable and long-term bank loans (Notes 14 and 15) | 2,505,489 | | 10,505,489 | 2 |
| Total current liabilities | 110,300,664 | 19 | 90,061,647 | 18 |

LONG-TERM LIABILITIES

| | | | | |
|---|------------|---|------------|---|
| Bonds payable (Note 14) | 17,000,000 | 3 | 19,500,000 | 4 |
| Long-term bank loans (Note 15) | 651,604 | | 957,510 | |
| Other long-term payables (Note 16) | 8,466,995 | 2 | 8,020,949 | 2 |
| Other payables to related parties (Notes 25 and 28) | 1,085,366 | | 1,727,133 | |

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| | | | | |
|---|-------------|----|-------------|-----|
| Obligations under capital leases (Note 2) | 595,172 | | 560,957 | |
| Total long-term liabilities | 27,799,137 | 5 | 30,766,549 | 6 |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 17) | 3,495,542 | 1 | 3,424,325 | 1 |
| Guarantee deposits (Note 28) | 3,357,528 | | 1,518,850 | |
| Deferred credits (Notes 2 and 25) | 1,219,120 | | 673,746 | |
| Others | 71,794 | | 35,297 | |
| Total other liabilities | 8,143,984 | 1 | 5,652,218 | 1 |
| Total liabilities | 146,243,785 | 25 | 126,480,414 | 25 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | |
| Capital stock \$10 par value Authorized: 27,050,000 thousand shares Issued: 25,823,357 thousand shares in 2006, 24,726,129 thousand shares in 2005 | 258,233,569 | 43 | 247,261,288 | 48 |
| Capital surplus (Notes 2 and 20) | 53,822,486 | 9 | 56,720,875 | 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 | 1 |
| Unappropriated earnings | 92,376,976 | 16 | 47,808,698 | 9 |
| | 136,723,429 | 23 | 84,383,333 | 17 |
| Others (Notes 2 and 3) | | | | |
| Cumulative translation adjustments | (1,145,616) | | (2,612,996) | (1) |
| Unrealized gain on financial instruments | 116,554 | | | |
| | (1,029,062) | | (2,612,996) | (1) |
| Treasury stock (at cost, Notes 2 and 22) 33,926 thousand shares in 2006 and 46,862 thousand shares in 2005 | (918,075) | | (1,552,573) | |
| Equity attributable to shareholders of the parent | 446,832,347 | 75 | 384,199,927 | 75 |
| MINORITY INTERESTS (Note 2) | 666,877 | | 740,907 | |

| | | | | |
|---------------------------|----------------|-----|----------------|-----|
| Total shareholders equity | 447,499,224 | 75 | 384,940,834 | 75 |
| TOTAL | \$ 593,743,009 | 100 | \$ 511,421,248 | 100 |

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

- 2 -

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

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

| | 2006 | | 2005 | |
|---|----------------|-----|----------------|-----|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 25) | \$ 163,304,513 | | \$ 118,589,458 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | 3,336,353 | | 1,753,728 | |
| NET SALES | 159,968,160 | 100 | 116,835,730 | 100 |
| COST OF SALES (Notes 19 and 25) | 79,742,976 | 50 | 70,903,582 | 61 |
| GROSS PROFIT | 80,225,184 | 50 | 45,932,148 | 39 |
| OPERATING EXPENSES (Notes 19) | | | | |
| Research and development | 7,839,586 | 5 | 6,973,117 | 5 |
| General and administrative | 4,046,885 | 3 | 4,766,049 | 4 |
| Marketing | 2,113,687 | 1 | 1,810,727 | 2 |
| Total operating expenses | 14,000,158 | 9 | 13,549,893 | 11 |
| INCOME FROM OPERATIONS | 66,225,026 | 41 | 32,382,255 | 28 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Interest income (Notes 2 and 3) | 2,136,142 | 1 | 1,307,115 | 1 |
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 1,249,875 | 1 | 623,046 | 1 |
| Gain on disposal of financial instruments, net (Notes 2, 3, 5 and 24) | 812,356 | 1 | 1,442,104 | 1 |
| Settlement income (Note 27) | 483,840 | | 786,750 | 1 |
| Subsidy income | 329,312 | | 311,846 | |
| Technical service income (Notes 25 and 28) | 302,720 | | 186,962 | |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 25) | 176,277 | | 35,808 | |
| Others (Note 25) | 227,921 | | 220,040 | |
| Total non-operating income and gains | 5,718,443 | 3 | 4,913,671 | 4 |

NON-OPERATING EXPENSES AND LOSSES

| | | | | |
|---|-----------|---|-----------|---|
| Foreign exchange loss, net (Notes 2 and 3) | 1,244,308 | 1 | 2,004,430 | 2 |
| Valuation loss on financial instruments, net (Notes 2, 3, 5 and 24) | 770,634 | | 40,971 | |
| Interest expense (Notes 2 and 3) | 437,365 | | 718,599 | 1 |
| Loss on impairment of financial assets (Note 2) | 171,394 | | 88,486 | |
| Loss on idle assets | 37,283 | | 106,972 | |

(Continued)

| | 2006 | | 2005 | |
|---|---------------|-----|---------------|----|
| | Amount | % | Amount | % |
| Loss on disposal of property, plant and equipment (Note 2) | \$ 9,211 | | \$ 53,625 | |
| Others | 82,734 | | 75,003 | |
| Total non-operating expenses and losses | 2,752,929 | 1 | 3,088,086 | 3 |
| INCOME BEFORE INCOME TAX | 69,190,540 | 43 | 34,207,840 | 29 |
| INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 18) | (4,135,397) | (2) | 1,003,785 | 1 |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 65,055,143 | 41 | 35,211,625 | 30 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3) | 1,606,749 | 1 | | |
| NET INCOME | \$ 66,661,892 | 42 | \$ 35,211,625 | 30 |
| ATTRIBUTABLE TO: | | | | |
| Shareholders of the parent | \$ 66,608,628 | 42 | \$ 35,187,334 | 30 |
| Minority interests | 53,264 | | 24,291 | |
| | \$ 66,661,892 | 42 | \$ 35,211,625 | 30 |

| | 2006 | | 2005 | |
|--|-------------------------|------------------------|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 23) | | | | |
| Basic earnings per share | \$ 2.74 | \$ 2.58 | \$ 1.33 | \$ 1.37 |
| Diluted earnings per share | \$ 2.74 | \$ 2.58 | \$ 1.33 | \$ 1.37 |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

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

| | Equity Attributable to Shareholders of the Parent | | | | | Cumulative Translation Adjustments | Others Unrealized Gain on Financial Instruments | Total | Treasury Stock |
|------|---|-----------------------|-------------------------|---|----------------|------------------------------------|---|--------------|----------------|
| | Capital Surplus | Legal Capital Reserve | Special Capital Reserve | Retained Earnings Unappropriated Earnings | Total | | | | |
| 2006 | \$ 57,117,886 | \$ 34,348,208 | \$ 2,226,427 | \$ 106,196,399 | \$ 142,771,034 | \$ (640,742) | \$ | \$ (640,742) | \$ (918,075) |
| | | 9,357,503 | | (9,357,503) | | | | | |
| | | | (1,585,685) | 1,585,685 | | | | | |
| | | | | (3,432,129) | (3,432,129) | | | | |
| 2005 | | | | (3,432,129) | (3,432,129) | | | | |
| | | | | (61,825,061) | (61,825,061) | | | | |
| 2004 | | | | (3,709,504) | (3,709,504) | | | | |
| | | | | (257,410) | (257,410) | | | | |
| 2004 | (3,709,504) | | | | | | | | |
| 2003 | 243,864 | | | | | | | | |
| | 87,920 | | | | | | | | |

82,320

66,608,628 66,608,628

(504,874) (504,874)

102,614 102,614

13,940 13,940

569 \$ 53,822,486 \$ 43,705,711 \$ 640,742 \$ 92,376,976 \$ 136,723,429 \$ (1,145,616) \$ 116,554 \$ (1,029,062) \$ (918,075)

537 \$ 56,537,259 \$ 25,528,007 \$ 88,202,009 \$ 113,730,016 \$ (2,226,427) \$ (2,226,427) \$ (1,595,186)

8,820,201 (8,820,201)

2,226,427 (2,226,427)

(3,086,215) (3,086,215)

215 (3,086,215) (3,086,215)

(46,504,097) (46,504,097)

| | | | | | | |
|-----|---------------|---------------|--------------|---------------|---------------|--|
| 024 | | | (11,626,024) | (11,626,024) | | |
| | | | (231,466) | (231,466) | | |
| 412 | 87,806 | | | | | |
| | 4,774 | | | | | |
| | 84,285 | | | | | |
| | | | 35,187,334 | 35,187,334 | | |
| | | | | | (386,569) | (386,569) |
| | 6,751 | | | | | 42,613 |
| 288 | \$ 56,720,875 | \$ 34,348,208 | \$ 2,226,427 | \$ 47,808,698 | \$ 84,383,333 | \$ (2,612,996) \$ (2,612,996) \$ (1,552,573) |

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

| | 2006 | 2005 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income attributable to shareholders of the parent | \$ 66,608,628 | \$ 35,187,334 |
| Net income attributable to minority interests | 53,264 | 24,291 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 35,621,785 | 37,917,458 |
| Amortization of premium/discount of financial assets, net | 43,781 | 58,771 |
| Loss on impairment of financial assets | 171,394 | 88,486 |
| Loss (gain) on disposal of available-for-sale financial assets | (51,671) | 111,808 |
| Gain on disposal of financial assets carried at cost | | (94) |
| Equity in earnings of equity method investees, net | (1,249,875) | (623,046) |
| Gain on disposal of property, plant and equipment and other assets, net | (167,066) | 17,817 |
| Loss on idle assets | 37,283 | 106,972 |
| Deferred income tax | 250,733 | (1,179,638) |
| Net changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | 166,562 | 1,905,815 |
| Notes and accounts receivable | (1,149,008) | (4,861,416) |
| Receivables from related parties | 305,878 | 126,139 |
| Allowance for doubtful receivables | 11,246 | (1,847) |
| Allowance for sales returns and others | 1,340,541 | 620,589 |
| Other receivables from related parties | 413,595 | (20,281) |
| Other financial assets | (7,609) | (842,265) |
| Inventories | (2,322,877) | 454,008 |
| Prepaid expenses and other current assets | 23,618 | 1,028,107 |
| Increase (decrease) in: | | |
| Accounts payable | (745,306) | (1,121,457) |
| Payables to related parties | (137,555) | (1,572,227) |
| Income tax payable | 587,170 | 33,947 |
| Accrued expenses and other current liabilities | (436,589) | (526,717) |
| Accrued pension cost | 21,158 | 308,978 |
| Deferred credits | (84,275) | |
| Net cash provided by operating activities | 99,304,805 | 67,241,532 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (64,826,510) | (42,911,838) |
| Held-to-maturity financial assets | (7,754,790) | (3,485,821) |
| Financial assets carried at cost | (289,572) | (185,834) |
| Property, plant and equipment | (32,900,861) | (55,769,360) |

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| | | |
|---|------------|-------------|
| Investments accounted for using equity method | (48,084) | |
| Proceeds from disposal of: | | |
| Available-for-sale financial assets | 44,169,400 | 44,244,414 |
| Redemption of held-to-maturity financial assets upon maturity | 7,837,000 | 4,914,180 |
| | | (Continued) |

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| | 2006 | 2005 |
|--|--------------------|-------------------|
| Financial assets carried at cost | \$ | \$ 19,860 |
| Property, plant and equipment and other assets | 247,133 | 127,264 |
| Increase in deferred charges | (739,933) | (506,210) |
| Decrease (increase) in refundable deposits | 202 | (3,147) |
| Decrease (increase) in other assets | (55,749) | 416 |
| Net cash used in investing activities | (54,361,764) | (53,556,076) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term bank loans | (328,500) | (63,236) |
| Repayments of long-term bank loans | (2,745) | (944,100) |
| Increase in guarantee deposits | 461,098 | 1,105,969 |
| Bonus to directors and supervisors | (257,410) | (231,466) |
| Proceeds from: | | |
| Disposal of treasury stock | | 49,364 |
| Exercise of employee stock options | 326,050 | 117,218 |
| Increase (decrease) in minority interests | (8,125) | 11,571 |
| Net cash provided by financing activities | 190,368 | 45,320 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 45,133,409 | 13,730,776 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (165,407) | (109,281) |
| EFFECT OF FIRST INCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES | | 481,308 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 96,483,707 | 74,302,351 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 141,451,709 | \$ 88,405,154 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 608,339 | \$ 659,902 |
| Income tax paid | \$ 3,391,986 | \$ 148,831 |
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 41,049,299 | \$ 34,127,442 |

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| | | |
|---|---------------|---------------|
| Decrease (increase) in payables to contractors and equipment suppliers | (8,148,438) | 22,045,021 |
| Increase in other long-term payables | | (403,103) |
| Cash paid | \$ 32,900,861 | \$ 55,769,360 |
| NONCASH FINANCING ACTIVITIES | | |
| Current portion of long-term liabilities | \$ 2,505,489 | \$ 10,505,489 |
| Current portion of other long-term payables (classified under accrued expenses and other current liabilities) | \$ 940,123 | \$ 1,417,437 |

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 SIX MONTHS ENDED JUNE 30, 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 June 30, 2006 and 2005, TSMC and its subsidiaries had 23,044 and 20,991 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 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:

| Name of Investor | Name of Investee | Percentage of Ownership at June 30, 2006 | Remark |
|-------------------------|--|---|---|
| TSMC | 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 June 30, 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 June 30, 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) | 45% | 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. |

(Continued)

| Name of Investor | Name of Investee | Percentage of Ownership at June 30, 2006 | Remark |
|-------------------------|--|---|--|
| | VisEra Technology Company, Ltd. (VisEra) | | VisEra president was assigned by TSMC. However, due to the changes in investment structure, TSMC no longer had a controlling interest in VisEra beginning in November 2005 resulting in VisEra being no longer treated as a consolidated entity. |
| 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 GUC | WaferTech, LLC (WaferTech) | 99.996% | |
| | Global Unichip Corp.-North America (GUC-NA) | 100% | GUC-NA, a subsidiary of GUC, became a consolidated entity of TSMC in 2005 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 in 2005 since TSMC has control over GUC. |

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of June 30, 2006:

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-Shanghai is engaged in the manufacturing and selling of integrated circuits and pursuant to the orders from and product design specifications provided by customers. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. 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 entities are hereinafter referred to collectively as the Company . Minority interests in subsidiaries aforementioned are presented as a separate component of shareholders equity.

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds, 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 the changes in fair value recognized in current income. A regular way purchase or sale of financial assets is recognized and derecognized using settlement date accounting.

Fair value is determined as follows: Publicly-traded stocks closing price at the balance sheet date; 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.

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. The changes in fair value from a 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: Beneficiary certificates of open-end funds - net asset value at the balance sheet date; publicly-traded stocks - closing price at the balance sheet date; and other debt securities - average of bid and asked prices at the balance sheet date.

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 investment if such dividends are declared on the earnings of the investees attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new 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.

Earnings 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 of the financial asset that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

Financial Assets Carried at Cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost, such as non-publicly traded stocks and mutual funds. The costs of funds and non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence 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.

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. The difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was previously amortized by the straight-line method over five years and was also recorded in the equity in earnings/losses of equity method investees, net account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, Long-term Investments in Equity Securities (SFAS No. 5), investment premiums, representing goodwill, are no longer being amortized; while investment discounts continue to be 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 charged to current income.

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 in the investee's net 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.

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

Property, Plant and Equipment

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 credited or charged to non-operating gains or losses in the period of sale or disposal.

Goodwill

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

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

Pension Costs

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts during 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, net operating loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

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

Stock-based Compensation

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

Treasury Stock

TSMC's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by the subsidiaries and cash dividends received by the 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 current income. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

Translation of Foreign-currency Financial Statements

SFAS 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 rate at period-end; shareholders equity historical rates; income and expenses average rate during the period. 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 SFAS No. 34, Accounting for Financial Instruments (SFAS No. 34) and No. 36, Disclosure and Presentation for Financial Instruments and related revisions of previously released SFASs.

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

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

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

| | 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 | \$ 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\$839,900 thousand, an increase in net income of NT\$766,849 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.03, for the six months ended June 30, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's financial statements as of and for the six months ended June 30, 2006.

b. Reclassifications

Upon the adoption of SFAS No. 34, certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2005 were reclassified to conform with the consolidated financial statements as of and for the six months ended June 30, 2006. The previous issued consolidated financial statements as of and for the six months ended June 30, 2005 need not be restated.

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

1) Short-term investments

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

2) Derivative financial instruments

The Company entered into 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 period, the receivables or payables arising from forward contracts were restated using the prevailing exchange rates with the resulting differences credited or charged to income. In addition, the receivables and payables related to the same forward contracts were netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement was credited or charged to income in the period of settlement.

