

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

April 30, 2007

1934 Act Registration No. 1-14700

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

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

Form 20-F  Form 40-F

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

Yes  No

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

---

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

---

**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

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

Notice to Readers

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

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

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

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

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

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

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

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

**LONG-TERM LIABILITIES**

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

## OTHER LIABILITIES

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

## CAPITAL STOCK \$10 PAR VALUE

Authorized: 27,050,000 thousand shares

Issued: 25,832,959 thousand shares in 2007

24,733,053 thousand shares in 2006

258,329,592 44 247,330,530 45

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

## RETAINED EARNINGS (Note 18)

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

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

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

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

## OTHERS (Notes 2, 3 and 22)

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

Unrealized gains on financial instruments 720,134 32,869

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

## TREASURY STOCK (AT COST, Notes 2 and 20)

33,926 thousand shares in 2007 and 32,938

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

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

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

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

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

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



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

(Continued)

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

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

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

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

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

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

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

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

(Concluded)

- 4 -

---

**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)**

	<b>2007</b>	<b>2006</b>
<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	 35,860,559	 47,748,182
 <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)

	<b>2007</b>	<b>2006</b>
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 2,080,000	\$ 16,951,250
Held-to-maturity financial assets	4,282,320	2,973,000
Property, plant and equipment and other assets	1,165	461,151
Proceeds from return of capital by investee	14,068	
Increase in deferred charges	(992,173)	(96,335)
Increase in refundable deposits	(1,270,451)	
 Net cash used in investing activities	 (13,484,885)	 (23,581,514)
 <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	122,009	117,395
 Net cash provided by (used in) financing activities	 (2,763,215)	 439,539
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 19,612,459	 24,606,207
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 100,139,709	 85,383,583
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 119,752,168	 \$ 109,989,790
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 420,000	\$ 420,000
Income tax paid	\$ 52,670	\$ 67,924
 <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	1,975,219	(2,762,103)
 Cash paid	 \$ 13,783,013	 \$ 11,114,607

NON-CASH FINANCING ACTIVITIES

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

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

(Concluded)

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

**1. GENERAL**

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Use of Estimates**

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

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

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

**Cash Equivalents**

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



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

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

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

**Available-for-sale Financial Assets**

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

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

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

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

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

**Held-to-maturity Financial Assets**

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

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

### **Allowance for Doubtful Receivables**

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

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

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

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

### **Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Goodwill**

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

### **Deferred Charges**

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

### **Research and Development**

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

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

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

**Stock-based Compensation**

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

**Treasury Stock**

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

**Foreign-currency Transactions**

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

**3. ACCOUNTING CHANGES**

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

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

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

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

The adoption of the newly released SFASs resulted in a 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

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

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

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

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>
March 31, 2007		
Sell EUR/Buy US\$	April 2007	EUR 23,000

March 31, 2006

Sell EUR/Buy US\$

- 13 -

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>
March 31, 2007			
April 2007 to June 2007	US\$835,000	2.65%-5.35%	1.65%-5.16%
March 31, 2006			
April 2006 to June 2006	US\$2,311,000	2.91%-5.65%	0.10%-2.04%

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

#### **6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

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

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



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

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

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

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

	<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	8,676,382	7,868,330
	33,220,796	27,797,697
Current portion	(6,523,668)	(9,120,093)
	\$ 26,697,128	\$ 18,677,604

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

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

\$ 11,117,800      \$ 35,735

(Continued)

- 15 -

---

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

(Concluded)

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

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

**8. INVENTORIES, NET**

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

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

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

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

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

For the three months ended March 31, 2007 and 2006, net equity in earnings of NT\$853,184 thousand and NT\$2,972,039 thousand was recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the reviewed financial statements of the investees as of and for the same periods ended as the Company.

**10. FINANCIAL ASSETS CARRIED AT COST**

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

**11. PROPERTY, PLANT AND EQUIPMENT**

Accumulated depreciation consisted of the following:

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

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

**12. DEFERRED CHARGES, NET**

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

**13. BONDS PAYABLE**

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



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

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

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

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

<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	264,712
	3,994,705
Current portion (classified under accrued expenses and other current liabilities)	(2,371,524)
	\$ 1,623,181

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

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

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

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

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

	<b>Three Months Ended 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		(4,678)
Balance, end of period	\$ 2,027,436	\$ 1,767,611

#### 16. INCOME TAX

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

	<b>Three Months Ended 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	(1,951,369)	(2,362,272)
Income tax currently payable	\$ 1,951,369	\$ 2,362,273

- b. Income tax expense consisted of the following:

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

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

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets		
Investment tax credits	\$ 9,486,631	\$ 7,276,728



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

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

- 20 -

---

## 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
		144,422	144,422	2011
		\$ 16,101,731	\$ 14,150,362	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,627,095	\$ 1,627,095	2008
		1,534,230	1,534,230	2009
		1,534,050	1,534,050	2010
		440,265	440,265	2011
		\$ 5,135,640	\$ 5,135,640	
Statute for Upgrading Industries	Personnel training expenditures	\$ 40,734	\$ 40,734	2008
		40,442	40,442	2009
		\$ 81,176	\$ 81,176	
Statute for Upgrading Industries	Investments in important	\$ 79,804	\$ 79,804	2010

technology-based  
enterprises

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

	<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.

