

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

April 30, 2007

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
For the month of April 2007
Taiwan Semiconductor Manufacturing Company Ltd.
(Translation of Registrant's Name Into English)
No. 8, Li-Hsin Rd. 6,
Hsinchu Science Park,
Taiwan
(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

Yes No

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

**Taiwan Semiconductor Manufacturing
Company Limited
Financial Statements for the
Three Months Ended March 31, 2007 and 2006 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2007 and 2006, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China. April 10, 2007

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited
BALANCE SHEETS
MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

| | 2007 | | 2006 | |
|---|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 119,752,168 | 20 | \$ 109,989,790 | 20 |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 5) | 159 | | 58,545 | |
| Available-for-sale financial assets (Notes 2, 3 and 6) | 26,325,390 | 4 | 58,815,063 | 11 |
| Held-to-maturity financial assets (Notes 2 and 7) | 6,523,668 | 1 | 9,120,093 | 2 |
| Receivables from related parties (Note 23) | 19,157,572 | 3 | 21,248,956 | 4 |
| Notes and accounts receivable | 14,682,899 | 3 | 19,986,591 | 4 |
| Allowance for doubtful receivables (Note 2) | (690,931) | | (975,704) | |
| Allowance for sales returns and others (Note 2) | (2,476,287) | | (4,479,954) | (1) |
| Other receivables from related parties (Note 23) | 487,266 | | 683,675 | |
| Other financial assets | 686,670 | | 784,723 | |
| Inventories, net (Notes 2 and 8) | 19,933,360 | 3 | 16,901,113 | 3 |
| Deferred income taxes assets (Notes 2 and 16) | 9,486,631 | 2 | 7,276,728 | 1 |
| Prepaid expenses and other current assets | 1,362,053 | | 1,378,283 | |
| Total current assets | 215,230,618 | 36 | 240,787,902 | 44 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 9 and 10) | | | | |
| Investments accounted for using equity method | 105,135,305 | 18 | 54,047,343 | 10 |
| Available-for-sale financial assets | 6,466,605 | 1 | 1,900,885 | |
| Held-to-maturity financial assets | 26,697,128 | 5 | 18,677,604 | 4 |
| Financial assets carried at cost | 746,405 | | 813,354 | |
| Total long-term investments | 139,045,443 | 24 | 75,439,186 | 14 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23) | | | | |
| Cost Buildings | 98,752,832 | 17 | 91,408,209 | 17 |
| Machinery and equipment | 538,459,403 | 91 | 468,724,647 | 86 |
| Office equipment | 8,722,604 | 1 | 7,978,549 | 2 |
| | 645,934,839 | 109 | 568,111,405 | 105 |

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| | | | | |
|---|----------------|------|----------------|------|
| Accumulated depreciation | (435,129,667) | (73) | (373,690,326) | (69) |
| Advance payments and construction in progress | 11,740,887 | 2 | 18,101,402 | 3 |
| Net property, plant and equipment | 222,546,059 | 38 | 212,522,481 | 39 |
| GOODWILL (Note 2) | 1,567,756 | | 1,567,756 | |
| OTHER ASSETS | | | | |
| Deferred charges, net (Notes 2 and 12) | 5,593,638 | 1 | 6,179,470 | 1 |
| Deferred income tax assets (Notes 2 and 16) | 5,001,596 | 1 | 7,064,964 | 2 |
| Refundable deposits | 2,576,685 | | 83,642 | |
| Assets leased to others, net (Note 2) | 65,712 | | 71,446 | |
| Others | | | 6,789 | |
| Total other assets | 13,237,631 | 2 | 13,406,311 | 3 |
| TOTAL | \$ 591,627,507 | 100 | \$ 543,723,636 | 100 |

**LIABILITIES AND SHAREHOLDERS
EQUITY**

CURRENT LIABILITIES

| | | | | |
|---|------------|---|------------|---|
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5) | \$ 133,802 | | \$ 354,214 | |
| Accounts payable | 6,811,587 | 1 | 7,360,964 | 1 |
| Payables to related parties (Note 23) | 2,377,933 | | 3,512,804 | 1 |
| Income tax payable (Notes 2 and 16) | 9,801,787 | 2 | 6,110,590 | 1 |
| Accrued expenses and other current liabilities (Note 14) | 8,497,965 | 1 | 6,886,738 | 1 |
| Payables to contractors and equipment suppliers | 8,694,304 | 2 | 11,621,333 | 2 |
| Current portion of bonds payable (Note 13) | 4,500,000 | 1 | 2,500,000 | 1 |
| Total current liabilities | 40,817,378 | 7 | 38,346,643 | 7 |

LONG-TERM LIABILITIES

| | | | | |
|---|------------|---|------------|---|
| Bonds payable (Note 13) | 12,500,000 | 2 | 17,000,000 | 3 |
| Other long-term payables (Note 14) | 1,623,181 | | 1,493,160 | |
| Other payables to related parties (Notes 23 and 25) | | | 1,087,410 | |
| Total long-term liabilities | 14,123,181 | 2 | 19,580,570 | 3 |

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OTHER LIABILITIES

| | | | | |
|---------------------------------------|------------|----|------------|----|
| Accrued pension cost (Notes 2 and 15) | 3,546,228 | 1 | 3,437,287 | 1 |
| Guarantee deposits (Note 25) | 3,424,737 | 1 | 3,215,089 | 1 |
| Deferred credits (Notes 2 and 23) | 1,090,364 | | 1,211,019 | |
| | | | | |
| Total other liabilities | 8,061,329 | 2 | 7,863,395 | 2 |
| | | | | |
| Total liabilities | 63,001,888 | 11 | 65,790,608 | 12 |

CAPITAL STOCK \$10 PAR VALUE

Authorized: 27,050,000 thousand shares

Issued: 25,832,959 thousand shares in 2007

| | | | | |
|------------------------------------|-------------|----|-------------|----|
| 24,733,053 thousand shares in 2006 | 258,329,592 | 44 | 247,330,530 | 45 |
|------------------------------------|-------------|----|-------------|----|

| | | | | |
|----------------------------------|------------|---|------------|----|
| CAPITAL SURPLUS (Notes 2 and 18) | 54,231,465 | 9 | 57,208,367 | 11 |
|----------------------------------|------------|---|------------|----|

RETAINED EARNINGS (Note 18)

| | | | | |
|---------------------------------------|------------|---|------------|---|
| Appropriated as legal capital reserve | 43,705,711 | 7 | 34,348,208 | 6 |
|---------------------------------------|------------|---|------------|---|

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

| | | | | |
|-------------------------|-------------|----|-------------|----|
| Unappropriated earnings | 171,616,718 | 29 | 138,803,185 | 26 |
|-------------------------|-------------|----|-------------|----|

| | | | | |
|--|-------------|----|-------------|----|
| | 215,963,171 | 36 | 175,377,820 | 32 |
|--|-------------|----|-------------|----|

OTHERS (Notes 2, 3 and 22)

| | | | | |
|------------------------------------|---------|--|-------------|--|
| Cumulative translation adjustments | 299,332 | | (1,098,483) | |
|------------------------------------|---------|--|-------------|--|

| | | | | |
|---|---------|--|--------|--|
| Unrealized gains on financial instruments | 720,134 | | 32,869 | |
|---|---------|--|--------|--|

| | | | | |
|--|-----------|--|-------------|--|
| | 1,019,466 | | (1,065,614) | |
|--|-----------|--|-------------|--|

TREASURY STOCK (AT COST, Notes 2 and 20)

33,926 thousand shares in 2007 and 32,938

| | | | | |
|-------------------------|-----------|--|-----------|--|
| thousand shares in 2006 | (918,075) | | (918,075) | |
|-------------------------|-----------|--|-----------|--|

| | | | | |
|----------------------------|-------------|----|-------------|----|
| Total shareholders' equity | 528,625,619 | 89 | 477,933,028 | 88 |
|----------------------------|-------------|----|-------------|----|

| | | | | |
|-------|----------------|-----|----------------|-----|
| TOTAL | \$ 591,627,507 | 100 | \$ 543,723,636 | 100 |
|-------|----------------|-----|----------------|-----|

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

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

| | 2007 | | 2006 | |
|---|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 23) | \$ 64,054,647 | | \$ 78,637,640 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | 708,058 | | 1,344,296 | |
| NET SALES | 63,346,589 | 100 | 77,293,344 | 100 |
| COST OF SALES (Notes 17 and 23) | 39,378,386 | 62 | 40,651,362 | 53 |
| GROSS PROFIT | 23,968,203 | 38 | 36,641,982 | 47 |
| UNREALIZED GROSS PROFIT FROM AFFILIATES | 198,973 | | | |
| REALIZED GROSS PROFIT | 23,769,230 | 38 | 36,641,982 | 47 |
| OPERATING EXPENSES (Notes 17 and 23) | | | | |
| Research and development | 3,479,141 | 5 | 3,548,886 | 5 |
| General and administrative | 1,617,600 | 3 | 1,554,351 | 2 |
| Marketing | 310,529 | 1 | 671,400 | |
| Total operating expenses | 5,407,270 | 9 | 5,774,637 | 7 |
| INCOME FROM OPERATIONS | 18,361,960 | 29 | 30,867,345 | 40 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Equity in earnings of equity method investees, net (Notes 2 and 9) | 853,184 | 1 | 2,972,039 | 4 |
| Interest income (Note 2) | 652,231 | 1 | 902,043 | 1 |
| Foreign exchange gain, net (Note 2) | 440,867 | 1 | | |
| Technical service income (Notes 23 and 25) | 161,161 | | 142,631 | |
| Gain on disposal of property, plant and equipment (Notes 2 and 23) | 69,982 | | 96,141 | |
| Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 22) | | | 1,115,518 | 2 |

| | | | | |
|---|-----------|---|-----------|---|
| Others (Note 23) | 170,146 | | 78,440 | |
| Total non-operating income and gains | 2,347,571 | 3 | 5,306,812 | 7 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on settlement and disposal of financial instruments, net (Notes 2 and 5) | 480,826 | 1 | | |
| Valuation loss on financial instruments, net (Notes 2, 5 and 22) | 167,493 | | 295,669 | |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

| | 2007 | | 2006 | |
|---|---------------|----|---------------|----|
| | Amount | % | Amount | % |
| Interest expense | \$ 151,922 | | \$ 165,300 | |
| Foreign exchange loss, net (Note 2) | | | 1,032,555 | 2 |
| Others (Note 2) | 14,382 | | 25,292 | |
| Total non-operating expenses and losses | 814,623 | 1 | 1,518,816 | 2 |
| INCOME BEFORE INCOME TAX | 19,894,908 | 31 | 34,655,341 | 45 |
| INCOME TAX EXPENSE (Notes 2 and 16) | 1,056,269 | 1 | 1,802,369 | 3 |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 18,838,639 | 30 | 32,852,972 | 42 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3) | | | (246,186) | |
| NET INCOME | \$ 18,838,639 | 30 | \$ 32,606,786 | 42 |

| | 2007 | | 2006 | |
|------------------------------------|-------------------|------------------|-------------------|------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 21) | | | | |
| Basic earnings per share | \$ 0.77 | \$ 0.73 | \$ 1.33 | \$ 1.26 |
| Diluted earnings per share | \$ 0.77 | \$ 0.73 | \$ 1.33 | \$ 1.26 |

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

| | 2007 | 2006 |
|---|---------------|---------------|
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | \$ 18,838,639 | \$ 32,852,972 |