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

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

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2005 have been reclassified to conform to the classifications prescribed by the newly released and revised SFASs. The reclassifications of the whole or a part of the account balances of certain accounts are summarized as follows:

| | Before Reclassification | After Reclassification |
|--|------------------------------------|-----------------------------------|
| Balance sheet | | |
| Short-term investments, net | \$ 49,558,447 | \$ |
| Other financial assets | 78,900 | |
| Prepaid expenses and other current assets | 42,941 | |
| Long-term investments accounted for using cost method | 3,323,874 | |
| Long-term bonds investment | 16,342,005 | |
| Other long-term investments | 10,955,960 | |
| Accrued expenses and other current liabilities | (841,617) | |
| Financial assets at fair value through profit or loss | | 315,550 |
| Financial liabilities at fair value through profit or loss | | (841,617) |
| Available-for-sale financial assets | | 48,323,408 |
| Held-to-maturity financial assets | | 28,407,811 |
| Financial assets carried at cost | | 3,255,358 |
| | \$ 79,460,510 | \$ 79,460,510 |
| Statement of income | | |
| Interest income | \$ 449,756 | \$ |
| Foreign exchange gain, net | 1,837,806 | |
| Interest expense | (781,134) | |
| Unrealized valuation loss on short-term investments | (40,971) | |
| Loss on disposal of investment, net | (64,324) | |
| Gain on disposal of financial instruments, net | | 1,442,104 |
| Valuation loss on financial instruments, net | | (40,971) |
| | \$ 1,401,133 | \$ 1,401,133 |

4. CASH AND CASH EQUIVALENTS

| | June 30 | |
|--|----------------|---------------|
| | 2006 | 2005 |
| Cash and deposits in bank | \$ 81,433,005 | \$ 57,966,352 |
| Repurchase agreements collateralized by government bonds | 59,351,764 | 29,804,199 |
| Corporate notes | 666,940 | 172,291 |
| Treasury bills | | 349,892 |
| Agency notes | | 112,420 |

\$ 141,451,709 \$ 88,405,154

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5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30 | |
|-------------------------------|----------------|-------------|
| | 2006 | 2005 |
| Trading financial assets | | |
| Publicly-traded stocks | \$ 1,648,234 | \$ 193,709 |
| Forward exchange contracts | | 1,123 |
| Cross currency swap contracts | 322,456 | 120,718 |
| | \$ 1,970,690 | \$ 315,550 |
| Trading financial liabilities | | |
| Forward exchange contracts | \$ 9,442 | \$ 46,005 |
| Cross currency swap contracts | 591,644 | 795,612 |
| | \$ 601,086 | \$ 841,617 |

The Company entered into derivative contracts during the six months ended June 30, 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 instruments. Outstanding forward contracts as of June 30, 2006 and 2005:

| | Currency | Maturity Date | Contract Amount (in Thousands) |
|---------------|-----------------|--------------------------|---|
| June 30, 2006 | | | |
| Sell | US\$/NT\$ | July 2006 | US\$ 10,000 |
| | EUR/US\$ | July 2006 | EUR 10,000 |
| Buy | US\$/EUR | July 2006 | EUR 1,134 |
| | US\$/JPY | July 2006 | JPY 13,500 |
| June 30, 2005 | | | |
| Sell | US\$/NT\$ | July 2005 to August 2005 | US\$ 103,000 |
| | US\$/NT\$ | July 2005 | US\$ 6,500 |

Outstanding cross currency swap contracts as of June 30, 2006 and 2005:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|----------------------|---|---|---|
| June 30, 2006 | | | |

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| | | | |
|-----------------------------|---------------|-------------|-------------|
| July 2006 to September 2006 | US\$2,266,000 | 2.40%-5.57% | 0.60%-2.78% |
| June 30, 2005 | | | |
| July 2005 to August 2005 | US\$2,045,000 | 3.10%-3.40% | 1.03%-1.22% |

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The Company did not enter into any interest rate swap contracts during the six months ended June 30, 2006. The Company rescinded all interest rate swap contracts in the first quarter of 2005 before their original maturities. The rescission loss of NT\$28,295 thousand has been reclassified and included in the losses on disposal of financial instruments account.

Net gains arising from derivative financial instruments for the six months ended June 30, 2006 were NT\$191,799 thousand (including realized settlement gains of NT\$470,429 thousand and valuation losses of NT\$278,630 thousand).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30 | |
|--|----------------|---------------|
| | 2006 | 2005 |
| Beneficiary certificates of open-end funds | \$ 22,157,124 | \$ 10,300,638 |
| Corporate bonds | 14,297,001 | 11,555,183 |
| Agency bonds | 13,787,394 | 11,511,740 |
| Corporate issued asset-backed securities | 10,921,185 | 11,419,169 |
| Government bonds | 4,831,843 | 2,741,122 |
| Structured time deposits | 498,190 | |
| Publicly-traded stocks | 409,253 | 51,269 |
| Money market funds | 385,937 | 491,465 |
| Corporate notes | 97,683 | 158,052 |
| Commercial papers | | 94,770 |
| | 67,385,610 | 48,323,408 |
| Current portion | (62,429,761) | (48,298,762) |
| | \$ 4,955,849 | \$ 24,646 |

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 June 30, 2006, the Company's investment portfolios managed by these fund managers aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as 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 June 30, 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 | \$ 498,190 | 1.76% | March 2008 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | June 30 | |
|--------------------------|----------------|---------------|
| | 2006 | 2005 |
| Corporate bonds | \$ 12,895,132 | \$ 5,634,705 |
| Structured time deposits | 11,127,780 | 10,955,960 |
| Government bonds | 5,239,892 | 11,817,146 |
| | 29,262,804 | 28,407,811 |
| Current portion | (5,738,737) | (1,109,846) |
| | \$ 23,524,067 | \$ 27,297,965 |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|------------------------------------|
| June 30, 2006 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,000,000 | \$ 27,016 | 1.40%-2.01% | June 2007 to March 2009 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,887,880 | 4,725 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 3,239,900 | 4,914 | (See below) | October 2009 to January 2010 |
| | \$ 11,127,780 | \$ 36,655 | | |
| June 30, 2005 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,000,000 | \$ 18,027 | 1.40%-2.44% | July 2006 to August 2007 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,794,160 | 8,266 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 3,161,800 | 11,971 | (See below) | October 2009 to January 2010 |
| | \$ 10,955,960 | \$ 38,264 | | |

The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based

on the terms of the deposits, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate between zero and 1.5%. Under the terms of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

As of June 30, 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.

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8. INVENTORIES, NET

| | June 30 | |
|--------------------------|----------------|---------------|
| | 2006 | 2005 |
| Finished goods | \$ 4,298,472 | \$ 2,746,425 |
| Work in process | 14,439,386 | 12,145,548 |
| Raw materials | 1,299,483 | 992,651 |
| Supplies and spare parts | 1,042,615 | 1,141,717 |
| | 21,079,956 | 17,026,341 |
| Allowance for losses | (1,028,776) | (1,867,565) |
| | \$ 20,051,180 | \$ 15,158,776 |

9. FINANCIAL ASSETS CARRIED AT COST

| | June 30 | |
|----------------------------|----------------|--------------|
| | 2006 | 2005 |
| Non-publicly traded stocks | \$ 2,940,582 | \$ 2,952,919 |
| Funds | 346,468 | 302,439 |
| | \$ 3,287,050 | \$ 3,255,358 |

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | June 30 | | | |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2006 | | 2005 | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| Vanguard International Semiconductor Corporation (VIS) | \$ 5,135,185 | 27 | \$ 5,115,164 | 27 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 5,094,733 | 32 | 3,514,280 | 32 |
| VisEra Holding Company (VisEra Holding) | 781,221 | 48 | | |
| | \$ 11,011,139 | | \$ 8,629,444 | |

For the six months ended June 30, 2006 and 2005, net equity in earnings recognized from the equity method investees were NT\$1,249,875 thousand and NT\$623,046 thousand, 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 as the Company.

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

| | June 30 | |
|-------------------------|-----------------------|-----------------------|
| | 2006 | 2005 |
| Land improvements | \$ 218,267 | \$ 184,622 |
| Buildings | 50,653,432 | 42,260,855 |
| Machinery and equipment | 371,700,414 | 316,242,660 |
| Office equipment | 7,342,367 | 6,283,931 |
| Leased assets | 79,046 | 46,704 |
| | \$ 429,993,526 | \$ 365,018,772 |

No interest was capitalized during the six months ended June 30, 2006 and 2005.

12. DEFERRED CHARGES, NET

| | June 30 | |
|----------------------------------|---------------------|---------------------|
| | 2006 | 2005 |
| Technology license fees | \$ 4,809,479 | \$ 5,929,347 |
| Software and system design costs | 1,552,297 | 2,114,718 |
| Others | 150,247 | 166,579 |
| | \$ 6,512,023 | \$ 8,210,644 |

13. SHORT-TERM BANK LOANS

| | June 30 | |
|---|----------------|-------------|
| | 2006 | 2005 |
| Unsecured loan: | | |
| US\$10,000 thousand, repayable by June 2006, annual interest at 3.61% | \$ | \$ 316,180 |

14. BONDS PAYABLE

| | June 30 | |
|---|----------------------|----------------------|
| | 2006 | 2005 |
| Domestic unsecured bonds: | | |
| Issued in December 2000 and repayable in December 2005 and 2007 in two installments, 5.25% and 5.36% interest payable annually, respectively | \$ 4,500,000 | \$ 15,000,000 |
| Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively | 15,000,000 | 15,000,000 |
| | 19,500,000 | 30,000,000 |
| Current portion | (2,500,000) | (10,500,000) |
| | \$ 17,000,000 | \$ 19,500,000 |

As of June 30, 2006, future principal repayments for the bonds were as follows:

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2007 | \$ 7,000,000 |
| 2009 | 8,000,000 |
| 2010 and thereafter | 4,500,000 |
| | \$ 19,500,000 |

15. LONG-TERM BANK LOANS

| | June 30 | |
|--|----------------|-------------|
| | 2006 | 2005 |
| Secured loan: | | |
| US\$20,000 thousand, repayable by November 2010 in 5 payments, annual interest at 5.66% | \$ 648,123 | \$ |
| Unsecured loans: | | |
| Science Park Administration (SPA) SOC loan, repayable by July 2008 in 20 installments, interest-free | 6,265 | 9,050 |
| SPA DSP loan, repayable by April 2007 in 20 installments, interest-free | 2,705 | 5,409 |
| US\$30,000 thousand, repaid in December 2005 before original maturities, annual interest at 3.60% | | 948,540 |
| | 657,093 | 962,999 |
| Current portion | (5,489) | (5,489) |
| | \$ 651,604 | \$ 957,510 |

As of June 30, 2006, assets of TSMC-Shanghai with an aggregate carrying amount of NT\$4,828,782 thousand (RMB1,191,409 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 June 30, 2006, future principal repayments under the Company's long-term bank loans were as follows:

| Year of Repayment | Amount |
|---|---------------|
| 2006 (3 rd to 4 th quarter) | \$ 2,745 |
| 2007 | 4,137 |
| 2008 | 131,711 |
| 2009 | 259,250 |
| 2010 | 259,250 |
| | \$ 657,093 |

16. OTHER LONG-TERM PAYABLES

| | June 30 | |
|---|----------------|--------------|
| | 2006 | 2005 |
| Payables for acquisition of property, plant and equipment (Note 28j) | \$ 7,008,392 | \$ 6,376,813 |
| Payables for royalties | 2,398,726 | 3,061,573 |
| | 9,407,118 | 9,438,386 |
| Current portion (classified under accrued expenses and other current liabilities) | (940,123) | (1,417,437) |
| | \$ 8,466,995 | \$ 8,020,949 |

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

As of June 30, 2006, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|---|---------------|
| 2006 (3 rd to 4 th quarter) | \$ 493,300 |
| 2007 | 641,216 |
| 2008 | 335,006 |
| 2009 | 335,006 |
| 2010 | 335,006 |
| 2011 and thereafter | 7,267,584 |
| | \$ 9,407,118 |

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.

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 to make monthly contributions, at a certain percentage of the monthly basic salary of its local employees. Pursuant to the aforementioned Act and local regulations, the Company has made monthly contributions and recognized pension costs of NT\$342,329 thousand and NT\$20,334 thousand for the six months ended June 30, 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). The Funds are administered by the pension fund monitoring committees and deposited in the committees' names in the Central Trust of China.

Changes in the Funds and accrued pension cost under the defined benefit plans for the six months ended June 30, 2006 and 2005 are summarized as follows:

| | Six Months Ended June 30 | |
|------------------------------|---------------------------------|--------------|
| | 2006 | 2005 |
| The Funds | | |
| Balance, beginning of period | \$ 1,669,102 | \$ 1,435,609 |
| Contributions | 132,536 | 123,331 |
| Interest | 34,467 | 15,629 |
| Payments | (4,677) | (8,419) |
| | | |
| Balance, end of period | \$ 1,831,430 | \$ 1,566,150 |
| | | |
| Accrued pension cost | | |
| Balance, beginning of period | \$ 3,473,941 | \$ 3,113,041 |
| Accruals | 21,601 | 310,849 |
| | | |
| Balance, end of period | \$ 3,495,542 | \$ 3,423,890 |

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:

| | Six Months Ended June 30 | |
|--|---------------------------------|----------------|
| | 2006 | 2005 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ (18,266,397) | \$ (8,486,984) |
| Tax-exempt income | 6,411,975 | 4,734,183 |
| Temporary and permanent differences | 1,144,388 | (863,534) |
| Additional tax at 10% on unappropriated earnings | (1,170,031) | (1,495,145) |
| Cumulative effect of changes in accounting principles | 82,062 | |
| Net operating loss carryforwards | 6,785 | |
| Investment tax credits | 7,462,975 | 5,896,073 |
| | | |
| Income tax currently payable | \$ (4,328,243) | \$ (215,407) |

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

| | | |
|--|----------------|--------------|
| Income tax currently payable | \$ (4,328,243) | \$ (215,407) |
| Other income tax adjustments | 445,618 | 39,554 |
| Net change in deferred income tax assets | | |
| Investment tax credits | (2,775,753) | 2,534,406 |
| Temporary differences | 1,837,418 | 2,150,088 |
| Net operating loss carryforwards | (865,927) | (409,319) |
| Adjustments in valuation allowance | 1,551,490 | (3,095,537) |

| | | |
|------------------------------|----------------|--------------|
| Income tax benefit (expense) | \$ (4,135,397) | \$ 1,003,785 |
|------------------------------|----------------|--------------|

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

| | June 30 | |
|--|---------------------|---------------------|
| | 2006 | 2005 |
| Current deferred income tax assets, net | | |
| Investment tax credits | \$ 6,104,899 | \$ 5,347,938 |
| Temporary differences | 588,984 | 373,860 |
| Net operating loss carryforwards | 9,040 | 6,660 |
| Valuation allowance | (444,660) | (319,575) |
| | \$ 6,258,263 | \$ 5,408,883 |
| Noncurrent deferred income tax assets, net | | |
| Investment tax credits | \$ 15,196,138 | \$ 23,190,292 |
| Temporary differences | (3,882,178) | (5,659,538) |
| Net operating loss carryforwards | 5,303,080 | 6,369,671 |
| Valuation allowance | (9,188,312) | (17,561,705) |
| | \$ 7,428,728 | \$ 6,338,720 |

As of June 30, 2006, the net operating loss carryforwards were generated by WaferTech, TSMC Development, TSMC Technology and GUC and will expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of June 30, 2006 and 2005 was NT\$743,590 thousand and NT\$15,569 thousand, respectively.

The expected and actual creditable ratio for distribution of TSMC's earnings of 2005 and 2004 was 2.88% and 0.11%, respectively.

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

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

f. As of June 30, 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 | \$ 172 | 2006 |
| | | 4,113,449 | 1,144,070 | 2007 |
| | | 6,809,568 | 6,809,568 | 2008 |

| | | |
|---------------|---------------|------|
| 6,049,452 | 6,049,452 | 2009 |
| 1,722,682 | 1,722,682 | 2010 |
| \$ 21,381,128 | \$ 15,725,944 | |

(Continued)

| Regulation | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---|--|--|------------------------|
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,800,884 | \$ 20,404 | 2006 |
| | | 1,282,439 | 1,282,439 | 2007 |
| | | 1,669,220 | 1,669,220 | 2008 |
| | | 1,605,163 | 1,605,163 | 2009 |
| | | 816,735 | 816,735 | 2010 |
| | | \$ 7,174,441 | \$ 5,393,961 | |
| Statute for Upgrading Industries | Personnel training | \$ 27,357 | \$ 46 | 2006 |
| | | 26,962 | 26,962 | 2007 |
| | | 37,250 | 37,250 | 2008 |
| | | 36,933 | 36,933 | 2009 |
| | | 137 | 137 | 2010 |
| | | \$ 128,639 | \$ 101,328 | |
| 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 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 and Fab 4, Fab 5 and Fab 6 | 2003 to 2006 |
| Construction of Fab 12 | 2004 to 2007 |

h. The tax authorities have examined income tax returns of TSMC through 2002.

19. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Six Months Ended June 30, 2006 | | |
|----------------------------|--|---|--------------|
| | Classified as Cost of Sales | Classified as Operating Expenses | Total |
| Labor cost | | | |
| Salary | \$ 6,081,251 | \$ 3,231,766 | \$ 9,313,017 |
| Labor and health insurance | 352,183 | 193,046 | 545,229 |
| Pension | 317,709 | 182,702 | 500,411 |

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| | | | |
|--------------|---------------|--------------|---------------|
| Meal | 228,844 | 84,037 | 312,881 |
| Welfare | 114,761 | 85,204 | 199,965 |
| Others | 104,187 | 138,639 | 242,826 |
| | \$ 7,198,935 | \$ 3,915,394 | \$ 11,114,329 |
| Depreciation | \$ 32,621,813 | \$ 1,729,941 | \$ 34,351,754 |
| Amortization | \$ 725,722 | \$ 532,234 | \$ 1,257,956 |

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| | Six Months Ended June 30, 2005 | | |
|----------------------------|---------------------------------------|---------------------|---------------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 5,001,599 | \$ 3,028,345 | \$ 8,029,944 |
| Labor and health insurance | 306,336 | 154,502 | 460,838 |
| Pension | 300,353 | 150,980 | 451,333 |
| Meal | 208,373 | 76,789 | 285,162 |
| Welfare | 72,674 | 42,701 | 115,375 |
| Others | 54,134 | 137,290 | 191,424 |
| | \$ 5,943,469 | \$ 3,590,607 | \$ 9,534,076 |
| Depreciation | \$ 34,223,394 | \$ 1,589,927 | \$ 35,813,321 |
| Amortization | \$ 814,085 | \$ 1,350,140 | \$ 2,164,225 |

20. SHAREHOLDERS EQUITY

The Company has issued a total of 863,834 thousand ADSs which are traded on the NYSE as of June 30, 2006. The number of common shares represented by the ADSs is 4,319,169 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 is limited to a certain percentage of the paid-in capital of TSMC.

Capital surplus consisted of the following:

| | June 30 | |
|----------------------------------|----------------------|----------------------|
| | 2006 | 2005 |
| From merger | \$ 24,003,546 | \$ 24,003,546 |
| Additional paid-in capital | 19,788,594 | 23,139,481 |
| From convertible bonds | 9,360,424 | 9,360,424 |
| From treasury stock transactions | 389,188 | 91,241 |
| From long-term investments | 280,679 | 126,128 |
| Donations | 55 | 55 |
| | \$ 53,822,486 | \$ 56,720,875 |

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 net 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 stipulate 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 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 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 TSMC's total outstanding common shares as of December 31, 2005 and 2004, respectively.

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

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

21. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans under the TSMC 2005 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 2005 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 canceled had expired as of June 30, 2006.

Information about TSMC's outstanding stock options for the six months ended June 30, 2006 and 2005 was as follows:

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|--------------------------------|---|--|
| Six months ended June 30, 2006 | | |
| Balance, beginning of period | 67,758 | \$39.4 |
| Options granted | 2,517 | 39.7 |
| Options exercised | (8,219) | 39.7 |
| Options canceled | (2,304) | 44.5 |
| Balance, end of period | 59,752 | 39.6 |
| Six months ended June 30, 2005 | | |
| Balance, beginning of period | 64,367 | 40.5 |
| Options granted | 14,864 | 48.4 |
| Options exercised | (2,941) | 39.9 |
| Options canceled | (2,931) | 42.7 |

| | | |
|------------------------|--------|------|
| Balance, end of period | 73,359 | 42.1 |
|------------------------|--------|------|

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

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As of June 30, 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 | 39,415 | 5.64 | \$ 35.6 | 29,458 | \$ 35.6 |
| \$45.1-\$52.3 | 20,337 | 7.34 | 47.3 | 312 | 45.5 |
| | 59,752 | | | 29,770 | |

GUC's Employee Stock Option Plans, consisting of 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, 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 June 30, 2006.

Information about GUC's outstanding stock options for the six months ended June 30, 2006 and 2005 was as follows:

| | Number of Options | Weighted-average Exercise Prices (NT\$) |
|--------------------------------|-------------------|---|
| Six months ended June 30, 2006 | | |
| Balance, beginning of period | 7,132 | \$ 10.66 |
| Options exercised | (629) | 10.50 |
| Options canceled | (216) | 10.90 |
| Balance, end of period | 6,287 | 10.66 |

Six months ended June 30, 2005

| | | |
|------------------------------|---------|-------|
| Balance, beginning of period | 7,889 | 10.50 |
| Options exercised | (1,959) | 10.50 |
| Options canceled | (447) | 10.50 |
| Balance, end of period | 5,483 | 10.50 |

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As of June 30, 2006, information about GUC's outstanding and exercisable options was as follows:

| Range of Exercise Price (NT\$) | Number of Options | Options Outstanding | | Options Exercisable | |
|--------------------------------------|-------------------------|--|---|-------------------------|---|
| | | Weighted- average Remaining Contractual Life (Years) | Weighted- average Exercise Price (NT\$) | Number of Options | Weighted- average Exercise Price (NT\$) |
| \$10.5-\$11.0 | 6,287 | 2.08-5.25 | \$ 10.7 | 596 | \$ 10.5 |

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 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 six months ended June 30, 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 | | |
| | Expected volatility | 22.65%-41.74% | 38.74%-41.74% |
| | Risk free interest rate | 2.56% | 2.56% |
| | Expected life | 6 years | 6 years |
| Net income attributable to shareholders of the parent: | | | |
| As reported | | \$66,608,628 | \$35,187,334 |
| Pro forma | | 66,551,357 | 35,140,555 |
| Consolidated earnings per share (EPS) after income tax (NT\$): | | | |
| Basic EPS as reported | | \$2.58 | \$1.37 |
| Pro forma basic EPS | | 2.58 | 1.36 |
| Diluted EPS as reported | | 2.58 | 1.37 |
| Pro forma diluted EPS | | 2.58 | 1.36 |

22. TREASURY STOCK

(Shares in Thousands)

| | Beginning Shares | Increase/ Dividend | Disposal | Ending Shares |
|---|---------------------|-----------------------|----------|------------------|
| Six months ended June 30, 2006 | | | | |
| Parent company stock held by subsidiaries | 32,938 | 988 | | 33,926 |

Six months ended June 30, 2005

| | | | | |
|---|--------|-------|-----|--------|
| Parent company stock held by subsidiaries | 45,521 | 2,242 | 901 | 46,862 |
|---|--------|-------|-----|--------|

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Proceeds from sales of treasury stock for the six months ended June 30, 2005 were NT\$49,364 thousand. As of June 30, 2006 and 2005, the book value of the treasury stock was NT\$918,075 thousand and NT\$1,552,573 thousand, respectively; the market value was NT\$1,952,452 thousand and NT\$2,648,643 thousand, respectively. TSMC's stock held by its 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

| | For the Six Months Ended June 30 | | | |
|--|----------------------------------|------------------------|-------------------------|------------------------|
| | 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 | \$ 2.68 | \$ 2.52 | \$ 1.33 | \$ 1.37 |
| Cumulative effect of changes in accounting principles attributable to shareholders of the parent | 0.06 | 0.06 | | |
| Income attributable to shareholders of the parent | \$ 2.74 | \$ 2.58 | \$ 1.33 | \$ 1.37 |
| Consolidated diluted EPS (NT\$) | | | | |
| Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent | \$ 2.68 | \$ 2.52 | \$ 1.33 | \$ 1.37 |
| Cumulative effect of changes in accounting principles attributable to shareholders of the parent | 0.06 | 0.06 | | |
| Income attributable to shareholders of the parent | \$ 2.74 | \$ 2.58 | \$ 1.33 | \$ 1.37 |

Consolidated EPS for the six months ended June 30, 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 |
| Six months ended June 30, 2006 | | | | | |
| Consolidated basic EPS | | | | | |
| Income attributable to shareholders of the parent | \$ 70,661,864 | \$ 66,608,628 | 25,784,890 | \$ 2.74 | \$ 2.58 |

| | | | | | |
|--|---------------|---------------|------------|---------|---------|
| Effect of dilutive potential common stock stock options | | | 23,529 | | |
| | | | | | |
| Consolidated diluted EPS Income attributable to shareholders of the parent (including effect of dilutive potential common stock) | \$ 70,661,864 | \$ 66,608,628 | 25,808,419 | \$ 2.74 | \$ 2.58 |
| | | | | | |
| Six months ended June 30, 2005 | | | | | |
| | | | | | |
| Consolidated basic EPS Income attributable to shareholders of the parent | \$ 34,177,232 | \$ 35,187,334 | 25,759,865 | \$ 1.33 | \$ 1.37 |
| | | | | | |
| Effect of dilutive potential common stock stock options | | | 10,032 | | |
| | | | | | |
| Consolidated diluted EPS Income attributable to shareholders of the parent (including effect of dilutive potential common stock) | \$ 34,177,232 | \$ 35,187,334 | 25,769,897 | \$ 1.33 | \$ 1.37 |

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | June 30 | | | |
|---|--------------------|--------------|--------------------|--------------|
| | 2006 | | | 2005 |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |
| Financial assets at fair value through profit or loss (excluding derivatives) | \$ 1,648,234 | \$ 1,648,234 | \$ 193,709 | \$ 1,042,040 |
| Available-for-sale financial assets | 67,385,610 | 67,385,610 | 48,323,408 | 48,432,034 |
| Held-to-maturity financial assets | 29,262,804 | 28,857,510 | 28,407,811 | 28,299,261 |
| Investments accounted for using equity method (with market price) | 5,135,185 | 9,613,553 | 5,115,164 | 12,449,270 |
| Liabilities | | | | |
| Forward exchange contracts, net | 9,442 | 9,442 | 44,882 | 41,381 |
| Cross currency swap contracts, net | 269,188 | 269,188 | 674,894 | 452,530 |
| Bonds payable (including current portion) | 19,500,000 | 19,888,147 | 30,000,000 | 30,429,929 |
| Long-term bank loans (including current portion) | 657,093 | 657,093 | 962,999 | 962,999 |
| Other long-term payables (including current portion) | 10,492,484 | 10,492,484 | 11,165,519 | 11,165,519 |

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 deposits were based on their quoted market prices.
- 3) Fair values of derivatives and structured 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) The fair value of long-term bank loans and other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. Losses recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$770,634 thousand for the six months ended June 30, 2006.

d. As of June 30, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$96,561,617 thousand and NT\$76,801,791 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$601,086 thousand and NT\$841,617 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$7,127,780 thousand and NT\$6,955,960 thousand, respectively.

- e. The Company recognized an unrealized gain of NT\$107,228 thousand (NT\$102,614 thousand attributable to shareholders of the parent and NT\$4,614 thousand attributable to minority interests) in shareholder's equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2006. The Company also recognized an unrealized gain of NT\$13,940 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets held by equity method investees for the six months ended June 30, 2006.

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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 the market risk. The derivative financial instruments categorized as financial assets 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 (exchange rate risk) of derivatives will be offset by the exchange rate 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 value 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 its 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 cash flow risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

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 is one of ITRI's supervisors
- 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), same president as VisEra. However, because VisEra has not been a consolidated entity of the Company since in November 2005, Huawei is no longer considered a

related party.

| | 2006 | | 2005 | |
|---|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Six months ended June 30 | | | | |
| Sales | | | | |
| Philips | \$ 2,318,898 | 1 | \$ 1,147,115 | 1 |
| Omnivision | | | 1,268,365 | 1 |
| Others | 95,062 | | 45,689 | |
| | \$ 2,413,960 | 1 | \$ 2,461,169 | 2 |
| Purchases | | | | |
| SSMC | \$ 3,718,466 | 5 | \$ 2,094,617 | 3 |
| VIS | 1,712,082 | 2 | 2,168,998 | 3 |
| XinTec | | | 321,924 | 1 |
| Others | | | 86,739 | |
| | \$ 5,430,548 | 7 | \$ 4,672,278 | 7 |
| Manufacturing expenses technical assistance fees | | | | |
| Philips (see Note 28a) | \$ 377,952 | | \$ 202,334 | |
| Non-operating income and gains | | | | |
| SSMC (primarily technical service income; see Note 28e) | \$ 147,219 | 3 | \$ 146,655 | 3 |
| VisEra | 140,079 | 2 | | |
| VIS (primarily technical service income; see Note 28h) | 105,937 | 2 | 77,504 | 2 |
| | \$ 393,235 | 7 | \$ 224,159 | 5 |
| As of June 30 | | | | |
| Receivables | | | | |
| Philips | \$ 382,251 | 99 | \$ 467,843 | 63 |
| Omnivision | | | 266,276 | 36 |
| Others | 5,137 | 1 | 6,083 | 1 |
| | \$ 387,388 | 100 | \$ 740,202 | 100 |

| | | | | |
|-------------------|------------|-----|------------|-----|
| Other receivables | | | | |
| VIS | \$ 688,807 | 86 | \$ 46,399 | 29 |
| SSMC | 92,700 | 12 | 115,460 | 71 |
| VisEra | 17,376 | 2 | | |
| | \$ 798,883 | 100 | \$ 161,859 | 100 |

(Continued)

| | 2006 | | 2005 | |
|--------------------------|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Payables | | | | |
| SSMC | \$ 943,129 | 59 | \$ 883,144 | 71 |
| VIS | 662,385 | 41 | 284,080 | 23 |
| XinTec | | | 45,308 | 4 |
| Huawei | | | 26,790 | 2 |
| | \$ 1,605,514 | 100 | \$ 1,239,322 | 100 |
| Other long-term payables | | | | |
| Philips (see Note 28a) | \$ 1,085,366 | 100 | \$ 1,727,133 | 100 |
| Deferred credits | | | | |
| VisEra | \$ 155,437 | 13 | \$ | |

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 at a monthly rental of NT\$7,684 (classified under the non-operating income and gains). Furthermore, the Company deferred the gains (classified under deferred credits) derived from sales of property, plant and equipment to VisEra, and then recognized (or will recognize) such gains (classified under non-operating income and gains) over the depreciable lives of the disposed assets.

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 the North America and Japan. These operating leases expire between 2010 and 2011 and can be renewed upon expiration.

As of June 30, 2006, future lease payments were as follows:

| | Year | Amount |
|---|------|--------------|
| 2006 (3 rd to 4 th quarter) | | \$ 189,234 |
| 2007 | | 359,990 |
| 2008 | | 337,423 |
| 2009 | | 332,109 |
| 2010 | | 265,747 |
| 2011 and thereafter | | 1,129,247 |
| | | \$ 2,613,750 |

27. SETTLEMENT INCOME

The Company 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 the Company's patents and misappropriated the Company's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, SMIC shall pay the Company US\$175,000 thousand over six years to resolve the Company's claims. As of June 30, 2006, SMIC has paid US\$45,000 thousand in accordance with the terms of this settlement agreement.

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of June 30, 2006, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips agreed to cross license the patents owned by each party. The Company also obtained through Philips a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992 and 1997 and on January 1, 2002.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of June 30, 2006, the Company had a total of US\$102,966 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%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. The Company and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but the Company alone is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.

- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- i. 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.
- j. 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.
- k. Amounts available under unused letters of credit as of June 30, 2006 were NT\$6,480 thousand.

29. 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;

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- 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 on investment in Mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Table 9 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 10 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

TABLE 1

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| Financing No. | Name of Center-Account | Maximum | | Type of Financing | Reason for Short-term Financing | Allowance for Doubtful Collateral Value | Financing Limit for Each Company | Financing Company's Financing Amount Limits (US\$ in Thousands) |
|------------------|---------------------------|---|--|-------------------------|--|---|--|---|
| | | Balance for the Period (US\$ in Thousands) | Ending Balance (US\$ in Thousands) | | | | | |
| 1 | Internal Development | \$ 1,133,965 (US\$35,000) | \$ | 2 | Operating capital | \$ | N/A | \$ 32,009,175 (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.

