

**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)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 119,752,168	20	\$ 109,989,790	20	Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 133,802	-	\$ 354,214	-
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	159	-	58,545	-	Accounts payable	6,811,587	1	7,360,964	1
Available-for-sale financial assets (Notes 2, 3 and 6)	26,325,390	4	58,815,063	11	Payables to related parties (Note 23)	2,377,933	-	3,512,804	1
Held-to-maturity financial assets (Notes 2 and 7)	6,523,668	1	9,120,093	2	Income tax payable (Notes 2 and 16)	9,801,787	2	6,110,590	1
Receivables from related parties (Note 23)	19,157,572	3	21,248,956	4	Accrued expenses and other current liabilities (Note 14)	8,497,965	1	6,886,738	1
Notes and accounts receivable	14,682,899	3	19,986,591	4	Payables to contractors and equipment suppliers	8,694,304	2	11,621,333	2
Allowance for doubtful receivables (Note 2)	(690,931)	-	(975,704)	-	Current portion of bonds payable (Note 13)	4,500,000	1	2,500,000	1
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	-	Total current liabilities	40,817,378	7	38,346,643	7
Other financial assets	686,670	-	784,723	-					
Inventories, net (Notes 2 and 8)	19,933,360	3	16,901,113	3	<b>LONG-TERM LIABILITIES</b>				
Deferred income taxes assets (Notes 2 and 16)	9,486,631	2	7,276,728	1	Bonds payable (Note 13)	12,500,000	2	17,000,000	3
Prepaid expenses and other current assets	1,362,053	-	1,378,283	-	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 current assets	215,230,618	36	240,787,902	44	Total long-term liabilities	14,123,181	2	19,580,570	3
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 9 and 10)</b>					<b>OTHER LIABILITIES</b>				
Investments accounted for using equity method	105,135,305	18	54,047,343	10	Accrued pension cost (Notes 2 and 15)	3,546,228	1	3,437,287	1
Available-for-sale financial assets	6,466,605	1	1,900,885	-	Guarantee deposits (Note 25)	3,424,737	1	3,215,089	1
Held-to-maturity financial assets	26,697,128	5	18,677,604	4	Deferred credits (Notes 2 and 23)	1,090,364	-	1,211,019	-
Financial assets carried at cost	746,405	-	813,354	-	Total other liabilities	8,061,329	2	7,863,395	2
Total long-term investments	139,045,443	24	75,439,186	14	Total liabilities	63,001,888	11	65,790,608	12
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)</b>					<b>CAPITAL STOCK - \$10 PAR VALUE</b>				
Cost					Authorized: 27,050,000 thousand shares				
Buildings	98,752,832	17	91,408,209	17	Issued: 25,832,959 thousand shares in 2007				
Machinery and equipment	538,459,403	91	468,724,647	86	24,733,053 thousand shares in 2006	258,329,592	44	247,330,530	45
Office equipment	8,722,604	1	7,978,549	2	<b>CAPITAL SURPLUS (Notes 2 and 18)</b>	54,231,465	9	57,208,367	11
	645,934,839	109	568,111,405	105	<b>RETAINED EARNINGS (Note 18)</b>				
Accumulated depreciation	(435,129,667)	(73)	(373,690,326)	(69)	Appropriated as legal capital reserve	43,705,711	7	34,348,208	6
Advance payments and construction in progress	11,740,887	2	18,101,402	3	Appropriated as special capital reserve	640,742	-	2,226,427	-
Net property, plant and equipment	222,546,059	38	212,522,481	39	Unappropriated earnings	171,616,718	29	138,803,185	26
<b>GOODWILL (Note 2)</b>	1,567,756	-	1,567,756	-	Total retained earnings	215,963,171	36	175,377,820	32
<b>OTHER ASSETS</b>					<b>OTHERS (Notes 2, 3 and 22)</b>				
Deferred charges, net (Notes 2 and 12)	5,593,638	1	6,179,470	1	Cumulative translation adjustments	299,332	-	(1,098,483)	-
Deferred income tax assets (Notes 2 and 16)	5,001,596	1	7,064,964	2	Unrealized gains on financial instruments	720,134	-	32,869	-
Refundable deposits	2,576,685	-	83,642	-	Total others	1,019,466	-	(1,065,614)	-
Assets leased to others, net (Note 2)	65,712	-	71,446	-	<b>TREASURY STOCK (AT COST, Notes 2 and 20)</b>				
Others	-	-	6,789	-	33,926 thousand shares in 2007 and 32,938 thousand shares in 2006	(918,075)	-	(918,075)	-
Total other assets	13,237,631	2	13,406,311	3	Total shareholders' equity	528,625,619	89	477,933,028	88
<b>TOTAL</b>	<b>\$ 591,627,507</b>	<b>100</b>	<b>\$ 543,723,636</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 591,627,507</b>	<b>100</b>	<b>\$ 543,723,636</b>	<b>100</b>

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

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 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)	<u>708,058</u>		<u>1,344,296</u>	
NET SALES	63,346,589	100	77,293,344	100
COST OF SALES (Notes 17 and 23)	<u>39,378,386</u>	<u>62</u>	<u>40,651,362</u>	<u>53</u>
GROSS PROFIT	23,968,203	38	36,641,982	47
UNREALIZED GROSS PROFIT FROM AFFILIATES	<u>198,973</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>23,769,230</u>	<u>38</u>	<u>36,641,982</u>	<u>47</u>
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	<u>310,529</u>	<u>1</u>	<u>671,400</u>	<u>-</u>
Total operating expenses	<u>5,407,270</u>	<u>9</u>	<u>5,774,637</u>	<u>7</u>
INCOME FROM OPERATIONS	<u>18,361,960</u>	<u>29</u>	<u>30,867,345</u>	<u>40</u>
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)	<u>170,146</u>	<u>-</u>	<u>78,440</u>	<u>-</u>
Total non-operating income and gains	<u>2,347,571</u>	<u>3</u>	<u>5,306,812</u>	<u>7</u>
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)

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Interest expense	\$ 151,922	-	\$ 165,300	-
Foreign exchange loss, net (Note 2)	-	-	1,032,555	2
Others (Note 2)	<u>14,382</u>	<u>-</u>	<u>25,292</u>	<u>-</u>
Total non-operating expenses and losses	<u>814,623</u>	<u>1</u>	<u>1,518,816</u>	<u>2</u>
INCOME BEFORE INCOME TAX	19,894,908	31	34,655,341	45
INCOME TAX EXPENSE (Notes 2 and 16)	<u>1,056,269</u>	<u>1</u>	<u>1,802,369</u>	<u>3</u>
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)	<u>-</u>	<u>-</u>	<u>(246,186)</u>	<u>-</u>
NET INCOME	<u>\$ 18,838,639</u>	<u>30</u>	<u>\$ 32,606,786</u>	<u>42</u>
	<u>2007</u>		<u>2006</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>
	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>
EARNINGS PER SHARE (NT\$, Note 21)				
Basic earnings per share	<u>\$ 0.77</u>	<u>\$ 0.73</u>	<u>\$ 1.33</u>	<u>\$ 1.26</u>
Diluted earnings per share	<u>\$ 0.77</u>	<u>\$ 0.73</u>	<u>\$ 1.33</u>	<u>\$ 1.26</u>

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):

	<u>2007</u>	<u>2006</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	<u>\$ 18,838,639</u>	<u>\$ 32,852,972</u>
NET INCOME	<u>\$ 18,838,639</u>	<u>\$ 32,606,786</u>
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	<u>\$0.73</u>	<u>\$1.26</u>
Diluted earnings per share	<u>\$0.73</u>	<u>\$1.26</u>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>35,860,559</u>	<u>47,748,182</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	<u>(1,270,451)</u>	<u>-</u>
Net cash used in investing activities	<u>(13,484,885)</u>	<u>(23,581,514)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	<u>122,009</u>	<u>117,395</u>
Net cash provided by (used in) financing activities	<u>(2,763,215)</u>	<u>439,539</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	19,612,459	24,606,207
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>100,139,709</u>	<u>85,383,583</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 119,752,168</u>	<u>\$ 109,989,790</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 420,000</u>	<u>\$ 420,000</u>
Income tax paid	<u>\$ 52,670</u>	<u>\$ 67,924</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 11,807,794	\$ 13,876,710
Decrease (increase) in payables to contractors and equipment suppliers	<u>1,975,219</u>	<u>(2,762,103)</u>
Cash paid	<u>\$ 13,783,013</u>	<u>\$ 11,114,607</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	<u>\$ 4,500,000</u>	<u>\$ 2,500,000</u>
Current portion of other payables to related parties (under payables to related parties)	<u>\$ -</u>	<u>\$ 685,718</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 2,371,524</u>	<u>\$ 817,530</u>

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)

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### 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:

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

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

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
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
	<u>\$ 119,752,168</u>	<u>\$ 109,989,790</u>

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

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

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:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<u>March 31, 2007</u>		
Sell EUR/Buy US\$	April 2007	EUR 23,000
<u>March 31, 2006</u>		
Sell EUR/Buy US\$	April 2006	EUR 30,500

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

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>March 31, 2007</u>			
April 2007 to June 2007	US\$ 835,000	2.65%-5.35%	1.65%-5.16%
<u>March 31, 2006</u>			
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