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| | | |
|----------------------------|---------------|---------------|
| NET INCOME | \$ 18,838,639 | \$ 32,606,786 |
| EARNINGS PER SHARE (NT\$) | | |
| Basic earnings per share | \$ 0.73 | \$ 1.26 |
| Diluted earnings per share | \$ 0.73 | \$ 1.26 |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| | 2007 | 2006 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 18,838,639 | \$ 32,606,786 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,488,096 | 15,974,533 |
| Unrealized gross profit from affiliates | 198,973 | |
| Amortization of premium/discount of financial assets | (31,517) | (15,834) |
| Gain on disposal of available-for-sale financial assets, net | (29,611) | (261,300) |
| Equity in earnings of equity method investees, net | (853,184) | (2,972,039) |
| Gain on disposal of property, plant and equipment and other assets, net | (67,949) | (93,903) |
| Deferred income taxes | (895,100) | (568,737) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | 167,493 | 1,442,295 |
| Receivables from related parties | (2,288,063) | (198,352) |
| Notes and accounts receivable | 1,595,265 | 605,227 |
| Allowance for doubtful receivables | | (640) |
| Allowance for sales returns and others | (274,778) | 209,985 |
| Other receivables from related parties | (38,000) | 846,108 |
| Other financial assets | (33,210) | 321,307 |
| Inventories | (781,146) | (643,158) |
| Prepaid expenses and other current assets | (140,854) | (206,510) |
| Increase (decrease) in: | | |
| Accounts payable | 667,908 | (691,142) |
| Payables to related parties | (948,983) | 257,542 |
| Income tax payable | 1,951,369 | 2,294,702 |
| Accrued expenses and other current liabilities | 343,035 | (1,110,647) |
| Accrued pension cost | 16,112 | (24,105) |
| Deferred credits | (23,936) | (23,936) |
| Net cash provided by operating activities | 35,860,559 | 47,748,182 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (2,151,253) | (31,351,886) |
| Held-to-maturity financial assets | | (1,379,009) |
| Financial assets carried at cost | (33,562) | (5,864) |
| Investments accounted for using equity method | (1,631,986) | (19,214) |
| Property, plant and equipment | (13,783,013) | (11,114,607) |

(Continued)

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Proceeds from disposal or redemption of: | | |
| Available-for-sale financial assets | \$ 2,080,000 | \$ 16,951,250 |
| Held-to-maturity financial assets | 4,282,320 | 2,973,000 |
| Property, plant and equipment and other assets | 1,165 | 461,151 |
| Proceeds from return of capital by investee | 14,068 | |
| Increase in deferred charges | (992,173) | (96,335) |
| Increase in refundable deposits | (1,270,451) | |
| Net cash used in investing activities | (13,484,885) | (23,581,514) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long-term bonds payable | (2,500,000) | |
| Increase (decrease) in guarantee deposits | (385,224) | 322,144 |
| Proceeds from exercise of employee stock options | 122,009 | 117,395 |
| Net cash provided by (used in) financing activities | (2,763,215) | 439,539 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 19,612,459 | 24,606,207 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 100,139,709 | 85,383,583 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 119,752,168 | \$ 109,989,790 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 420,000 | \$ 420,000 |
| Income tax paid | \$ 52,670 | \$ 67,924 |
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 11,807,794 | \$ 13,876,710 |
| Decrease (increase) in payables to contractors and equipment suppliers | 1,975,219 | (2,762,103) |
| Cash paid | \$ 13,783,013 | \$ 11,114,607 |

NON-CASH FINANCING ACTIVITIES

| | | |
|--|--------------|--------------|
| Current portion of bonds payable | \$ 4,500,000 | \$ 2,500,000 |
| Current portion of other payables to related parties (under payables to related parties) | \$ | \$ 685,718 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 2,371,524 | \$ 817,530 |

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

1. GENERAL

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

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

As of March 31, 2007 and 2006, the Company had 20,222 and 20,027 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

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 changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

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

Available-for-sale Financial Assets

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

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the balance sheet date. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for work in process and finished goods. The Company assesses the impact of changing technology on its inventories on hand and writes off inventories that are considered obsolete. 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.

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

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

Property, Plant and Equipment and Assets Leased to Others

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

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

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

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

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised Statement of Financial Accounting Standards No. 25, Business Combinations - Accounting Treatment under Purchase Method (SFAS No. 25), goodwill is no longer amortized and instead is tested for impairment annually. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss 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 subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Research and Development

Expenditures arising from research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

Pension Costs

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

Income Tax

The Company applies intra-period and inter-period allocations for its income tax, whereby (1) a portion of current period's 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 expenditures, 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 at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

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

Stock-based Compensation

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

Treasury Stock

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

Foreign-currency Transactions

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

3. ACCOUNTING CHANGES

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

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

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

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

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$295,669 thousand, a decrease in net income of NT\$541,855 thousand, and a decrease in basic earnings per share (after income tax) of NT\$0.02, for the three months ended March 31, 2006.

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

4. CASH AND CASH EQUIVALENTS

| | March 31 | |
|--|-----------------------|-----------------------|
| | 2007 | 2006 |
| Cash and deposits in banks | \$ 77,169,400 | \$ 48,126,259 |
| Repurchase agreements collateralized by government bonds | 41,985,407 | 61,427,311 |
| Asset-backed commercial papers | 597,361 | |
| Corporate notes | | 436,220 |
| | \$ 119,752,168 | \$ 109,989,790 |

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

| | March 31 | |
|--|-------------------|-------------------|
| | 2007 | 2006 |
| Derivatives - financial assets | | |
| Forward exchange contracts | \$ | \$ 2,254 |
| Cross currency swap contracts | 159 | 56,291 |
| | \$ 159 | \$ 58,545 |
| Derivatives - financial liabilities | | |
| Forward exchange contracts | \$ 18,717 | \$ 6,597 |
| Cross currency swap contracts | 115,085 | 347,617 |
| | \$ 133,802 | \$ 354,214 |

The Company entered into derivative contracts during the three months ended March 31, 2007 and 2006 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, the Company discontinued applying hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts as of March 31, 2007 and 2006:

| | Maturity Date | Contract Amount (in Thousands) |
|-------------------|----------------------|---|
| March 31, 2007 | | |
| Sell EUR/Buy US\$ | April 2007 | EUR 23,000 |

March 31, 2006

Sell EUR/Buy US\$

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April 2006

EUR 30,500

Outstanding cross currency swap contracts as of March 31, 2007 and 2006:

| Maturity Date | Contract Amount (in Thousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|-------------------------|---|-------------------------------------|---|
| March 31, 2007 | | | |
| April 2007 to June 2007 | US\$835,000 | 2.65%-5.35% | 1.65%-5.16% |
| March 31, 2006 | | | |
| April 2006 to June 2006 | US\$2,311,000 | 2.91%-5.65% | 0.10%-2.04% |

For the three months ended March 31, 2007 and 2006, net losses and net gains arising from derivative financial instruments were NT\$677,929 thousand (including realized settlement losses of NT\$510,436 thousand and valuation losses of NT\$167,493 thousand) and NT\$558,549 thousand (including realized settlement gains of NT\$854,218 thousand and valuation losses of NT\$295,669 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | March 31 | |
|--|-----------------|---------------|
| | 2007 | 2006 |
| Open-end mutual funds | \$ 23,976,854 | \$ 19,085,320 |
| Corporate bonds | 4,163,115 | 11,961,405 |
| Government bonds | 4,152,738 | 4,884,533 |
| Structured time deposits | 499,288 | 499,091 |
| Agency bonds | | 13,154,575 |
| Corporate issued asset-backed securities | | 10,936,373 |
| Corporate notes | | 97,863 |
| Money market funds | | 90,509 |
| Publicly-traded stocks | | 6,279 |
| | 32,791,995 | 60,715,948 |
| Current portion | (26,325,390) | (58,815,063) |
| | \$ 6,466,605 | \$ 1,900,885 |

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

Structured time deposits categorized as available-for-sale financial assets consisted of the following:

| | Principal Amount | Carrying Amount | Interest Rate | Maturity Date |
|---------------------------|-----------------------------|----------------------------|--------------------------|--------------------------|
| March 31, 2007 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 499,288 | 1.76% | March 2008 |
| March 31, 2006 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 499,091 | 1.76% | March 2008 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

| | March 31 | |
|--------------------------|-----------------|---------------|
| | 2007 | 2006 |
| Corporate bonds | \$ 13,426,614 | \$ 9,288,167 |
| Structured time deposits | 11,117,800 | 10,641,200 |
| Government bonds | 8,676,382 | 7,868,330 |
| | 33,220,796 | 27,797,697 |
| Current portion | (6,523,668) | (9,120,093) |
| | \$ 26,697,128 | \$ 18,677,604 |

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

| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|------------------------------------|------------------------------------|
| March 31, 2007 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 4,500,000 | \$ 13,593 | 1.50%-1.83% | June 2007 to October 2008 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,970,680 | 14,752 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 2,647,120 | 7,390 | (See below) | October 2009 to December 2009 |

\$ 11,117,800 \$ 35,735

(Continued)

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| | Principal Amount | Interest Receivable | Range of Interest Rates | Maturity Date |
|---------------------------------|-----------------------------|--------------------------------|--|---------------------------------------|
| March 31, 2006 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,500,000 | \$ 16,881 | 1.40%-2.01% | June 2007 to March 2009 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,895,200 | 14,553 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 3,246,000 | 12,433 | (See below) | October 2009 to January 2010 |
| | \$ 10,641,200 | \$ 43,867 | | |

(Concluded)

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

As of March 31, 2007 and 2006, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$60,000 thousand and US\$80,000 thousand, respectively; those resided in banks located in Singapore amounted to US\$20,000 thousand.

8. INVENTORIES, NET

| | March 31 | |
|--------------------------|-----------------|---------------|
| | 2007 | 2006 |
| Finished goods | \$ 3,477,094 | \$ 3,075,200 |
| Work in process | 15,567,178 | 12,192,651 |
| Raw materials | 1,197,164 | 1,899,428 |
| Supplies and spare parts | 449,237 | 795,070 |
| | 20,690,673 | 17,962,349 |
| Allowance for losses | (757,313) | (1,061,236) |
| | \$ 19,933,360 | \$ 16,901,113 |

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | March 31 | | | |
|--|--------------------|------------------------|--------------------|------------------------|
| | 2007 | % of Owner- ship | 2006 | % of Owner- ship |
| | Carrying Amount | | Carrying Amount | |
| TSMC Global (Note 6) | \$ 43,771,405 | 100 | \$ | |
| TSMC International Investment Ltd. (TSMC International) | 26,934,392 | 100 | 25,985,340 | 100 |
| TSMC (Shanghai) Company Limited (TSMC-Shanghai) | 9,127,747 | 100 | 9,352,101 | 100 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 8,134,439 | 39 | 4,629,413 | 32 |
| Vanguard International Semiconductor Corporation (VIS) | 5,999,943 | 27 | 5,541,044 | 27 |
| TSMC Partners, Ltd. (TSMC Partners) | 4,572,167 | 100 | 4,106,947 | 100 |
| TSMC North America (TSMC-North America) | 2,107,864 | 100 | 1,826,618 | 100 |
| Xintec Inc. (Xintec) | 1,370,453 | 43 | | |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 801,222 | 98 | 630,569 | 98 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 779,280 | 99 | 1,250,283 | 99 |
| Global UniChip Corporation (GUC) | 692,434 | 38 | 451,841 | 45 |
| VentureTech Alliance Fund III, L.P. (VTAF III) | 438,480 | 98 | | |
| Chi Cherng Investment Co., Ltd. (Chi Cherng) | 118,167 | 36 | 78,197 | 36 |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 116,793 | 36 | 77,470 | 36 |
| TSMC Japan Limited (TSMC-Japan) | 98,799 | 100 | 94,218 | 100 |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe) | 56,633 | 100 | 23,302 | 100 |
| TSMC Korea Limited (TSMC-Korea) | 15,087 | 100 | | |
| | \$ 105,135,305 | | \$ 54,047,343 | |

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

In January 2007, the Company acquired 90,526 thousand shares in Xintec, representing 43% of the total common shares, for NT\$1,357,890 thousand.

For the three months ended March 31, 2007 and 2006, net equity in earnings of NT\$853,184 thousand and NT\$2,972,039 thousand was 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 reviewed financial statements of the investees as of and for the same periods ended as the Company.

10. FINANCIAL ASSETS CARRIED AT COST

| | March 31 | |
|----------------------------|-----------------|-------------|
| | 2007 | 2006 |
| Non-publicly traded stocks | \$ 364,913 | \$ 472,500 |
| Mutual funds | 381,492 | 340,854 |
| | \$ 746,405 | \$ 813,354 |

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

| | March 31 | |
|-------------------------|-----------------|----------------|
| | 2007 | 2006 |
| Buildings | \$ 51,483,606 | \$ 44,728,744 |
| Machinery and equipment | 377,026,674 | 323,087,400 |
| Office equipment | 6,619,387 | 5,874,182 |
| | \$ 435,129,667 | \$ 373,690,326 |

No interest was capitalized during the three months ended March 31, 2007 and 2006.