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Endorsement/ Guarantee Provider | Counter-party Name | 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) | Plant and Equipment | Ratio |
|------------------------------------|-----------------------|---------------------------------------|---|--|---|---------------------------|---|
| | | | | | | | of Accumulated Amount of Collateral Value to Net of Equity Collateral Property, Latest Financial Statement |
| | 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. | \$ 1,314,000 (US\$40,000) | \$ | \$ | \$ |
| | TSMC Development | 3 | | 1,943,940 (US\$60,000) | 1,943,940 (US\$60,000) | | 0.44% |

Note 1: 25% of the net worth of the Company as of June 30, 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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TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
MARKETABLE SECURITIES HELD

JUNE 30, 2006

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

June 30, 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 | | | | | |
| United States Treas NTS | | Available-for-sale financial assets | | US\$ 118,345 | N/A |
| 004 Government Bond Series B | | " | | \$ 997,583 | N/A |
| 005 Government Bond Series A | | Held-to-maturity financial assets | | 2,749,071 | N/A |
| 006 Government Bond Series D | | " | | 999,583 | N/A |
| 004 Kaohsiung Municipal Series A | | " | | 620,000 | N/A |
| European Investment Bank Bonds | | " | | 368,482 | N/A |
| 002 Government Bond Series B | | " | | 353,208 | N/A |
| 003 Government Bond Series F | | " | | 149,548 | N/A |
| Beneficiary certificates of open-end funds | | | | | |
| WITC Bond Fund | | Available-for-sale financial assets | 22,219 | 3,630,743 | N/A |
| ABN AMRO Bond Fund | | " | 175,156 | 2,620,910 | N/A |
| Prudential Financial Bond Fund | | " | 103,751 | 1,505,992 | N/A |
| Cathay Bond | | " | 122,762 | 1,406,342 | N/A |
| WITC Taiwan Bond | | " | 93,312 | 1,305,711 | N/A |
| ABN AMRO Select Bond Fund | | " | 111,974 | 1,260,332 | N/A |
| Dresdner Bond DAM Fund | | " | 104,217 | 1,199,200 | N/A |
| F Taiwan Bond Fund | | " | 75,286 | 1,140,778 | N/A |
| President James Bond | | " | 72,002 | 1,103,437 | N/A |
| F Taiwan First Bond Fund | | " | 77,530 | 1,082,117 | N/A |
| Chinkong Chi Shin Bond Fund | | " | 72,680 | 1,034,238 | N/A |
| ABN AMRO Income | | " | 63,947 | 1,004,697 | N/A |
| Huhwa Albatross Fund | | " | 89,510 | 1,003,570 | N/A |
| Huh Hwa Bond | | " | 60,642 | 802,844 | N/A |
| HSBC Taiwan Money Management | | " | 40,864 | 602,784 | N/A |
| Caishin Lucky Fund | | " | 54,132 | 551,429 | N/A |
| TIIM High Yield | | " | 40,639 | 500,864 | N/A |
| INVESCO Income Fund | | " | 35,359 | 401,136 | N/A |

(Continued)

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) | June 30, 2006 | | Market Value or Net Asset Value (US\$ in Thousands) |
|---|--|---|-----------------------------|------------------------------------|-------------------------|---|
| | | | | Carrying Value (US\$ in Thousands) | Percentage of Ownership | |
| SMC International | Subsidiary | Investments accounted for using equity method | 987,968 | \$25,984,419 | 100 | \$25,984,419 |
| SMC | Equity method investee | " | 382 | 5,094,733 | 32 | 5,094,733 |
| SMC | Equity method investee | " | 437,891 | 5,087,101 | 27 | 9,567,101 |
| SMC Partners | Subsidiary | " | 300 | 4,225,071 | 100 | 4,225,071 |
| SMC-North America | Subsidiary | " | 11,000 | 1,790,365 | 100 | 1,790,365 |
| SMC | Investee over which the company had a controlling interest | " | 40,147 | 447,762 | 45 | 462,762 |
| SMC-Japan | Subsidiary | " | 6 | 96,536 | 100 | 96,536 |
| SMC-Europe | Subsidiary | " | | 36,909 | 100 | 36,909 |
| SMC-Korea | Subsidiary | " | 80 | 13,752 | 100 | 13,752 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 | 10 | 285,584 |
| Chin-Etsu Handotai Taiwan Co., Ltd. | | " | 10,500 | 105,000 | 7 | 194,000 |
| Montung Venture Capital Co., Ltd. | | " | 8,392 | 83,916 | 10 | 53,916 |
| Globaltop Partner I Venture Capital Corp. | | " | 5,000 | 50,000 | 1 | 50,000 |
| Globaltop Technology Fund IV | | " | 4,000 | 40,000 | 2 | 50,000 |
| Globaltop Capital SMC-Shanghai | Subsidiary | Investments accounted for using equity method | | 9,093,788 | 100 | 9,093,788 |

| | | | | | |
|-------------------|------------|---|-----------|-----|-----------|
| Emerging Alliance | Subsidiary | " | 1,050,087 | 100 | 1,050,087 |
| TAF II | Subsidiary | " | 707,835 | 98 | 707,835 |
| TAF III | Subsidiary | " | 145,055 | 98 | 145,055 |
| Cheng | Subsidiary | " | 113,574 | 36 | 113,574 |

| | | | | | |
|----------|------------|---|---------|----|---------|
| sin Ruey | Subsidiary | " | 113,246 | 36 | 113,246 |
|----------|------------|---|---------|----|---------|

| | | | | | | | |
|----------------------------|--|-------------------------------------|------|-------|-----|------|-------|
| Agency bond | | | | | | | |
| Fixed Hm Ln Pc Pool 1h2520 | | Available-for-sale financial assets | US\$ | 3,348 | N/A | US\$ | 3,348 |
| Fixed Hm Ln Pc Pool 1h2524 | | " | US\$ | 2,575 | N/A | US\$ | 2,575 |
| Fixed Hm Ln Pc Pool 781959 | | " | US\$ | 6,640 | N/A | US\$ | 6,640 |
| Fixed Hm Ln Pc Pool E89857 | | " | US\$ | 1,680 | N/A | US\$ | 1,680 |
| Fixed Hm Ln Pc Pool G11295 | | " | US\$ | 1,492 | N/A | US\$ | 1,492 |
| Fixed Hm Ln Pc Pool M80855 | | " | US\$ | 3,520 | N/A | US\$ | 3,520 |

(Continued)

| | | | | June 30, 2006 | | |
|---------|-------------------------------------|---------------------|-------------------------------------|---------------|------------|-----------|
| | | | | Carrying | Percentage | Market |
| Company | Relationship with the | Financial Statement | Shares/Units | Value | of | Value on |
| Name | Marketable Securities Type and Name | Company | Account | (in US\$ in | Ownership | Value |
| | | | Thousand | Thousand | Thousand | (US\$ in |
| | Federal Home Ln Mtg | | Available-for-sale financial assets | US\$3,420 | N/A | US\$3,420 |
| | Federal Home Ln Mtg Corp. | | " | US\$2,786 | N/A | US\$2,786 |
| | Federal Home Ln Mtg Corp. | | " | US\$3,916 | N/A | US\$3,916 |
| | Federal Home Ln Mtg Corp. | | " | US\$4,665 | N/A | US\$4,665 |
| | Federal Home Ln Mtg Corp. | | " | US\$4,897 | N/A | US\$4,897 |
| | Federal Home Ln Mtg Corp. | | " | US\$2,278 | N/A | US\$2,278 |
| | Federal Home Ln Mtg Corp. | | " | US\$4,117 | N/A | US\$4,117 |
| | Federal Home Ln Mtg Corp. | | " | US\$3,671 | N/A | US\$3,671 |
| | Federal Home Ln Mtg Corp. | | " | US\$1,426 | N/A | US\$1,426 |
| | Federal Home Ln Mtg Corp. | | " | US\$9,168 | N/A | US\$9,168 |
| | Federal Home Ln Mtg Corp. | | " | US\$4,182 | N/A | US\$4,182 |
| | Federal Home Ln Mtg Corp. | | " | US\$3,358 | N/A | US\$3,358 |
| | Federal Home Ln Mtg Corp. | | " | US\$3,347 | N/A | US\$3,347 |
| | Federal Home Ln Mtg Corp. | | " | US\$3,834 | N/A | US\$3,834 |
| | Federal Home Ln Mtg Corp. | | " | US\$4,956 | N/A | US\$4,956 |
| | Federal Home Loan Mtg | | " | US\$5,009 | N/A | US\$5,009 |
| | Federal Natl Mtg Assn | | " | US\$3,193 | N/A | US\$3,193 |
| | Federal Natl Mtg Assn | | " | US\$1,035 | N/A | US\$1,035 |
| | Federal Natl Mtg Assn | | " | US\$3,673 | N/A | US\$3,673 |
| | Federal Natl Mtg Assn | | " | US\$3,256 | N/A | US\$3,256 |
| | Federal Natl Mtg Assn | | " | US\$1,976 | N/A | US\$1,976 |
| | Federal Natl Mtg Assn | | " | US\$1,085 | N/A | US\$1,085 |
| | Federal Natl Mtg Assn Gtd | | " | US\$2,403 | N/A | US\$2,403 |
| | Federal Natl Mtg Assn Gtd | | " | US\$2,915 | N/A | US\$2,915 |
| | Fnma Pool 254507 | | " | US\$1,867 | N/A | US\$1,867 |
| | Fnma Pool 254834 | | " | US\$1,527 | N/A | US\$1,527 |
| | Fnma Pool 255883 | | " | US\$3,538 | N/A | US\$3,538 |
| | Fnma Pool 685116 | | " | US\$ 635 | N/A | US\$ 635 |
| | Fnma Pool 687863 | | " | US\$2,979 | N/A | US\$2,979 |
| | Fnma Pool 696485 | | " | US\$3,533 | N/A | US\$3,533 |
| | Fnma Pool 725095 | | " | US\$1,315 | N/A | US\$1,315 |
| | Fnma Pool 730033 | | " | US\$1,581 | N/A | US\$1,581 |
| | Fnma Pool 740934 | | " | US\$1,540 | N/A | US\$1,540 |
| | Fnma Pool 790828 | | " | US\$2,965 | N/A | US\$2,965 |
| | Fnma Pool 793025 | | " | US\$2,761 | N/A | US\$2,761 |
| | Fnma Pool 793932 | | " | US\$ 664 | N/A | US\$ 664 |
| | Fnma Pool 794040 | | " | US\$ 832 | N/A | US\$ 832 |
| | Fnma Pool 795548 | | " | US\$ 501 | N/A | US\$ 501 |
| | Fnma Pool 806642 | | " | US\$1,401 | N/A | US\$1,401 |
| | Fnma Pool 815626 | | " | US\$3,272 | N/A | US\$3,272 |

| | | June 30, 2006 | | | |
|--------------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | Carrying Value | | Percentage | Net Asset |
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Category | Shares/Units (in US\$ in thousands) | of Ownership (in US\$ in thousands) |
| | Fnma Pool 816594 | | Available-for-sale financial assets | US\$ 2,298 | N/A US\$ 2,298 |
| | Fnma Pool 825395 | | " | US\$ 2,910 | N/A US\$ 2,910 |
| | Fnma Pool 825398 | | " | US\$ 4,541 | N/A US\$ 4,541 |
| | Fnma Pool 841069 | | " | US\$ 3,281 | N/A US\$ 3,281 |
| | Fnma Pool 879906 | | " | US\$ 1,815 | N/A US\$ 1,815 |
| | Gnma II Pool 081150 | | " | US\$ 699 | N/A US\$ 699 |
| | Gnma II Pool 081153 | | " | US\$ 2,485 | N/A US\$ 2,485 |
| | Federal Farm Cr Bks | | " | US\$ 3,919 | N/A US\$ 3,919 |
| | Federal Home Ln Bank | | " | US\$ 3,938 | N/A US\$ 3,938 |
| | Federal Home Ln Bks | | " | US\$ 3,965 | N/A US\$ 3,965 |
| | Federal Home Ln Bks | | " | US\$ 4,916 | N/A US\$ 4,916 |
| | Federal Home Ln Bks | | " | US\$ 8,650 | N/A US\$ 8,650 |
| | Federal Home Ln Bks | | " | US\$ 4,123 | N/A US\$ 4,123 |
| | Federal Home Ln Bks | | " | US\$ 4,855 | N/A US\$ 4,855 |
| | Federal Home Ln Bks | | " | US\$ 8,609 | N/A US\$ 8,609 |
| | Federal Home Ln Bks | | " | US\$ 4,779 | N/A US\$ 4,779 |
| | Federal Home Ln Bks | | " | US\$ 5,772 | N/A US\$ 5,772 |
| | Federal Home Ln Bks | | " | US\$ 7,482 | N/A US\$ 7,482 |
| | Federal Home Ln Bks | | " | US\$ 4,818 | N/A US\$ 4,818 |
| | Federal Home Ln Bks | | " | US\$ 2,963 | N/A US\$ 2,963 |
| | Federal Home Ln Bks | | " | US\$ 7,960 | N/A US\$ 7,960 |
| | Federal Home Ln Bks | | " | US\$ 6,034 | N/A US\$ 6,034 |
| | Federal Home Ln Bks | | " | US\$ 12,145 | N/A US\$ 12,145 |
| | Federal Home Ln Bks | | " | US\$ 3,936 | N/A US\$ 3,936 |
| | Federal Home Ln Bks | | " | US\$ 6,817 | N/A US\$ 6,817 |
| | Federal Home Ln Bks | | " | US\$ 5,800 | N/A US\$ 5,800 |
| | Federal Home Ln Bks | | " | US\$ 3,292 | N/A US\$ 3,292 |
| | Federal Home Ln Bks | | " | US\$ 7,475 | N/A US\$ 7,475 |
| | Federal Home Ln Bks | | " | US\$ 2,378 | N/A US\$ 2,378 |
| | Federal Home Ln Mtg Corp. | | " | US\$ 3,442 | N/A US\$ 3,442 |
| | Federal Home Ln Mtg Corp. | | " | US\$ 9,759 | N/A US\$ 9,759 |
| | Federal Home Ln Mtg Corp. | | " | US\$ 5,876 | N/A US\$ 5,876 |
| | Federal Home Ln Mtg Corp. | | " | US\$ 6,398 | N/A US\$ 6,398 |
| | Federal Home Ln Mtg Corp. | | " | US\$ 14,166 | N/A US\$ 14,166 |
| | Federal Home Ln Mtg Corp. | | " | US\$ 9,887 | N/A US\$ 9,887 |
| | Federal Home Ln Mtg Corp. Mtn | | " | US\$ 4,898 | N/A US\$ 4,898 |
| | Federal Home Loan Bank | | " | US\$ 3,442 | N/A US\$ 3,442 |
| | Federal Home Loan Mtg Assn | | " | US\$ 4,885 | N/A US\$ 4,885 |
| | Federal Home Loan Mtg Corp. | | " | US\$ 4,912 | N/A US\$ 4,912 |
| | Federal Natl Mtg Assn | | " | US\$ 4,292 | N/A US\$ 4,292 |

| | | June 30, 2006 | | | | |
|---------|--|---------------------|--------------|------------|-------------|-----------|
| | | Carrying | | Percentage | | |
| Company | Relationship with the | Financial Statement | Shares/Units | Value | of | Net Asset |
| Name | Marketable Securities Type and Name | Company | (in US\$ in | Thousand | Thousand | Value |
| | | Account | Thousand | Thousand | Ownership | (US\$ in |
| | | | | | Thousand | Thousand |
| | Federal Natl Mtg Assn | Available-for-sale | US\$ 5,847 | N/A | US\$ 5,847 | |
| | | financial assets | | | | |
| | Federal Natl Mtg Assn | " | US\$ 7,763 | N/A | US\$ 7,763 | |
| | Federal Natl Mtg Assn | " | US\$ 19,565 | N/A | US\$ 19,565 | |
| | Federal Natl Mtg Assn | " | US\$ 4,104 | N/A | US\$ 4,104 | |
| | Federal Natl Mtg Assn | " | US\$ 10,413 | N/A | US\$ 10,413 | |
| | Federal Natl Mtg Assn | " | US\$ 7,963 | N/A | US\$ 7,963 | |
| | Federal Natl Mtg Assn Mtn | " | US\$ 2,873 | N/A | US\$ 2,873 | |
| | Federal Natl Mtg Assn Mtn | " | US\$ 2,852 | N/A | US\$ 2,852 | |
| | Federal Natl Mtg Assn Mtn | " | US\$ 5,553 | N/A | US\$ 5,553 | |
| | Freddie Mac | " | US\$ 9,273 | N/A | US\$ 9,273 | |
| | Corporate issued asset-backed securities | | | | | |
| | American Home Mtg Invt Tr | Available-for-sale | US\$ 266 | N/A | US\$ 266 | |
| | | financial assets | | | | |
| | Americredit Auto Rec Tr | " | US\$ 996 | N/A | US\$ 996 | |
| | Americredit Automobile Rec Tr | " | US\$ 690 | N/A | US\$ 690 | |
| | Americredit Automobile Rec Tr | " | US\$ 1,983 | N/A | US\$ 1,983 | |
| | Americredit Automobile Rec Tr | " | US\$ 2,591 | N/A | US\$ 2,591 | |
| | Americredit Automobile Receiva | " | US\$ 4,942 | N/A | US\$ 4,942 | |
| | Americredit Automobile Receivb | " | US\$ 4,021 | N/A | US\$ 4,021 | |
| | Atlantic City Elc Trns Fdglc | " | US\$ 548 | N/A | US\$ 548 | |
| | Banc Amer Coml Mtg Inc. | " | US\$ 3,327 | N/A | US\$ 3,327 | |
| | Banc Amer Mtg Secs Inc. | " | US\$ 1,840 | N/A | US\$ 1,840 | |
| | Bank Of Amer Lease Equip Tr | " | US\$ 1,943 | N/A | US\$ 1,943 | |
| | Bear Stearns Alt A Tr | " | US\$ 788 | N/A | US\$ 788 | |
| | Bear Stearns Arm Tr | " | US\$ 3,635 | N/A | US\$ 3,635 | |
| | Bear Stearns Arm Tr | " | US\$ 1,906 | N/A | US\$ 1,906 | |
| | Bear Stearns Coml Mtg Secs Inc. | " | US\$ 6,362 | N/A | US\$ 6,362 | |
| | California Infrastructure Dev | " | US\$ 180 | N/A | US\$ 180 | |
| | Capital Auto Receivables Asset | " | US\$ 3,217 | N/A | US\$ 3,217 | |
| | Capital One Auto Fin Tr | " | US\$ 2,599 | N/A | US\$ 2,599 | |
| | Capital One Auto Fin Tr | " | US\$ 2,968 | N/A | US\$ 2,968 | |
| | Capital One Auto Fin Tr | " | US\$ 4,979 | N/A | US\$ 4,979 | |
| | Capital One Multi Asset Execut | " | US\$ 4,815 | N/A | US\$ 4,815 | |
| | Capital One Multi Asset Execut | " | US\$ 3,904 | N/A | US\$ 3,904 | |
| | Capital One Multi Asset Execut | " | US\$ 2,933 | N/A | US\$ 2,933 | |
| | Capital One Prime Auto Receiv | " | US\$ 2,767 | N/A | US\$ 2,767 | |
| | Caterpillar Finl Asset Tr | " | US\$ 2,783 | N/A | US\$ 2,783 | |
| | Caterpillar Finl Asset Tr | " | US\$ 8,059 | N/A | US\$ 8,059 | |
| | Cendant Rent Car Fdg Aesop LLC | " | US\$ 9,186 | N/A | US\$ 9,186 | |