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
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
	<u>32,791,995</u>	<u>60,715,948</u>
Current portion	<u>(26,325,390)</u>	<u>(58,815,063)</u>
	<u>\$ 6,466,605</u>	<u>\$ 1,900,885</u>

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:

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

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

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

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>March 31, 2007</u>				
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
	<u>\$ 11,117,800</u>	<u>\$ 35,735</u>		

(Continued)



	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>March 31, 2006</u>				
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
	<u>\$ 10,641,200</u>	<u>\$ 43,867</u>		

(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

	<u>March 31</u>	
	<b>2007</b>	<b>2006</b>
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	<u>449,237</u>	<u>795,070</u>
	20,690,673	17,962,349
Allowance for losses	<u>(757,313)</u>	<u>(1,061,236)</u>
	<u>\$ 19,933,360</u>	<u>\$ 16,901,113</u>

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2007		2006	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
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	-	-
	<u>\$ 105,135,305</u>		<u>\$ 54,047,343</u>	

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

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

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

## 12. DEFERRED CHARGES, NET

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

## 13. BONDS PAYABLE

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
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	<u>12,500,000</u>	<u>15,000,000</u>
	17,000,000	19,500,000
Current portion	<u>(4,500,000)</u>	<u>(2,500,000)</u>
	<u>\$ 12,500,000</u>	<u>\$ 17,000,000</u>

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

<b>Year of Repayment</b>	<b>Amount</b>
2007 4 <sup>th</sup> quarter	\$ 4,500,000
2009	8,000,000
2012	<u>4,500,000</u>
	<u>\$ 17,000,000</u>

#### **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:

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

#### **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:

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

## 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:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
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	<u>(1,951,369)</u>	<u>(2,362,272)</u>
Income tax currently payable	<u>\$ 1,951,369</u>	<u>\$ 2,362,273</u>

- 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	<u>(696,609)</u>	<u>255,072</u>
Income tax expense	<u>\$ 1,056,269</u>	<u>\$ 1,802,369</u>

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

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets		
Investment tax credits	<u>\$ 9,486,631</u>	<u>\$ 7,276,728</u>
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 9,960,351	\$ 16,085,638
Temporary differences	1,548,865	644,944
Valuation allowance	<u>(6,507,620)</u>	<u>(9,665,618)</u>
	<u>\$ 5,001,596</u>	<u>\$ 7,064,964</u>

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:

<b>Regulation</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 3,955,454	\$ 2,004,085	2008
		6,030,087	6,030,087	2009
		5,971,768	5,971,768	2010
		<u>144,422</u>	<u>144,422</u>	2011
		<u>\$ 16,101,731</u>	<u>\$ 14,150,362</u>	
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
		<u>440,265</u>	<u>440,265</u>	2011
		<u>\$ 5,135,640</u>	<u>\$ 5,135,640</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 40,734	\$ 40,734	2008
		<u>40,442</u>	<u>40,442</u>	2009
		<u>\$ 81,176</u>	<u>\$ 81,176</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 79,804</u>	<u>\$ 79,804</u>	2010

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

	<b>Tax-Exemption Period</b>
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.

## 17. LABOR COST, DEPRECIATION AND AMORTIZATION

	<u>Three Months Ended March 31, 2007</u>		
	<u>Classified as Cost of Sales</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
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	<u>30,552</u>	<u>1,171</u>	<u>31,723</u>
	<u>\$ 2,721,038</u>	<u>\$ 1,284,518</u>	<u>\$ 4,005,556</u>
Depreciation	<u>\$ 16,857,622</u>	<u>\$ 957,405</u>	<u>\$ 17,815,027</u>
Amortization	<u>\$ 458,751</u>	<u>\$ 206,968</u>	<u>\$ 665,719</u>

	<u>Three Months Ended March 31, 2006</u>		
	<u>Classified as Cost of Sales</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
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	<u>51,769</u>	<u>3,614</u>	<u>55,383</u>
	<u>\$ 3,111,366</u>	<u>\$ 1,247,037</u>	<u>\$ 4,358,403</u>
Depreciation	<u>\$ 14,548,962</u>	<u>\$ 818,442</u>	<u>\$ 15,367,404</u>
Amortization	<u>\$ 364,266</u>	<u>\$ 237,773</u>	<u>\$ 602,039</u>

## 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.

Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
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	<u>55</u>	<u>55</u>
	<u>\$ 54,231,465</u>	<u>\$ 57,208,367</u>

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:

	<u>Appropriations of Earnings</u>		<u>Dividends Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>
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	<u>285,800</u>	<u>257,410</u>		
	<u>\$ 100,126,835</u>	<u>\$ 80,428,051</u>		

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\$)
<u>Three months ended March 31, 2007</u>		
Balance, beginning of period	52,814	39.6
Options exercised	(3,271)	37.3
Options cancelled	<u>(252)</u>	47.2
Balance, end of period	<u>49,291</u>	39.7
<u>Three months ended March 31, 2006</u>		
Balance, beginning of period	67,758	42.1
Options exercised	(3,028)	38.8
Options cancelled	<u>(1,117)</u>	46.6
Balance, end of period	<u>63,613</u>	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	<u>17,509</u>	5.65	47.5	<u>6,495</u>	47.0
	<u>49,291</u>			<u>34,120</u>	

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:

Assumptions:	Three Months Ended March 31	
	2007	2006
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)

	<b>Three Months Ended March 31</b>	
	<b>2007</b>	<b>2006</b>
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

(Shares in Thousands)

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

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

	<b>Three Months Ended March 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
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	<u>\$ 0.77</u>	<u>\$ 0.73</u>	<u>\$ 1.33</u>	<u>\$ 1.26</u>
Diluted EPS (NT\$)				
Income before cumulative effect of change 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	<u>\$ 0.77</u>	<u>\$ 0.73</u>	<u>\$ 1.33</u>	<u>\$ 1.26</u>

EPS was computed as follows:

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

## 22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
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
<u>Liabilities</u>				
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.

- 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:

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

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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	<u>686,332</u>	<u>6</u>	<u>736,971</u>	<u>6</u>
	<u>\$ 5,665,755</u>	<u>54</u>	<u>\$ 6,789,753</u>	<u>57</u>
Manufacturing expenses - technical assistance fees				
Philips (Note 25a)	<u>\$ -</u>	<u>-</u>	<u>\$ 188,976</u>	<u>1</u>
Marketing expenses - commission				
TSMC-Europe	\$ 53,775	17	\$ 45,213	7
TSMC-Japan	45,512	15	48,686	7
TSMC-Korea	<u>4,197</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,484</u>	<u>33</u>	<u>\$ 93,899</u>	<u>14</u>
General and administrative expenses - rental				
GUC	<u>\$ 3,473</u>	<u>-</u>	<u>\$ 4,186</u>	<u>-</u>
Research and development expenses				
TSMC Technology	\$ 17,346	1	\$ -	-
GUC	<u>6,456</u>	<u>-</u>	<u>22,389</u>	<u>1</u>
	<u>\$ 23,802</u>	<u>1</u>	<u>\$ 22,389</u>	<u>1</u>
Sales of property, plant and equipment				
TSMC-Shanghai	<u>\$ -</u>	<u>-</u>	<u>\$ 100,423</u>	<u>22</u>
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	<u>42,089</u>	<u>2</u>	<u>45,922</u>	<u>1</u>
	<u>\$ 263,789</u>	<u>11</u>	<u>\$ 228,187</u>	<u>4</u>
<u>As of March 31</u>				
Receivables				
TSMC-North America	\$ 18,993,076	99	\$ 20,821,546	98
Philips	-	-	321,540	2
Others	<u>164,496</u>	<u>1</u>	<u>105,870</u>	<u>-</u>
	<u>\$ 19,157,572</u>	<u>100</u>	<u>\$ 21,248,956</u>	<u>100</u>

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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	<u>12,318</u>	<u>3</u>	<u>1,842</u>	<u>-</u>
	<u>\$ 487,266</u>	<u>100</u>	<u>\$ 683,675</u>	<u>100</u>
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	<u>105,298</u>	<u>5</u>	<u>244,523</u>	<u>7</u>
	<u>\$ 2,377,933</u>	<u>100</u>	<u>\$ 3,512,804</u>	<u>100</u>
Other long-term payables				
Philips (Note 25a)	<u>\$ -</u>	<u>-</u>	<u>\$ 1,087,410</u>	<u>100</u>
Deferred credits				
TSMC-Shanghai	\$ 670,387	61	\$ 633,122	52
VisEra	<u>108,806</u>	<u>10</u>	<u>170,981</u>	<u>14</u>
	<u>\$ 779,193</u>	<u>71</u>	<u>\$ 804,103</u>	<u>66</u>

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.



