

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

October 31, 2006

1934 Act Registration No. 1-14700
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

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

For the month of October 2006

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

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

(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

Yes No

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

Taiwan Semiconductor Manufacturing Company Limited
Financial Statements for the
Nine Months Ended September 30, 2006 and 2005 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 September 30, 2006 and 2005, and the related statements of income and cash flows for the nine 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 and accounting principles generally accepted in the Republic of China.

October 11, 2006

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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
SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 77,785,750	14	\$ 58,467,326	12
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	45,295		103,214	
Available-for-sale financial assets (Notes 2, 3 and 6)	35,749,909	7	48,216,860	10
Held-to-maturity financial assets (Notes 2, 3 and 7)	6,220,737	1	605,110	
Notes and accounts receivable	19,339,939	4	18,605,971	4
Receivables from related parties (Note 23)	22,030,420	4	23,036,804	5
Allowance for doubtful receivables (Note 2)	(975,705)		(977,365)	
Allowance for sales returns and others (Note 2)	(5,012,934)	(1)	(3,417,328)	
Other receivables from related parties (Note 23)	1,042,223		1,650,678	
Other financial assets (Note 3)	747,755		1,144,264	
Inventories, net (Notes 2 and 8)	18,369,130	3	15,070,064	3
Deferred income taxes assets (Notes 2 and 16)	2,683,412	1	1,781,000	
Prepaid expenses and other current assets (Note 3)	704,492		767,457	
Total current assets	178,730,423	33	165,054,055	34
LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 9 and 10)				
Investments accounted for using equity method	84,640,267	15	50,235,546	10
Available-for-sale financial assets	4,893,355	1		
Held-to-maturity financial assets	30,747,122	6	27,948,533	6
Financial assets carried at cost	769,411		774,373	
Total long-term investments	121,050,155	22	78,958,452	16
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)				
Cost				
Buildings	95,576,337	17	89,619,890	19
Machinery and equipment	508,975,810	92	453,130,574	94
Office equipment	8,443,812	2	7,726,708	1
	612,995,959	111	550,477,172	114
Accumulated depreciation	(401,098,736)	(73)	(346,517,367)	(72)
Advance payments and construction in progress	21,069,769	4	14,949,566	3

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Net property, plant and equipment	232,966,992	42	218,909,371	45
GOODWILL (Note 2)	1,567,756		1,654,853	
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 16)	10,989,791	2	11,042,079	3
Deferred charges, net (Notes 2 and 12)	5,639,776	1	7,322,444	2
Refundable deposits	83,738		83,642	
Assets leased to others, net (Note 2)	68,579		74,312	
Others	6,789		6,789	
Total other assets	16,788,673	3	18,529,266	5
TOTAL	\$ 551,103,999	100	\$ 483,105,997	100

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 458,808		\$ 1,599,615	
Accounts payable	6,641,641	1	6,691,135	1
Payables to related parties (Note 23)	3,894,488	1	3,350,905	1
Income tax payable (Notes 2 and 16)	6,535,446	1	1,364,915	
Accrued expenses and other current liabilities (Notes 3 and 14)	7,477,769	2	8,582,544	2
Payables to contractors and equipment suppliers	15,299,614	3	10,814,978	3
Current portion of bonds payable (Note 13)	2,500,000		10,500,000	2
Total current liabilities	42,807,766	8	42,904,092	9

LONG-TERM LIABILITIES

Bonds payable (Note 13)	17,000,000	3	19,500,000	4
Other long-term payables (Note 14)	1,291,484		1,526,648	1
Other payables to related parties (Notes 23 and 25)	409,588		1,111,798	
Total long-term liabilities	18,701,072	3	22,138,446	5

OTHER LIABILITIES

Accrued pension cost (Notes 2 and 15)	3,502,475	1	3,451,671	1
Guarantee deposits (Note 25)	3,680,687	1	2,363,889	
Deferred credits (Notes 2 and 23)	1,275,872		1,136,767	

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Total other liabilities	8,459,034	2	6,952,327	1
Total liabilities	69,967,872	13	71,994,865	15
CAPITAL STOCK NT\$10 PAR VALUE				
Authorized: 27,050,000 thousand shares				
Issued: 25,825,840 thousand shares in 2006				
24,727,348 thousand shares in 2005	258,258,398	47	247,273,476	51
CAPITAL SURPLUS (Notes 2 and 18)	53,857,667	10	56,777,040	12
RETAINED EARNINGS (Note 18)				
Appropriated as legal capital reserve	43,705,711	8	34,348,208	7
Appropriated as special capital reserve	640,742		2,226,427	
Unappropriated earnings	124,866,387	22	72,296,264	15
	169,212,840	30	108,870,899	22
OTHERS (Notes 2 and 3)				
Cumulative translation adjustments	223,105		(260,171)	
Unrealized gains on financial instruments	502,192			
	725,297		(260,171)	
TREASURY STOCK (AT COST, Notes 2 and 20)				
33,926 thousand shares in 2006 and 46,808 thousand shares in 2005	(918,075)		(1,550,112)	
Total shareholders equity	481,136,127	87	411,111,132	85
TOTAL	\$ 551,103,999	100	\$ 483,105,997	100