12. DEFERRED CHARGES, NET

| | March 31 | |
|----------------------------------|-----------------|--------------|
| | 2007 | 2006 |
| Technology license fees | \$ 4,425,854 | \$ 4,670,054 |
| Software and system design costs | 1,137,467 | 1,446,346 |
| Others | 30,317 | 63,070 |
| | \$ 5,593,638 | \$ 6,179,470 |

13. BONDS PAYABLE

| | March 31 | |
|---|-----------------|---------------|
| | 2007 | 2006 |
| Domestic unsecured bonds: | | |
| Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually | \$ 4,500,000 | \$ 4,500,000 |
| Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively | 12,500,000 | 15,000,000 |
| | 17,000,000 | 19,500,000 |
| Current portion | (4,500,000) | (2,500,000) |
| | \$ 12,500,000 | \$ 17,000,000 |

As of March 31, 2007, future principal repayments for the Company's bonds were as follows:

| Year of Repayment | Amount |
|------------------------------|---------------|
| 2007 4 th quarter | \$ 4,500,000 |
| 2009 | 8,000,000 |
| 2012 | 4,500,000 |
| | \$ 17,000,000 |

14. OTHER LONG-TERM PAYABLES

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of March 31, 2007, future payments for other long-term payables were as follows:

| Year of Payment | Amount |
|---|---------------|
| 2007 (2 nd to 4 th quarter) | \$ 2,294,096 |
| 2008 | 751,617 |
| 2009 | 342,140 |
| 2010 | 342,140 |
| 2011 | 264,712 |
| | 3,994,705 |
| Current portion (classified under accrued expenses and other current liabilities) | (2,371,524) |
| | \$ 1,623,181 |

15. PENSION PLANS

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

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension cost of NT\$148,533 thousand and NT\$155,461 thousand for the three months ended March, 2007 and 2006, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China. The Company recognized pension cost of NT\$81,154 thousand and NT\$53,834 thousand for the three months ended March, 2007 and 2006, respectively.

Changes in the Fund under the defined benefit plan are summarized as follows:

| | Three Months Ended March 31 | |
|------------------------------|--|--------------|
| | 2007 | 2006 |
| Balance, beginning of period | \$ 1,913,002 | \$ 1,658,864 |
| Contributions | 68,155 | 79,041 |
| Interest | 46,279 | 34,384 |
| Payments | | (4,678) |
| | | |
| Balance, end of period | \$ 2,027,436 | \$ 1,767,611 |

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:

| | Three Months Ended March 31 | |
|--|--|--------------|
| | 2007 | 2006 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ 4,973,727 | \$ 8,663,835 |
| Tax effect of the following: | | |
| Tax-exempt income | (991,862) | (3,772,846) |
| Temporary and permanent differences | (79,127) | (84,382) |
| Cumulative effect of changes in accounting principles | | (82,062) |
| Income tax credits | (1,951,369) | (2,362,272) |
| | | |
| Income tax currently payable | \$ 1,951,369 | \$ 2,362,273 |

- b. Income tax expense consisted of the following:

| | | |
|--|--------------|--------------|
| Income tax currently payable | \$ 1,951,369 | \$ 2,362,273 |
| Other income tax adjustments | | 8,833 |
| Net change in deferred income tax assets | | |
| Investment tax credits | 509,910 | 503,405 |
| Temporary differences | (708,401) | (1,327,214) |
| Valuation allowance | (696,609) | 255,072 |
| | | |
| Income tax expense | \$ 1,056,269 | \$ 1,802,369 |

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

| | March 31 | |
|------------------------------------|-----------------|--------------|
| | 2007 | 2006 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 9,486,631 | \$ 7,276,728 |

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| | | |
|--|--------------|---------------|
| Noncurrent deferred income tax assets, net | | |
| Investment tax credits | \$ 9,960,351 | \$ 16,085,638 |
| Temporary differences | 1,548,865 | 644,944 |
| Valuation allowance | (6,507,620) | (9,665,618) |
| | \$ 5,001,596 | \$ 7,064,964 |

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d. Integrated income tax information:

The balance of the imputation credit account as of March 31, 2007 and 2006 was NT\$828,612 thousand and NT\$80,472 thousand, respectively.

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

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

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

f. As of March 31, 2007, 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 | \$ 3,955,454 | \$ 2,004,085 | 2008 |
| | | 6,030,087 | 6,030,087 | 2009 |
| | | 5,971,768 | 5,971,768 | 2010 |
| | | 144,422 | 144,422 | 2011 |
| | | \$ 16,101,731 | \$ 14,150,362 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,627,095 | \$ 1,627,095 | 2008 |
| | | 1,534,230 | 1,534,230 | 2009 |
| | | 1,534,050 | 1,534,050 | 2010 |
| | | 440,265 | 440,265 | 2011 |
| | | \$ 5,135,640 | \$ 5,135,640 | |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 40,734 | \$ 40,734 | 2008 |
| | | 40,442 | 40,442 | 2009 |
| | | \$ 81,176 | \$ 81,176 | |
| Statute for Upgrading Industries | Investments in important | \$ 79,804 | \$ 79,804 | 2010 |

technology-based
enterprises

- g. The profits generated from the following expansion and construction projects are exempt from income tax for a four-year or five-year period:

| | Tax-Exemption Period |
|---------------------------------|-----------------------------|
| Expansion of Fab 2 to Fab 6 | 2003 to 2006 |
| Construction of Fab 12 Module A | 2004 to 2007 |
| Construction of Fab 14 Module A | 2006 to 2010 |

- h. The tax authorities have examined income tax returns of the Company through 2003.

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17. LABOR COST, DEPRECIATION AND AMORTIZATION

| | Three Months Ended March 31, 2007 | | |
|--|--|------------------|---------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 2,219,384 | \$ 1,048,077 | \$ 3,267,461 |
| Labor and health insurance | 160,974 | 86,039 | 247,013 |
| Pension | 149,674 | 80,013 | 229,687 |
| Meal | 104,780 | 38,199 | 142,979 |
| Welfare | 55,674 | 31,019 | 86,693 |
| Others | 30,552 | 1,171 | 31,723 |
| | \$ 2,721,038 | \$ 1,284,518 | \$ 4,005,556 |
| Depreciation | \$ 16,857,622 | \$ 957,405 | \$ 17,815,027 |
| Amortization | \$ 458,751 | \$ 206,968 | \$ 665,719 |
| Three Months Ended March 31, 2006 | | | |
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 2,585,763 | \$ 1,029,808 | \$ 3,615,571 |
| Labor and health insurance | 168,406 | 81,425 | 249,831 |
| Pension | 141,112 | 68,183 | 209,295 |
| Meal | 115,836 | 39,662 | 155,498 |
| Welfare | 48,480 | 24,345 | 72,825 |
| Others | 51,769 | 3,614 | 55,383 |
| | \$ 3,111,366 | \$ 1,247,037 | \$ 4,358,403 |
| Depreciation | \$ 14,548,962 | \$ 818,442 | \$ 15,367,404 |
| Amortization | \$ 364,266 | \$ 237,773 | \$ 602,039 |

18. SHAREHOLDERS EQUITY

As of March 31, 2007, 888,740 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 4,443,698 thousand (one ADS represents five common shares).

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

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Capital surplus consisted of the following:

| | March 31 | |
|----------------------------------|----------------------|----------------------|
| | 2007 | 2006 |
| From merger | \$ 24,003,546 | \$ 24,003,546 |
| Additional paid-in capital | 20,063,728 | 23,341,345 |
| From convertible bonds | 9,360,424 | 9,360,424 |
| From long-term investments | 414,524 | 196,129 |
| From treasury stock transactions | 389,188 | 306,868 |
| Donations | 55 | 55 |
| | \$ 54,231,465 | \$ 57,208,367 |

The Company's Articles of Incorporation 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 bonus to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments, 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 2006 and 2005 had been approved in a Board of Directors meeting held on February 6, 2007 and a shareholders meeting held on May 16, 2006, respectively. The appropriations and dividends per share were as follows:

| | Appropriations of Earnings | | Dividends Per Share (NT\$) | |
|------------------------------------|----------------------------|---------------|-------------------------------|------------------------|
| | For Fiscal | For Fiscal | For | For |
| | Year 2006 | Year 2005 | Fiscal Year 2006 | Fiscal Year 2005 |
| Legal capital reserve | \$ 12,700,973 | \$ 9,357,503 | | |
| Special capital reserve | (11,192) | (1,585,685) | | |
| Bonus to employees in cash | 4,572,798 | 3,432,129 | | |
| Bonus to employees in stock | 4,572,798 | 3,432,129 | | |
| Cash dividends to shareholders | 77,489,064 | 61,825,061 | \$ 3.00 | \$ 2.50 |
| Stock dividends to shareholders | 516,594 | 3,709,504 | 0.02 | 0.15 |
| Bonus to directors and supervisors | 285,800 | 257,410 | | |
| | \$ 100,126,835 | \$ 80,428,051 | | |

The Board of Directors meeting held on February 6, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$774,891 thousand.

The amounts of the appropriations of earnings for 2005 are consistent with the resolutions of the meeting of the Board of Directors held on February 14, 2006. The amounts of the appropriations of earnings for 2006 and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic earnings per share (after income tax) for the years ended December 31, 2006 and 2005 shown in the respective financial statements would have decreased from NT\$4.93 to NT\$4.56 and NT\$3.79 to NT\$3.50, respectively. The shares distributed as a bonus to employees represented 1.77% and 1.39% of the Company's total outstanding common shares as of December 31, 2006 and 2005, respectively.

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

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

19. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans under the 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

Options of the aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2007.

Information about outstanding options for the three months ended March 31, 2007 and 2006 was as follows:

| | Number of Options (in Thousands) | Weighted- Average Exercise Price (NT\$) |
|-----------------------------------|---|--|
| Three months ended March 31, 2007 | | |
| Balance, beginning of period | 52,814 | 39.6 |
| Options exercised | (3,271) | 37.3 |
| Options cancelled | (252) | 47.2 |
| Balance, end of period | 49,291 | 39.7 |
| Three months ended March 31, 2006 | | |
| Balance, beginning of period | 67,758 | 42.1 |
| Options exercised | (3,028) | 38.8 |
| Options cancelled | (1,117) | 46.6 |
| Balance, end of period | 63,613 | 42.2 |

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

As of March 31, 2007, 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 | 31,782 | 3.92 | \$ 35.5 | 27,625 | \$ 34.9 |
| \$45.1-\$52.3 | 17,509 | 5.65 | 47.5 | 6,495 | 47.0 |
| | 49,291 | | | 34,120 | |

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2007 and 2006. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted after January 1, 2004, the assumptions and pro forma results of the Company for the three months

ended March 31, 2007 and 2006 would have been as follows:

| | Three Months Ended March 31 | |
|-------------------------|------------------------------------|---------------|
| | 2007 | 2006 |
| 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 |
| | | (Continued) |

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| | Three Months Ended March 31 | |
|---|------------------------------------|---------------|
| | 2007 | 2006 |
| Net income: | | |
| Net income as reported | \$ 18,838,639 | \$ 32,606,786 |
| Pro forma net income | 18,819,482 | 32,577,069 |
| Earnings per share (EPS) after income tax (NT\$): | | |
| Basic EPS as reported | \$ 0.73 | \$ 1.26 |
| Pro forma basic EPS | 0.73 | 1.26 |
| Diluted EPS as reported | 0.73 | 1.26 |
| Pro forma diluted EPS | 0.73 | 1.26 |
| | | (Concluded) |

20. TREASURY STOCK

| | Beginning Shares | Addition | Disposal | <u>(Shares in Thousands)</u> Ending Shares |
|---|-----------------------------|-----------------|-----------------|---|
| Three months ended March 31, 2007 | | | | |
| Parent company stock held by subsidiaries | 33,926 | | | 33,926 |
| Three months ended March 31, 2006 | | | | |
| Parent company stock held by subsidiaries | 32,938 | | | 32,938 |

As of March 31, 2007 and 2006, the book value of the treasury stock was NT\$918,075 thousand; the market value was NT\$2,303,596 thousand and NT\$2,114,650 thousand, respectively. The Company's stock held by subsidiaries is treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

21. EARNINGS PER SHARE

| | Three Months Ended March 31 | | | |
|---|------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2007 | | 2006 | |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| Basic EPS (NT\$) | | | | |
| Income before cumulative effect of changes in accounting principles | \$ 0.77 | \$ 0.73 | \$ 1.34 | \$ 1.27 |
| Cumulative effect of changes in accounting principles | | | (0.01) | (0.01) |
| Income for the period | \$ 0.77 | \$ 0.73 | \$ 1.33 | \$ 1.26 |
| Diluted EPS (NT\$) | | | | |
| | \$ 0.77 | \$ 0.73 | \$ 1.34 | \$ 1.27 |