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

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

## 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.

- 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;

- 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:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
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)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note	
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)		
The Company	<u>Government bond</u>								
	2003 Government Bond Series B	-	Available-for-sale financial assets	-	\$ 2,348,536	N/A	\$ 2,348,536		
	2004 Government Bond Series B	-	"	-	1,202,233	N/A	1,202,233		
	2006 Government Bond Series D	-	"	-	400,608	N/A	400,608		
	2004 Government Bond Series G	-	"	-	201,361	N/A	201,361		
	2006 Government Bond Series D	-		Held-to-maturity financial assets	-	3,655,977	N/A	3,655,548	
	2003 Government Bond Series B	-		"	-	1,647,875	N/A	1,646,973	
	2003 Asian Development Bank Govt. Bond	-		"	-	840,652	N/A	875,103	
	2003 Government Bond Series F	-		"	-	797,728	N/A	845,356	
	2004 Kaohsiung Municipal Bond Series A	-		"	-	620,000	N/A	620,273	
	2003 Government Bond Series H	-		"	-	401,358	N/A	400,912	
	European Investment Bank Bonds	-		"	-	374,155	N/A	400,000	
	2004 Kaohsiung Municipal Bond Series B	-		"	-	249,998	N/A	250,004	
	2003 European Bank for Reconspruction and Development Govt. Bond Series A	-		"	-	88,639	N/A	90,000	
	<u>Open-end mutual funds</u>								
	NITC Bond Fund	-		Available-for-sale financial assets	17,672	2,918,108	N/A	2,918,108	
	ING Taiwan Bond Fund	-		"	151,353	2,289,110	N/A	2,289,110	
	Fuh Hwa Bond	-		"	125,122	1,673,913	N/A	1,673,913	
	Mega Diamond Bond Fund	-		"	139,333	1,608,841	N/A	1,608,841	
	Prudential Financial Bond Fund	-		"	103,751	1,521,627	N/A	1,521,627	
	JF Taiwan Bond Fund	-		"	85,145	1,303,771	N/A	1,303,771	
	Jih Sun Bond Fund	-		"	88,165	1,206,833	N/A	1,206,833	
	NITC Taiwan Bond	-		"	79,132	1,118,950	N/A	1,118,950	
	Cathay Bond	-		"	92,392	1,068,891	N/A	1,068,891	
	ING Taiwan Income Fund	-		"	63,947	1,016,246	N/A	1,016,246	
	President James Bond	-		"	65,496	1,013,963	N/A	1,013,963	
	AIG Taiwan Bond Fund	-		"	78,629	1,006,070	N/A	1,006,070	
	Dresdner Bond DAM Fund	-		"	80,925	941,072	N/A	941,072	
	Shinkong Chi Shin Bond Fund	-		"	62,183	893,732	N/A	893,732	
	Taishin Lucky Fund	-		"	78,624	809,272	N/A	809,272	
	JF Taiwan First Bond Fund	-		"	56,163	792,018	N/A	792,018	
	ING Taiwan Select Bond Fund	-		"	63,372	720,792	N/A	720,792	
	Polaris De-Bao Fund	-		"	63,273	703,594	N/A	703,594	
	HSBC Taiwan Money Management	-		"	34,093	508,047	N/A	508,047	
	TIIM High Yield	-		"	36,657	456,836	N/A	456,836	
	INVESCO Bond Fund	-		"	27,176	405,168	N/A	405,168	
	<u>Corporate bond</u>								
	Hua Nan Bank	-		Available-for-sale financial assets	-	1,552,651	N/A	1,552,651	
	Cathay Bank	-		"	-	1,164,731	N/A	1,164,731	
	Taiwan Power Company	-		"	-	1,047,450	N/A	1,047,450	
	Formosa Petrochemical Corporation	-		"	-	398,283	N/A	398,283	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Taiwan Power Company	-	Held-to-maturity financial assets	-	\$ 3,962,223	N/A	\$ 3,962,115	
	Formosa Petrochemical Corporation	-	"	-	3,570,548	N/A	3,572,649	
	Nan Ya Plastics Corporation	-	"	-	2,770,621	N/A	2,781,295	
	Chinese Petroleum Corporation	-	"	-	1,450,247	N/A	1,450,222	
	China Steel Corporation	-	"	-	1,000,000	N/A	1,011,210	
	Formosa Plastic Corporation	-	"	-	384,956	N/A	384,815	
	Shanghai commercial & Saving Bank	-	"	-	288,019	N/A	287,939	
	<u>Stocks</u>							
	TSMC Global	Subsidiary	Investment accounted for using equity method	1	43,771,405	100	43,771,405	
	TSMC International	Subsidiary	"	987,968	26,934,392	100	26,934,392	
	SSMC	Investee accounted for using equity method	"	463	8,134,439	39	8,134,439	
	TSMC Partners	Subsidiary	"	300	4,572,167	100	4,572,167	
	VIS	Investee accounted for using equity method	"	442,262	5,999,943	27	12,339,105	
	TSMC-North America	Subsidiary	"	11,000	2,107,864	100	2,107,864	
	Xintec	Investee with a controlling interest	"	90,526	1,370,453	43	1,268,382	
	GUC	Investee with a controlling interest	"	41,263	692,434	38	11,636,214	
	TSMC-Japan	Subsidiary	"	6	98,799	100	98,799	
	TSMC-Europe	Subsidiary	"	-	56,633	100	56,634	
	TSMC-Korea	Subsidiary	"	80	15,087	100	15,087	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	316,878	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	242,757	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	57,472	
	Hontung Venture Capital Co., Ltd.	-	"	2,633	26,329	10	26,340	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	312,949	12	312,949	
	Crimson Asia Capital	-	"	-	68,543	1	68,543	
	<u>Capital</u>							
	TSMC-Shanghai	Subsidiary	Investment accounted for using equity method	-	9,127,747	100	9,100,089	
	Emerging Alliance	Subsidiary	"	-	779,280	99	779,280	
	VTAF II	Subsidiary	"	-	801,222	98	779,272	
	VTAF III	Subsidiary	"	-	438,480	98	433,878	
	Chi Cheng	Subsidiary	"	-	118,167	36	576,731	Treasury stock of NT\$458,564 thousand is deducted from the carrying value
	Hsin Ruey	Subsidiary	"	-	116,793	36	576,304	Treasury stock of NT\$459,511 thousand is deducted from the carrying value
Chi Cherng	<u>Stock</u>							
	TSMC	Parent Company	Available-for-sale financial assets	16,947	1,150,720	-	1,150,720	
	VIS	Equity method investee	Investments accounted for using equity method	5,032	108,656	-	108,656	
Hsin Ruey	<u>Stock</u>							
	TSMC	Parent Company	Available-for-sale financial assets	16,979	1,152,877	-	1,152,877	
	VIS	Equity method investee	Investments accounted for using equity method	3,711	84,863	-	84,863	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note	
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)		
GUC	<u>Open-end mutual funds</u>								
	Ta Chong Bond Fund	-	Available-for-sale financial assets	2,306	\$ 30,149	-	\$ 30,149		
	NITC Taiwan Bond Fund	-	"	1,770	25,029	-	25,029		
	Dresdner Bond DAM Fund	-	"	2,152	25,028	-	25,028		
	Yuan Ta Wan Tai Fund	-	"	1,429	20,024	-	20,024		
	ING Taiwan Bond Fund	-	"	993	15,019	-	15,019		
	<u>Stock</u>								
	Global Unichip Corp. - North America	Subsidiary	Investments accounted for using equity method	100	6,726	100	6,726		
	Global Unichip Japan Co., Ltd.	Subsidiary	"	-	2,737	100	2,737		
TSMC International	<u>Stock</u>								
	InveStar	Subsidiary	Investments accounted for using equity method	9,207	US\$ 29,075	97	US\$ 29,075		
	InveStar II	Subsidiary	"	51,300	US\$ 48,143	97	US\$ 48,143		
	TSMC Development	Subsidiary	"	1	US\$ 658,063	100	US\$ 658,063		
	TSMC Technology	Subsidiary	"	1	US\$ 6,160	100	US\$ 6,160		
TSMC Development	WaferTech	Subsidiary	Investments accounted for using equity method	-	US\$ 288,957	100	US\$ 288,957		
TSMC Partners	<u>Common stock</u>								
	VisEra Holdings Company	Equity method investee	Investments accounted for using equity method	25,000	US\$ 35,309	49	US\$ 35,309		
Emerging Alliance	<u>Common stock</u>								
	Global Investment Holding, Inc.	-	Financial assets carried at cost	10,800	\$ 100,000	6	\$ 100,000		
	RichWave Technology Corp.	-	"	4,247	US\$ 1,648	13	US\$ 1,648		
	Pixim, Inc.	-	"	1,036	US\$ 275	3	US\$ 275		
	<u>Preferred stock</u>								
	NetLogic Microsystems, Inc.	-	Financial assets at fair value through profit or loss	84	US\$ 2,244	-	US\$ 2,244		
	Ikanos Communication, Inc.	-	Available-for-sale financial assets	515	US\$ 4,000	2	US\$ 4,000		