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

Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 23)	\$ 245,148,192		\$ 187,279,666	
SALES RETURNS AND ALLOWANCES (Note 2)	5,202,252		3,852,617	
NET SALES	239,945,940	100	183,427,049	100
COST OF SALES (Notes 17 and 23)	123,155,982	51	108,047,657	59
GROSS PROFIT	116,789,958	49	75,379,392	41
OPERATING EXPENSES (Notes 17 and 23)				
Research and development	11,206,265	5	9,972,853	5
General and administrative	5,348,876	2	5,625,306	3
Marketing	1,360,794	1	991,423	1
Total operating expenses	17,915,935	8	16,589,582	9
INCOME FROM OPERATIONS	98,874,023	41	58,789,810	32
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 9)	4,696,522	2		
Interest income (Notes 2 and 3)	2,734,401	1	1,747,952	1
Technical service income (Notes 23 and 25)	514,995	1	322,976	
Settlement income (Note 25)	483,734		711,324	1
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 23)	480,944		149,014	
Foreign exchange gain, net (Note 2)	28,165		491,442	
Others (Note 23)	342,234		248,776	
Total non-operating income and gains	9,280,995	4	3,671,484	2
NON-OPERATING EXPENSES AND LOSSES				

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Loss on disposal of financial instruments, net (Notes 2, 3 and 5)	1,395,264	1	1,383,563	1
Interest expense (Note 3)	495,900		909,337	
Valuation loss on financial instruments, net (Notes 2, 3, 5 and 22)	413,514		264,068	
Loss on disposal of property, plant and equipment (Note 2)	225,781		60,565	

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
Equity in losses of equity method investees, net (Notes 2 and 9)	\$		\$ 1,277,187	1
Others	129,031		148,384	
Total non-operating expenses and losses	2,659,490	1	4,043,104	2
INCOME BEFORE INCOME TAX	105,495,528	44	58,418,190	32
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 16)	(6,151,303)	(3)	1,256,710	1
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	99,344,225	41	59,674,900	33
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3)	(246,186)			
NET INCOME	\$ 99,098,039	41	\$ 59,674,900	33

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 21)				
Basic earnings per share	\$ 4.08	\$ 3.84	\$ 2.27	\$ 2.32
Diluted earnings per share	\$ 4.07	\$ 3.84	\$ 2.27	\$ 2.32

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

	2006	2005
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 99,426,545	\$ 59,766,385

NET INCOME	\$ 99,180,359	\$ 59,766,385
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 3.84	\$ 2.32
Diluted earnings per share	\$ 3.84	\$ 2.31

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

(Concluded)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 99,098,039	\$ 59,674,900
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48,809,141	51,437,043
Amortization of premium/discount of financial assets	16,004	91,155
Loss on disposal of available-for-sale financial assets, net	11,258	134,440
Equity in losses (earnings) of equity method investees, net	(4,696,522)	1,277,187
Dividends received from equity method investees	626,367	668,464
Gain on disposal of financial assets carried at cost, net		(2,810)
Gain on disposal of property, plant and equipment and other assets, net	(255,163)	(88,449)
Deferred income taxes	99,752	(2,329,076)
Loss on idle assets	37,283	106,964
Donation of idle assets		7,207
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	1,560,139	2,653,766
Notes and accounts receivable	1,251,879	(3,279,090)
Receivables from related parties	(979,816)	(6,900,765)
Allowance for doubtful receivables	(639)	(3,096)
Allowance for sales returns and others	742,965	89,414
Other receivables from related parties	688,353	(1,376,333)
Other financial assets	105,781	26,054
Inventories, net	(2,111,175)	(898,119)
Prepaid expenses and other current assets	467,281	319,975
Increase (decrease) in:		
Accounts payable	(1,410,465)	202,518
Payables to related parties	(38,596)	(1,115,663)
Income tax payable	2,719,558	985,012
Accrued expenses and other current liabilities	(513,289)	(392,616)
Accrued pension cost	41,083	350,475
Deferred credits	(71,808)	119,681
 Net cash provided by operating activities	 146,197,410	 101,758,238
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(78,666,694)	(71,367,811)
Held-to-maturity financial assets	(16,141,019)	(7,466,251)
Investments accounted for using equity method	(1,495,552)	(3,225,972)

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Financial assets carried at cost	(11,921)	(14,427)
Property, plant and equipment	(59,945,807)	(60,336,499)