Centex Home Equity Ln Tr

"

US\$ 336 N/A US\$ 33

(Continued)

| | | June 30, 2006 | | |
|---------|-------------------------------------|---------------------|--------------------|------------|
| | | | Market | |
| | | | Value of | |
| | | | Carrying | Percentage |
| | | | Value | of |
| | | | (in US\$ in | Net Assets |
| | | | Shares/Units | Value |
| | | | (in US\$ in | (US\$ in |
| | | | Thousand) | Thousand) |
| | | | Ownership | Thousand |
| Company | Relationship with the | Financial Statement | Account | Thousand |
| Name | Marketable Securities Type and Name | Company | Account | Thousand |
| | | | Available-for-sale | US\$3,291 |
| | | | financial assets | N/A |
| | | | " | US\$3,941 |
| | | | " | N/A |
| | | | " | US\$9,739 |
| | | | " | N/A |
| | | | " | US\$ 682 |
| | | | " | N/A |
| | | | " | US\$3,778 |
| | | | " | N/A |
| | | | " | US\$4,752 |
| | | | " | N/A |
| | | | " | US\$ 953 |
| | | | " | N/A |
| | | | " | US\$3,715 |
| | | | " | N/A |
| | | | " | US\$3,554 |
| | | | " | N/A |
| | | | " | US\$ 414 |
| | | | " | N/A |
| | | | " | US\$1,280 |
| | | | " | N/A |
| | | | " | US\$2,175 |
| | | | " | N/A |
| | | | " | US\$ 243 |
| | | | " | N/A |
| | | | " | US\$1,054 |
| | | | " | N/A |
| | | | " | US\$2,933 |
| | | | " | N/A |
| | | | " | US\$2,425 |
| | | | " | N/A |
| | | | " | US\$3,174 |
| | | | " | N/A |
| | | | " | US\$1,543 |
| | | | " | N/A |
| | | | " | US\$ 712 |
| | | | " | N/A |
| | | | " | US\$2,180 |
| | | | " | N/A |
| | | | " | US\$2,826 |
| | | | " | N/A |
| | | | " | US\$2,398 |
| | | | " | N/A |
| | | | " | US\$ 746 |
| | | | " | N/A |
| | | | " | US\$4,124 |
| | | | " | N/A |
| | | | " | US\$4,232 |
| | | | " | N/A |
| | | | " | US\$ 781 |
| | | | " | N/A |
| | | | " | US\$5,783 |
| | | | " | N/A |
| | | | " | US\$5,256 |
| | | | " | N/A |
| | | | " | US\$5,002 |
| | | | " | N/A |
| | | | " | US\$2,962 |
| | | | " | N/A |
| | | | " | US\$6,328 |
| | | | " | N/A |
| | | | " | US\$3,186 |
| | | | " | N/A |
| | | | " | US\$3,886 |
| | | | " | N/A |
| | | | " | US\$ 494 |
| | | | " | N/A |
| | | | " | US\$ 371 |
| | | | " | N/A |
| | | | " | US\$ 43 |
| | | | " | N/A |
| | | | " | US\$3,747 |
| | | | " | N/A |
| | | | " | US\$1,858 |
| | | | " | N/A |
| | | | " | US\$3,188 |
| | | | " | N/A |
| | | | " | US\$3,820 |
| | | | " | N/A |

| | | | | June 30, 2006 | | | |
|---------|-------------------------------------|---------|-------------------------------------|---------------|------------|-----------|-----------|
| | | | | Carrying | Percentage | Net Asset | Market |
| Company | Relationship with the | | Financial Statement | Shares/Units | Value | of | Value |
| Name | Marketable Securities Type and Name | Company | Account | (in US\$ in | Thousand) | Ownership | (US\$ in |
| | | | | Thousand) | | Thousand) | Thousand) |
| | Mastr Asset Backed Secs Tr | | Available-for-sale financial assets | | US\$3,504 | N/A | US\$3,504 |
| | Mbna Master Cr Card Tr II | | " | | US\$7,567 | N/A | US\$7,567 |
| | Merrill Lynch Mtg Invs Inc. | | " | | US\$6,635 | N/A | US\$6,635 |
| | Monumentl Global Fdg II | | " | | US\$1,002 | N/A | US\$1,002 |
| | National City Auto Receivables | | " | | US\$ 457 | N/A | US\$ 457 |
| | Navistar Finl 2003 A Owner Tr | | " | | US\$4,242 | N/A | US\$4,242 |
| | Nissan Auto Receivables | | " | | US\$1,437 | N/A | US\$1,437 |
| | Nomura Asset Accep Corp. | | " | | US\$4,131 | N/A | US\$4,131 |
| | Onyx Accep Owner Tr | | " | | US\$4,875 | N/A | US\$4,875 |
| | Pg+E Energy Recovery Fdg LLC | | " | | US\$4,628 | N/A | US\$4,628 |
| | Providian Gateway Owner Tr | | " | | US\$3,899 | N/A | US\$3,899 |
| | Reliant Energy Transition Bd | | " | | US\$3,989 | N/A | US\$3,989 |
| | Residential Asset Mtg Prods | | " | | US\$2,626 | N/A | US\$2,626 |
| | Residential Asset Sec Mtg Pass | | " | | US\$2,918 | N/A | US\$2,918 |
| | Residential Asset Sec Mtg Pass | | " | | US\$3,692 | N/A | US\$3,692 |
| | Residential Fdg Mtg Secs I Inc. | | " | | US\$2,217 | N/A | US\$2,217 |
| | Residential Fdg Mtg Secs I Inc. | | " | | US\$4,358 | N/A | US\$4,358 |
| | Revolving Home Equity Ln Tr | | " | | US\$2,096 | N/A | US\$2,096 |
| | Sequoia Mtg Tr | | " | | US\$ 948 | N/A | US\$ 948 |
| | Sequoia Mtg Tr | | " | | US\$ 735 | N/A | US\$ 735 |
| | Sequoia Mtg Tr | | " | | US\$ 794 | N/A | US\$ 794 |
| | Structured Adj Rate Mtg Ln Tr | | " | | US\$1,641 | N/A | US\$1,641 |
| | Structured Adj Rate Mtg Ln Tr | | " | | US\$ 555 | N/A | US\$ 555 |
| | Structured Asset Invt Ln Tr | | " | | US\$ 93 | N/A | US\$ 93 |
| | Terwin Mtg Tr | | " | | US\$4,014 | N/A | US\$4,014 |
| | Toyota Auto Receivables 2003 B | | " | | US\$4,898 | N/A | US\$4,898 |
| | TW Hotel Fdg 2005 LLC | | " | | US\$4,097 | N/A | US\$4,097 |
| | Txu Elec Delivery Transition | | " | | US\$2,619 | N/A | US\$2,619 |
| | Usaa Auto Owner Tr | | " | | US\$3,678 | N/A | US\$3,678 |
| | Wachovia Auto Owner Tr | | " | | US\$2,768 | N/A | US\$2,768 |
| | Washington Mut Mtg Secs Corp. | | " | | US\$3,354 | N/A | US\$3,354 |
| | Wells Fargo Finl Auto Owner Tr | | " | | US\$5,230 | N/A | US\$5,230 |
| | Wells Fargo Finl Auto Owner Tr | | " | | US\$4,885 | N/A | US\$4,885 |
| | Wells Fargo Mtg Backed Secs | | " | | US\$ 777 | N/A | US\$ 777 |
| | Wells Fargo Mtg Bkd Secs | | " | | US\$3,128 | N/A | US\$3,128 |
| | Wells Fargo Mtg Bkd Secs | | " | | US\$3,519 | N/A | US\$3,519 |
| | WFS Financial Owner Trust | | " | | US\$2,723 | N/A | US\$2,723 |
| | WFS Finl | | " | | US\$ 916 | N/A | US\$ 916 |
| | WFS Finl 2004 2 Owner Tr | | " | | US\$4,880 | N/A | US\$4,880 |
| | WFS Finl 2004 4 Owner Tr | | " | | US\$1,672 | N/A | US\$1,672 |

| Company | Relationship with the | Financial Statement | Shares/Units (in thousands) | June 30, 2006 | | Ownership | Market Value or Net Assets (US\$ thousands) |
|--|-----------------------|--|--------------------------------|------------------------------|---------------|-----------|--|
| | | | | Value (US\$ in thousands) | Percentage of | | |
| Marketable Securities Type and Name | Company | Account | Thousands | Thousands | | | Thousands |
| WFS Finl 2005 2 Oner Tr | | Available-for-sale financial assets | US\$ | 2,205 | N/A | US\$ | 2,205 |
| Whole Auto Ln Tr | | " | US\$ | 1,978 | N/A | US\$ | 1,978 |
| Whole Auto Ln Tr | | " | US\$ | 3,803 | N/A | US\$ | 3,803 |
| Whole Auto Ln Tr | | " | US\$ | 2,920 | N/A | US\$ | 2,920 |
| World Omni Auto Receivables Tr | | " | US\$ | 5,848 | N/A | US\$ | 5,848 |
| Corporate bond | | | | | | | |
| Hua Nan Bank | | Available-for-sale financial assets | | \$1,532,448 | N/A | | \$1,532,448 |
| Cathay United Bank | | " | | 1,149,382 | N/A | | 1,149,382 |
| Formosa Petrochemical Corporation | | " | | 397,332 | N/A | | 397,332 |
| Taiwan Power Company | | " | | 299,034 | N/A | | 299,034 |
| Taiwan Power Company | | Held-to-maturity financial assets | | 4,217,617 | N/A | | 4,217,617 |
| Formosa Petrochemical Corporation | | " | | 2,488,834 | N/A | | 2,488,834 |
| Nan Ya Plastics Corporation | | " | | 2,379,459 | N/A | | 2,379,459 |
| Chinese Petroleum Corporation | | " | | 1,703,676 | N/A | | 1,703,676 |
| China Steel Corporation | | " | | 1,602,604 | N/A | | 1,602,604 |
| Far Eastone Telecommunications Co. Ltd. | | " | | 300,012 | N/A | | 299,012 |
| Formosa Plastic Corporation | | " | | 135,306 | N/A | | 135,306 |
| Formosa Chemicals & Fiber Corporation | | " | | 67,624 | N/A | | 67,624 |
| Abbott Labs | | Available-for-sale financial assets | US\$ | 1,496 | N/A | US\$ | 1,496 |
| Abbott Labs | | " | US\$ | 2,541 | N/A | US\$ | 2,541 |
| Ace Ltd. | | " | US\$ | 1,001 | N/A | US\$ | 1,001 |
| AIG Sunamerica Global Fing Ix | | " | US\$ | 996 | N/A | US\$ | 996 |
| Allstate Life Global Fdg Secd | | " | US\$ | 2,927 | N/A | US\$ | 2,927 |
| Alltel Corp. | | " | US\$ | 595 | N/A | US\$ | 595 |
| American Express Co. | | " | US\$ | 3,420 | N/A | US\$ | 3,420 |
| American Gen Fin Corp. | | " | US\$ | 1,616 | N/A | US\$ | 1,616 |
| American Gen Fin Corp. Mtn | | " | US\$ | 1,001 | N/A | US\$ | 1,001 |
| American Honda Fin Corp. Mtn | | " | US\$ | 3,046 | N/A | US\$ | 3,046 |
| American Honda Fin Corp. Mtn | | " | US\$ | 802 | N/A | US\$ | 802 |
| Ameritech Capital Funding Co. | | " | US\$ | 481 | N/A | US\$ | 481 |
| Amgen Inc. | | " | US\$ | 2,851 | N/A | US\$ | 2,851 |
| Amsouth Bk Birmingham Ala | | " | US\$ | 1,982 | N/A | US\$ | 1,982 |
| Anz Cap Tr I | | " | US\$ | 944 | N/A | US\$ | 944 |
| Associates Corp. North Amer | | " | US\$ | 2,529 | N/A | US\$ | 2,529 |
| Bank New York Inc. | | " | US\$ | 1,475 | N/A | US\$ | 1,475 |
| Bank One Corp. | | " | US\$ | 3,303 | N/A | US\$ | 3,303 |

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| | | | | | |
|-------------------------|---|------|-------|-----|------|
| Bank Utd Houston Tx Mtn | " | US\$ | 528 | N/A | US\$ |
| Bear Stearns Cos Inc. | " | US\$ | 3,319 | N/A | US\$ |

(Continued)

| | | June 30, 2006 | | | Market | |
|--------------|-------------------------------------|-------------------------------------|------------------------|-----------|---------------------|----------|
| | | | | | Value or | |
| Held Company | Relationship | with Financial | Carrying Percentage | Net Asset | | |
| | | | | | | the Stat |
| Name | Marketable Securities Type and Name | Company Account | (in US\$ in thousands) | Ownership | (US\$ in thousands) | Note |
| | Bear Stearns Cos Inc. | Available-for-sale financial assets | US\$ 3,585 | N/A | US\$ 3,585 | |
| | Beneficial Corp. Mtn Bk Entry | " | US\$ 2,289 | N/A | US\$ 2,289 | |
| | Berkshire Hathaway Fin Corp. | " | US\$ 1,470 | N/A | US\$ 1,470 | |
| | Caterpillar Finl Svcs Mtn | " | US\$ 5,752 | N/A | US\$ 5,752 | |
| | Chase Manhattan Corp. New | " | US\$ 1,512 | N/A | US\$ 1,512 | |
| | Chase Manhattan Corp. New | " | US\$ 2,106 | N/A | US\$ 2,106 | |
| | Chubb Corp. | " | US\$ 2,103 | N/A | US\$ 2,103 | |
| | Cit Group Hldgs Inc. | " | US\$ 3,011 | N/A | US\$ 3,011 | |
| | Citicorp | " | US\$ 1,382 | N/A | US\$ 1,382 | |
| | Cogentrix Energy Inc. | " | US\$ 3,777 | N/A | US\$ 3,777 | |
| | Colonial Pipeline Co. | " | US\$ 1,506 | N/A | US\$ 1,506 | |
| | Consolidated Edison Inc. | " | US\$ 2,866 | N/A | US\$ 2,866 | |
| | Corestates Cap Corp. | " | US\$ 1,006 | N/A | US\$ 1,006 | |
| | Countrywide Fdg Corp. Mtn | " | US\$ 2,019 | N/A | US\$ 2,019 | |
| | Credit Suisse Fincl Products | " | US\$ 1,508 | N/A | US\$ 1,508 | |
| | Credit Suisse First Boston | " | US\$ 734 | N/A | US\$ 734 | |
| | Credit Suisse First Boston USA | " | US\$ 2,135 | N/A | US\$ 2,135 | |
| | Daimlerchrysler North Amer | " | US\$ 966 | N/A | US\$ 966 | |
| | Daimlerchrysler North Amer Hld | " | US\$ 753 | N/A | US\$ 753 | |
| | Dayton Hudson Corp. | " | US\$ 2,013 | N/A | US\$ 2,013 | |
| | Deere John Cap Corp. | " | US\$ 4,880 | N/A | US\$ 4,880 | |
| | Dell Computer Corp. | " | US\$ 2,822 | N/A | US\$ 2,822 | |
| | Den Danske Bk Aktieselskab | " | US\$ 2,034 | N/A | US\$ 2,034 | |
| | Diageo Plc | " | US\$ 3,405 | N/A | US\$ 3,405 | |
| | European Invt Bk | " | US\$ 3,918 | N/A | US\$ 3,918 | |
| | European Invt Bk | " | US\$ 5,945 | N/A | US\$ 5,945 | |
| | Federal Home Ln Bks | " | US\$ 7,937 | N/A | US\$ 7,937 | |
| | Fifth Third Bk Cincinnati Oh | " | US\$ 2,393 | N/A | US\$ 2,393 | |
| | First Data Corp. | " | US\$ 2,827 | N/A | US\$ 2,827 | |
| | Fleet Boston Corp. | " | US\$ 2,634 | N/A | US\$ 2,634 | |
| | Fleet Finl Group Inc. New | " | US\$ 905 | N/A | US\$ 905 | |
| | Fpl Group Cap Inc. | " | US\$ 843 | N/A | US\$ 843 | |
| | Gannett Co. Inc. | " | US\$ 2,907 | N/A | US\$ 2,907 | |
| | General Elec Cap Corp. Mtn | " | US\$ 3,363 | N/A | US\$ 3,363 | |
| | General Elec Cap Corp. Mtn | " | US\$ 3,824 | N/A | US\$ 3,824 | |
| | General Elec Cap Corp. Mtn | " | US\$ 8,678 | N/A | US\$ 8,678 | |
| | General Re Corp. | " | US\$ 3,307 | N/A | US\$ 3,307 | |
| | Genworth Finl Inc. | " | US\$ 3,417 | N/A | US\$ 3,417 | |

Goldman Sachs Group Inc.