	Pixim, Inc.	-	Financial assets carried at cost	3,606	US\$ 862	-	US\$ 862		
	Mosaic Systems, Inc.	-	"	2,481	US\$ 12	6	US\$ 12		
	Zenesis Technologies, Inc.	-	"	2,410	US\$ 1,399	5	US\$ 1,399		
	Reflectivity, Inc.	-	"	4,848	US\$ 102	4	US\$ 102		
	Miradia, Inc.	-	"	3,040	US\$ 1,000	3	US\$ 1,000		
	Axiom Microdevices, Inc.	-	"	1,000	US\$ 1,000	3	US\$ 1,000		
	Optichron, Inc.	-	"	714	US\$ 1,000	4	US\$ 1,000		
	NuCORE Technology, Inc.	-	"	2,254	US\$ 1,455	2	US\$ 1,455		
	Next IO, Inc.	-	"	800	US\$ 500	2	US\$ 500		
	Audience, Inc.	-	Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250		
	Centrality Communications	-	"	1,325	US\$ 1,800	3	US\$ 1,800		
	Teknovus, Inc.	-	"	6,977	US\$ 1,327	3	US\$ 1,327		
	Optimal Corporation	-	"	583	US\$ 600	4	US\$ 600		
	Mobilygen	-	"	1,415	US\$ 750	1	US\$ 750		
	VTAF II	<u>Common stock</u>							
		Yobon	-	Financial assets carried at cost	1,675	US\$ 787	13	US\$ 787	
Sentelic		-	"	1,200	US\$ 2,040	15	US\$ 2,040		
Leadtrend		-	"	1,150	US\$ 660	6	US\$ 660		
RichWave Technology Corp.		-	"	500	US\$ 231	2	US\$ 231		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	<u>Preferred stock</u>							
	Teknovus, Inc.	-	Financial assets carried at cost	518	US\$ 119	-	US\$ 119	
	Powerprecise Solutions, Inc.	-	"	1,445	US\$ 1,400	11	US\$ 1,400	
	Tzero Technologies, Inc.	-	"	730	US\$ 1,500	2	US\$ 1,500	
	Miradia, Inc.	-	"	2,740	US\$ 2,424	3	US\$ 2,424	
	Axiom Microdevices, Inc.	-	"	4,142	US\$ 1,812	2	US\$ 1,812	
	Next IO, Inc.	-	"	216	US\$ 182	-	US\$ 182	
	Ageia Technologies, Inc.	-	"	2,030	US\$ 2,074	2	US\$ 2,074	
	Audience, Inc.	-	"	2,208	US\$ 474	1	US\$ 474	
	GemFire Corporation	-	"	600	US\$ 68	1	US\$ 68	
	Optichron, Inc.	-	"	353	US\$ 869	2	US\$ 869	
	Xceive	-	"	714	US\$ 1,000	2	US\$ 1,000	
	5V Technologies, Inc.	-	"	2,357	US\$ 1,768	11	US\$ 1,768	
	Power Analog Microelectronics	-	"	2,000	US\$ 1,500	12	US\$ 1,500	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Beceem Communications	-	"	650	US\$ 1,600	1	US\$ 1,600	
	Pixim, Inc.	-	"	3,279	US\$ 641	2	US\$ 641	
	Aquantia Corporation	-	"	1,264	US\$ 1,150	5	US\$ 1,150	
	VTAF III	<u>Preferred stock</u>						
Mutual-Pak Limited		-	Financial assets carried at cost	170	US\$ 52	13	US\$ 52	
Quellan, Inc.		-	"	2,231	US\$ 2,500	8	US\$ 2,500	
M2000, Inc.		-	"	1,500	US\$ 1,500	4	US\$ 1,500	
SynDiTec, Inc.		-	"	4,332	US\$ 720	7	US\$ 720	
Validity Sensors, Inc.		-	"	5,333	US\$ 2,000	7	US\$ 2,000	
Advasense Sensors, Inc.		-	"	1,624	US\$ 1,500	6	US\$ 1,500	
Tilera, Inc.		-	"	1,698	US\$ 2,360	3	US\$ 2,360	
Investar	<u>Common stock</u>							
	Advanced Power Electronics Corp.	-	Available-for-sale financial assets	116	US\$ 36	-	US\$ 36	
	Monolithic Power Systems, Inc.	-	Financial assets at fair value through profit or loss	1,975	US\$ 25,474	7	US\$ 25,474	
	Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	530	US\$ 154	2	US\$ 154	
	<u>Preferred stock</u>							
	Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,831	US\$ 1,221	9	US\$ 1,221	
	IP Unity, Inc.	-	"	1,008	US\$ 494	1	US\$ 494	
	Sonics, Inc.	-	"	1,843	US\$ 3,530	2	US\$ 3,530	
	NanoAmp Solutions, Inc.	-	"	541	US\$ 853	2	US\$ 853	
	Memsic, Inc.	-	"	2,727	US\$ 1,500	9	US\$ 1,500	
Investar II	<u>Common stock</u>							
	Monolithic Power Systems, Inc.	-	Financial assets at fair value through profit or loss	864	US\$ 11,152	3	US\$ 11,152	
	Geo Vision, Inc.	-	"	46	US\$ 224	-	US\$ 224	
	RichTek Technology Corp.	-	"	216	US\$ 2,134	-	US\$ 2,134	
	Geo Vision, Inc.	-	Available-for-sale financial assets	15	US\$ 72	-	US\$ 72	
	RichTek Technology Corp.	-	"	227	US\$ 2,246	-	US\$ 2,246	
	Ralink Technology (Taiwan), Inc.	-	Financial assets carried at cost	2,383	US\$ 791	3	US\$ 791	
	Capella Microsystems (Taiwan), Inc.	-	"	534	US\$ 210	2	US\$ 210	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	4	US\$ 223	
	EoNEX Technologies, Inc.	-	"	55	US\$ 3,048	5	US\$ 3,048	
	Goyatek Technology, Corp.	-	"	2,088	US\$ 545	7	US\$ 545	
Trendchip Technologics Corp.	-	"	2,000	US\$ 574	4	US\$ 574		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	EON Technology, Corp.	-	Financial assets carried at cost	4,247	US\$ 1,175	7	US\$ 1,175	
	Epic Communication, Inc.	-	"	191	US\$ 37	1	US\$ 37	
	eLCOS Microdisplay Technology, Ltd.	-	"	270	US\$ 27	1	US\$ 27	
	Sonics, Inc.	-	"	2,220	US\$ 32	3	US\$ 32	
	<u>Preferred stock</u>							
	Memsic, Inc.	-	Financial assets carried at cost	2,289	US\$ 1,560	7	US\$ 1,560	
	NanoAmp Solutions, Inc.	-	"	375	US\$ 1,500	1	US\$ 1,500	
	Sonics, Inc.	-	"	2,115	US\$ 3,082	3	US\$ 3,082	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 2,000	6	US\$ 2,000	
	FangTek, Inc.	-	"	6,930	US\$ 3,250	16	US\$ 3,250	
	eLCOS Microdisplay Technology, Ltd.	-	"	2,667	US\$ 3,500	8	US\$ 3,500	
	Alchip Technologies Limited	-	"	3,531	US\$ 2,950	15	US\$ 2,950	
TSMC Global	<u>Agency bonds</u>							
	Fed Hm Ln Pc Pool 1g1411	-	Available-for-sale financial assets	-	US\$ 4,374	N/A	US\$ 4,374	
	Fed Hm Ln Pc Pool 1g2593	-	"	-	US\$ 5,617	N/A	US\$ 5,617	
	Fed Hm Ln Pc Pool 1h2520	-	"	-	US\$ 3,000	N/A	US\$ 3,000	
	Fed Hm Ln Pc Pool 1h2524	-	"	-	US\$ 2,292	N/A	US\$ 2,292	
	Fed Hm Ln Pc Pool 781959	-	"	-	US\$ 5,382	N/A	US\$ 5,382	
	Fed Hm Ln Pc Pool 847628	-	"	-	US\$ 3,620	N/A	US\$ 3,620	
	Fed Hm Ln Pc Pool B19205	-	"	-	US\$ 8,127	N/A	US\$ 8,127	
	Fed Hm Ln Pc Pool E89857	-	"	-	US\$ 1,512	N/A	US\$ 1,512	
	Fed Hm Ln Pc Pool G11295	-	"	-	US\$ 1,311	N/A	US\$ 1,311	
	Fed Hm Ln Pc Pool M80855	-	"	-	US\$ 3,195	N/A	US\$ 3,195	
	Federal Home Ln Mtg	-	"	-	US\$ 2,815	N/A	US\$ 2,815	
	Federal Home Ln Mtg	-	"	-	US\$ 6,348	N/A	US\$ 6,348	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,963	N/A	US\$ 1,963	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,936	N/A	US\$ 3,936	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,146	N/A	US\$ 3,146	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,358	N/A	US\$ 2,358	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 4,170	N/A	US\$ 4,170	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 951	N/A	US\$ 951	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,995	N/A	US\$ 2,995	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,512	N/A	US\$ 3,512	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,960	N/A	US\$ 2,960	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,307	N/A	US\$ 1,307	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 8,171	N/A	US\$ 8,171	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,959	N/A	US\$ 2,959	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,757	N/A	US\$ 2,757	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 4,505	N/A	US\$ 4,505	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,754	N/A	US\$ 2,754	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,704	N/A	US\$ 3,704	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 4,109	N/A	US\$ 4,109	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,925	N/A	US\$ 3,925	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 4,357	N/A	US\$ 4,357	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,616	N/A	US\$ 2,616	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,903	N/A	US\$ 2,903	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,070	N/A	US\$ 2,070	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,035	N/A	US\$ 4,035	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,001	N/A	US\$ 2,001	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,162	N/A	US\$ 4,162	
	Federal Natl Mtg Assn	-	"	-	US\$ 439	N/A	US\$ 439	