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
Proceeds from disposal of:		
Available-for-sale financial assets	\$ 57,874,205	\$ 71,792,572
Financial assets carried at cost	50,000	15,498
Property, plant and equipment and other assets	927,200	1,502,142
Redemption of held-to-maturity financial assets upon maturity	8,512,000	8,716,394
Increase in deferred charges	(755,982)	(735,673)
Proceeds from return of capital by investee	162,354	
Decrease (increase) in refundable deposits	(96)	1,771
 Net cash used in investing activities	 (89,491,312)	 (61,118,256)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid for common stock	(61,825,061)	(46,504,097)
Cash bonus paid to employees	(3,432,129)	(3,086,215)
Increase in guarantee deposits	787,742	1,951,496
Proceeds from exercise of employee stock options	422,927	165,808
Bonus to directors and supervisors	(257,410)	(231,466)
 Net cash used in financing activities	 (64,303,931)	 (47,704,474)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (7,597,833)	 (7,064,492)
 CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	 85,383,583	 65,531,818
 CASH AND CASH EQUIVALENTS, END OF PERIOD	 \$ 77,785,750	 \$ 58,467,326
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 420,000	\$ 420,000
Income tax paid	\$ 3,146,676	\$ 87,315
 INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant, and equipment	\$ 66,386,191	\$ 39,997,168
Decrease (increase) in payables to contractors and equipment suppliers	(6,440,384)	20,339,331

Cash paid	\$ 59,945,807	\$ 60,336,499
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NON-CASH INVESTING AND FINANCING ACTIVITIES

Current portion of bonds payable	\$ 2,500,000	\$ 10,500,000
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Current portion of other payables to related parties (under payables to related parties)	\$ 699,195	\$ 701,096
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Current portion of other long-term payable (under accrued expenses and other current liabilities)	\$ 971,596	\$ 1,516,436
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Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method (Note 6)	\$ 26,821,648	\$
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The accompanying notes are an integral part of the financial statements. (Concluded)

Taiwan Semiconductor Manufacturing Company Limited
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(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 September 30, 2006 and 2005, the Company had 20,266 and 19,475 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds, corporate notes, commercial papers and treasury bills acquired with maturities of less than three months from the date of purchase are classified as cash

equivalents. The carrying amount approximates fair value.

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Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-Sale Financial Assets

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

Fair values 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 reductions to the original cost of investment if such dividends are declared on the earnings of the investees attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

Held-to-Maturity Financial Assets

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

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the

amortized cost that would have been determined as if no impairment loss had been recognized.

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Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the equity in earnings/losses of equity method investees, net account. The difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was previously amortized by the straight-line method over five years, 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), investment premiums, representing goodwill, are no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss charged to current income.

When the Company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company's share in the investee's 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 until such gains or losses are realized through transactions with third parties.

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

Financial Assets Carried at Cost

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

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

Property, Plant, and Equipment and Assets Leased to Others

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

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

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

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill was previously amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised SFAS No. 25, Business Combinations Accounting Treatment under Purchase Method (SFAS No. 25), goodwill is no longer amortized and is assessed

for impairment at least on an annual basis. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent recovery in fair value of goodwill is not allowed.

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Deferred Charges

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

Pension Costs

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

Income Tax

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

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

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

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

Stock-based Compensation

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

Treasury Stock

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

Foreign-currency Transactions

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

3. ACCOUNTING CHANGES

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

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

The Company had properly 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; on the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders equity.

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

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

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$167,328 thousand, a decrease in net income of NT\$413,514 thousand, and a decrease in basic earnings per share (after income tax) of NT\$0.02, for the nine months ended

September 30, 2006.

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

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b. Reclassifications

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

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

1) Short-term investments

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

2) Derivative financial instruments

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

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

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

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

	Before Reclassification	After Reclassification
Balance sheet		
Short-term investments	\$ 48,821,970	\$
Other financial assets	46,699	
Prepaid expenses and other current assets	56,515	
Long-term investments accounted for using cost method	774,373	
Long-term bonds investment	19,647,173	
Other long-term investments	8,301,360	
Accrued expenses and other current liabilities	(1,599,615)	
Financial assets at fair value through profit or loss		103,214
Financial liabilities at fair value through profit or loss		(1,599,615)
Available-for-sale financial assets		48,216,860
Held-to-maturity financial assets		28,553,643
Financial assets carried at cost		774,373
	\$ 76,048,475	\$ 76,048,475
Statement of income		
Interest income	\$ 698,433	\$
Foreign exchange loss, net	(608,743)	
Interest expense	(1,338,813)	
Unrealized valuation loss on short-term investments	(264,068)	
Loss on disposal of investment, net	(134,440)	
Loss on disposal of financial instruments, net		(1,383,563)
Valuation loss on financial instruments, net		(264,068)
	\$ (1,647,631)	\$ (1,647,631)

4. CASH AND CASH EQUIVALENTS

	September 30	
	2006	2005
Cash and deposits in banks	\$ 56,452,326	\$ 27,906,434
Repurchase agreements collateralized by government bonds	21,200,915	29,924,288
Corporate notes	132,509	314,090
Commercial papers		321,757
Treasury bills		757

\$ 77,785,750 \$ 58,467,326

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

	September 30	
	2006	2005
Derivatives financial assets		
Forward exchange contracts	\$ 45,295	\$ 17,002
Cross currency swap contracts		86,212
	\$ 45,295	\$ 103,214
Derivatives financial liabilities		
Forward exchange contracts	\$	\$ 302,260
Cross currency swap contracts	458,808	1,297,355
	\$ 458,808	\$ 1,599,615

The Company entered into derivative contracts for the nine months ended September 30, 2006 and 2005 to manage exposures due to the fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, effective from January 1, 2006, the Company discontinued applying hedge accounting treatment for its derivative financial instruments.