- 21 -

---



**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.

- 22 -

---

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	55	55
	<b>\$ 54,231,465</b>	<b>\$ 57,208,367</b>

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:

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

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

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

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

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

#### **19. STOCK-BASED COMPENSATION PLANS**

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

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





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

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

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

As of March 31, 2007, information about outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$27.6-\$39.7	31,782	3.92	\$ 35.5	27,625	\$ 34.9
\$45.1-\$52.3	17,509	5.65	47.5	6,495	47.0
	49,291			34,120	

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

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

	<b>Three Months Ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Assumptions:		
Expected dividend yield	1.00%-3.44%	1.00%-3.44%
Expected volatility	43.77%-46.15%	43.77%-46.15%
Risk free interest rate	3.07%-3.85%	3.07%-3.85%
Expected life	5 years	5 years
		(Continued)

- 25 -

---

	<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**

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

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

**21. EARNINGS PER SHARE**

	<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	\$ 0.77	\$ 0.73	\$ 1.33	\$ 1.26
Diluted EPS (NT\$)				
	\$ 0.77	\$ 0.73	\$ 1.34	\$ 1.27

Income before cumulative effect of change in accounting principles

Cumulative effect of changes in accounting principles

(0.01)

(0.01)

Income for the period

\$ 0.77

\$ 0.73

\$ 1.33

\$ 1.26

- 26 -

---

EPS was computed as follows:

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

## 22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

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

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

## Liabilities

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

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.

- 27 -

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

**23. RELATED PARTY TRANSACTIONS**

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

a. Philips, a major shareholder of the Company.

b. Subsidiaries

TSMC-North America

TSMC-Shanghai

TSMC-Europe

TSMC-Japan

TSMC-Korea

c. Investees

GUC (with a controlling interest)

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

d. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

e. Indirect investee

VisEra (accounted for using equity method)

f. Others

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

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

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



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

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

As of March 31

Receivables

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

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

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

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

- 30 -

---

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

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

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

The Company leased part of its office space from GUC with a quarterly rental of NT\$4,186 thousand; beginning from June 2006, the quarterly rental has been changed to NT\$3,473 thousand. The Company also leased certain buildings and facilities to VisEra with a monthly rental of NT\$7,684 thousand (classified under non-operating income and gains).

#### 24. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2007 to December 2026 and can be renewed upon expiration.

- 31 -

---

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

	<b>Year</b>	<b>Amount</b>
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		1,547,121
		<b>\$ 2,706,090</b>

## 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.

- 32 -

---

- 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;

- 33 -

---



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

March 31, 200

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

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

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

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

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

(Continued)

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

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

(Continued)

March 31,

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



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

(Continued)

March 31, 2019

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

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

(Continued)

March 31, 2011

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

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

(Continued)

March 31, 2017

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

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

(Continued)

March 31, 2011

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



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

(Continued)

March 31, 2018

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

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

(Continued)

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

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

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)



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

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

(Continued)





**TABLE 2**

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

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

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

(Continued)

Name and	Account	Counter-party	Relationship	Nature	Beginning Balance		Acquisition		Disposal (Note 1)		Carry Value
					Amount	Amount	Amount	Amount	Amount	Amount	
					(In thousands)	(In thousands)	(In thousands)	(In thousands)	(In thousands)	(In thousands)	
reas Nt	Available-for-sale financial assets				US\$-	US\$	5,059	US\$	3,033	US\$	3,033
reas Nts					US\$ 12,295			US\$	9,860	US\$	9,860
reas Nts						US\$	9,011	US\$	7,119	US\$	7,119
reas Nts					US\$ 61,165			US\$	22,471	US\$	22,471
reas Nts							US\$ 24,127				
reas Nts							US\$ 16,788	US\$	6,017	US\$	6,017
reas Nts							US\$ 106,064	US\$	102,586	US\$	102,586
reas Nts					US\$ 3,996			US\$	4,019	US\$	4,019
reas Nts					US\$ 56,619	US\$	121,987	US\$	87,791	US\$	87,791
							US\$ 14,102				
la Fin Corp. Mtn	Available-for-sale financial assets				US\$ 3,095	US\$	3,950				
os Inc.					US\$ 3,340			US\$	3,395	US\$	3,395
rst Boston USA							US\$ 3,175				
o Corp.							US\$ 5,900				
Bk					US\$ 3,930			US\$	3,973	US\$	3,973
Group Inc.					US\$ 4,941			US\$	5,011	US\$	5,011
m Term Sr Nts					US\$ 3,182			US\$	3,215	US\$	3,215
Corp.							US\$ 3,120				
usiness Machs							US\$ 3,496				
- Co Inc.					US\$ 3,426			US\$	3,464	US\$	3,464
- Co Inc.				US\$ 4,842			US\$	4,880	US\$	4,880	
				US\$ 3,811			US\$	3,790	US\$	3,790	
ium Term Nts				US\$ 8,949			US\$	6,068	US\$	6,068	
. New						US\$ 3,491					
nt Bk Fa				US\$ 4,000			US\$	3,998	US\$	3,998	
d asset-backed											
Master Nt Tr	Available-for-sale financial assets					US\$	4,500				
s Thru Cfts Tr						US\$	4,854				
Ln Bks	Available-for-sale financial assets				US\$ 4,872			US\$	4,938	US\$	4,938
Ln Bks						US\$	5,365				
Ln Bks						US\$	4,494				