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Federal Natl Mtg Assn Gtd	-	Available-for-sale financial assets	-	US\$ 2,102	N/A	US\$ 2,102	
	Federal Natl Mtg Assn Gtd	-	"	-	US\$ 1,904	N/A	US\$ 1,904	
	Fnma Pool 254507	-	"	-	US\$ 1,499	N/A	US\$ 1,499	
	Fnma Pool 254834	-	"	-	US\$ 1,356	N/A	US\$ 1,356	
	Fnma Pool 255883	-	"	-	US\$ 3,419	N/A	US\$ 3,419	
	Fnma Pool 555549	-	"	-	US\$ 1,543	N/A	US\$ 1,543	
	Fnma Pool 632399	-	"	-	US\$ 421	N/A	US\$ 421	
	Fnma Pool 662401	-	"	-	US\$ 635	N/A	US\$ 635	
	Fnma Pool 667766	-	"	-	US\$ 1,469	N/A	US\$ 1,469	
	Fnma Pool 680932	-	"	-	US\$ 1,231	N/A	US\$ 1,231	
	Fnma Pool 681393	-	"	-	US\$ 2,660	N/A	US\$ 2,660	
	Fnma Pool 685116	-	"	-	US\$ 621	N/A	US\$ 621	
	Fnma Pool 687863	-	"	-	US\$ 2,486	N/A	US\$ 2,486	
	Fnma Pool 696485	-	"	-	US\$ 3,106	N/A	US\$ 3,106	
	Fnma Pool 703711	-	"	-	US\$ 520	N/A	US\$ 520	
	Fnma Pool 725095	-	"	-	US\$ 1,153	N/A	US\$ 1,153	
	Fnma Pool 730033	-	"	-	US\$ 1,400	N/A	US\$ 1,400	
	Fnma Pool 740934	-	"	-	US\$ 1,371	N/A	US\$ 1,371	
	Fnma Pool 790828	-	"	-	US\$ 2,391	N/A	US\$ 2,391	
	Fnma Pool 793025	-	"	-	US\$ 2,335	N/A	US\$ 2,335	
	Fnma Pool 793932	-	"	-	US\$ 556	N/A	US\$ 556	
	Fnma Pool 794040	-	"	-	US\$ 815	N/A	US\$ 815	
	Fnma Pool 795548	-	"	-	US\$ 376	N/A	US\$ 376	
	Fnma Pool 806642	-	"	-	US\$ 1,199	N/A	US\$ 1,199	
	Fnma Pool 813641	-	"	-	US\$ 3,688	N/A	US\$ 3,688	
	Fnma Pool 815626	-	"	-	US\$ 2,853	N/A	US\$ 2,853	
	Fnma Pool 816594	-	"	-	US\$ 2,009	N/A	US\$ 2,009	
	Fnma Pool 825395	-	"	-	US\$ 2,728	N/A	US\$ 2,728	
	Fnma Pool 825398	-	"	-	US\$ 4,045	N/A	US\$ 4,045	
	Fnma Pool 841069	-	"	-	US\$ 2,767	N/A	US\$ 2,767	
	Fnma Pool 879906	-	"	-	US\$ 1,570	N/A	US\$ 1,570	
	Fnma Pool 900296	-	"	-	US\$ 4,204	N/A	US\$ 4,204	
	Gnma Ii Pool 081150	-	"	-	US\$ 577	N/A	US\$ 577	
	Gnma Ii Pool 081153	-	"	-	US\$ 1,941	N/A	US\$ 1,941	
	Federal Home Ln Bks	-	"	-	US\$ 8,819	N/A	US\$ 8,819	
	Federal Home Ln Bks	-	"	-	US\$ 8,792	N/A	US\$ 8,792	
	Federal Home Ln Bks	-	"	-	US\$ 4,883	N/A	US\$ 4,883	
	Federal Home Ln Bks	-	"	-	US\$ 5,880	N/A	US\$ 5,880	
	Federal Home Ln Bks	-	"	-	US\$ 4,908	N/A	US\$ 4,908	
	Federal Home Ln Bks	-	"	-	US\$ 3,004	N/A	US\$ 3,004	
	Federal Home Ln Bks	-	"	-	US\$ 6,127	N/A	US\$ 6,127	
	Federal Home Ln Bks	-	"	-	US\$ 12,318	N/A	US\$ 12,318	
	Federal Home Ln Bks	-	"	-	US\$ 5,372	N/A	US\$ 5,372	
	Federal Home Ln Bks	-	"	-	US\$ 6,919	N/A	US\$ 6,919	
	Federal Home Ln Bks	-	"	-	US\$ 5,908	N/A	US\$ 5,908	
	Federal Home Ln Bks	-	"	-	US\$ 7,937	N/A	US\$ 7,937	
	Federal Home Ln Bks	-	"	-	US\$ 4,504	N/A	US\$ 4,504	
	Federal Home Ln Bks	-	"	-	US\$ 3,993	N/A	US\$ 3,993	
	Federal Home Ln Bks	-	"	-	US\$ 7,511	N/A	US\$ 7,511	
	Federal Home Ln Bks	-	"	-	US\$ 2,383	N/A	US\$ 2,383	
	Federal Home Ln Bks	-	"	-	US\$ 7,952	N/A	US\$ 7,952	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Federal Home Ln Mtg Corp.	-	Available-for-sale financial assets	-	US\$ 5,961	N/A	US\$ 5,961	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,490	N/A	US\$ 1,490	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 5,993	N/A	US\$ 5,993	
	Federal Home Loan Bank	-	"	-	US\$ 5,071	N/A	US\$ 5,071	
	Federal Home Loan Bank	-	"	-	US\$ 4,508	N/A	US\$ 4,508	
	Federal Home Loan Bank	-	"	-	US\$ 3,452	N/A	US\$ 3,452	
	Federal Home Loan Banks	-	"	-	US\$ 8,049	N/A	US\$ 8,049	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,390	N/A	US\$ 4,390	
	Federal Natl Mtg Assn	-	"	-	US\$ 3,957	N/A	US\$ 3,957	
	Federal Natl Mtg Assn	-	"	-	US\$ 7,889	N/A	US\$ 7,889	
	Federal Natl Mtg Assn	-	"	-	US\$ 19,820	N/A	US\$ 19,820	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,134	N/A	US\$ 4,134	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,995	N/A	US\$ 4,995	
	Federal Natl Mtg Assn	-	"	-	US\$ 6,498	N/A	US\$ 6,498	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,000	N/A	US\$ 2,000	
	Federal Natl Mtg Assn	-	"	-	US\$ 4,356	N/A	US\$ 4,356	
	Federal Natl Mtg Assn Medium	-	"	-	US\$ 3,426	N/A	US\$ 3,426	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 2,930	N/A	US\$ 2,930	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 2,918	N/A	US\$ 2,918	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 5,341	N/A	US\$ 5,341	
	Tennessee Valley Auth	-	"	-	US\$ 6,035	N/A	US\$ 6,035	
	<u>Corporate bonds</u>							
	Abbott Labs	-	Available-for-sale financial assets	-	US\$ 1,507	N/A	US\$ 1,507	
	Abbott Labs	-	"	-	US\$ 2,549	N/A	US\$ 2,549	
	Ace Ltd.	-	"	-	US\$ 1,000	N/A	US\$ 1,000	
	Allstate Life Global Fdg Secd	-	"	-	US\$ 2,967	N/A	US\$ 2,967	
	American Express Co.	-	"	-	US\$ 3,467	N/A	US\$ 3,467	
	American Gen Fin Corp.	-	"	-	US\$ 1,619	N/A	US\$ 1,619	
	American Gen Fin Corp. Mtn	-	"	-	US\$ 3,469	N/A	US\$ 3,469	
	American Gen Fin Corp. Mtn	-	"	-	US\$ 1,987	N/A	US\$ 1,987	
	American Honda Fin Corp. Mtn	-	"	-	US\$ 7,062	N/A	US\$ 7,062	
	American Honda Fin Corp. Mtn	-	"	-	US\$ 801	N/A	US\$ 801	
	Ameritech Capital Funding Co.	-	"	-	US\$ 484	N/A	US\$ 484	
	Amgen, Inc.	-	"	-	US\$ 2,928	N/A	US\$ 2,928	
	Anz Cap Tr I	-	"	-	US\$ 977	N/A	US\$ 977	
	Associates Corp. North Amer	-	"	-	US\$ 2,541	N/A	US\$ 2,541	
	Axa Finl, Inc.	-	"	-	US\$ 2,151	N/A	US\$ 2,151	
	Bank New York, Inc.	-	"	-	US\$ 1,491	N/A	US\$ 1,491	
	Bank One Corp.	-	"	-	US\$ 3,391	N/A	US\$ 3,391	
	Bank One Corp.	-	"	-	US\$ 2,046	N/A	US\$ 2,046	
	Bank Utd Houston Tx Mtn	-	"	-	US\$ 527	N/A	US\$ 527	
	Beneficial Corp. Mtn Bk Entry	-	"	-	US\$ 2,297	N/A	US\$ 2,297	
	Berkshire Hathaway Fin Corp.	-	"	-	US\$ 1,493	N/A	US\$ 1,493	
	Chase Manhattan Corp. New	-	"	-	US\$ 5,085	N/A	US\$ 5,085	
	Chase Manhattan Corp. New	-	"	-	US\$ 2,114	N/A	US\$ 2,114	
	Chubb Corp.	-	"	-	US\$ 2,118	N/A	US\$ 2,118	
	Cit Group Hldgs, Inc.	-	"	-	US\$ 3,034	N/A	US\$ 3,034	
	Cit Group Inc. New	-	"	-	US\$ 2,507	N/A	US\$ 2,507	
	CitiCorp.	-	"	-	US\$ 1,366	N/A	US\$ 1,366	
	Cogentrix Energy, Inc.	-	"	-	US\$ 3,732	N/A	US\$ 3,732	
	Colonial Pipeline Co.	-	"	-	US\$ 1,487	N/A	US\$ 1,487	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Consolidated Edison, Inc.	-	Available-for-sale financial assets	-	US\$ 2,928	N/A	US\$ 2,928	
	Countrywide Fdg Corp. Mtn	-	"	-	US\$ 2,042	N/A	US\$ 2,042	
	Credit Suisse First Boston	-	"	-	US\$ 733	N/A	US\$ 733	
	Credit Suisse First Boston Usa	-	"	-	US\$ 2,197	N/A	US\$ 2,197	
	Credit Suisse First Boston Usa	-	"	-	US\$ 3,175	N/A	US\$ 3,175	
	Daimlerchrysler North Amer	-	"	-	US\$ 985	N/A	US\$ 985	
	Daimlerchrysler North Amer Hld	-	"	-	US\$ 752	N/A	US\$ 752	
	Dayton Hudson Corp.	-	"	-	US\$ 2,021	N/A	US\$ 2,021	
	Deere John Cap Corp.	-	"	-	US\$ 4,946	N/A	US\$ 4,946	
	Deere John Cap Corp.	-	"	-	US\$ 5,951	N/A	US\$ 5,951	
	Deere John Cap Corp. Mtn Bk Ent	-	"	-	US\$ 2,173	N/A	US\$ 2,173	
	Dell Computer Corp.	-	"	-	US\$ 2,818	N/A	US\$ 2,818	
	Den Danske Bk Aktieselskab	-	"	-	US\$ 2,008	N/A	US\$ 2,008	
	Diageo Plc	-	"	-	US\$ 3,459	N/A	US\$ 3,459	