”

US\$ 4,910

N/A

US\$ 4,910

(Continued)

| | | June 30, 2006 | | | Market | |
|--------------|-------------------------------------|-------------------------------------|---------------------|---------------------|---------------------|-----------|
| | | | | | Value or | |
| Held Company | Relationship | with Financial | Carrying Percentage | Net Asset | | |
| | | | | | | the State |
| Name | Marketable Securities Type and Name | Company Account | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | Note |
| | Goldman Sachs Group Inc. | Available-for-sale financial assets | US\$ 3,426 | N/A | US\$ 3,426 | |
| | Goldman Sachs Group LP | " | US\$ 1,509 | N/A | US\$ 1,509 | |
| | Greenpoint Finl Corp. | " | US\$ 954 | N/A | US\$ 954 | |
| | Hancock John Global Fdg II Mtn | " | US\$ 3,481 | N/A | US\$ 3,481 | |
| | Hancock John Global Fdg Mtn | " | US\$ 961 | N/A | US\$ 961 | |
| | Hartford Finl Svcs Group Inc. | " | US\$ 1,342 | N/A | US\$ 1,342 | |
| | Hbos Plc Medium Term Sr Nts | " | US\$ 3,172 | N/A | US\$ 3,172 | |
| | Hbos Plc Medium Term Sr Nts | " | US\$ 2,921 | N/A | US\$ 2,921 | |
| | Heller Finl Inc. | " | US\$ 1,923 | N/A | US\$ 1,923 | |
| | Hershey Foods Corp. | " | US\$ 1,513 | N/A | US\$ 1,513 | |
| | Honeywell Inc. | " | US\$ 3,031 | N/A | US\$ 3,031 | |
| | Household Fin Corp. | " | US\$ 2,848 | N/A | US\$ 2,848 | |
| | Household Fin Corp. | " | US\$ 504 | N/A | US\$ 504 | |
| | Household Intl Inc. | " | US\$ 2,848 | N/A | US\$ 2,848 | |
| | HSBC Fin Corp. Mtn | " | US\$ 5,045 | N/A | US\$ 5,045 | |
| | HSBC USA Inc. New | " | US\$ 1,076 | N/A | US\$ 1,076 | |
| | Huntington Natl Bk Columbus Oh | " | US\$ 2,977 | N/A | US\$ 2,977 | |
| | ING Sec Life Instl Fdg | " | US\$ 2,445 | N/A | US\$ 2,445 | |
| | International Business Machs | " | US\$ 2,194 | N/A | US\$ 2,194 | |
| | Intl Lease Fin Corp. Mtn | " | US\$ 2,889 | N/A | US\$ 2,889 | |
| | Intl Lease Fin Corp. Mtn | " | US\$ 4,100 | N/A | US\$ 4,100 | |
| | Intl Lease Fin Corp. Mtn | " | US\$ 2,968 | N/A | US\$ 2,968 | |
| | JP Morgan Chase + Co. | " | US\$ 3,285 | N/A | US\$ 3,285 | |
| | Jackson Natl Life Global Fdg | " | US\$ 998 | N/A | US\$ 998 | |
| | Key Bk Na Med Term Nts Bk Entr | " | US\$ 4,364 | N/A | US\$ 4,364 | |
| | Keycorp Mtn Book Entry | " | US\$ 2,975 | N/A | US\$ 2,975 | |
| | Kraft Foods Inc. | " | US\$ 748 | N/A | US\$ 748 | |
| | Kraft Foods Inc. | " | US\$ 997 | N/A | US\$ 997 | |
| | Lehman Brothers Hldgs Inc. | " | US\$ 1,599 | N/A | US\$ 1,599 | |
| | Lehman Brothers Hldgs Inc. | " | US\$ 478 | N/A | US\$ 478 | |
| | Lehman Brothers Hldgs Inc. | " | US\$ 1,075 | N/A | US\$ 1,075 | |
| | Lincoln Natl Corp. In | " | US\$ 498 | N/A | US\$ 498 | |
| | Merita Bk Ltd. Ny Brh | " | US\$ 505 | N/A | US\$ 505 | |
| | Merrill Lynch + Co. Inc. | " | US\$ 3,415 | N/A | US\$ 3,415 | |
| | Merrill Lynch + Co. Inc. | " | US\$ 1,972 | N/A | US\$ 1,972 | |
| | Merrill Lynch + Co. Inc. | " | US\$ 4,822 | N/A | US\$ 4,822 | |
| | Metropolitan Life Global Mtn | " | US\$ 3,306 | N/A | US\$ 3,306 | |
| | Monumental Global Fdg II | " | US\$ 1,446 | N/A | US\$ 1,446 | |

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| | | | | |
|--------------------------------|---|------------|-----|------------|
| Monumental Global Fdg II 2002A | " | US\$ 998 | N/A | US\$ 998 |
| Morgan Stanley | " | US\$ 2,087 | N/A | US\$ 2,087 |

(Continued)

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| | | June 30, 2006 | | | Market | |
|--------------|-------------------------------------|-------------------------------------|------------------------|-----------|---------------------|-----------|
| | | | | | Value or | |
| Held Company | Relationship | with Financial | Carrying Percentage | Net Asset | | |
| | | | | | | the State |
| Name | Marketable Securities Type and Name | Company Account | (in US\$ in thousands) | Ownership | (US\$ in thousands) | Note |
| | Morgan Stanley Group Inc. | Available-for-sale financial assets | US\$ 4,385 | N/A | US\$ 4,385 | |
| | National City Corp. | " | US\$ 3,360 | N/A | US\$ 3,360 | |
| | National Westminster Bk Plc | " | US\$ 1,330 | N/A | US\$ 1,330 | |
| | Nationwide Bldg Soc | " | US\$ 3,484 | N/A | US\$ 3,484 | |
| | Nationwide Bldg Soc Mtn | " | US\$ 3,004 | N/A | US\$ 3,004 | |
| | Nationwide Life Global Mtn | " | US\$ 1,463 | N/A | US\$ 1,463 | |
| | Nucor Corp. | " | US\$ 2,513 | N/A | US\$ 2,513 | |
| | Pepsico Inc. Mtn Book Entry | " | US\$ 3,620 | N/A | US\$ 3,620 | |
| | Pnc Fdg Corp. | " | US\$ 1,012 | N/A | US\$ 1,012 | |
| | Popular North Amer Inc. | " | US\$ 2,880 | N/A | US\$ 2,880 | |
| | Praxair Inc. | " | US\$ 3,141 | N/A | US\$ 3,141 | |
| | Premark Intl Inc. | " | US\$ 2,721 | N/A | US\$ 2,721 | |
| | Prcoa Global Fdg 1 Mtn | " | US\$ 3,504 | N/A | US\$ 3,504 | |
| | Protective Life Secd Trs | " | US\$ 2,869 | N/A | US\$ 2,869 | |
| | Prudential Ins Co. Amer | " | US\$ 2,502 | N/A | US\$ 2,502 | |
| | Prudential Ins Co. Amer | " | US\$ 2,652 | N/A | US\$ 2,652 | |
| | Public Svc Elec Gas Co. | " | US\$ 3,631 | N/A | US\$ 3,631 | |
| | Regions Finl Corp. New | " | US\$ 2,347 | N/A | US\$ 2,347 | |
| | Safeco Corp. | " | US\$ 718 | N/A | US\$ 718 | |
| | Sbc Communications Inc. | " | US\$ 1,020 | N/A | US\$ 1,020 | |
| | Sbc Communications Inc. | " | US\$ 682 | N/A | US\$ 682 | |
| | Scotland Intl Fin B V 144a | " | US\$ 1,416 | N/A | US\$ 1,416 | |
| | Slm Corp. | " | US\$ 498 | N/A | US\$ 498 | |
| | Slm Corp. Medium Term Nts | " | US\$ 8,889 | N/A | US\$ 8,889 | |
| | Sp Powerassests Ltd. Global | " | US\$ 956 | N/A | US\$ 956 | |
| | St Paul Cos Inc. Mtn Bk Ent | " | US\$ 2,536 | N/A | US\$ 2,536 | |
| | Suntrust Bks Inc. | " | US\$ 1,000 | N/A | US\$ 1,000 | |
| | Swedbank Sparbanken Svenge Ab | " | US\$ 1,006 | N/A | US\$ 1,006 | |
| | Tiaa Global Mkts Inc. | " | US\$ 498 | N/A | US\$ 498 | |
| | Unitedhealth Group Inc. | " | US\$ 2,993 | N/A | US\$ 2,993 | |
| | Us Bk Natl Assn Cincinnati Oh | " | US\$ 2,692 | N/A | US\$ 2,692 | |
| | Virginia Elec + Pwr Co. | " | US\$ 2,652 | N/A | US\$ 2,652 | |
| | Vodafone Group Plc New | " | US\$ 2,483 | N/A | US\$ 2,483 | |
| | Washington Mut Inc. | " | US\$ 4,502 | N/A | US\$ 4,502 | |
| | Washington Post Co. | " | US\$ 2,970 | N/A | US\$ 2,970 | |
| | Wells Fargo + Co. New | " | US\$ 6,040 | N/A | US\$ 6,040 | |
| | Westfield Cap Corp. Ltd. | " | US\$ 2,008 | N/A | US\$ 2,008 | |
| | Wps Resources Corp. | " | US\$ 1,042 | N/A | US\$ 1,042 | |

| | | June 30, 2006 | | | Market |
|--------------|-------------------------------------|---|---|-----------------|---------------------------------|
| | | Relationship | Carrying | Percentage | Net Asset |
| Held Company | Name | with Financial State/Units (in Thousands) | Value (US\$ in Thousands) | of Ownership | Value (US\$ in Thousands) |
| Name | Marketable Securities Type and Name | Company | (in Thousands) | Ownership | Note |
| | Corporate notes | | | | |
| | Canadian Imperial BK | Available-for-sale financial assets | US\$ 3,015 | N/A | US\$ 3,015 |
| | Money market funds | | | | |
| | SSGA Cash Mgmt Global Offshore | Available-for-sale financial assets | US\$ 11,912 | N/A | US\$ 11,912 |
| | Fund | | | | |
| | Horizon Ventures Fund I, L.P. | Financial assets carried at cost | \$ 280,179 | N/A | \$ 280,179 |
| | Crimson Asia Capital Ltd., L.P. | " | 66,290 | N/A | 66,290 |
| Chi Cherng | Stock TSMC | Parent company financial assets | Available-for-sale 16,947 989,720 | | 989,720 |
| | VIS | Equity investment method invested using equity method | 16,947 7,905 | | 7,905 |
| Hsin Ruey | Stock TSMC | Parent company financial assets | Available-for-sale 16,979 991,575 | | 991,575 |
| | VIS | Equity investment method invested using | 16,979 40,179 | | 40,179 |

equity
method

| | | | | | | | |
|-----------------------|--------------------------------|---|--------|--------------|-----|--------------|--|
| TSMC International | Stock | | | | | | |
| | InveStar | Subsidiary | 1 | US\$ 43,604 | 97 | US\$ 43,604 | |
| | | Subsidiary accounted for using equity method | | | | | |
| | InveStar II | Subsidiary | 1 | US\$ 45,910 | 97 | US\$ 45,910 | |
| | TSMC Development | Subsidiary | 1 | US\$ 627,773 | 100 | US\$ 627,773 | |
| | TSMC Technology | Subsidiary | 1 | US\$ 5,665 | 100 | US\$ 5,665 | |
| Emerging Alliance | Common stock | | | | | | |
| | NetLogic Microsystems, Inc. | Financial assets at fair value through profit or loss | 84 | US\$ 2,718 | | US\$ 2,718 | |
| | Ikanos Communication, Inc. | Available-for-sale financial assets | 15 | US\$ 7,819 | 2 | US\$ 7,819 | |
| | RichWave Technology Corp. | Financial assets carried at cost | 14 | US\$ 1,648 | 13 | US\$ 1,648 | |
| | Quake Technologies, Inc. | " | 46 | US\$ 35 | | US\$ 35 | |
| | Pixim, Inc. | " | 1,924 | US\$ 512 | 4 | US\$ 512 | |
| | Global Investment Holding Inc. | " | 10,800 | \$ 100,000 | 6 | \$ 100,000 | |

(Continued)

| | | June 30, 2006 | | | | | Market Value or | |
|--------------|-------------------------------------|--|-----------------------------|------------------------------------|-------------------------|-------------------------------------|-----------------|--|
| Held Company | Marketable Securities Type and Name | Relationship with Financial the Statement | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Net Asset Value (US\$ in Thousands) | Note | |
| | Preferred stock | | | | | | | |
| | Quake Technologies, Inc. | Financial assets carried at cost | 555 | US\$ 415 | 1 | US\$ 415 | | |
| | Quickilver Technology, Inc. | " | 1,049 | US\$ | 4 | US\$ | | |
| | Mosaic Systems, Inc. | " | 2,481 | US\$ 12 | 6 | US\$ 12 | | |
| | Zenesis Technologies, Inc. | " | 2,410 | US\$ 1,399 | 5 | US\$ 1,399 | | |
| | Reflectivity, Inc. | " | 4,848 | US\$ 2,479 | 4 | US\$ 2,479 | | |
| | Miradia, Inc. | " | 3,040 | US\$ 1,000 | 4 | US\$ 1,000 | | |
| | Axiom Microdevices, Inc. | " | 1,000 | US\$ 1,000 | 3 | US\$ 1,000 | | |
| | Optichron, Inc. | " | 714 | US\$ 1,000 | 4 | US\$ 1,000 | | |
| | NuCORE Technology Inc. | " | 2,254 | US\$ 1,455 | 2 | US\$ 1,455 | | |
| | Next IO, Inc. | " | 800 | US\$ 500 | 2 | US\$ 500 | | |
| | Audience, Inc. | " | 1,654 | US\$ 250 | 2 | US\$ 250 | | |
| | Centrality Communications | " | 1,325 | US\$ 1,800 | 2 | US\$ 1,800 | | |
| | Britestream Networks, Inc. | " | 2,444 | US\$ 1,172 | 2 | US\$ 1,172 | | |
| | Teknovus, Inc. | " | 6,977 | US\$ 1,327 | 3 | US\$ 1,327 | | |
| | Optimal Corporation | " | 485 | US\$ 500 | 6 | US\$ 500 | | |
| | Mobilygen | " | 1,415 | US\$ 750 | 1 | US\$ 750 | | |
| | Pixim, Inc. | " | 2,193 | US\$ 583 | | US\$ 583 | | |
| | Warrants | | | | | | | |
| | Pixim, Inc. | Financial assets carried at cost | 242 | | | N/A | | |
| Partners | Common stock | | | | | | | |
| | VisEra Holding Company | Equity Investment method accounted for using equity method | 18,931 | US\$ 24,113 | 48 | US\$ 24,113 | | |
| VTAF | Common stock | | | | | | | |
| II | Beceem Communications | Financial assets | 500 | US\$ 1,000 | 1 | US\$ 1,000 | | |