Ln Bks		US\$ 3,992		
Ln Mtg Corp.	US\$ 6,410		US\$ 4,962	US\$ 4
Ln Mtg Corp.		US\$ 6,000		
Loan Bank		US\$ 5,083		
Loan Bank		US\$ 4,518		
Loan Bank		US\$ 3,453		
g Assn	US\$ 5,885		US\$ 5,933	US\$ 5
g Assn	US\$ 14,931		US\$ 10,860	US\$ 10
g Assn	US\$ 10,459		US\$ 10,477	US\$ 10
g Assn		US\$ 4,982		

(Continued)

Name	Account	Counter-party	Relationship	Nature	Beginning Balance Amount		Acquisition	Disposal (Note)	
					Shares/Unit (US\$ in thousands)	Amount (US\$ in thousands)	Amount (US\$ in thousands)	Amount (US\$ in thousands)	Carrying Value (US\$ in thousands)
Intl Mtg Assn	Available-for-sale financial assets				US\$ 6,516		US\$ 6,500	US\$ 6,514	US\$ 6,514
Intl Mtg Assn							US\$ 4,368		
Ln Pc Pool 1g1411							US\$ 4,424		
Ln Pc Pool 1g2593							US\$ 5,600		
Home Ln Mtg							US\$ 6,513		
Home Ln Mtg Corp.							US\$ 4,354		
01900296							US\$ 4,336		

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)

**TABLE 3**

**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)**

Transaction Date	Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Owner	Related Counter-party Relationships	Transfer Date	Amount	P
4, 2007	\$ 198,000	By the construction progress	Lead Fu Industry Corp.		N/A	N/A	N/A	N/A	Pub bid

- 50 -

**TABLE 4**

**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)**

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

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

**TABLE 5**

**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)**

Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note)	Overdue Amounts	Action Taken	Amounts Received in Subsequent Period	Allowan D
ny	TSMC-North America	Subsidiary	\$ 19,044,327	41 days	\$ 6,299,807		\$ 6,432,224	
	GUC	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.

- 52 -



**TABLE 6**

**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)**

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Losses) of the Investee
			March 31, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)	
C Global	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$43,771,405	\$ 536,225
C 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)
C-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)
C	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,134,439	307,631
	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
C Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,572,167	72,409
C-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
C	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890		90,526	43	1,370,453	53,472

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

F II	Cayman Islands	Investing in new start-up technology companies	847,579	785,465		98	801,222	(5,290)
ing Alliance	Cayman Islands	Investing in new start-up technology companies	1,404,649	1,418,717		99	779,280	3,382
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	41,263	38	692,434	187,063
F III	Cayman Islands	Investing in new start-up technology companies	455,527	243,545		98	438,480	(5,938)
Cherng	Taipei, Taiwan	Investment activities	300,000	300,000		36	118,167	2,379
Ruey	Taipei, Taiwan	Investment activities	300,000	300,000		36	116,793	2,233
C-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	98,799	555
C-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	56,633	5,375
C-Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,087	295

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.

**TABLE 7**

**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)

	Total Amount of		Accumulated	Investment Flows	Accumulated	Equity in		Carrying Value as of March 31, 2007
	Paid-in Capital	Method of Investment	Outflow of Investment from Taiwan as of January 1, 2007	Outflow	Outflow of Investment from Taiwan as of March 31, 2007	the Earnings	(Losses)	
in Businesses and Products	(RMB in Thousand)		(US\$ in Thousand)	(US\$ in Thousand)	(US\$ in Thousand)	Percentage of Ownership	(Note 2)	
Manufacturing and products of integrated circuits at the order of customers pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$	100%	\$(127,964)	\$9,120,000

**Accumulated Investment in Mainland China as of March 31, 2007**

(US\$ in Thousand)

\$12,180,367

(US\$371,000)

**Investment Amounts Authorized by Investment Commission, MOEA**

(US\$ in Thousand)

\$12,180,367

(US\$371,000)

**Upper Limit on Investment**

(US\$ in Thousand)

\$12,180,367

(US\$371,000)

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

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

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: April 26, 2007

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

- 55 -