	Emerson Elec Co.	-	"	-	US\$ 3,218	N/A	US\$ 3,218	
	European Invt Bk	-	"	-	US\$ 6,106	N/A	US\$ 6,106	
	Fifth Third Bk Cincinnati Oh	-	"	-	US\$ 2,440	N/A	US\$ 2,440	
	Fleet Boston Corp.	-	"	-	US\$ 2,644	N/A	US\$ 2,644	
	Fleet Finl Group Inc. New	-	"	-	US\$ 904	N/A	US\$ 904	
	Ge Global Ins Hldg Corp.	-	"	-	US\$ 1,918	N/A	US\$ 1,918	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 3,918	N/A	US\$ 3,918	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 8,294	N/A	US\$ 8,294	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 8,334	N/A	US\$ 8,334	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 2,124	N/A	US\$ 2,124	
	General Re Corp.	-	"	-	US\$ 3,280	N/A	US\$ 3,280	
	Goldman Sachs Group, Inc.	-	"	-	US\$ 3,467	N/A	US\$ 3,467	
	Greenpoint Finl Corp.	-	"	-	US\$ 975	N/A	US\$ 975	
	Hancock John Global Fdg Ii Mtn	-	"	-	US\$ 2,919	N/A	US\$ 2,919	
	Hancock John Global Fdg Ii Mtn	-	"	-	US\$ 5,136	N/A	US\$ 5,136	
	Hancock John Global Fdg Mtn	-	"	-	US\$ 980	N/A	US\$ 980	
	Hartford Finl Svcs Group, Inc.	-	"	-	US\$ 5,043	N/A	US\$ 5,043	
	Hartford Finl Svcs Group, Inc.	-	"	-	US\$ 1,344	N/A	US\$ 1,344	
	Hbos Plc Medium Term Sr Nts	-	"	-	US\$ 2,963	N/A	US\$ 2,963	
	Heller Finl, Inc.	-	"	-	US\$ 1,929	N/A	US\$ 1,929	
	Hewlett Packard Co.	-	"	-	US\$ 1,858	N/A	US\$ 1,858	
	Household Fin Corp.	-	"	-	US\$ 2,928	N/A	US\$ 2,928	
	Household Fin Corp.	-	"	-	US\$ 3,118	N/A	US\$ 3,118	
	Household Intl, Inc.	-	"	-	US\$ 2,850	N/A	US\$ 2,850	
	Hsbc Fin Corp.	-	"	-	US\$ 3,027	N/A	US\$ 3,027	
	Hsbc Fin Corp. Mtn	-	"	-	US\$ 5,114	N/A	US\$ 5,114	
	Huntington National Bank	-	"	-	US\$ 1,887	N/A	US\$ 1,887	
	Ing Sec Life Instl Fdg	-	"	-	US\$ 2,497	N/A	US\$ 2,497	
	International Business Machs	-	"	-	US\$ 3,494	N/A	US\$ 3,494	
	Intl Lease Fin Corp. Mtn	-	"	-	US\$ 2,964	N/A	US\$ 2,964	
	Intl Lease Fin Corp. Mtn	-	"	-	US\$ 4,154	N/A	US\$ 4,154	
	Jp Morgan Chase + Co.	-	"	-	US\$ 3,298	N/A	US\$ 3,298	
	Key Bk Na Med Term Nts Bk Entr	-	"	-	US\$ 4,413	N/A	US\$ 4,413	
	KeyCorp. Mtn Book Entry	-	"	-	US\$ 3,027	N/A	US\$ 3,027	
	Kraft Foods, Inc.	-	"	-	US\$ 1,000	N/A	US\$ 1,000	
	Lehman Brothers Hldgs, Inc.	-	"	-	US\$ 1,166	N/A	US\$ 1,166	
	Lehman Brothers Hldgs, Inc.	-	"	-	US\$ 1,636	N/A	US\$ 1,636	
	Lehman Brothers Hldgs, Inc.	-	"	-	US\$ 490	N/A	US\$ 490	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Lehman Brothers Hldgs, Inc.	-	Available-for-sale financial assets	-	US\$ 994	N/A	US\$ 994	
	Lehman Brothers Hldgs, Inc.	-	"	-	US\$ 3,145	N/A	US\$ 3,145	
	Lehman Brothers Hldgs, Inc.	-	"	-	US\$ 1,077	N/A	US\$ 1,077	
	Lincoln Natl Corp. In	-	"	-	US\$ 500	N/A	US\$ 500	
	Marshall + Ilsley Corp.	-	"	-	US\$ 8,476	N/A	US\$ 8,476	
	Mbna America Bank Na Y	-	"	-	US\$ 6,451	N/A	US\$ 6,451	
	Metropolitan Life Global Mtn	-	"	-	US\$ 3,394	N/A	US\$ 3,394	
	Mgic Invt Corp.	-	"	-	US\$ 1,214	N/A	US\$ 1,214	
	Monumental Global Fdg Ii	-	"	-	US\$ 1,478	N/A	US\$ 1,478	
	Monunmetal Global Fdg Ii	-	"	-	US\$ 1,976	N/A	US\$ 1,976	
	Mony Group, Inc.	-	"	-	US\$ 2,174	N/A	US\$ 2,174	
	Morgan Stanley	-	"	-	US\$ 1,942	N/A	US\$ 1,942	
	Morgan Stanley	-	"	-	US\$ 2,139	N/A	US\$ 2,139	
	National City Corp.	-	"	-	US\$ 3,424	N/A	US\$ 3,424	
	National Westminster Bk Plc	-	"	-	US\$ 1,316	N/A	US\$ 1,316	
	Nationwide Life Global Fdg I	-	"	-	US\$ 3,521	N/A	US\$ 3,521	
	Nationwide Life Global Mtn	-	"	-	US\$ 1,495	N/A	US\$ 1,495	
	Oracle Corp. / Ozark Hldg, Inc.	-	"	-	US\$ 1,988	N/A	US\$ 1,988	
	Pepsico Inc Mtn Book Entry	-	"	-	US\$ 3,616	N/A	US\$ 3,616	
	Pnc Fdg Corp.	-	"	-	US\$ 1,004	N/A	US\$ 1,004	
	Popular North Amer, Inc.	-	"	-	US\$ 2,922	N/A	US\$ 2,922	
	Praxair, Inc.	-	"	-	US\$ 3,131	N/A	US\$ 3,131	
	Premark Intl, Inc.	-	"	-	US\$ 2,728	N/A	US\$ 2,728	
	Pricoa Global Fdg I Mtn	-	"	-	US\$ 3,420	N/A	US\$ 3,420	
	Principal Finl Group Australia	-	"	-	US\$ 1,012	N/A	US\$ 1,012	
	Principal Life Global Fdg I GI	-	"	-	US\$ 1,169	N/A	US\$ 1,169	
	Protective Life Secd Trs	-	"	-	US\$ 2,929	N/A	US\$ 2,929	
	Protective Life Secd Trs Mtn	-	"	-	US\$ 3,423	N/A	US\$ 3,423	
	Prudential Ins Co. Amer	-	"	-	US\$ 2,615	N/A	US\$ 2,615	
	Public Svc Elec Gas Co.	-	"	-	US\$ 3,702	N/A	US\$ 3,702	
	Regions Finl Corp. New	-	"	-	US\$ 2,379	N/A	US\$ 2,379	
	Safeco Corp.	-	"	-	US\$ 713	N/A	US\$ 713	
	Sbc Communications, Inc.	-	"	-	US\$ 1,051	N/A	US\$ 1,051	
	Sbc Communications, Inc.	-	"	-	US\$ 703	N/A	US\$ 703	
	Simon Ppty Group Lp	-	"	-	US\$ 1,065	N/A	US\$ 1,065	
	Simon Ppty Group Lp	-	"	-	US\$ 1,017	N/A	US\$ 1,017	
	Slm Corp. Medium Term Nts	-	"	-	US\$ 2,954	N/A	US\$ 2,954	
	Sp Powerasests Ltd Global	-	"	-	US\$ 974	N/A	US\$ 974	
	St Paul Cos Inc. Mtn Bk Ent	-	"	-	US\$ 2,550	N/A	US\$ 2,550	
	Suntrust Bk Atlanta Ga Medium	-	"	-	US\$ 3,460	N/A	US\$ 3,460	
	Us Bk Natl Assn Cincinnati Oh	-	"	-	US\$ 2,934	N/A	US\$ 2,934	
	Vodafone Airtouch Plc	-	"	-	US\$ 4,464	N/A	US\$ 4,464	
	Wachovia Corp. New	-	"	-	US\$ 3,493	N/A	US\$ 3,493	
	Wachovia Corp. New	-	"	-	US\$ 3,577	N/A	US\$ 3,577	
	Washington Mut, Inc.	-	"	-	US\$ 1,706	N/A	US\$ 1,706	
	Washington Post Co.	-	"	-	US\$ 3,012	N/A	US\$ 3,012	
	Wells Fargo + Co. New	-	"	-	US\$ 2,956	N/A	US\$ 2,956	
	Wells Fargo + Co. New Med Trm	-	"	-	US\$ 4,349	N/A	US\$ 4,349	
	Westfield Cap Corp. Ltd.	-	"	-	US\$ 2,004	N/A	US\$ 2,004	
	Wps Resources Corp.	-	"	-	US\$ 1,041	N/A	US\$ 1,041	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	<u>Corporate issued asset-backed securities</u>							
	American Home Mtg Invnt Tr	-	Available-for-sale financial assets	-	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 Ele Trns Fdglc	-	"	-	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	
	Capital 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	
	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)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Gs Mtg Secs Corp.	-	Available-for-sale financial assets	-	US\$ 4,152	N/A	US\$ 4,152	
	Gsmp Tr	-	"	-	US\$ 4,251	N/A	US\$ 4,251	
	Harley Davidson Motorcycle Tr	-	"	-	US\$ 5,619	N/A	US\$ 5,619	
	Hertz Veh Fing Lic	-	"	-	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	
	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 Cfs	-	"	-	US\$ 941	N/A	US\$ 941	
	Wamu Mtg Pass Thru Cfs 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)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (In Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Wells Fargo Mtg Bkd Secs Tr	-	Available-for-sale financial 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	
	<u>Government bonds</u>							
	United States Treas Nt	-	Available-for-sale financial 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	
	<u>Money market funds</u>							
	Deutsche Bk Ag Ny Instl Dtc Mmi Generic Cusip	-	Available-for-sale financial assets	-	US\$ 7,400	N/A	US\$ 7,400	
	Ssga Cash Mgmt Global Offshore	-	"	-	US\$ 52	N/A	US\$ 52	