Income before cumulative effect of change in accounting principles

Cumulative effect of changes in accounting principles

(0.01)

(0.01)

Income for the period

\$ 0.77

\$ 0.73

\$ 1.33

\$ 1.26

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EPS was computed as follows:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|---|---------------------|---------------|---|------------|------------|
| | Before | After | | Before | After |
| | Income Tax | Income Tax | | Income Tax | Income Tax |
| Three months ended March 31, 2007 | | | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$ 19,894,908 | \$ 18,838,639 | 25,797,873 | \$ 0.77 | \$ 0.73 |
| Effect of dilutive potential common stock stock options | | | 21,663 | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 19,894,908 | \$ 18,838,639 | 25,819,536 | \$ 0.77 | \$ 0.73 |
| Three months ended March 31, 2006 | | | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$ 34,327,093 | \$ 32,606,786 | 25,783,258 | \$ 1.33 | \$ 1.26 |
| Effect of dilutive potential common stock stock options | | | 21,512 | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 34,327,093 | \$ 32,606,786 | 25,804,770 | \$ 1.33 | \$ 1.26 |

22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

| | March 31 | | | |
|--------|--------------------|------------|--------------------|------------|
| | 2007 | | 2006 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Assets | | | | |

| | | | | |
|---|------------|------------|------------|------------|
| Financial assets at fair value through profit or loss | \$ 159 | \$ 159 | \$ 58,545 | \$ 58,545 |
| Available-for-sale financial assets | 32,791,995 | 32,791,995 | 60,715,948 | 60,715,948 |
| Held-to-maturity financial assets | 33,220,796 | 33,203,292 | 27,797,697 | 27,386,028 |
| Investments accounted for using equity method (with market price) | 6,692,377 | 23,975,319 | 5,541,044 | 10,378,016 |

Liabilities

| | | | | |
|--|------------|------------|------------|------------|
| Financial liabilities at fair value through profit or loss | 133,802 | 133,802 | 354,214 | 354,214 |
| Bonds payable (including current portion) | 17,000,000 | 17,279,497 | 19,500,000 | 19,904,420 |
| Other long-term payables (including current portion) | 3,994,705 | 3,994,705 | 4,083,818 | 4,083,818 |

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 due to their short maturities.

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- 2) Fair values of financial assets/liabilities at fair value through profit or loss were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; while fair values of structured time deposits were estimated using valuation techniques.
 - 4) Fair value of bonds payable was based on their quoted market price.
 - 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. Losses recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$167,493 thousand and NT\$295,669 thousand for the three months ended March 31, 2007 and 2006, respectively.
- d. As of March 31, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$66,012,950 thousand and NT\$88,565,911 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$133,802 thousand and NT\$354,214 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$6,617,800 thousand and NT\$7,141,200 thousand, respectively.
- e. The Company recognized an unrealized gain of NT\$93,451 thousand and an unrealized loss of NT\$139,489 thousand directly in shareholders' equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2007 and 2006, respectively; the Company recognized a gain of NT\$29,611 thousand and NT\$261,300 thousand which was removed from shareholders' equity and charged to current income for the three months ended March 31, 2007 and 2006, respectively. The Company also recognized unrealized gains of NT\$94,679 thousand and NT\$433,658 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets held by equity method investees for the three months ended March 31, 2007 and 2006, respectively.
- f. Information about financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will 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 that the Company's exposure to default by those parties is low.
 - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
 - 4) Cash flow interest rate risk. The Company mainly engages in investments in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

23. RELATED PARTY TRANSACTIONS

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

a. Philips, a major shareholder of the Company.

b. Subsidiaries

TSMC-North America

TSMC-Shanghai

TSMC-Europe

TSMC-Japan

TSMC-Korea

c. Investees

GUC (with a controlling interest)

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

d. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

e. Indirect investee

VisEra (accounted for using equity method)

f. Others

Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions.

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

| | 2007 | | 2006 | |
|-------------------------------------|---------------|----|---------------|----|
| | Amount | % | Amount | % |
| For the three months ended March 31 | | | | |
| Sales | | | | |
| TSMC-North America | \$ 39,207,204 | 61 | \$ 44,102,519 | 56 |
| Philips | | | 1,035,524 | 1 |
| Others | 209,901 | 1 | 170,866 | |
| | \$ 39,417,105 | 62 | \$ 45,308,909 | 57 |

| | 2007 | | 2006 | |
|--|--------------|----|--------------|----|
| | Amount | % | Amount | % |
| Purchases | | | | |
| WaferTech | \$ 2,359,717 | 23 | \$ 3,118,957 | 26 |
| SSMC | 1,386,200 | 13 | 1,936,912 | 16 |
| TSMC-Shanghai | 1,233,506 | 12 | 996,913 | 9 |
| VIS | 686,332 | 6 | 736,971 | 6 |
| | \$ 5,665,755 | 54 | \$ 6,789,753 | 57 |
| Manufacturing expenses technical assistance fees Philips (Note 25a) | \$ | | \$ 188,976 | 1 |
| Marketing expenses commission | | | | |
| TSMC-Europe | \$ 53,775 | 17 | \$ 45,213 | 7 |
| TSMC-Japan | 45,512 | 15 | 48,686 | 7 |
| TSMC-Korea | 4,197 | 1 | | |
| | \$ 103,484 | 33 | \$ 93,899 | 14 |
| General and administrative expenses rental GUC | \$ 3,473 | | \$ 4,186 | |
| Research and development expenses | | | | |
| TSMC Technology | \$ 17,346 | 1 | \$ | |
| GUC | 6,456 | | 22,389 | 1 |
| | \$ 23,802 | 1 | \$ 22,389 | 1 |
| Sales of property, plant and equipment TSMC-Shanghai | \$ | | \$ 100,423 | 22 |
| Non-operating income and gains | | | | |
| VIS (primarily technical service income, see Note 25h) | \$ 86,762 | 4 | \$ 49,537 | 1 |
| TSMC-Shanghai | 76,455 | 3 | 60,776 | 1 |
| SSMC (primarily technical service income, see Note 25e) | 58,483 | 2 | 71,952 | 1 |
| VisEra | 42,089 | 2 | 45,922 | 1 |

| | | | | |
|--|------------|----|------------|---|
| | \$ 263,789 | 11 | \$ 228,187 | 4 |
|--|------------|----|------------|---|

As of March 31

Receivables

| | | | | |
|--------------------|---------------|----|---------------|----|
| TSMC-North America | \$ 18,993,076 | 99 | \$ 20,821,546 | 98 |
|--------------------|---------------|----|---------------|----|

| | | | | |
|---------|--|--|---------|---|
| Philips | | | 321,540 | 2 |
|---------|--|--|---------|---|

| | | | | |
|--------|---------|---|---------|--|
| Others | 164,496 | 1 | 105,870 | |
|--------|---------|---|---------|--|

| | | | | |
|--|---------------|-----|---------------|-----|
| | \$ 19,157,572 | 100 | \$ 21,248,956 | 100 |
|--|---------------|-----|---------------|-----|

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| | 2007 | | 2006 | |
|--------------------------|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Other receivables | | | | |
| VIS | \$ 155,657 | 32 | \$ 51,144 | 8 |
| TSMC-Shanghai | 144,605 | 30 | 154,400 | 23 |
| SSMC | 82,868 | 17 | 98,395 | 14 |
| TSMC-North America | 51,251 | 10 | 319,449 | 47 |
| VisEra | 40,567 | 8 | 58,445 | 8 |
| Others | 12,318 | 3 | 1,842 | |
| | \$ 487,266 | 100 | \$ 683,675 | 100 |
| Payables | | | | |
| SSMC | \$ 694,554 | 29 | \$ 428,357 | 12 |
| WaferTech | 627,230 | 26 | 1,076,937 | 31 |
| TSMC-Shanghai | 512,066 | 22 | 361,221 | 10 |
| VIS | 438,785 | 18 | 716,048 | 20 |
| Philips | | | 685,718 | 20 |
| Others | 105,298 | 5 | 244,523 | 7 |
| | \$ 2,377,933 | 100 | \$ 3,512,804 | 100 |
| Other long-term payables | | | | |
| Philips (Note 25a) | \$ | | \$ 1,087,410 | 100 |
| Deferred credits | | | | |
| TSMC-Shanghai | \$ 670,387 | 61 | \$ 633,122 | 52 |
| VisEra | 108,806 | 10 | 170,981 | 14 |
| | \$ 779,193 | 71 | \$ 804,103 | 66 |

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

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

The Company leased part of its office space from GUC with a quarterly rental of NT\$4,186 thousand; beginning from June 2006, the quarterly rental has been changed to NT\$3,473 thousand. The Company also leased certain buildings and facilities to VisEra with a monthly rental of NT\$7,684 thousand (classified under 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 December 2007 to December 2026 and can be renewed upon expiration.

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As of March 31, 2007, future lease payments were as follows:

| | Year | Amount |
|---|-------------|---------------------|
| 2007 (2 nd to 4 th quarter) | | \$ 223,337 |
| 2008 | | 264,255 |
| 2009 | | 255,676 |
| 2010 | | 208,607 |
| 2011 | | 207,094 |
| 2012 and thereafter | | 1,547,121 |
| | | \$ 2,706,090 |

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of March 31, 2007, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006.) 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 (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips (now NXP B.V.) 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 (now NXP B.V.) agreed to cross license the patents owned by each party. The Company also obtained through Philips (now NXP B.V.) a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992, 1997, 2002 and on January 1, 2007.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of March 31, 2007, the Company had a total of US\$102,862 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. The Company and Philips (now NXP B.V.) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC

fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

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- 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. 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 March 31, 2007, SMIC had paid US\$60,000 thousand in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC-North America and Wafertech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC in the same court, alleging TSMC of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC-North America, and Wafertech, alleging defamation and breach of good faith. The result of the above-mentioned litigation cannot be determined at this time.
- j. Amounts available under unused letters of credit as of March 31, 2007 were NT\$6,480 thousand.

26. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None;

b. Endorsement/guarantee provided: None;

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- c. Marketable securities held: Please see Table 1 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 2 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 3 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 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Please see Table 6 attached;
- j. Information about derivatives of investees in which the Company has a controlling interest:

TSMC-Shanghai entered into forward exchange contracts during the three months ended March 31, 2007 to manage exposures due to foreign exchange rate fluctuations.

Outstanding forward exchange contracts as of March 31, 2007:

| | Maturity Date | Contract Amount (in Thousands) |
|-------------------|--------------------------|---|
| Sell US\$/Buy JPY | April 2007 | JPY11,000 |

Net realized settlement losses and valuation gains arising from TSMC-Shanghai's forward exchange transactions for the three months ended March 31, 2007 were NT\$196 thousand and NT\$110 thousand, respectively.

- 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 7 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.