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

	Currency	Maturity Date	Contract Amount (in Thousands)
September 30, 2006			
Buy	US\$/NT\$	October 2006 to November 2006	US\$145,000
September 30, 2005			
Sell	US\$/NT\$	October 2005 to December 2005	US\$680,000

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

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

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October 2006 to November 2006	US\$1,550,000	3.34%	5.50%	0.60%	2.72%
September 30, 2005					
October 2005 to December 2005	US\$1,574,000	3.65%	4.01%	1.17%	1.38%

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

Net loss arising from derivative financial instruments for the nine months ended September 30, 2006 were NT\$1,797,738 thousand (including realized settlement loss of NT\$1,384,224 thousand and valuation loss of NT\$413,514 thousand).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30	
	2006	2005
Open-end mutual funds	\$ 21,781,496	\$ 8,186,687
Corporate bonds	9,137,742	12,327,416
Agency bonds	4,786,766	12,455,906
Corporate issued asset-backed securities	3,237,614	12,047,128
Government bonds	1,200,097	2,850,102
Structured time deposit	499,549	
Corporate notes		265,958
Money market funds		58,184
Publicly-traded stocks		25,479
	40,643,264	48,216,860
Current portion	(35,749,909)	(48,216,860)
	\$ 4,893,355	\$

Before July 31, 2006 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. The Company transferred investment portfolios managed by two of the aforementioned fund managers to TSMC Global, Ltd. (TSMC-Global), a subsidiary of TSMC, in the third quarter of 2006. The transferred investment portfolios held by TSMC Global are still managed by the same fund managers in accordance with the aforementioned investment guidelines and terms. As of September 30, 2006, the Company's investment portfolios managed by the remaining fund manager aggregated to an original amount of US\$400,000 thousand. The investment portfolios included securities such as corporate bonds, agency bonds, asset-backed securities, government bonds and others. Securities acquired with maturities of less than three months from the date of purchase were classified as cash equivalents.

As of September 30, 2006, structured time deposits categorized as available-for-sale financial assets consisted of the following:

	Principal	Carrying	Range of	Maturity
	Amount	Amount	Interest	Date
			Rates	
Step-up callable deposits				

Domestic deposits	\$ 500,000	\$ 499,549	1.76%	March 2008
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The interest rate of the step-up callable deposits is pre-determined by the Company and the banks.

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7. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30	
	2006	2005
Corporate bonds	\$ 14,670,013	\$ 6,788,456
Structured time deposits	11,281,560	8,301,360
Government bonds	11,016,286	13,463,827
	36,967,859	28,553,643
Current portion	(6,220,737)	(605,110)
	\$ 30,747,122	\$ 27,948,533

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

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
September 30, 2006				
Step-up callable deposits				
Domestic deposits	\$ 4,000,000	\$ 35,459	1.40% 2.01%	June 2007 to March 2009
Callable range accrual deposits				September 2009 to December 2009
Domestic deposits	3,971,760	15,004	(See below)	October 2009 to January 2010
Foreign deposits	3,309,800	7,585	(See below)	
	\$ 11,281,560	\$ 58,048		
September 30, 2005				
Step-up callable deposits				
Domestic deposits	\$ 1,000,000	\$ 422	1.40% 1.50%	June 2007
Callable range accrual deposits				September 2009 to December 2009
Domestic deposits	3,982,560	16,218	(See below)	October 2009 to January 2010
Foreign deposits	3,318,800	11,653	(See below)	
	\$ 8,301,360	\$ 28,293		

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 September 30, 2006 and 2005, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$80,000 thousand; those resided in banks located in Singapore amounted to US\$20,000 thousand.