(Concluded)

## 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)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note1)				Ending Balance	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) on Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note2)
The Company	<u>Government bond</u>													
	2004 Government Bond Series B	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions	-	-	\$ 999,779	-	\$ 200,275	-	\$ -	\$ -	\$ -	-	\$ 1,202,233
	2003 Government Bond Series B	"	"	-	-	998,288	-	1,348,638	-	-	-	-	-	2,348,536
	2004 Government Bond Series G	"	"	-	-	-	-	201,561	-	-	-	-	-	201,361
	2006 Government Bond Series D	"	"	-	-	-	-	400,778	-	-	-	-	-	400,608
	2005 Government Bond Series A	Held-to-maturity financial assets	"	-	-	3,049,919	-	-	-	3,050,000	3,050,000	-	-	-
	2002 Government Bond Series B	"	"	-	-	350,399	-	-	-	350,000	350,000	-	-	-
	<u>Open-end mutual funds</u>													
	NITC Bond Fund	Available-for-sale financial assets	National Investment Trust Co., Ltd.	-	22,219	3,655,939	-	-	4,547	750,000	739,014	10,986	17,672	2,918,108
	ING Taiwan Bond Fund	"	ING Securities Investment Trust Co., Ltd.	-	175,156	2,639,459	-	-	23,803	360,000	353,987	6,013	151,353	2,289,110
	Cathay Bond	"	Cathay Securities Investment Trust Co., Ltd.	-	109,720	1,265,092	-	-	17,328	200,000	197,612	2,388	92,392	1,068,891
	NITC Taiwan Bond	"	National Investment Trust Co., Ltd.	-	93,312	1,314,669	-	-	14,180	200,000	197,557	2,443	79,132	1,118,950
	Dresdner Bond DAM Fund	"	Allianz Global Investors Taiwan Ltd.	-	95,553	1,107,206	-	-	14,628	170,000	167,313	2,687	80,925	941,072
	JF Taiwan First Bond Fund	"	JF Asset Management (Taiwan) Limited	-	66,826	939,082	-	-	10,663	150,000	147,908	2,092	56,163	792,018
	ING Taiwan Select Bond Fund	"	ING Securities Investment Trust Co., Ltd.	-	76,593	868,076	-	-	13,221	150,000	148,050	1,950	63,372	720,792
	TIIM High Yield	"	Taiwan International Investment Management	-	44,685	554,863	-	-	8,028	100,000	98,948	1,052	36,657	456,836
	<u>Corporate bonds</u>													
	Taiwan Power Company	Held-to-maturity financial assets	Chung Shing Bills Finance Corp.	-	-	4,080,391	-	-	-	125,000	125,000	-	-	3,962,223
	Formosa Plastic Corporation	"	"	-	-	516,663	-	-	-	136,000	136,000	-	-	384,956
	<u>Stock</u>													
	Xintec	Investment accounted for using equity method	-	Investee with a controlling interest	-	-	90,526	1,357,890	-	-	-	-	90,526	1,370,453
	<u>Capital</u>													
	VTAF III	Investment accounted for using equity method	-	Subsidiary	-	228,005	-	211,982	-	-	-	-	-	438,480