Taiwan Semiconductor Manufacturing Company Limited and Investees**MARKETABLE SECURITIES HELD****March 31, 2007****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****March 31,**

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units Carrying | | Own |
|--|-------------------------------|-------------------------------------|-----------------------|------------------------|-----|
| | | | (In Thousands) | Value (US\$ Thousands) | |
| Government bond | | | | | |
| Government Bond Series B | | Available-for-sale financial assets | | \$2,348,536 | |
| Government Bond Series B | | | | 1,202,233 | |
| Government Bond Series D | | | | 400,608 | |
| Government Bond Series G | | | | 201,361 | |
| Government Bond Series D | | Held-to-maturity financial assets | | 3,655,977 | |
| Government Bond Series B | | | | 1,647,875 | |
| Asian Development Bank Govt. | | | | 840,652 | |
| Government Bond Series F | | | | 797,728 | |
| Kaohsiung Municipal Bond Series | | | | 620,000 | |
| Government Bond Series H | | | | 401,358 | |
| European Investment Bank Bonds | | | | 374,155 | |
| Kaohsiung Municipal Bond Series | | | | 249,998 | |
| European Bank for Reconstruction and Development Govt. Bond Series A | | | | 88,639 | |
| Open-end mutual funds | | | | | |
| China Bond Fund | | Available-for-sale financial assets | 17,672 | 2,918,108 | |
| Taiwan Bond Fund | | | 151,353 | 2,289,110 | |
| Hua Bond | | | 125,122 | 1,673,913 | |
| China Diamond Bond Fund | | | 139,333 | 1,608,841 | |
| China Financial Bond Fund | | | 103,751 | 1,521,627 | |
| Taiwan Bond Fund | | | 85,145 | 1,303,771 | |
| China Bond Fund | | | 88,165 | 1,206,833 | |
| China Taiwan Bond | | | 79,132 | 1,118,950 | |
| China Bond | | | 92,392 | 1,068,891 | |
| Taiwan Income Fund | | | 63,947 | 1,016,246 | |
| China Bond | | | 65,496 | 1,013,963 | |

| | | |
|-------------------------------|------------------------------|-------------|
| Taiwan Bond Fund | 78,629 | 1,006,070 |
| Edner Bond DAM Fund | 80,925 | 941,072 |
| Kong Chi Shin Bond Fund | 62,183 | 893,732 |
| Chin Lucky Fund | 78,624 | 809,272 |
| Taiwan First Bond Fund | 56,163 | 792,018 |
| Taiwan Select Bond Fund | 63,372 | 720,792 |
| Chis De-Bao Fund | 63,273 | 703,594 |
| TC Taiwan Money Management | 34,093 | 508,047 |
| High Yield | 36,657 | 456,836 |
| ESCO Bond Fund | 27,176 | 405,168 |
| Corporate bond | | |
| Nan Bank | Available-for-sale financial | |
| | assets | 1,552,651 |
| ay Bank | | 1,164,731 |
| an Power Company | | 1,047,450 |
| osa Petrochemical Corporation | | 398,283 |
| | | (Continued) |

March 31, 200

| Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units Carrying | | Percentage |
|----------------------------|-------------------------------|--|-----------------------|------------------------|------------|
| | | | (In Thousands) | Value (US\$ Thousands) | |
| Power Company | | Held-to-maturity financial assets | | \$ 3,962,223 | N/A |
| Petrochemical Corporation | | | | 3,570,548 | N/A |
| Plastics Corporation | | | | 2,770,621 | N/A |
| Petroleum Corporation | | | | 1,450,247 | N/A |
| Steel Corporation | | | | 1,000,000 | N/A |
| Plastic Corporation | | | | 384,956 | N/A |
| Commercial & Saving Bank | | | | 288,019 | N/A |
| Global | Subsidiary | Investment accounted for using equity method | 1 | 43,771,405 | 100 |
| International | Subsidiary | Investee accounted for using equity method | 987,968 | 26,934,392 | 100 |
| Partners | Subsidiary | Investee accounted for using equity method | 463 | 8,134,439 | 39 |
| | Subsidiary | Investee accounted for using equity method | 300 | 4,572,167 | 100 |
| | Subsidiary | Investee accounted for using equity method | 442,262 | 5,999,943 | 27 |
| North America | Subsidiary | Investee with a controlling interest | 11,000 | 2,107,864 | 100 |
| | Subsidiary | Investee with a controlling interest | 90,526 | 1,370,453 | 43 |
| | Subsidiary | Investee with a controlling interest | 41,263 | 692,434 | 38 |
| Japan | Subsidiary | | 6 | 98,799 | 100 |
| Europe | Subsidiary | | | 56,633 | 100 |
| Area | Subsidiary | | 80 | 15,087 | 100 |
| Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 | 10 |
| Handotai Taiwan Co., Ltd. | | | 10,500 | 105,000 | 7 |
| Technology Fund IV | | | 4,000 | 40,000 | 2 |
| Venture Capital Co., Ltd. | | | 2,633 | 26,329 | 10 |
| Ventures Fund | | Financial assets carried at cost | | 312,949 | 12 |
| Asia Capital | | | | 68,543 | 1 |
| Shanghai | Subsidiary | Investment accounted for using equity method | | 9,127,747 | 100 |
| Alliance | Subsidiary | | | 779,280 | 99 |

| | | | |
|------------|--|---------|----|
| Subsidiary | | 801,222 | 98 |
| Subsidiary | | 438,480 | 98 |
| Subsidiary | | 118,167 | 36 |

| | | | |
|------------|--|---------|----|
| Subsidiary | | 116,793 | 36 |
|------------|--|---------|----|

| | | | |
|------------------------|---|--------|-----------|
| Parent Company | Available-for-sale financial assets | 16,947 | 1,150,720 |
| Equity method investee | Investments accounted for using equity method | 5,032 | 108,656 |

| | | | |
|------------------------|---|--------|-----------|
| Parent Company | Available-for-sale financial assets | 16,979 | 1,152,877 |
| Equity method investee | Investments accounted for using equity method | 3,711 | 84,863 |

(Continued)

| | | | | March 31, | |
|--------------------------------------|---------------|-------------------------------|---|--------------|--------------|
| | | | | Shares/Units | Carrying Per |
| | | | | (In | Value (US\$ |
| | | | | in | Thousands) |
| Marketable Securities | Type and Name | Relationship with the Company | Financial Statement Account | Thousands) | Thousands) |
| Open-end mutual funds | | | | | |
| Chong Bond Fund | | | Available-for-sale financial assets | 2,306 | \$ 30,149 |
| TC Taiwan Bond Fund | | | | 1,770 | 25,029 |
| resdner Bond DAM Fund | | | | 2,152 | 25,028 |
| uan Ta Wan Tai Fund | | | | 1,429 | 20,024 |
| G Taiwan Bond Fund | | | | 993 | 15,019 |
| Common stock | | | | | |
| Global Unichip Corp. - North America | | Subsidiary | Investments accounted for using equity method | 100 | 6,726 |
| Global Unichip Japan Co., Ltd. | | Subsidiary | | | 2,737 |
| Common stock | | | | | |
| iveStar | | Subsidiary | Investments accounted for using equity method | 9,207 | US\$ 29,075 |
| iveStar II | | Subsidiary | | 51,300 | US\$ 48,143 |
| SMC Development | | Subsidiary | | 1 | US\$ 658,063 |
| SMC Technology | | Subsidiary | | 1 | US\$ 6,160 |
| raferTech | | Subsidiary | Investments accounted for using equity method | | US\$ 288,957 |
| Common stock | | | | | |
| sEra Holdings Company | | Equity method investee | Investments accounted for using equity method | 25,000 | US\$ 35,309 |
| Common stock | | | | | |
| lobal Investment Holding, Inc. | | | Financial assets carried at cost | 10,800 | \$ 100,000 |
| chWave Technology Corp. | | | | 4,247 | US\$ 1,648 |
| xim, Inc. | | | | 1,036 | US\$ 275 |
| Preferred stock | | | | | |
| etLogic Microsystems, Inc. | | | Financial assets at fair value through profit or loss | 84 | US\$ 2,244 |
| anos Communication, Inc. | | | Available-for-sale financial assets | 515 | US\$ 4,000 |

| | | | | |
|----------------------------|----------------------------------|-------|------|-------|
| ixim, Inc. | Financial assets carried at cost | 3,606 | US\$ | 862 |
| osaic Systems, Inc. | | 2,481 | US\$ | 12 |
| genesis Technologies, Inc. | | 2,410 | US\$ | 1,399 |
| reflectivity, Inc. | | 4,848 | US\$ | 102 |
| iradia, Inc. | | 3,040 | US\$ | 1,000 |
| xiom Microdevices, Inc. | | 1,000 | US\$ | 1,000 |
| ptichron, Inc. | | 714 | US\$ | 1,000 |
| uCORE Technology, Inc. | | 2,254 | US\$ | 1,455 |
| ext IO, Inc. | | 800 | US\$ | 500 |
| udience, Inc. | Financial assets carried at cost | 1,654 | US\$ | 250 |
| entrality Communications | | 1,325 | US\$ | 1,800 |
| knovus, Inc. | | 6,977 | US\$ | 1,327 |
| ptimal Corporation | | 583 | US\$ | 600 |
| obilygen | | 1,415 | US\$ | 750 |
| ommon stock | | | | |
| obon | Financial assets carried at cost | 1,675 | US\$ | 787 |
| ntelic | | 1,200 | US\$ | 2,040 |
| eadtrend | | 1,150 | US\$ | 660 |
| chWave Technology Corp. | | 500 | US\$ | 231 |

(Continued)

March 31,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Unit | Carrying | Perce |
|-------------------------------------|-------------------------------|---|----------------|------------------------|-------|
| | | | (In thousands) | Value (US\$ thousands) | (%) |
| Preferred stock | | | | | |
| Teknovus, Inc. | | Financial assets carried at cost | 518 | US\$ 119 | |
| Powerprecise Solutions, Inc. | | | 1,445 | US\$ 1,400 | |
| Tzero Technologies, Inc. | | | 730 | US\$ 1,500 | |
| Miradia, Inc. | | | 2,740 | US\$ 2,424 | |
| Axiom Microdevices, Inc. | | | 4,142 | US\$ 1,812 | |
| Next IO, Inc. | | | 216 | US\$ 182 | |
| Ageia Technologies, Inc. | | | 2,030 | US\$ 2,074 | |
| Audience, Inc. | | | 2,208 | US\$ 474 | |
| GemFire Corporation | | | 600 | US\$ 68 | |
| Optichron, Inc. | | | 353 | US\$ 869 | |
| Xceive | | | 714 | US\$ 1,000 | |
| 5V Technologies, Inc. | | | 2,357 | US\$ 1,768 | |
| Power Analog Microelectronics | | | 2,000 | US\$ 1,500 | |
| Impinj, Inc. | | | 475 | US\$ 1,000 | |
| Beceem Communications | | | 650 | US\$ 1,600 | |
| Pixim, Inc. | | | 3,279 | US\$ 641 | |
| Aquantia Corporation | | | 1,264 | US\$ 1,150 | |
| Preferred stock | | | | | |
| Mutual-Pak Limited | | Financial assets carried at cost | 170 | US\$ 52 | |
| Quellan, Inc. | | | 2,231 | US\$ 2,500 | |
| M2000, Inc. | | | 1,500 | US\$ 1,500 | |
| SynDiTec, Inc. | | | 4,332 | US\$ 720 | |
| Validity Sensors, Inc. | | | 5,333 | US\$ 2,000 | |
| Advasense Sensors, Inc. | | | 1,624 | US\$ 1,500 | |
| Tilera, Inc. | | | 1,698 | US\$ 2,360 | |
| Common stock | | | | | |
| Advanced Power Electronics Corp. | | Available-for-sale financial assets | 116 | US\$ 36 | |
| Monolithic Power Systems, Inc. | | Financial assets at fair value through profit or loss | 1,975 | US\$ 25,474 | |
| Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 530 | US\$ 154 | |
| Preferred stock | | | | | |
| Integrated Memory Logic, Inc. | | Financial assets carried at cost | 2,831 | US\$ 1,221 | |
| IP Unity, Inc. | | | 1,008 | US\$ 494 | |
| Sonics, Inc. | | | 1,843 | US\$ 3,530 | |
| NanoAmp Solutions, Inc. | | | 541 | US\$ 853 | |

| | | | |
|-------------------------------------|---|-------|-------------|
| Memsic, Inc. | | 2,727 | US\$ 1,500 |
| Common stock | | | |
| Monolithic Power Systems, Inc. | Financial assets at fair value through profit or loss | 864 | US\$ 11,152 |
| Geo Vision, Inc. | | 46 | US\$ 224 |
| RichTek Technology Corp. | | 216 | US\$ 2,134 |
| Geo Vision, Inc. | Available-for-sale financial assets | 15 | US\$ 72 |
| RichTek Technology Corp. | | 227 | US\$ 2,246 |
| Ralink Technology (Taiwan), Inc. | Financial assets carried at cost | 2,383 | US\$ 791 |
| Capella Microsystems (Taiwan), Inc. | | 534 | US\$ 210 |
| Auden Technology MFG. Co., Ltd. | | 1,049 | US\$ 223 |
| EoNEX Technologies, Inc. | | 55 | US\$ 3,048 |
| Goyatek Technology, Corp. | | 2,088 | US\$ 545 |
| Trendchip Technolgies Corp. | | 2,000 | US\$ 574 |

(Continued)