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8. INVENTORIES, NET

	September 30	
	2006	2005
Finished goods	\$ 4,499,585	\$ 2,018,670
Work in process	12,806,387	12,481,841
Raw materials	1,403,443	1,200,996
Supplies and spare parts	483,892	712,116
	19,193,307	16,413,623
Allowance for losses	(824,177)	(1,343,559)
	\$ 18,369,130	\$ 15,070,064

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2006		2005	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
TSMC Global (Note 6)	\$ 28,423,113	100	\$	
TSMC International Investment Ltd. (TSMC International)	27,017,212	100	24,186,711	100
TSMC (Shanghai) Company Limited (TSMC Shanghai)	9,250,288	100	9,888,482	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	5,611,199	32	3,906,083	32
Vanguard International Semiconductor Corporation (VIS)	5,359,803	27	5,209,161	27
TSMC Partners, Ltd. (TSMC Partners)	4,397,781	100	4,084,085	100
TSMC North America (TSMC North America)	1,876,355	100	846,477	100
Emerging Alliance Fund, L.P. (Emerging Alliance)	908,370	99	853,754	99
VentureTech Alliance Fund II, L.P. (VTAF II)	717,136	98	488,940	98
Global UniChip Corporation (GUC)	468,150	44	429,936	46
VentureTech Alliance Fund III, L.P. (VTAF III)	224,580	98		
Chi Cherng Investment Co., Ltd. (Chi Cherng)	115,347	36	78,068	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	114,548	36	77,348	36
TSMC Japan K. K. (TSMC Japan)	97,810	100	99,061	100
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	44,143	100	23,582	100
Taiwan Semiconductor Manufacturing Company Korea (TSMC Korea)	14,432	100		
VisEra Technologies Company, Ltd. (VisEra)			63,858	25
	\$ 84,640,267		\$ 50,235,546	

For the nine months ended September 30, 2006 and 2005, net equity in earnings of NT\$4,696,522 thousand and net equity in losses of NT\$1,277,187 thousand were recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the reviewed financial statements of the investees as of and for the same periods ended as the Company.

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

10. FINANCIAL ASSETS CARRIED AT COST

	September 30	
	2006	2005
Non-publicly traded stocks	\$ 422,500	\$ 472,500
Mutual funds	346,911	301,873
	\$ 769,411	\$ 774,373

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	September 30	
	2006	2005
Buildings	\$ 47,680,865	\$ 41,091,353
Machinery and equipment	347,184,167	300,003,419
Office equipment	6,233,704	5,422,595
	\$ 401,098,736	\$ 346,517,367

No interest was capitalized during the nine months ended September 30, 2006 and 2005.

12. DEFERRED CHARGES, NET

	September 30	
	2006	2005
Technology license fees	\$ 4,373,517	\$ 5,410,933
Software and system design costs	1,221,171	1,828,117
Others	45,088	83,394
	\$ 5,639,776	\$ 7,322,444

13. BONDS PAYABLE

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

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

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

14. OTHER LONG-TERM PAYABLES

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

Year of Payment	Amount
2006 4 th quarter	\$ 227,906
2007	743,691
2008	342,233
2009	342,233
2010	342,233
2011 and thereafter	264,784
	2,263,080
Current portion (classified under accrued expenses and other current liabilities)	(971,596)
	\$ 1,291,484

15. PENSION PLANS

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

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The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension costs of NT\$468,808 thousand and NT\$127,170 thousand for the nine months ended September 30, 2006 and 2005, respectively.

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

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

	Nine Months Ended September 30	
	2006	2005
The Fund		
Balance, beginning of period	\$ 1,658,864	\$ 1,428,001
Contributions	183,810	168,958
Interest	34,383	15,629
Payments	(7,407)	(8,419)
Balance, end of period	\$ 1,869,650	\$ 1,604,169
Accrued pension cost		
Balance, beginning of period	\$ 3,461,392	\$ 3,101,196
Accruals	41,083	350,475
Balance, end of period	\$ 3,502,475	\$ 3,451,671

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:

	Nine Months Ended September 30	
	2006	2005
Income tax expense based on income before income tax at statutory rate (25%)	\$ (26,373,882)	\$ (14,604,548)
Tax effect of the following:		
Tax-exempt income	8,871,751	8,120,128
Temporary and permanent differences	1,347,129	(909,174)
Cumulative effect of changes in accounting principles	82,062	
Additional tax at 10% on unappropriated earnings	(1,156,130)	(1,489,709)

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Income tax credits	10,799,894	7,771,188
Income tax currently payable	\$ (6,429,176)	\$ (1,112,115)

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

	Nine Months Ended September 30	
	2006	2005
Income tax currently payable	\$ (6,429,176)	\$ (1,112,115)
Other income tax adjustments	377,625	39,749
Net change in deferred income tax assets		
Investment tax credits	(4,483,230)	2,297,281
Temporary differences	1,822,230	1,530,726
Adjustment in valuation allowance	2,561,248	(1,498,931)
Income tax benefit (expense)	\$ (6,151,303)	\$ 1,256,710

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

	September 30	
	2006	2005
Current deferred income tax assets		
Investment tax credits	\$ 2,683,412	\$ 1,781,000
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 16,699,129	\$ 26,400,865
Temporary differences	1,139,960	(919,809)
Valuation allowance	(6,849,298)	(14,438,977)
	\$ 10,989,791	\$ 11,042,079

- d. Integrated income tax information:

The balance of the imputation credit account as of September 30, 2006 and 2005 was NT\$746,437 thousand and NT\$20,087 thousand, respectively.