| | | | | | | |
|------------------------------|---|-------|------------|----|------------|-------------|
| | carried at cost | | | | | |
| Yobon Technologies, Inc. | " | 1,675 | US\$ 787 | 13 | US\$ 787 | |
| Sentelic Corp. | " | 1,200 | US\$ 2,040 | 15 | US\$ 2,040 | |
| Preferred stock | | | | | | |
| | Financial assets carried at cost | | | | | |
| Powerprecise Solutions, Inc. | | 1,445 | US\$ 1,400 | 11 | US\$ 1,400 | |
| Tzero Technologies, Inc. | " | 730 | US\$ 1,500 | 2 | US\$ 1,500 | |
| Miradia, Inc. | " | 1,809 | US\$ 1,600 | 2 | US\$ 1,600 | |
| Axiom Microdevices, Inc. | " | 761 | US\$ 776 | 2 | US\$ 776 | |
| Next IO, Inc. | " | 216 | US\$ 182 | | US\$ 182 | |
| Ageia Technologies, Inc. | " | 2,030 | US\$ 2,074 | 2 | US\$ 2,074 | |
| | | | | | | (Continued) |

| | | June 30, 2006 | | | | | Market Value or | |
|---------------------|--|-----------------------------------|--|-------------------------------|--|-----|--------------------|--|
| Held Company | Relationship with the Financial Statement | Shares/Units (in thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Net Asset Value (US\$ in Thousands) | | | |
| Name | Marketable Securities Type and Name | Company | Account | Ownership | Note | | | |
| | Audience, Inc. | | Financial assets carried at cost | 2,208 | US\$ 474 | 1 | US\$ 474 | |
| | GemFire Corporation | | " | 600 | US\$ 600 | 1 | US\$ 600 | |
| | Optichron, Inc. | | " | 353 | US\$ 869 | 2 | US\$ 869 | |
| | Xceive | | " | 714 | US\$ 1,000 | 2 | US\$ 1,000 | |
| | 5V Technologies, Inc. | | " | 2,357 | US\$ 1,768 | 11 | US\$ 1,768 | |
| | Power Analog Microelectronics | | " | 2,000 | US\$ 1,500 | 13 | US\$ 1,500 | |
| | Impinj, Inc. | | " | 257 | US\$ 500 | | US\$ 500 | |
| | RichWave Technology Corp. | | " | 500 | US\$ 231 | 2 | US\$ 231 | |
| | Aquantia | | " | 1,264 | US\$ 1,150 | 5 | US\$ 1,150 | |
| | Leadtrend Technology, Inc. | | " | 900 | US\$ 431 | 5 | US\$ 431 | |
| | Teknorus, Inc. | | " | 518 | US\$ 119 | | US\$ 119 | |
| | | | | | | | | |
| VTAFC III | Common stock | | | | | | | |
| | Quellan, Inc. | | Financial assets carried at cost | 2,231 | US\$ 2,500 | 7 | US\$ 2,500 | |
| | | | | | | | | |
| TSMC Development | WaferTech stock | | | | | | | |
| | | | Subsidiary investments accounted for using equity method | | US\$ 391,196 | 100 | US\$ 391,196 | |
| | | | | | | | | |
| Investor | Common stock | | | | | | | |
| | Rich Tek Technology Corp. | | Financial assets at fair value through profit or | 477 | US\$ 3,198 | | US\$ 3,198 | |

| | | | | | | |
|------------------------------------|--------------------------------------|--------|------|--------|----|-------------|
| | loss | | | | | |
| Advanced Power Electronics Corp. | " | 236 | US\$ | 202 | 2 | US\$ 202 |
| Broadtek Electronics Corp. | " | 29 | US\$ | 9 | | US\$ 9 |
| Monolithic Power Systems, Inc. | " | 1,975 | US\$ | 23,361 | 7 | US\$ 23,361 |
| Global Testing Corp. | " | 51,010 | US\$ | 9,006 | 8 | US\$ 9,006 |
| | Available-for-sale financial | | | | | |
| Advanced Power Electronics Corp. | assets | 674 | US\$ | 576 | 2 | US\$ 576 |
| Broadtek Electronics Corp. | " | 116 | US\$ | 35 | | US\$ 35 |
| Rich Tek Technology Corp. | " | 421 | US\$ | 2,823 | | US\$ 2,823 |
| | Financial assets carried at | | | | | |
| Capella Microsystems (Taiwan), Inc | cost | 530 | US\$ | 154 | 3 | US\$ 154 |
| | Preferred stock | | | | | |
| | Financial assets carried at | | | | | |
| Integrated Memory Logic, Inc. | cost | 1,831 | US\$ | 1,221 | 9 | US\$ 1,221 |
| IP Unity, Inc. | " | 1,008 | US\$ | 494 | 1 | US\$ 494 |
| Sonics, Inc. | " | 1,843 | US\$ | 3,530 | 3 | US\$ 3,530 |
| NanoAmp Solutions, Inc. | " | 541 | US\$ | 853 | 2 | US\$ 853 |
| Memsic, Inc. | " | 2,724 | US\$ | 1,500 | 10 | US\$ 1,500 |
| | | | | | | (Continued) |

| | | June 30, 2006 | | | | | Market Value or |
|-----------------|--|-----------------------------------|---|-------------------------------|--|-------------|--------------------|
| Held Company | Relationship with Financial the Statement | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership | Net Asset Value (US\$ in Thousands) | Note | |
| Name | Marketable Securities Type and Name Company Account | | | | | | |
| Investar | | | | | | | |
| II | Common stock | | | | | | |
| | Monolithic Power Systems, Inc. | Financial | 864 | US\$ 10,227 | 3 | US\$ 10,227 | |
| | | assets | | | | | |
| | | at fair | | | | | |
| | | value | | | | | |
| | | through | | | | | |
| | | profit | | | | | |
| | | or loss | | | | | |
| | Geo Vision, Inc. | " | 46 | US\$ 165 | 1 | US\$ 165 | |
| | RichTek Technology Corp. | " | 296 | US\$ 1,988 | | US\$ 1,988 | |
| | | Financial | | | | | |
| | | assets | | | | | |
| | | carried | | | | | |
| | Ralink Technology (Taiwan), Inc. | at cost | 1,833 | US\$ 791 | 3 | US\$ 791 | |
| | Capella Microsystems (Taiwan), Inc | " | 419 | US\$ 122 | 2 | US\$ 122 | |
| | Auden Technology MFG. Co., Ltd. | " | 953 | US\$ 410 | 4 | US\$ 410 | |
| | EoNEX Technologies, Inc. | " | 55 | US\$ 3,048 | 5 | US\$ 3,048 | |
| | Conwise Technology Corporation, Ltd. | " | 700 | US\$ 204 | 9 | US\$ 204 | |
| | Goyatek Technology, Corp. | " | 2,088 | US\$ 545 | 7 | US\$ 545 | |
| | Trendchip Technologies Corp. | " | 2,000 | US\$ 574 | 5 | US\$ 574 | |
| | EON Technology, Corp. | " | 4,247 | US\$ 1,175 | 7 | US\$ 1,175 | |
| | eChannel Open Holding, Inc. | " | 358 | US\$ 251 | 4 | US\$ 251 | |
| | Epic Communications, Inc. | " | 191 | US\$ 37 | 1 | US\$ 37 | |
| | Preferred stock | | | | | | |
| | | Financial | | | | | |
| | | assets | | | | | |
| | | carried | | | | | |
| | Memsic, Inc. | at cost | 2,289 | US\$ 1,560 | 8 | US\$ 1,560 | |
| | NanoAmp Solutions, Inc. | " | 375 | US\$ 1,500 | 1 | US\$ 1,500 | |
| | Sonics, Inc. | " | 4,335 | US\$ 3,082 | 4 | US\$ 3,082 | |
| | Kilopass Technology, Inc. | " | 3,887 | US\$ 2,000 | 9 | US\$ 2,000 | |
| | FangTek, Inc. | " | 6,931 | US\$ 3,250 | 21 | US\$ 3,250 | |
| | eLCOS Microdisplay Technology, Ltd. | " | 2,937 | US\$ 3,527 | 9 | US\$ 3,527 | |
| | Alchip Technologies Limited | " | 3,531 | US\$ 2,950 | 14 | US\$ 2,950 | |

GUC Stock

| | | | | | | |
|---------------------------------------|-------|---|-----|-------|-----|-------|
| Global Unichip Corporation America | North | Subsidiary investments accounted for using equity method | 100 | 5,427 | 100 | 5,427 |
| Global Unichip Japan | | Subsidiary " | | 2,523 | 100 | 2,523 |

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TABLE 4

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 SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Name of Security | Accounting Method | Beginning Balance Shares/Units (in Thousands) | Beginning Balance Amount (US\$ in Thousands) | Acquisition Shares/Units (in Thousands) | Acquisition Amount (US\$ in Thousands) | Disposal (Note 1) Shares/Units (in Thousands) | Disposal (Note 1) Amount (US\$ in Thousands) | Carrying Value (US\$ in Thousands) | Gain (Loss) on Disposal (US\$ in Thousands) | End of Period Shares/Units (in Thousands) |
|---|---|---|--|---|--|---|--|---|--|--|
| | | | | | | | | | | |
| Investment in Available-for-sale financial assets | KGI Securities Co., Ltd. and several financial institutions | | \$ | | \$1,005,115 | | \$ | \$ | \$ | |
| Investment in Held-to-maturity financial assets | KGI Securities Co., Ltd. and several financial institutions | | 2,548,977 | | 199,579 | | | | | |
| Investment in Available-for-sale financial assets | " KGI Securities Co., Ltd. and several financial institutions | | | | 999,553 | | | | | |
| Investment in Available-for-sale financial assets | " KGI Securities Co., Ltd. and several financial institutions | | US\$ 46,173 | | US\$ 250,828 | | US\$ 173,695 | US\$ 174,336 | US\$ (641) | |

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| | | | | | | | | | |
|--------------------------|---|--------|------------|---------|-------------|------------|------------|-----------|---------|
| Treas | Available-for-sale financial assets | | | | | | | | |
| Fur t certificates | " | | US\$ 6,881 | | | US\$ 6,866 | US\$ 6,881 | US\$ (15) | |
| ds und | Available-for-sale financial assets | | | | | | | | |
| Bond | National Investment Trust Co., Ltd. | 3,764 | \$ 610,864 | 18,455 | \$3,000,000 | | | | 22,219 |
| Bond | " ABN-AMRO Securities Investment Trust (Taiwan) | 14,906 | 2,004,862 | 40,250 | 600,000 | | | | 175,156 |
| Financial | " Reliance Securities Investment Trust Co., Ltd. | | | 103,751 | 1,500,000 | | | | 103,751 |
| Bond | " Cathay Securities Investment Trust Co., Ltd. | | | 122,762 | 1,400,000 | | | | 122,762 |
| d DAM | " National Investment Trust Co., Ltd. | | | 93,312 | 1,300,000 | | | | 93,312 |
| nd Fund | " Allianz Dresdner Securities Investment Consulting Co., Ltd. | 69,303 | 792,068 | 34,914 | 400,000 | | | | 104,217 |
| st Bond | " JF Asset Management (Taiwan) Ltd. | 62,009 | 933,430 | 13,277 | 200,000 | | | | 75,286 |
| | " JF Asset Management (Taiwan) | 63,131 | 875,416 | 14,399 | 200,000 | | | | 77,530 |

| | | | | | | | | | | |
|-----------|--|--------|---------|--------|-----------|-------|------------|-----------|-------|---------|
| Select | Ltd. " ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | 1,235 | 203,860 | 93,739 | 1,050,000 | | | | | 111,974 |
| Income | " ABN-AMRO Securities Investment Trust (Taiwan) Ltd. | | | 63,947 | 1,000,000 | | | | | 63,947 |
| Loss Fund | " Fuh Hwa Investment Trust Co. | | | 89,510 | 1,000,000 | | | | | 89,510 |
| d | " Fuh Hwa Investment Trust Co. | | | 60,642 | 800,000 | | | | | 60,642 |
| n Money | " HSBC Investment (Taiwan) Ltd. | | | 47,667 | 700,000 | 6,803 | \$ 100,004 | \$ 99,905 | \$ 99 | 40,864 |
| es Bond | " Uni-President Assets Management Corp. | | | 72,002 | 1,100,000 | | | | | 72,002 |
| ield | " Taiwan International Securities Corp. | | | 40,639 | 500,000 | | | | | 40,639 |
| Shin | " Shinkong Investment Trust Co., Ltd. | 55,063 | 778,482 | 17,617 | 250,000 | | | | | 72,680 |
| y Fund | " Taishin Investment Trust Co., Ltd. | | | 54,132 | 550,000 | | | | | 54,132 |
| come | " INVESCO Taiwan Ltd. | | | 44,180 | 500,000 | 8,821 | 100,000 | 99,833 | 167 | 35,359 |

(Continued)

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| | | | | | | | | | |
|-----------------------------------|---|------|-------|------------|-----------|-----------|-----------|------|-----------|
| Cathay United Bank | HSBC and other financial " institutions | | | 1,144,877 | | | | | 1,149,382 |
| Formosa Petrochemical Corporation | KGI Securities Co., " Ltd. | | | 397,076 | | | | | 397,332 |
| Taiwan Power Company | KGI Securities Co., " Ltd. | | | 298,918 | | | | | 299,034 |
| American Honda Fin Corp. Mtn | " | | US\$ | 3,087 | | | | US\$ | 3,046 |
| American Honda Fin Corp. Mtn | " | US\$ | 3,800 | | US\$3,004 | US\$3,000 | US\$ 4 | US\$ | 802 |
| Bank One Corp. | " | | | US\$ 3,326 | | | | US\$ | 3,303 |
| Countrywide Home Lns Inc. | " | US\$ | 5,210 | | US\$5,001 | US\$5,210 | US\$(209) | | |
| Credit Suisse Fb USA Inc. | " | US\$ | 4,141 | | US\$4,003 | US\$4,141 | US\$(138) | | |
| Deere John Cap Corp. | " | | | US\$ 4,911 | | | | US\$ | 4,880 |
| Deere John Cap Corp. | " | US\$ | 5,079 | | US\$5,013 | US\$5,079 | US\$ (66) | | |
| European Invt Bk | " | | | US\$ 5,995 | | US\$ | | US\$ | 5,945 |
| European Invt Bk | " | US\$ | 8,315 | | US\$8,002 | US\$8,315 | US\$(313) | | |
| Federal Home Ln Bks | " | | | US\$ 7,937 | | | | US\$ | 7,937 |
| General Elec Cap Corp. Mtn | " | | | US\$ 3,351 | | | | US\$ | 3,363 |
| Hewlett Packard Co. | " | US\$ | 3,373 | | US\$3,177 | US\$3,373 | US\$(196) | | |
| Intl Lease Fin Corp. Mtn | " | US\$ | 2,471 | US\$ 4,100 | US\$2,461 | US\$2,471 | US\$ (10) | US\$ | 4,100 |
| Jp Morgan Chase + Co. | " | US\$ | 3,663 | | US\$3,519 | US\$3,663 | US\$(144) | | |
| Keycorp Mtn Book Entry | " | US\$ | 3,500 | | US\$3,508 | US\$3,500 | US\$ 8 | | |
| Keycorp Mtn Book Entry | " | | | US\$ 3,006 | | | | US\$ | 2,975 |
| Praxair Inc. | " | | | US\$ 3,180 | | | | US\$ | 3,141 |
| Santander Us Debt S A Uniperso | " | US\$ | 4,998 | | US\$4,957 | US\$4,998 | US\$ (41) | | |
| Slm Corp. Medium Term Nts | " | US\$ | 2,950 | US\$ 6,012 | | | | US\$ | 8,889 |
| Wells Fargo + Co. New | " | | | US\$ 6,076 | | | | US\$ | 6,040 |
| Wells Fargo + Co. New | " | US\$ | 3,697 | | US\$3,512 | US\$3,697 | US\$(185) | | |
| Agency bonds | | | | | | | | | |
| Fed Hm Ln Pc Pool M80855 | Available-for-sale financial assets | | | US\$ 3,882 | | | | US\$ | 3,520 |
| Federal Home Ln Mtg Corp. | " | | | US\$ 4,962 | | | | US\$ | 4,897 |

Federal Home Ln Mtg
Corp.