March 31, 2019

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | |
|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------------------------|
| | | | Shares/Units (In Thousands) | Value Per Share/Unit (US\$ Thousands) |
| EON Technology, Corp. | | Financial assets carried at cost | 4,247 | US\$ 1,175 |
| Epic Communication, Inc. | | | 191 | US\$ 37 |
| eLCOS Microdisplay Technology, Ltd. | | | 270 | US\$ 27 |
| Sonics, Inc. | | | 2,220 | US\$ 32 |
| Preferred stock | | | | |
| Memsic, Inc. | | Financial assets carried at cost | 2,289 | US\$ 1,560 |
| NanoAmp Solutions, Inc. | | | 375 | US\$ 1,500 |
| Sonics, Inc. | | | 2,115 | US\$ 3,082 |
| Kilopass Technology, Inc. | | | 3,887 | US\$ 2,000 |
| FangTek, Inc. | | | 6,930 | US\$ 3,250 |
| eLCOS Microdisplay Technology, Ltd. | | | 2,667 | US\$ 3,500 |
| Alchip Technologies Limited | | | 3,531 | US\$ 2,950 |
| Agency bonds | | | | |
| Fed Hm Ln Pc Pool 1g1411 | | Available-for-sale financial assets | | US\$ 4,374 |
| Fed Hm Ln Pc Pool 1g2593 | | | | US\$ 5,617 |
| Fed Hm Ln Pc Pool 1h2520 | | | | US\$ 3,000 |
| Fed Hm Ln Pc Pool 1h2524 | | | | US\$ 2,292 |
| Fed Hm Ln Pc Pool 781959 | | | | US\$ 5,382 |
| Fed Hm Ln Pc Pool 847628 | | | | US\$ 3,620 |
| Fed Hm Ln Pc Pool B19205 | | | | US\$ 8,127 |
| Fed Hm Ln Pc Pool E89857 | | | | US\$ 1,512 |
| Fed Hm Ln Pc Pool G11295 | | | | US\$ 1,311 |
| Fed Hm Ln Pc Pool M80855 | | | | US\$ 3,195 |
| Federal Home Ln Mtg | | | | US\$ 2,815 |
| Federal Home Ln Mtg | | | | US\$ 6,348 |
| Federal Home Ln Mtg Corp. | | | | US\$ 1,963 |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,936 |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,146 |
| Federal Home Ln Mtg Corp. | | | | US\$ 2,358 |
| Federal Home Ln Mtg Corp. | | | | US\$ 4,170 |
| Federal Home Ln Mtg Corp. | | | | US\$ 951 |
| Federal Home Ln Mtg Corp. | | | | US\$ 2,995 |
| Federal Home Ln Mtg Corp. | | | | US\$ 3,512 |
| Federal Home Ln Mtg Corp. | | | | US\$ 2,960 |
| Federal Home Ln Mtg Corp. | | | | US\$ 1,307 |
| Federal Home Ln Mtg Corp. | | | | US\$ 8,171 |

| | |
|---------------------------|------------|
| Federal Home Ln Mtg Corp. | US\$ 2,959 |
| Federal Home Ln Mtg Corp. | US\$ 2,757 |
| Federal Home Ln Mtg Corp. | US\$ 4,505 |
| Federal Home Ln Mtg Corp. | US\$ 2,754 |
| Federal Home Ln Mtg Corp. | US\$ 3,704 |
| Federal Home Ln Mtg Corp. | US\$ 4,109 |
| Federal Home Ln Mtg Corp. | US\$ 3,925 |
| Federal Home Ln Mtg Corp. | US\$ 4,357 |
| Federal Natl Mtg Assn | US\$ 2,616 |
| Federal Natl Mtg Assn | US\$ 2,903 |
| Federal Natl Mtg Assn | US\$ 2,070 |
| Federal Natl Mtg Assn | US\$ 4,035 |
| Federal Natl Mtg Assn | US\$ 2,001 |
| Federal Natl Mtg Assn | US\$ 4,162 |
| Federal Natl Mtg Assn | US\$ 439 |

(Continued)

March 31, 2011

| Debt Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | Carrying Value (US\$ in Thousands) |
|-------------------------------|-------------------------------|-------------------------------------|-----------------------------|------------------------------------|
| atl Mtg Assn Gtd | | Available-for-sale financial assets | | US\$ 2,102 |
| atl Mtg Assn Gtd | | | | US\$ 1,904 |
| 254507 | | | | US\$ 1,499 |
| 254834 | | | | US\$ 1,356 |
| 255883 | | | | US\$ 3,419 |
| 555549 | | | | US\$ 1,543 |
| 632399 | | | | US\$ 421 |
| 662401 | | | | US\$ 635 |
| 667766 | | | | US\$ 1,469 |
| 680932 | | | | US\$ 1,231 |
| 681393 | | | | US\$ 2,660 |
| 685116 | | | | US\$ 621 |
| 687863 | | | | US\$ 2,486 |
| 696485 | | | | US\$ 3,106 |
| 703711 | | | | US\$ 520 |
| 725095 | | | | US\$ 1,153 |
| 730033 | | | | US\$ 1,400 |
| 740934 | | | | US\$ 1,371 |
| 790828 | | | | US\$ 2,391 |
| 793025 | | | | US\$ 2,335 |
| 793932 | | | | US\$ 556 |
| 794040 | | | | US\$ 815 |
| 795548 | | | | US\$ 376 |
| 806642 | | | | US\$ 1,199 |
| 813641 | | | | US\$ 3,688 |
| 815626 | | | | US\$ 2,853 |
| 816594 | | | | US\$ 2,009 |
| 825395 | | | | US\$ 2,728 |
| 825398 | | | | US\$ 4,045 |
| 841069 | | | | US\$ 2,767 |
| 879906 | | | | US\$ 1,570 |
| 900296 | | | | US\$ 4,204 |
| ool 081150 | | | | US\$ 577 |
| ool 081153 | | | | US\$ 1,941 |
| ome Ln Bks | | | | US\$ 8,819 |
| ome Ln Bks | | | | US\$ 8,792 |
| ome Ln Bks | | | | US\$ 4,883 |
| ome Ln Bks | | | | US\$ 5,880 |

| | |
|------------|-------------|
| ome Ln Bks | US\$ 4,908 |
| ome Ln Bks | US\$ 3,004 |
| ome Ln Bks | US\$ 6,127 |
| ome Ln Bks | US\$ 12,318 |
| ome Ln Bks | US\$ 5,372 |
| ome Ln Bks | US\$ 6,919 |
| ome Ln Bks | US\$ 5,908 |
| ome Ln Bks | US\$ 7,937 |
| ome Ln Bks | US\$ 4,504 |
| ome Ln Bks | US\$ 3,993 |
| ome Ln Bks | US\$ 7,511 |
| ome Ln Bks | US\$ 2,383 |
| ome Ln Bks | US\$ 7,952 |

(Continued)

March 31, 2017

| Debt Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | Carrying Value (US\$ in Thousands) |
|-------------------------------|-------------------------------|-------------------------------------|-----------------------------|------------------------------------|
| Home Ln Mtg Corp. | | Available-for-sale financial assets | | US\$ 5,961 |
| Home Ln Mtg Corp. | | | | US\$ 1,490 |
| Home Ln Mtg Corp. | | | | US\$ 5,993 |
| Home Loan Bank | | | | US\$ 5,071 |
| Home Loan Bank | | | | US\$ 4,508 |
| Home Loan Bank | | | | US\$ 3,452 |
| Home Loan Banks | | | | US\$ 8,049 |
| Intl Mtg Assn | | | | US\$ 4,390 |
| Intl Mtg Assn | | | | US\$ 3,957 |
| Intl Mtg Assn | | | | US\$ 7,889 |
| Intl Mtg Assn | | | | US\$ 19,820 |
| Intl Mtg Assn | | | | US\$ 4,134 |
| Intl Mtg Assn | | | | US\$ 4,995 |
| Intl Mtg Assn | | | | US\$ 6,498 |
| Intl Mtg Assn | | | | US\$ 2,000 |
| Intl Mtg Assn | | | | US\$ 4,356 |
| Intl Mtg Assn Medium | | | | US\$ 3,426 |
| Intl Mtg Assn Mtn | | | | US\$ 2,930 |
| Intl Mtg Assn Mtn | | | | US\$ 2,918 |
| Intl Mtg Assn Mtn | | | | US\$ 5,341 |
| Valley Auth | | | | US\$ 6,035 |
| Bonds | | | | |
| Bonds | | Available-for-sale financial assets | | US\$ 1,507 |
| Bonds | | | | US\$ 2,549 |
| Bonds | | | | US\$ 1,000 |
| Life Global Fdg Secd | | | | US\$ 2,967 |
| Express Co. | | | | US\$ 3,467 |
| Gen Fin Corp. | | | | US\$ 1,619 |
| Gen Fin Corp. Mtn | | | | US\$ 3,469 |
| Gen Fin Corp. Mtn | | | | US\$ 1,987 |
| Honda Fin Corp. Mtn | | | | US\$ 7,062 |
| Honda Fin Corp. Mtn | | | | US\$ 801 |
| Capital Funding Co. | | | | US\$ 484 |
| Co. | | | | US\$ 2,928 |
| Corp I | | | | US\$ 977 |
| Corp. North Amer | | | | US\$ 2,541 |
| Inc. | | | | US\$ 2,151 |
| York, Inc. | | | | US\$ 1,491 |

| | |
|--------------------|------------|
| Corp. | US\$ 3,391 |
| Corp. | US\$ 2,046 |
| Houston Tx Mtn | US\$ 527 |
| Corp. Mtn Bk Entry | US\$ 2,297 |
| Hathaway Fin Corp. | US\$ 1,493 |
| hhattan Corp. New | US\$ 5,085 |
| hhattan Corp. New | US\$ 2,114 |
| rp. | US\$ 2,118 |
| Hldgs, Inc. | US\$ 3,034 |
| Inc. New | US\$ 2,507 |
| | US\$ 1,366 |
| Energy, Inc. | US\$ 3,732 |
| ipeline Co. | US\$ 1,487 |

(Continued)

March 31, 2011

| Available Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | Carrying Value (US\$ in Thousands) |
|------------------------------------|-------------------------------|-------------------------------------|-----------------------------|------------------------------------|
| General Edison, Inc. | | Available-for-sale financial assets | | US\$ 2,928 |
| Global Fdg Corp. Mtn | | | | US\$ 2,042 |
| Global First Boston | | | | US\$ 733 |
| Global First Boston Usa | | | | US\$ 2,197 |
| Global First Boston Usa | | | | US\$ 3,175 |
| Chrysler North Amer | | | | US\$ 985 |
| Chrysler North Amer Hld | | | | US\$ 752 |
| Hudson Corp. | | | | US\$ 2,021 |
| Invest Cap Corp. | | | | US\$ 4,946 |
| Invest Cap Corp. | | | | US\$ 5,951 |
| Invest Cap Corp. Mtn Bk Ent | | | | US\$ 2,173 |
| Invest Computer Corp. | | | | US\$ 2,818 |
| Invest Ske Bk Aktieselskab | | | | US\$ 2,008 |
| Invest Tele | | | | US\$ 3,459 |
| Invest Elec Co. | | | | US\$ 3,218 |
| Invest Invt Bk | | | | US\$ 6,106 |
| Invest rd Bk Cincinnati Oh | | | | US\$ 2,440 |
| Invest ton Corp. | | | | US\$ 2,644 |
| Invest Group Inc. New | | | | US\$ 904 |
| Invest l Ins Hldg Corp. | | | | US\$ 1,918 |
| Invest Elec Cap Corp. Mtn | | | | US\$ 3,918 |
| Invest Elec Cap Corp. Mtn | | | | US\$ 8,294 |
| Invest Elec Cap Corp. Mtn | | | | US\$ 8,334 |
| Invest Elec Cap Corp. Mtn | | | | US\$ 2,124 |
| Invest Re Corp. | | | | US\$ 3,280 |
| Invest Sachs Group, Inc. | | | | US\$ 3,467 |
| Invest nt Finl Corp. | | | | US\$ 975 |
| Invest John Global Fdg Ii Mtn | | | | US\$ 2,919 |
| Invest John Global Fdg Ii Mtn | | | | US\$ 5,136 |
| Invest John Global Fdg Mtn | | | | US\$ 980 |
| Invest Finl Svcs Group, Inc. | | | | US\$ 5,043 |
| Invest Finl Svcs Group, Inc. | | | | US\$ 1,344 |
| Invest Medium Term Sr Nts | | | | US\$ 2,963 |
| Invest nl, Inc. | | | | US\$ 1,929 |
| Invest Packard Co. | | | | US\$ 1,858 |
| Invest d Fin Corp. | | | | US\$ 2,928 |
| Invest d Fin Corp. | | | | US\$ 3,118 |
| Invest d Intl, Inc. | | | | US\$ 2,850 |

| | |
|-------------------------|------------|
| Corp. | US\$ 3,027 |
| Corp. Mtn | US\$ 5,114 |
| on National Bank | US\$ 1,887 |
| Life Instl Fdg | US\$ 2,497 |
| onal Business Machs | US\$ 3,494 |
| e Fin Corp. Mtn | US\$ 2,964 |
| e Fin Corp. Mtn | US\$ 4,154 |
| n Chase + Co. | US\$ 3,298 |
| Na Med Term Nts Bk Entr | US\$ 4,413 |
| . Mtn Book Entry | US\$ 3,027 |
| ods, Inc. | US\$ 1,000 |
| Brothers Hldgs, Inc. | US\$ 1,166 |
| Brothers Hldgs, Inc. | US\$ 1,636 |
| Brothers Hldgs, Inc. | US\$ 490 |