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

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

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

f. As of September 30, 2006, investment tax credits consisted of the following:

Regulation	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 2,685,805	\$	2006
		4,113,439		2007
		6,808,912	5,877,392	2008
		6,030,827	6,030,827	2009
		2,978,287	2,978,287	2010
		\$ 22,617,270	\$ 14,886,506	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,780,480	\$	2006
		1,245,142		2007
		1,627,095	1,627,095	2008
		1,534,230	1,534,230	2009
		1,173,730	1,173,730	2010
		\$ 7,360,677	\$ 4,335,055	
Statute for Upgrading Industries	Personnel training	\$ 27,311	\$	2006
		16,197		2007
		40,734	40,734	2008
		40,442	40,442	2009
		\$ 124,684	\$ 81,176	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010

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

	Tax-Exemption Period
Construction of Fab 8 modules B	2002 to 2005
Expansion of Fab 2 modules A and B, Fab 3, Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

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

17. LABOR COST, DEPRECIATION AND AMORTIZATION

	Nine Months Ended September 30, 2006		
	Classified		
	as		
	Classified	Operating	
	as	Expenses	Total
	Cost of		
	Sales		
Labor cost			
Salary	\$ 7,383,078	\$ 3,140,749	\$ 10,523,827
Labor and health insurance	514,883	262,833	777,716
Pension	462,022	235,806	697,828
Meal	335,397	117,518	452,915
Welfare	141,602	76,398	218,000
Others	167,104	17,644	184,748
	\$ 9,004,086	\$ 3,850,948	\$ 12,855,034

Depreciation	\$ 44,547,208	\$ 2,454,035	\$ 47,001,243
Amortization	\$ 1,075,802	\$ 711,017	\$ 1,786,819

	Nine Months Ended September 30, 2005		
	Classified		
	as		
	Classified	Operating	
	as	Expenses	Total
	Cost of		
	Sales		
Labor cost			
Salary	\$ 6,530,511	\$ 2,667,263	\$ 9,197,774
Labor and health insurance	459,934	219,072	679,006
Pension	440,897	210,015	650,912
Meal	316,142	103,687	419,829
Welfare	114,926	67,142	182,068
Others	103,464	44,331	147,795
	\$ 7,965,874	\$ 3,311,510	\$ 11,277,384

Depreciation	\$ 46,636,159	\$ 2,254,165	\$ 48,890,324
Amortization	\$ 1,284,868	\$ 1,249,154	\$ 2,534,022

18. SHAREHOLDERS EQUITY

As of September 30, 889,740 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs is 4,448,702 thousand (one ADS represents five common shares).

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

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Capital surplus consisted of the following:

	September 30	
	2006	2005
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	19,860,644	23,175,884
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	389,188	91,690
From long-term investments	243,810	145,441
Donations	55	55
	\$ 53,857,667	\$ 56,777,040

The Company's Articles of Incorporation as revised on May 10, 2005 provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the Company's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- c. Bonus to directors and supervisors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors and supervisors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial assets, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance

reverses.

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

	Appropriation of Earnings		Dividends Per Share	
			(NT\$)	
	For Fiscal Year 2005	For Fiscal Year 2004	For Fiscal Year 2005	For Fiscal Year 2004
Legal capital reserve	\$ 9,357,503	\$ 8,820,201		
Special capital reserve	(1,585,685)	2,226,427		
Employees' profit sharing in cash	3,432,129	3,086,215		
Employees' profit sharing in stock	3,432,129	3,086,215		
Cash dividends to shareholders	61,825,061	46,504,097	\$ 2.50	\$ 2.00
Stock dividends to shareholders	3,709,504	11,626,024	0.15	0.50
Bonus to directors and supervisors	257,410	231,466		
	\$ 80,428,051	\$ 75,580,645		

The shareholders' meeting held on May 16, 2006 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$3,709,504 thousand.

The aforementioned stock dividends declared out of earnings for 2005 and stock dividends distributed out of capital surplus had been approved by the SFB and took effect on June 26, 2006.

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

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

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

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

19. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans under the 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand

and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

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

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

	Number of Options (in Thousands)	Weighted- Average Exercise Price (NT\$)
Nine months ended September 30, 2006		
Balance, beginning of period	67,758	\$ 39.4
Options granted	2,758	40.1
Options exercised	(10,701)	39.5
Options canceled	(3,020)	44.0
Balance, end of period	56,795	39.6
Nine months ended September 30, 2005		
Balance, beginning of period	64,367	40.5
Options granted	14,864	48.4
Options exercised	(4,160)	39.9
Options canceled	(3,777)	43.5
Balance, end of period	71,294	42.1

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

As of September 30, 2006, information about outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Number of Options (in Thousands)	Options Outstanding		Options Exercisable	
		Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$27.6 \$39.7	37,331	5.39	\$ 35.6	30,718	\$ 35.5