(Continued)



Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note1)				Ending Balance			
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) on Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note2)		
TSMC Global	<u>Government bond</u>															
	United States Treas Nt	Available-for-sale financial assets	-	-	-	US\$ -	-	US\$ 5,059	-	US\$ 3,033	US\$ 3,035	US\$ (2)	-	US\$ 2,018		
	United States Treas Nts	"	-	-	-	US\$ 12,295	-	-	-	US\$ 9,860	US\$ 9,826	US\$ 34	-	US\$ 2,487		
	United States Treas Nts	"	-	-	-	-	-	US\$ 9,011	-	US\$ 7,119	US\$ 7,112	US\$ 7	-	US\$ 1,897		
	United States Treas Nts	"	-	-	-	US\$ 61,165	-	-	-	US\$ 22,471	US\$ 22,607	US\$ (136)	-	US\$ 38,587		
	United States Treas Nts	"	-	-	-	-	-	US\$ 24,127	-	-	-	-	-	US\$ 24,135		
	United States Treas Nts	"	-	-	-	-	-	US\$ 16,788	-	US\$ 6,017	US\$ 6,017	-	-	US\$ 10,764		
	United States Treas Nts	"	-	-	-	-	-	US\$ 106,064	-	US\$ 102,586	US\$ 102,539	US\$ 47	-	US\$ 3,523		
	United States Treas Nts	"	-	-	-	US\$ 3,996	-	-	-	US\$ 4,019	US\$ 3,995	US\$ 24	-	-		
	United States Treas Nts	"	-	-	-	US\$ 56,619	-	US\$ 121,987	-	US\$ 87,791	US\$ 87,721	US\$ 70	-	US\$ 90,791		
	US Treas Nts	"	-	-	-	-	-	US\$ 14,102	-	-	-	-	-	US\$ 14,155		
		<u>Corporate bonds</u>														
	American Honda Fin Corp. Mtn	Available-for-sale financial assets	-	-	-	US\$ 3,095	-	US\$ 3,950	-	-	-	-	-	-	US\$ 7,062	
	Bear Stearns Cos Inc.	"	-	-	-	US\$ 3,340	-	-	-	US\$ 3,395	US\$ 3,340	US\$ 55	-	-		
	Credit Suisse First Boston USA	"	-	-	-	-	-	US\$ 3,175	-	-	-	-	-	US\$ 3,175		
	Deere John Cap Corp.	"	-	-	-	-	-	US\$ 5,900	-	-	-	-	-	US\$ 5,951		
	European Invt Bk	"	-	-	-	US\$ 3,930	-	-	-	US\$ 3,973	US\$ 3,930	US\$ 43	-	-		
	Goldman Sachs Group Inc.	"	-	-	-	US\$ 4,941	-	-	-	US\$ 5,011	US\$ 4,941	US\$ 70	-	-		
	Hbos Plc Medium Term Sr Nts	"	-	-	-	US\$ 3,182	-	-	-	US\$ 3,215	US\$ 3,182	US\$ 33	-	-		
	Household Fin Corp.	"	-	-	-	-	-	US\$ 3,120	-	-	-	-	-	US\$ 3,118		
	International Business Machs	"	-	-	-	-	-	US\$ 3,496	-	-	-	-	-	US\$ 3,494		
	Merrill Lynch + Co Inc.	"	-	-	-	US\$ 3,426	-	-	-	US\$ 3,464	US\$ 3,426	US\$ 38	-	-		
	Merrill Lynch + Co Inc.	"	-	-	-	US\$ 4,842	-	-	-	US\$ 4,880	US\$ 4,841	US\$ 39	-	-		
	Nucor Corp.	"	-	-	-	US\$ 3,811	-	-	-	US\$ 3,790	US\$ 3,811	US\$ (21)	-	-		
	Slm Corp. Medium Term Nts	"	-	-	-	US\$ 8,949	-	-	-	US\$ 6,068	US\$ 6,012	US\$ 56	-	US\$ 2,954		
	Wachovia Corp. New	"	-	-	-	-	-	US\$ 3,491	-	-	-	-	-	US\$ 3,493		
	Washington Mut Bk Fa	"	-	-	-	US\$ 4,000	-	-	-	US\$ 3,998	US\$ 4,000	US\$ (2)	-	-		
		<u>Corporate issued asset-backed securities</u>														
	Mbna Cr Card Master Nt Tr	Available-for-sale financial assets	-	-	-	-	-	US\$ 4,500	-	-	-	-	-	-	US\$ 4,497	
	Wamu Mtg Pass Thru Ctf's Tr	"	-	-	-	-	-	US\$ 4,854	-	-	-	-	-	-	US\$ 4,701	
		<u>Agency bonds</u>														
	Federal Home Ln Bks	Available-for-sale financial assets	-	-	-	US\$ 4,872	-	-	-	US\$ 4,938	US\$ 4,872	US\$ 66	-	-		
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 5,365	-	-	-	-	-	US\$ 5,372		
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 4,494	-	-	-	-	-	US\$ 4,504		
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 3,992	-	-	-	-	-	US\$ 3,993		
	Federal Home Ln Mtg Corp.	"	-	-	-	US\$ 6,410	-	-	-	US\$ 4,962	US\$ 4,931	US\$ 31	-	US\$ 1,490		
	Federal Home Ln Mtg Corp.	"	-	-	-	-	-	US\$ 6,000	-	-	-	-	-	US\$ 5,993		
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 5,083	-	-	-	-	-	US\$ 5,071		
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 4,518	-	-	-	-	-	US\$ 4,508		
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 3,453	-	-	-	-	-	US\$ 3,452		
	Federal Natl Mtg Assn	"	-	-	-	US\$ 5,885	-	-	-	US\$ 5,933	US\$ 5,885	US\$ 48	-	-		
	Federal Natl Mtg Assn	"	-	-	-	US\$ 14,931	-	-	-	US\$ 10,860	US\$ 10,819	US\$ 41	-	US\$ 4,134		
	Federal Natl Mtg Assn	"	-	-	-	US\$ 10,459	-	-	-	US\$ 10,477	US\$ 10,459	US\$ 18	-	-		
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,982	-	-	-	-	-	US\$ 4,995		

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note1)				Ending Balance	
					Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) on Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note2)
	Federal Natl Mtg Assn	Available-for-sale financial assets	-	-	-	US\$ -	-	US\$ 6,500	-	US\$ -	US\$ -	US\$ -	-	US\$ 6,498
	Federal Natl Mtg Assn	"	-	-	-	US\$ 6,516	-	-	-	US\$ 6,514	US\$ 6,516	US\$ (2)	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,368	-	-	-	-	-	US\$ 4,356
	Fed Hm Ln Pc Pool 1g1411	"	-	-	-	-	-	US\$ 4,424	-	-	-	-	-	US\$ 4,374
	Fed Hm Ln Pc Pool 1g2593	"	-	-	-	-	-	US\$ 5,600	-	-	-	-	-	US\$ 5,617
	Federal Home Ln Mtg	"	-	-	-	-	-	US\$ 6,513	-	-	-	-	-	US\$ 6,348
	Federal Home Ln Mtg Corp.	"	-	-	-	-	-	US\$ 4,354	-	-	-	-	-	US\$ 4,357
	Fnma Pool 900296	"	-	-	-	-	-	US\$ 4,336	-	-	-	-	-	US\$ 4,204

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

Note 2: The ending balance included the amortization of premium or discount on bonds investments, unrealized valuation gains or losses on financial assets or equity in earnings of equity method investees.

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS 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 Specified Otherwise)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Fab 14	January 4, 2007	\$198,000	By the construction progress	Lead Fu Industry Corp.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES 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)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
The Company	TSMC-North America GUC	Subsidiary Investee with a controlling interest	Sales	\$ 39,207,204	61	Net 30 days after invoice date	-	-	\$ 18,993,076	56	
			Sales	187,537	-	Net 30 days after monthly closing	-	-	161,679	-	
	WaferTech SSMC	Indirect subsidiary Investee accounted for using equity method	Purchases	2,359,717	23	Net 30 days after monthly closing	-	-	(627,230)	7	
			Purchases	1,386,200	13	Net 30 days after monthly closing	-	-	(694,554)	8	
	TSMC-Shanghai VIS	Subsidiary Investee accounted for using equity method	Purchases	1,233,506	12	Net 30 days after monthly closing	-	-	(512,066)	6	
			Purchases	686,332	6	Net 30 days after monthly closing	-	-	(438,785)	5	
GUC	TSMC-North America	Same parent company	Purchases	309,899	64	Net 30 days after invoice date	-	-	(292,345)	33	

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

**Taiwan Semiconductor Manufacturing Company Limited**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2007  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
The Company	TSMC-North America GUC	Subsidiary	\$ 19,044,327	41 days	\$ 6,299,807	-	\$ 6,432,224	\$ -
		Investee with a controlling interest	161,679	77 days	-	-	-	-
	VIS	Investee accounted for using equity method	155,657	-	-	-	-	-
	TSMC-Shanghai	Subsidiary	144,605	-	19,327	Accelerate demand on account receivables	-	-

Note: The calculation of turnover days excludes other receivables from related parties.

## Taiwan Semiconductor Manufacturing Company Limited

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

MARCH 31, 2007

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Losses) of the Investee	Equity in the Earnings (Losses) (Note 2)	Note
				March 31, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)			
The Company	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 43,771,405	\$ 536,225	\$ 536,225	Subsidiary
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	26,934,392	(74,534)	(74,534)	Subsidiary
	TSMC-Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	9,127,747	(155,622)	(127,964)	Subsidiary
	SSMC	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,134,439	307,631	70,074	Investee accounted for using equity method
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	442,262	27	5,999,943	896,194	234,158	Investee accounted for using equity method
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,572,167	72,409	72,409	Subsidiary
	TSMC-North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,107,864	62,020	62,020	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	-	90,526	43	1,370,453	53,472	12,563	Investee with a controlling interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	847,579	785,465	-	98	801,222	(5,290)	(5,184)	Subsidiary
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	1,404,649	1,418,717	-	99	779,280	3,382	3,365	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	41,263	38	692,434	187,063	65,035	Investee with a controlling interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	455,527	243,545	-	98	438,480	(5,938)	(5,820)	Subsidiary
	Chi Cherng	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	118,167	2,379	2,379	Subsidiary
	Hsin Ruey	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	116,793	2,233	2,233	Subsidiary
	TSMC-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	98,799	555	555	Subsidiary
TSMC-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	56,633	5,375	5,375	Subsidiary	
TSMC-Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,087	295	295	Subsidiary	

Note 1: The treasury stock is deducted from the carrying value.

Note 2: Equity in earnings or losses of investees have already deducted the effect of unrealized gross profit from affiliates.

**Taiwan Semiconductor Manufacturing Company Limited**

**INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2007**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2007 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of March 31, 2007	Accumulated Inward Remittance of Earnings as of March 31, 2007
					Outflow (US\$ in Thousand)	Inflow					
TSMC (Shanghai) Company Limited	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$ -	\$ -	\$12,180,367 (US\$371,000)	100%	\$(127,964)	\$9,127,747	\$ -

Accumulated Investment in Mainland China as of March 31, 2007 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

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

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