(Continued)

March 31, 2018

| Investable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousands) | Carrying Value (US\$ in Thousands) |
|-------------------------------------|-------------------------------|-------------------------------------|-----------------------------|------------------------------------|
| | | Available-for-sale financial assets | | US\$ 994 |
| Brothers Hldgs, Inc. | | | | US\$ 3,145 |
| Brothers Hldgs, Inc. | | | | US\$ 1,077 |
| Brothers Hldgs, Inc. | | | | US\$ 500 |
| Natl Corp. In | | | | US\$ 8,476 |
| + Ilsley Corp. | | | | US\$ 6,451 |
| merica Bank Na Y | | | | US\$ 3,394 |
| itan Life Global Mtn | | | | US\$ 1,214 |
| t Corp. | | | | US\$ 1,478 |
| ental Global Fdg Ii | | | | US\$ 1,976 |
| etal Global Fdg Ii | | | | US\$ 2,174 |
| oup, Inc. | | | | US\$ 1,942 |
| Stanley | | | | US\$ 2,139 |
| Stanley | | | | US\$ 3,424 |
| City Corp. | | | | US\$ 1,316 |
| Westminster Bk Plc | | | | US\$ 3,521 |
| de Life Global Fdg I | | | | US\$ 1,495 |
| de Life Global Mtn | | | | US\$ 1,988 |
| orp. / Ozark Hldg, Inc. | | | | US\$ 3,616 |
| nc Mtn Book Entry | | | | US\$ 1,004 |
| Corp. | | | | US\$ 2,922 |
| North Amer, Inc. | | | | US\$ 3,131 |
| nc. | | | | US\$ 2,728 |
| Intl, Inc. | | | | US\$ 3,420 |
| lobal Fdg I Mtn | | | | US\$ 1,012 |
| Finl Group Australia | | | | US\$ 1,169 |
| Life Global Fdg I Gl | | | | US\$ 2,929 |
| e Life Secd Trs | | | | US\$ 3,423 |
| e Life Secd Trs Mtn | | | | US\$ 2,615 |
| l Ins Co. Amer | | | | US\$ 3,702 |
| nc Elec Gas Co. | | | | US\$ 2,379 |
| Finl Corp. New | | | | US\$ 713 |
| orp. | | | | US\$ 1,051 |
| munications, Inc. | | | | US\$ 703 |
| munications, Inc. | | | | US\$ 1,065 |
| oty Group Lp | | | | US\$ 1,017 |
| oty Group Lp | | | | US\$ 2,954 |
| . Medium Term Nts | | | | US\$ 974 |
| rassests Ltd Global | | | | |

| | |
|------------------------|-----------|
| os Inc. Mtn Bk Ent | US\$2,550 |
| Bk Atlanta Ga Medium | US\$3,460 |
| atl Assn Cincinnati Oh | US\$2,934 |
| e Airtouch Plc | US\$4,464 |
| a Corp. New | US\$3,493 |
| a Corp. New | US\$3,577 |
| on Mut, Inc. | US\$1,706 |
| on Post Co. | US\$3,012 |
| go + Co. New | US\$2,956 |
| go + Co. New Med Trm | US\$4,349 |
| l Cap Corp. Ltd. | US\$2,004 |
| ources Corp. | US\$1,041 |

(Continued)

| | | March 31, 2007 | | | Market Value or Net Asset Value |
|-------------------|--|---|------------------|-------------|---|
| | | Carrying Shares/Unit Value | Percentage of | Value | |
| | | (In (US\$ | of | (US\$ in | |
| Held Company Name | Marketable Securities Type and Name | Thousands | Ownership | Thousands | Note |
| Company Name | Type and Name | (Thousands) | (Percentage) | (Thousands) | (Note) |
| | Corporate issued asset-backed securities | | | | |
| | | Available-for-sale financial assets | | | |
| | American Home Mtg Invt Tr | US\$ 82 | N/A | US\$ 82 | |
| | Americredit Auto Rec Tr | US\$ 1,004 | N/A | US\$ 1,004 | |
| | Americredit Automobile Rec Tr | US\$ 311 | N/A | US\$ 311 | |
| | Americredit Automobile Rec Tr | US\$ 2,599 | N/A | US\$ 2,599 | |
| | Americredit Automobile Rec Tr | US\$ 3,260 | N/A | US\$ 3,260 | |
| | Americredit Automobile Receiva | US\$ 3,618 | N/A | US\$ 3,618 | |
| | Americredit Automobile Receivb | US\$ 2,439 | N/A | US\$ 2,439 | |
| | Atlantic City Elc Trns Fdgllc | US\$ 358 | N/A | US\$ 358 | |
| | Ba Cr Card Tr | US\$ 4,326 | N/A | US\$ 4,326 | |
| | Banc Amer Fdg 2006 I Tr | US\$ 4,211 | N/A | US\$ 4,211 | |
| | Bank Of Amer Lease Equip Tr | US\$ 731 | N/A | US\$ 731 | |
| | Bear Stearns Alt A Tr | US\$ 575 | N/A | US\$ 575 | |
| | Bear Stearns Arm Tr | US\$ 3,405 | N/A | US\$ 3,405 | |
| | Bear Stearns Arm Tr | US\$ 1,950 | N/A | US\$ 1,950 | |
| | Bear Stearns Coml Mtg Secs, Inc. | US\$ 6,355 | N/A | US\$ 6,355 | |
| | Bear Stearns Coml Mtg Secs, Inc. | US\$ 3,534 | N/A | US\$ 3,534 | |
| | Capital Auto Receivables Asset | US\$ 3,246 | N/A | US\$ 3,246 | |
| | Capital One Auto Fin Tr | US\$ 2,623 | N/A | US\$ 2,623 | |
| | Capital One Auto Fin Tr | US\$ 2,990 | N/A | US\$ 2,990 | |
| | Capital One Auto Fin Tr | US\$ 5,000 | N/A | US\$ 5,000 | |
| | Capital One Multi Asset Execut | US\$ 3,957 | N/A | US\$ 3,957 | |
| | Capital One Multi Asset Execut | US\$ 2,973 | N/A | US\$ 2,973 | |
| | Capital One Prime Auto Rec | US\$ 3,988 | N/A | US\$ 3,988 | |
| | Capitital One Prime Auto Receiv | US\$ 1,966 | N/A | US\$ 1,966 | |
| | Caterpillar Finl Asset Tr | US\$ 1,045 | N/A | US\$ 1,045 | |
| | Caterpillar Finl Asset Tr | US\$ 8,174 | N/A | US\$ 8,174 | |
| | Cbass Tr | US\$ 4,253 | N/A | US\$ 4,253 | |
| | Cendant Rent Car Fdg Aesop Llc | US\$ 9,335 | N/A | US\$ 9,335 | |
| | Chase Mtge Finance Corp. | US\$ 2,926 | N/A | US\$ 2,926 | |
| | Chase Mtge Finance Corp. | US\$ 1,950 | N/A | US\$ 1,950 | |
| | Cit Equip Coll Tr | US\$ 1,375 | N/A | US\$ 1,375 | |
| | Cit Equip Coll Tr | US\$ 3,999 | N/A | US\$ 3,999 | |
| | Citibank Cr Card Issuance Tr | US\$ 9,920 | N/A | US\$ 9,920 | |

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| | | | |
|--------------------------------|------------|-----|------------|
| Citibank Cr Card Issuance Tr | US\$ 2,693 | N/A | US\$ 2,693 |
| CitiCorp. Mtg Secs | US\$ 517 | N/A | US\$ 517 |
| Cnh Equip Tr | US\$ 1,189 | N/A | US\$ 1,189 |
| Credit Suisse First Boston Mtg | US\$ 3,750 | N/A | US\$ 3,750 |
| Credit Suisse First Boston Mtg | US\$ 3,585 | N/A | US\$ 3,585 |
| Credit Suisse First Boston Mtg | US\$ 420 | N/A | US\$ 420 |
| Cwabs | US\$ 4,026 | N/A | US\$ 4,026 |
| Cwabs, Inc. | US\$ 193 | N/A | US\$ 193 |
| Cwabs, Inc. | US\$ 837 | N/A | US\$ 837 |
| Daimlerchrysler Auto Tr | US\$ 4,324 | N/A | US\$ 4,324 |
| Daimlerchrysler Auto Tr | US\$ 1,697 | N/A | US\$ 1,697 |
| Deere John Owner Tr | US\$ 2,449 | N/A | US\$ 2,449 |
| Drive Auto Receivables Tr | US\$ 2,853 | N/A | US\$ 2,853 |
| First Franklin Mtg Ln Tr | US\$ 4,300 | N/A | US\$ 4,300 |
| First Horizon Abs Tr | US\$ 467 | N/A | US\$ 467 |
| First Union Lehman Bros Mtg Tr | US\$ 1,280 | N/A | US\$ 1,280 |
| Ford Credit Auto Owner Trust | US\$ 4,330 | N/A | US\$ 4,330 |
| Ge Cap Cr Card Master Nt Tr | US\$ 2,852 | N/A | US\$ 2,852 |

(Continued)

| | | March 31, 2007 | | | Market Value or Net Asset Value |
|--------------------------|--|---|------------------------------|--------------|--|
| | | Carrying Shares/Unit Value | Percentage of | Value | |
| | | (In | (US\$ | of | (US\$ in |
| | | Relationship | | | |
| | | with financial | | | |
| | | the statement in | | | |
| Held Company Name | Marketable Securities Type and Name | Company (Thousands) | Ownership (Thousands) | Note | |
| | | Available-for-sale | | | |
| | | financial | | | |
| | | assets | | | |
| | Gs Mtg Secs Corp. | | US\$ 4,152 | N/A | US\$ 4,152 |
| | Gsamp Tr | | US\$ 4,251 | N/A | US\$ 4,251 |
| | Harley Davidson Motorcycle Tr | | US\$ 5,619 | N/A | US\$ 5,619 |
| | Hertz Veh Fing Llc | | US\$ 5,334 | N/A | US\$ 5,334 |
| | Home Equity Mtg Tr 2006 4 | | US\$ 4,237 | N/A | US\$ 4,237 |
| | Hsbc Automotive Tr | | US\$ 2,985 | N/A | US\$ 2,985 |
| | Hyundai Auto Receivables Tr | | US\$ 4,803 | N/A | US\$ 4,803 |
| | Hyundai Auto Receivables Tr | | US\$ 3,223 | N/A | US\$ 3,223 |
| | Hyundai Auto Receivables Tr | | US\$ 3,939 | N/A | US\$ 3,939 |
| | Impac Cmb Tr | | US\$ 208 | N/A | US\$ 208 |
| | Jp Morgan Mtg Tr | | US\$ 974 | N/A | US\$ 974 |
| | Jp Morgan Mtg Tr | | US\$ 972 | N/A | US\$ 972 |
| | Jp Morgan Mtg Tr | | US\$ 971 | N/A | US\$ 971 |
| | Jp Morgan Mtg Tr | | US\$ 971 | N/A | US\$ 971 |
| | Lb Ubs Coml Mtg Tr | | US\$ 3,408 | N/A | US\$ 3,408 |
| | Long Beach Mtg Ln Tr | | US\$ 3,214 | N/A | US\$ 3,214 |
| | Mastr Asset Backed | | US\$ 3,815 | N/A | US\$ 3,815 |
| | Mbna Cr Card Master Nt Tr | | US\$ 4,497 | N/A | US\$ 4,497 |
| | Mbna Master Cr Card Tr Ii | | US\$ 7,591 | N/A | US\$ 7,591 |
| | Merrill Lynch Mtg Invs, Inc. | | US\$ 5,560 | N/A | US\$ 5,560 |
| | Morgan Stanley Ixis Estate Tr | | US\$ 3,560 | N/A | US\$ 3,560 |
| | Navistar Finl 2003 A Owner Tr | | US\$ 2,408 | N/A | US\$ 2,408 |
| | Nissan Auto Receivables | | US\$ 3,940 | N/A | US\$ 3,940 |
| | Nomura Asset Accep Corp. | | US\$ 4,153 | N/A | US\$ 4,153 |
| | Onyx Accep Owner Tr | | US\$ 3,137 | N/A | US\$ 3,137 |
| | Pg+E Energy Recovery Fdg Llc | | US\$ 3,613 | N/A | US\$ 3,613 |
| | Providian Gateway Owner Tr | | US\$ 3,961 | N/A | US\$ 3,961 |
| | Reliant Energy Transition Bd | | US\$ 1,628 | N/A | US\$ 1,628 |
| | Residential Asset Mtg Prods | | US\$ 2,453 | N/A | US\$ 2,453 |
| | Residential Asset Sec Mtg Pass | | US\$ 1,428 | N/A | US\$ 1,428 |
| | Residential Asset Sec Mtg Pass | | US\$ 2,116 | N/A | US\$ 2,116 |
| | Residential Fdg Mtg Secs I, Inc. | | US\$ 1,909 | N/A | US\$ 1,909 |
| | Residential Fdg Mtg Secs I, Inc. | | US\$ 3,945 | N/A | US\$ 3,945 |
| | Sequoia Mtg Tr | | US\$ 488 | N/A | US\$ 488 |