45.1	52.3	19,464	7.10	47.4	7,302	46.8
		56,795			38,020	

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No compensation cost was recognized under the intrinsic value method for the nine months ended September 30, 2006 and 2005. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted after January 1, 2004, the assumptions and pro forma results of the Company for the nine months ended September 30, 2006 and 2005 would have been as follows:

	Nine Months Ended September 30			
	2006		2005	
Assumptions:				
Expected dividend yield	1.00%	3.44%	1.00%	3.44%
Expected volatility	43.77%	46.15%	43.77%	46.15%
Risk free interest rate	3.07%	3.85%	3.07%	3.85%
Expected life	5 years		5 years	
Net income:				
Net income as reported	\$ 99,098,039		\$ 59,674,900	
Pro forma net income	99,010,630		59,591,795	
Earnings per share (EPS) after income tax (NT\$):				
Basic EPS as reported	\$3.84		\$2.32	
Pro forma basic EPS	3.84		2.31	
Diluted EPS as reported	3.84		2.32	
Pro forma diluted EPS	3.84		2.31	

20. TREASURY STOCK

	(Shares in Thousands)			
	Beginning Shares	Stock Dividends	Disposal	Ending Shares
Nine months ended September 30, 2006				
Parent company stock held by subsidiaries	32,938	988		33,926
Nine months ended September 30, 2005				
Parent company stock held by subsidiaries	45,521	2,242	955	46,808

Proceeds from sales of treasury stock for the nine months ended September 30, 2005 were NT\$52,273 thousand. As of September 30, 2006 and 2005, the book value of the treasury stock was NT\$918,075 thousand and NT\$1,550,112 thousand, respectively; the market value was NT\$2,025,401 thousand and NT\$2,456,486 thousand, respectively. The Company's stock held by subsidiaries is treated as treasury stock and the holders are entitled to the rights of shareholders, except that starting from June 24, 2005, pursuant to the revised Company Law, the holders are no longer entitled to vote in shareholders' meetings.

21. EARNINGS PER SHARE

	Nine Months Ended September 30			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 4.09	\$ 3.85	\$ 2.27	\$ 2.32
Cumulative effect of changes in accounting principles	(0.01)	(0.01)		
Income for the period	\$ 4.08	\$ 3.84	\$ 2.27	\$ 2.32
Diluted EPS (NT\$)				
Income before cumulative effect of change in accounting principles	\$ 4.08	\$ 3.85	\$ 2.27	\$ 2.32
Cumulative effect of changes in accounting principles	(0.01)	(0.01)		
Income for the period	\$ 4.07	\$ 3.84	\$ 2.27	\$ 2.32

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Nine months ended September 30, 2006					
Basic EPS					
Income available to common shareholders	\$ 105,167,280	\$ 99,098,039	25,786,786	\$ 4.08	\$ 3.84
Effect of dilutive potential common stock stock options			22,958		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 105,167,280	\$ 99,098,039	25,809,744	\$ 4.07	\$ 3.84

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Nine months ended September 30,
2005

Basic EPS

Income available to common shareholders	\$ 58,418,190	\$ 59,674,900	25,761,096	\$ 2.27	\$ 2.32
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Effect of dilutive potential common stock stock options			11,467		
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Diluted EPS

Income available to common shareholders (including effect of dilutive potential common stock)	\$ 58,418,190	\$ 59,674,900	25,772,563	\$ 2.27	\$ 2.32
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22. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	\$ 45,295	\$ 45,295	\$ 103,214	\$ 2,038
Available-for-sale financial assets	40,643,264	40,643,264	48,216,860	48,216,860
Held-to-maturity financial assets	36,967,859	36,799,837	28,553,643	28,277,622
Investments accounted for using equity method (with market price)	5,359,803	9,375,950	5,209,161	10,071,493
Liabilities				
Financial liabilities at fair value through profit or loss	458,808	458,808	1,599,615	1,110,612
Bonds payable (including current portion)	19,500,000	19,851,716	30,000,000	30,372,946
Other long-term payables (including current portion)	3,371,863	3,371,863	4,855,978	4,855,978

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values.
 - 2) Fair values of financial assets/liabilities at fair value through profit or loss were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; while fair values of structured time deposits were estimated using valuation techniques.
 - 4) Fair value of bonds payable was based on their quoted market price.
 - 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. Losses recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$413,514 thousand for the nine months ended September 30, 2006.
- d. As of September 30, 2006 and 2005, financial assets exposed to fair value interest rate risk were NT\$77,656,418 thousand and NT\$76,848,238 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$458,808 thousand and NT\$1,599,615 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$7,281,560 thousand and NT\$7,301,360 thousand, respectively.