”

US\$ 4,317

US\$ 4,117
(Continued)

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| Company Name | Type and Name | Financial Statement of (in thousands) | Beginning Balance | Acquisition | | Disposal (Note 1) | | | Ending Balance |
|--------------|---------------------------|---------------------------------------|---------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|------------------------------------|---|
| | | | (US\$ in thousands) | Shares/Units (in thousands) | Amount (US\$ in thousands) | Shares/Units (in thousands) | Amount (US\$ in thousands) | Carrying Value (US\$ in thousands) | Gain (Loss) on Disposal (US\$ in thousands) |
| | | Available-for-sale | | | | | | | |
| | Federal Home Ln Mtg Corp. | financial assets | US\$ | | US\$ 3,349 | US\$ | US\$ | US\$ | US\$ 3,347 |
| | Federal Home Ln Mtg Corp. | " | | | US\$ 3,857 | | | | US\$ 3,834 |
| | Federal Home Ln Mtg Corp. | " | | | US\$ 5,380 | | | | US\$ 4,956 |
| | Federal Home Loan Mtg | " | | | US\$ 5,009 | | | | US\$ 5,009 |
| | Federal Home Ln Bks | " | US\$ 3,976 | | | US\$ 3,964 | US\$ 3,976 | US\$ (12) | |
| | Federal Home Ln Bks | " | | | US\$ 8,628 | | | | US\$ 8,650 |
| | Federal Home Ln Bks | " | US\$ 4,965 | | | US\$ 4,944 | US\$ 4,965 | US\$ (21) | |
| | Federal Home Ln Bks | " | | | US\$ 5,740 | | | | US\$ 5,772 |
| | Federal Home Ln Bks | " | | | US\$ 4,823 | | | | US\$ 4,818 |
| | Federal Home Ln Bks | " | US\$ 8,594 | | | US\$ 8,519 | US\$ 8,594 | US\$ (75) | |
| | Federal Home Ln Bks | " | | | US\$12,227 | | | | US\$12,145 |
| | 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\$ 9,134 | | | US\$ 8,968 | US\$ 9,134 | US\$(166) | |
| | Federal Home Ln Bks | " | | | US\$ 7,490 | | | | US\$ 7,475 |
| | Federal Home Ln Mtg Corp. | " | US\$ 6,980 | | | US\$ 6,941 | US\$ 6,980 | US\$ (39) | |
| | Federal Home Ln Mtg Corp. | " | | | US\$ 6,415 | | | | US\$ 6,398 |
| | Federal Home Ln Mtg Corp. | " | | | US\$14,175 | | | | US\$14,166 |
| | Federal Home Ln Mtg Corp. | " | | | US\$ 9,974 | | | | US\$ 9,887 |
| | 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\$ 4,943 | | | 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\$17,888 | | | US\$17,782 | US\$17,888 | US\$(106) | |
| | Federal Natl Mtg Assn | " | | | US\$19,539 | | | | US\$19,565 |
| | Federal Natl Mtg Assn | " | | | US\$ 4,123 | | | | US\$ 4,104 |
| | Federal Natl Mtg Assn | " | | | US\$10,430 | | | | US\$10,413 |
| | Federal Natl Mtg Assn | " | | | US\$ 7,966 | | | | US\$ 7,963 |
| | Federal Natl Mtg Assn Mtn | " | US\$ 9,758 | | | US\$ 9,781 | US\$ 9,758 | US\$ 23 | |
| | | " | US\$15,787 | | | US\$15,851 | US\$15,787 | US\$ 64 | |

| | | | | | | |
|---|---|------------|------------|------------|------------|------------|
| Federal Natl Mtg Assn Mtn | | | | | | |
| Federal Natl Mtg Assn Mtn | " | US\$ 7,000 | | US\$ 6,925 | US\$ 7,000 | US\$ (75) |
| Freddie Mac | " | | US\$ 9,391 | | | US\$ 9,273 |
| Corporate issued asset-backed securities | | | | | | |
| Bear Stearns Arm Tr | Available-for-sale financial assets | | US\$ 3,826 | | | US\$ 3,635 |
| Capital Auto Receivables Asset | " | | US\$ 3,250 | | | US\$ 3,217 |
| Capital One Auto Fin Tr | " | | US\$ 5,000 | | | US\$ 4,979 |
| Cit Equip Coll Tr | " | | US\$ 3,975 | | | US\$ 3,941 |
| Credit Suisse First Boston Mtg | " | | US\$ 4,773 | | | US\$ 4,752 |

(Continued)

| Company | Name | Type and Name | Account Type | Beginning | Acquisition | Disposal (Note 1) | | Ending |
|---------|--------------------------------|-------------------------------------|--------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| | | | | Balance | Amount | Carrying Value | Gain (Loss) on Disposal | Balance |
| | | | | Shares/Units | Shares/Units | Shares/Units | Shares/Units | Amount |
| | | | | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) |
| | | | | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) | (in US\$ thousands) |
| | Credit Suisse First Boston Mtg | Available-for-sale financial assets | US\$ | | US\$3,750 | US\$ | US\$ | US\$3,715 |
| | Credit Suisse First Boston Mtg | " | | | US\$3,572 | | | US\$3,554 |
| | Ford Cr Auto Owner Tr | " | US\$10,908 | | | US\$4,181 | US\$4,225 | US\$(44) |
| | Gs Mtg Secs Corp. | " | | | US\$4,150 | | | US\$4,124 |
| | Gsamp Tr | " | | | US\$4,250 | | | US\$4,232 |
| | Long Beach Mtg Ln Tr | " | | | US\$3,200 | | | US\$3,188 |
| | Merrill Lynch Mtg Invs Inc. | " | | | US\$6,665 | | | US\$6,635 |
| | Nissan Auto Receivables | " | US\$ 7,000 | | | US\$4,944 | US\$5,000 | US\$(56) |
| | Nomura Asset Accep Corp. | " | | | US\$4,150 | | | US\$4,131 |
| | Terwin Mtg Tr | " | | | US\$4,050 | | | US\$4,014 |
| | Wells Fargo Finl Auto Owner Tr | " | | | US\$4,893 | | | US\$4,885 |
| | Wells Fargo Mtg Bkd Secs | " | | | US\$3,772 | | | US\$3,128 |
| | WFS Finl 2004 4 Owner Tr | " | US\$ 5,399 | | | US\$3,346 | US\$3,400 | US\$(54) |

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

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

TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL

FOR THE SIX MONTHS ENDED JUNE 30, 2006

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

| Company Name | Types of Transaction Property | Transaction Date | Transaction Amount | Payment Term | Nature of Counter-party | Prior Relationship | Transaction of Related Counter-party | Transfer Date | Transfer Amount | Purpose of Acquisition | Other Terms |
|--------------|-------------------------------|------------------|--------------------|------------------------------|---|--------------------|--------------------------------------|---------------|-----------------|------------------------|----------------------------|
| The Company | | January 14, 2006 | \$854,000 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | N/A | N/A | N/A | N/A | Public bidding | Manufacturing purpose None |
| | | March 12, 2006 | US\$ 3,340 | By the construction progress | M+W Zander Facility Engineering Co., Ltd. | N/A | N/A | N/A | N/A | Public bidding | Manufacturing purpose None |
| | | June 14, 2006 | \$197,500 | By the construction progress | China Steel Structure Co., Ltd. | N/A | N/A | N/A | N/A | Public bidding | Manufacturing purpose None |
| | | June 14, 2006 | EUR 2,733 | By the construction progress | Siemens Limited | N/A | N/A | N/A | N/A | Public bidding | Manufacturing purpose None |
| | | June 14, 2006 | \$517,500 | By the construction progress | United Steel Engineering & Construction Corp. | N/A | N/A | N/A | N/A | Public bidding | Manufacturing purpose None |

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TABLE 6

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 SIX MONTHS ENDED JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars)

| Related Party | Nature of Relationship | Purchase/ Sale | Amount | Transaction Details | | Abnormal Transaction | |
|---------------|---|-------------------|--------------|---------------------|-----------------------------------|----------------------|-------------------------|
| | | | | % to | Payment Terms | Unit Price (Note) | Payment Terms (Note) |
| -North ca | Subsidiary | Sales | \$94,075,632 | 58 | Net 30 days after invoice date | | |
| | Major shareholder Investee over which the Company had a controlling interest | Sales | 2,318,898 | 2 | Net 30 days after monthly closing | | |
| Tech | Indirect subsidiary Investee accounted for using equity method | Purchases | 6,505,148 | 28 | Net 30 days after monthly closing | | |
| -Shanghai | Subsidiary Investee accounted for using equity method | Purchases | 3,718,466 | 16 | Net 30 days after monthly closing | | |
| -North ca | The same Parent | Purchases | 1,918,584 | 8 | Net 30 days after monthly closing | | |
| | | Purchases | 1,712,082 | 7 | Net 30 days after monthly closing | | |
| | | Purchases | 253,238 | 51 | Net 30 days after invoice date | | |

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

TABLE 7

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
JUNE 30, 2006
(Amounts in Thousands of New Taiwan Dollars)

| Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Amounts | Overdue | Action Taken | Amount of Receivables |
|---------------|--|----------------|---------------|-------------|--|--------------|-----------------------|
| | | | | | Subsidiary | | |
| North America | Subsidiary | \$22,579,665 | 42 days | \$5,809,994 | | | \$8,73 |
| | Major shareholder | 382,251 | 38 days | 21,743 | Accelerate demand on account receivables | | 2 |
| | Investee over which the Company had a controlling interest | 148,386 | 54 days | 2,019 | | | 6 |
| Technology | Investee accounted for using equity method | 688,807 | Note | 6,668 | Accelerate demand on account receivables | | |
| | Indirect subsidiaries | 485,449 | Note | 495 | Accelerate demand on account receivables | | |
| Shanghai | Subsidiary | 167,585 | Note | 32,343 | Accelerate demand on account receivables | | |

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

TABLE 8

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

JUNE 30, 2006

(Amounts in Thousands of New Taiwan Dollars)

| | Location | Main Businesses and Products | Original Investment | | Balance as of June 30, 2006 | | |
|---------|---------------------------------|--|---|-----------------------------------|-----------------------------|-------------------------------|--------------------------|
| | | | Amount December 31, June 30, 2006 | Amount December 31, 2005 | Share (in Thousands) | Percentage of Ownership | Carrying Value (Note) |
| Company | Tortola, British Virgin Islands | Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry | \$31,445,780 | \$31,445,780 | 987,968 | 100 | \$25,984,419 |
| Company | 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 | 9,093,788 |
| Company | Singapore | Fabrication and supply of integrated circuits | 6,408,190 | 6,408,190 | 382 | 32 | 5,094,733 |
| Company | Hsin-Chu, Taiwan | Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts | 8,119,816 | 8,119,816 | 437,891 | 27 | 5,087,101 |
| Company | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 4,225,071 |
| Company | San Jose, California, U.S.A. | Sales and marketing of integrated circuits and semiconductor devices | 333,718 | 333,718 | 11,000 | 100 | 1,790,365 |
| Company | Cayman Islands | Investing in new start-up technology companies | 1,455,564 | 1,545,288 | | 99 | 1,050,087 |
| Company | Cayman Islands | Investing in new start-up technology companies | 736,934 | 654,509 | | 98 | 707,835 |
| Company | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | 409,920 | 409,920 | 40,147 | 45 | 447,762 |

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| | | | | | |
|----------------------------|--|---------|---------|--------|---------|
| Cayman Islands | Investing in new start-up technology companies | 146,454 | | 98 | 145,055 |
| Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 113,574 |
| Taipei, Taiwan | Investment activities | 300,000 | 300,000 | 36 | 113,246 |
| Yokohama, Japan | Marketing activities | 83,760 | 83,760 | 6 100 | 96,536 |
| Amsterdam, the Netherlands | Marketing activities | 15,749 | 15,749 | 100 | 36,909 |
| Seoul, Korea | Marketing activities | 13,656 | | 80 100 | 13,752 |

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

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TABLE 9

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2006**

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

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital (RMB Method in | Investment of (US\$ in | Accumulated Outflow of Investment from Taiwan as of January 1, 2006 (US\$ in | Investment Flows Outflow (US\$ in | Accumulated Outflow of Investment from Taiwan as of June 30, 2006 (US\$ in | Ownership Percentage of | Equity in the Earnings (Losses) (Note 2) | Accumulated Inward Remittance of Earnings as of June 30, 2006 |
|---------------------------------|--|--|------------------------|--|-----------------------------------|--|-------------------------|--|---|
| | | | | | | | | | |
| (Shanghai) TSMC Company Limited | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$12,180,367 | (Note 1) \$12,180,367 | \$ | \$12,180,367 | 100% | \$(302,855) | \$9,093,788 | \$ |
| | | (RMB3,070,623) | (US\$371,000) | | (US\$371,000) | | | | |

Accumulated Investment in Mainland China as of June 30, 2006 (US\$ in Thousand)
\$12,180,367
(US\$371,000)

Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)
\$12,180,367
(US\$371,000)

Upper Limit on Investment (US\$ in Thousand)
\$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.

TABLE 10

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 SIX MONTHS ENDED JUNE 30, 2006

| | | | Intercompany Transactions | | |
|--------------------|--------------------|----------|---|--------------|---------|
| | | | Nature of | | Per |
| | | | Relationship | | Con |
| Company Name | Counter Party | (Note 1) | Financial Statements Item | Amount | (Not 2) |
| TSMC | TSMC-NA | 1 | Sales | \$94,075,632 | |
| | | | Receivables from related parties | 22,374,338 | |
| | | | Other receivables from related parties | 205,327 | |
| | | | Payables to related parties | 44,352 | |
| | TSMC-Shanghai | 1 | Sales | 19,926 | |
| | | | Purchases | 1,918,584 | |
| | | | Gain on disposal of property, plant and equipment | 82,010 | |
| | | | Technical service income | 41,881 | |
| | | | Proceeds from disposal of property, plant and equipment | 173,299 | |
| | | | Other receivables from related parties | 167,585 | |
| | | | Payables to related parties | 401,379 | |
| | | | Deferred credits | 635,124 | |
| | TSMC-Japan | 1 | Marketing expenses - commission | 125,553 | |
| | | | Payables to related parties | 45,176 | |
| | TSMC-Europe | 1 | Marketing expenses - commission | 116,934 | |
| | | | Payables to related parties | 9,604 | |
| | GUC | 1 | Sales | 332,080 | |
| | | | Research and development expenses | 19,582 | |
| | | | General and administrative expenses - rental expense | 7,659 | |
| | | | Receivables from related parties | 148,386 | |
| | | | Payables to related parties | 12,804 | |
| | TSMC Technology | 1 | Other receivables from related parties | 485,449 | |
| | | | Payables to related parties | 6,453 | |
| | WaferTech | 1 | Purchases | 6,505,148 | |
| | | | Payables to related parties | 1,155,023 | |
| TSMC International | TSMC Development | 3 | Interest income | 7,963 | |
| | TSMC Technology | 3 | Deferred royalty income | 639,789 | |
| TSMC Partners | TSMC International | 3 | Other receivables | 9,943,193 | |
| | | | Deferred revenue | 8,761,555 | |
| TSMC Technology | WaferTech | 3 | Management service income | 6,719 | |
| GUC | TSMC-NA | 3 | Purchases | 253,238 | |
| | | | Manufacturing overhead | 186,954 | |
| | | | Payables to related parties | 75,348 | |

| | | | |
|--------|---|--------------------|--------|
| GUC-NA | 3 | Operating expenses | 19,534 |
|--------|---|--------------------|--------|

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.

B. FOR THE SIX MONTHS ENDED JUNE 30, 2005

| | | Intercompany Transactions | | | Per |
|---------------------|----------------------|----------------------------------|---|---------------|----------------|
| | | Nature of | | | Con |
| | | Relationship | | | Term |
| Company Name | Counter Party | (Note 1) | Financial Statements Item | Amount | (Not 2) |
| TSMC | TSMC-NA | 1 | Sales | \$64,760,945 | |
| | | | Receivables from related parties | 14,513,699 | |
| | | | Other receivables from related parties | 415,650 | |
| | | | Payables to related parties | 51,082 | |
| | TSMC Shanghai | 1 | Sales | 5,251 | |
| | | | Purchases | 234,333 | |
| | | | Non-operating income and gains | 75,743 | |
| | | | Proceeds from disposal of property, plant and equipment | 106,412 | |
| | | | Other receivables from related parties | 271,905 | |
| | | | Payables to related parties | 70,080 | |
| | | | Deferred gain on intercompany transactions | 708,941 | |
| | TSMC-Japan | 1 | Marketing expenses - commission | 133,765 | |
| | | | Payables to related parties | 43,693 | |
| | TSMC-Europe | 1 | Marketing expenses - commission | 116,034 | |
| | | | Payables to related parties | 9,722 | |
| | GUC | 1 | Sales | 135,805 | |
| | | | General and administrative expenses - rental expense | 8,162 | |
| | | | Receivables from related parties | 11,917 | |
| | VisEra | 1 | Non-operating income and gains | 10,752 | |
| | | | Other receivables from related parties | 1,064 | |
| | TSMC Technology | 1 | Other receivables from related parties | 715,306 | |
| | WaferTech | 1 | Purchases | 5,117,622 | |
| | | | Payables to related parties | 793,200 | |
| TSMC International | TSMC Development | 3 | Interest income | 14,264 | |
| | | | Other receivables | 1,942,052 | |
| | TSMC Technology | 3 | Deferred royalty income | 624,367 | |
| TSMC - NA | VisEra | 3 | Sales | 319,742 | |
| | | | Receivables from related parties | 42,714 | |
| TSMC Partners | TSMC International | 3 | Other receivables | 9,703,506 | |
| | | | Deferred revenue | 8,550,352 | |
| | TSMC Development | 3 | Interest income | 18,822 | |
| | | | Other receivables | 948,540 | |
| GUC | TSMC-NA | 3 | Purchases | 79,117 | |
| | | | Manufacturing overhead | 144,428 | |
| | GUC-NA | 3 | Operating expenses | 11,779 | |

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.

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: August 31, 2006

By /s/ Lora Ho

Lora Ho
Vice President & Chief Financial Officer