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| | | | |
|--------------------------------|------------|-----|------------|
| Sequoia Mtg Tr | US\$ 681 | N/A | US\$ 681 |
| Sequoia Mtg Tr | US\$ 430 | N/A | US\$ 430 |
| Structured Adj Rate Mtg Ln Tr | US\$ 1,273 | N/A | US\$ 1,273 |
| Structured Adj Rate Mtg Ln Tr | US\$ 421 | N/A | US\$ 421 |
| Terwin Mtg Tr | US\$ 4,083 | N/A | US\$ 4,083 |
| Tw Hotel Fdg 2005 Llc | US\$ 4,101 | N/A | US\$ 4,101 |
| Txu Elec Delivery Transition | US\$ 2,231 | N/A | US\$ 2,231 |
| Usaa Auto Owner Tr | US\$ 4,244 | N/A | US\$ 4,244 |
| Wamu Mtg Pass Thru Ctfs | US\$ 941 | N/A | US\$ 941 |
| Wamu Mtg Pass Thru Ctfs Tr | US\$ 4,701 | N/A | US\$ 4,701 |
| Wamu Tr | US\$ 948 | N/A | US\$ 948 |
| Washington Mut Mtg Pass | US\$ 1,677 | N/A | US\$ 1,677 |
| Washington Mut Mtg Secs Corp. | US\$ 2,780 | N/A | US\$ 2,780 |
| Wells Fargo Finl Auto Owner Tr | US\$ 3,880 | N/A | US\$ 3,880 |
| Wells Fargo Finl Auto Owner Tr | US\$ 4,933 | N/A | US\$ 4,933 |
| Wells Fargo Mtg Backed Secs | US\$ 4,263 | N/A | US\$ 4,263 |
| Wells Fargo Mtg Bkd Secs | US\$ 2,705 | N/A | US\$ 2,705 |
| Wells Fargo Mtg Bkd Secs | US\$ 3,281 | N/A | US\$ 3,281 |

(Continued)

| | | | | | | March 31, 2007 | | |
|-------------------|-------------------------------------|---------|-----------|-------------------------------------|-------------|--|-------------|--|
| | | | | | | Market Value or Net Asset Value | | |
| | | | | | | Shares/Units Carrying Percentage of (US\$ in | | |
| | | | | | | Relationship with Financial Statement in | | |
| Held Company Name | Marketable Securities Type and Name | Company | Thousands | Thousands | Ownership | Thousands | Note | |
| | | | | Available-for-sale financial assets | | | | |
| | Wells Fargo Mtg Bkd Secs Tr | | | assets | US\$ 2,526 | N/A | US\$ 2,526 | |
| | Wfs Finl | | | | US\$ 505 | N/A | US\$ 505 | |
| | Wfs Finl 2004 4 Owner Tr | | | | US\$ 643 | N/A | US\$ 643 | |
| | Wfs Finl 2005 2 Oner Tr | | | | US\$ 2,224 | N/A | US\$ 2,224 | |
| | Whole Auto Ln Tr | | | | US\$ 917 | N/A | US\$ 917 | |
| | Whole Auto Ln Tr | | | | US\$ 2,967 | N/A | US\$ 2,967 | |
| | Government bonds | | | Available-for-sale financial assets | | | | |
| | United States Treas Nt | | | assets | US\$ 2,018 | N/A | US\$ 2,018 | |
| | United States Treas Nts | | | | US\$ 4,867 | N/A | US\$ 4,867 | |
| | United States Treas Nts | | | | US\$ 5,949 | N/A | US\$ 5,949 | |
| | United States Treas Nts | | | | US\$ 2,487 | N/A | US\$ 2,487 | |
| | United States Treas Nts | | | | US\$ 2,494 | N/A | US\$ 2,494 | |
| | United States Treas Nts | | | | US\$ 1,897 | N/A | US\$ 1,897 | |
| | United States Treas Nts | | | | US\$ 38,587 | N/A | US\$ 38,587 | |
| | United States Treas Nts | | | | US\$ 24,135 | N/A | US\$ 24,135 | |
| | United States Treas Nts | | | | US\$ 10,764 | N/A | US\$ 10,764 | |
| | United States Treas Nts | | | | US\$ 3,523 | N/A | US\$ 3,523 | |
| | United States Treas Nts | | | | US\$ 304 | N/A | US\$ 304 | |
| | United States Treas Nts | | | | US\$ 90,791 | N/A | US\$ 90,791 | |
| | Us Treas Nts | | | | US\$ 14,155 | N/A | US\$ 14,155 | |
| | Money market funds | | | Available-for-sale financial assets | | | | |
| | Deutsche Bk Ag Ny Instl Dtc Mmi | | | assets | US\$ 7,400 | N/A | US\$ 7,400 | |
| | Generic Cusip | | | | US\$ 52 | N/A | US\$ 52 | |
| | Ssga Cash Mgmt Global Offshore | | | | US\$ 52 | N/A | US\$ 52 | |

(Concluded)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Securities Type and Financial Statement | Account | Counter-party Relationship | Beginning Balance | | Acquisition | | Disposal (Note 1) | | Carrying Value (US\$ Thousands) |
|---|-------------------------------------|--|---------------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|---------------------------------|
| | | | Nature of Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | |
| | | | | | | | | | |
| and Series B | Available-for-sale financial assets | Chung Shing Bills Finance Corp. and several financial institutions | | \$ 999,779 | | \$ 200,275 | \$ | \$ | |
| and Series B | | | | 998,288 | | 1,348,638 | | | |
| and Series G | | | | | | 201,561 | | | |
| and Series D | | | | | | 400,778 | | | |
| and Series A | Held-to-maturity financial assets | | | 3,049,919 | | | 3,050,000 | 3,050,000 | |
| and Series B | | | | 350,399 | | | 350,000 | 350,000 | |
| ds | Available-for-sale financial assets | National Investment Trust Co., Ltd. | 22,219 | 3,655,939 | | 4,547 | 750,000 | 739,000 | |
| and | | ING Securities Investment Trust Co., Ltd. | 175,156 | 2,639,459 | | 23,803 | 360,000 | 353,000 | |
| | | Cathay Securities Investment Trust Co., Ltd | 109,720 | 1,265,092 | | 17,328 | 200,000 | 197,000 | |
| | | National Investment Trust Co., Ltd. | 93,312 | 1,314,669 | | 14,180 | 200,000 | 197,000 | |
| I Fund | | Allianz Global | 95,553 | 1,107,206 | | 14,628 | 170,000 | 167,000 | |

| | | | | | | | | |
|----------|--|---|------------|--|--------|-----------|---------|-----|
| | | Investors Taiwan Ltd. | | | | | | |
| l Fund | | JF Assest Management (Taiwan) Limited | 66,826 | 939,082 | | 10,663 | 150,000 | 147 |
| ond Fund | | ING Securities Investment Trust Co., Ltd. | 76,593 | 868,076 | | 13,221 | 150,000 | 148 |
| | | Taiwan International Investment Management | 44,685 | 554,863 | | 8,028 | 100,000 | 98 |
| any | Held-to-maturity financial assets | Chung Shing Bills Finance Corp. | | 4,080,391 | | | 125,000 | 125 |
| poration | | | | 516,663 | | | 136,000 | 136 |
| | Investment accounted for using equity method | | | Investee with a controlling interest | 90,526 | 1,357,890 | | |
| | Investment accounted for using equity method | | Subsidiary | 228,005 | | 211,982 | | |

(Continued)

| Securities Name and | Type and Financial Statement Account | Counter-party | Relationship | Nature | Beginning Balance Amount | | Acquisition Amount | | Disposal (Note 1) Amount | | Carry Value (US\$ Thousands) |
|---------------------|--------------------------------------|---------------|--------------|--------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|------------------------------|
| | | | | | Shares/Units (In thousands) | (US\$ Thousands) | Shares/Units (In thousands) | (US\$ Thousands) | Shares/Units (In thousands) | (US\$ Thousands) | |
| reas Nt | Available-for-sale financial assets | | | | | US\$- | US\$ 5,059 | | US\$ 3,033 | US\$ 3,033 | |
| reas Nts | | | | | | US\$ 12,295 | | | US\$ 9,860 | US\$ 9,860 | |
| reas Nts | | | | | | | | US\$ 9,011 | US\$ 7,119 | US\$ 7,119 | |
| reas Nts | | | | | | US\$ 61,165 | | | US\$ 22,471 | US\$ 22,471 | |
| reas Nts | | | | | | | | US\$ 24,127 | | | |
| reas Nts | | | | | | | | US\$ 16,788 | US\$ 6,017 | US\$ 6,017 | |
| reas Nts | | | | | | | | US\$ 106,064 | US\$ 102,586 | US\$ 102,586 | |
| reas Nts | | | | | | US\$ 3,996 | | | US\$ 4,019 | US\$ 4,019 | |
| reas Nts | | | | | | US\$ 56,619 | | US\$ 121,987 | US\$ 87,791 | US\$ 87,791 | |
| | | | | | | | | US\$ 14,102 | | | |
| la Fin Corp. Mtn | Available-for-sale financial assets | | | | | US\$ 3,095 | US\$ 3,950 | | | | |
| os Inc. | | | | | | US\$ 3,340 | | | US\$ 3,395 | US\$ 3,395 | |
| rst Boston USA | | | | | | | | US\$ 3,175 | | | |
| o Corp. | | | | | | | | US\$ 5,900 | | | |
| Bk | | | | | | US\$ 3,930 | | | US\$ 3,973 | US\$ 3,973 | |
| Group Inc. | | | | | | US\$ 4,941 | | | US\$ 5,011 | US\$ 5,011 | |
| m Term Sr Nts | | | | | | US\$ 3,182 | | | US\$ 3,215 | US\$ 3,215 | |
| Corp. | | | | | | | | US\$ 3,120 | | | |
| usiness Machs | | | | | | | | US\$ 3,496 | | | |
| - Co Inc. | | | | | | US\$ 3,426 | | | US\$ 3,464 | US\$ 3,464 | |
| - Co Inc. | | | | | US\$ 4,842 | | | US\$ 4,880 | US\$ 4,880 | | |
| | | | | | US\$ 3,811 | | | US\$ 3,790 | US\$ 3,790 | | |
| ium Term Nts | | | | | US\$ 8,949 | | | US\$ 6,068 | US\$ 6,068 | | |
| . New | | | | | | | US\$ 3,491 | | | | |
| nt Bk Fa | | | | | US\$ 4,000 | | | US\$ 3,998 | US\$ 3,998 | | |
| d asset-backed | | | | | | | | | | | |
| Master Nt Tr | Available-for-sale financial assets | | | | | | US\$ 4,500 | | | | |
| s Thru Ctfs Tr | | | | | | | | US\$ 4,854 | | | |
| Ln Bks | Available-for-sale | | | | | US\$ 4,872 | | | US\$ 4,938 | US\$ 4,938 | |