- e. The Company recognized an unrealized gain of NT\$160,949 thousand in shareholder's equity for the changes in fair value of available-for-sale financial assets for the nine months ended September 30, 2006. The Company also recognized an unrealized gain of NT\$341,243 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity method investees for the nine months ended September 30, 2006.
- f. Information about financial risks
 - 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency-denominated assets and liabilities. Therefore, the market risk of derivatives will be offset by the foreign exchange risk of these assets and liabilities. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities. Therefore, the fluctuations in market interest rates would result in changes in fair values of these debt 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 cash flow risk is low.
 - 4) Cash flow interest rate risk. The Company mainly engages in investments in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

23. RELATED PARTY TRANSACTIONS

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

- a. Industrial Technology Research Institute (ITRI), the chairman of the Company is one of its supervisors.
- b. Philips, a major shareholder of the Company.
- c. Subsidiaries
 - TSMC North America
 - TSMC Shanghai
 - TSMC Europe
 - TSMC Japan
 - TSMC Korea
 - Emerging Alliance
- d. Investees
 - GUC (with a controlling financial interest)
 - VIS (accounted for using equity method)
 - SSMC (accounted for using equity method)

e. Indirect subsidiaries

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

f. Indirect investee

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

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

	2006		2005	
	Amount	%	Amount	%
Nine months ended September 30				
Sales				
TSMC North America	\$ 144,616,913	59	\$ 106,026,297	57
Philips	3,225,151	1	2,145,073	1
Others	583,671		486,276	
	\$ 148,425,735	60	\$ 108,657,646	58
Purchases				
WaferTech	\$ 9,695,565	27	\$ 7,860,055	29
SSMC	5,555,044	16	3,611,658	14
TSMC Shanghai	3,099,850	9	586,889	2
VIS	2,818,795	8	3,300,928	12
	\$ 21,169,254	60	\$ 15,359,530	57
Manufacturing expenses technical assistance fees				
Philips (Note 25a)	\$ 566,928	1	\$ 392,083	
Marketing expenses commission				
TSMC Japan	\$ 204,592	15	\$ 185,295	19
TSMC Europe	184,306	14	167,142	17
TSMC Korea	5,903			
	\$ 394,801	29	\$ 352,437	36
General and administrative expenses rental expense				

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GUC	\$	11,133		\$	12,348
Research and development expenses					
GUC	\$	37,142		\$	26,190
Sales of property, plant, and equipment					
TSMC Shanghai	\$	401,332	48	\$	125,381 43

(Continued)

	2006		2005	
	Amount	%	Amount	%
Non-operating income and gains				
SSMC (primarily technical service income, see Note 25e)	\$ 268,298	3	\$ 226,738	6
TSMC Shanghai	197,400	2	122,514	3
VisEra	187,189	2	16,387	
VIS (primarily technical service income, see Note 25h)	176,084	2	140,086	4
	\$ 828,971	9	\$ 505,725	13
As of September 30				
Receivables				
TSMC North America	\$ 21,680,057	98	\$ 22,728,468	99
Philips	224,516	1	308,335	1
Others	125,847	1	1	
	\$ 22,030,420	100	\$ 23,036,804	100
Other receivables				
TSMC Shanghai	\$ 482,542	46	\$ 104,705	6
TSMC North America	228,451	22	445,856	27
SSMC	142,521	14	314,569	19
VIS	88,717	9	63,293	4
TSMC Technology	2,756		717,685	43
Others	97,236	9	4,570	1
	\$ 1,042,223	100	\$ 1,650,678	100
Payables				
WaferTech	\$ 1,045,183	27	\$ 970,004	29
VIS	806,789	21	739,543	22
Philips	699,195	18	701,096	21
SSMC	636,181	16	596,493	18
TSMC Shanghai	545,706	14	211,880	6
Others	161,434	4	131,889	4
	\$ 3,894,488	100	\$ 3,350,905	100

Other long-term payables				
Philips (Note 25a)	\$ 409,588	100	\$ 1,111,798	100
Deferred credits				
TSMC Shanghai	\$ 776,935	61	\$ 681,978	60
VisEra	139,893	11		
	\$ 916,828	72	\$ 681,978	60

(Concluded)

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

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

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

24. SIGNIFICANT LONG-TERM LEASES

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

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

Year	Amount
2006 4 th quarter	\$ 65,708
2007	248,185
2008	222,450
2009	213,872
2010	166,803
2011 and thereafter	1,103,708
	\$ 2,020,726

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

- a. On June 20, 2004, the Company and Philips amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips agreed to cross license the patents owned by each party. The Company also obtained through Philips a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the Government of Republic of China or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are 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 and 1997 and on January 1, 2002.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of September 30, 2006, the Company had a total of US\$110,657 thousand of guarantee deposits.

- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. The Company and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but the Company alone is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- i. 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 September 30, 2006, SMIC had paid US\$45,000 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 settlement agreement and implied covenant of good faith and fair dealing in response to TSMC's August complaint. The outcome of this litigation cannot be determined at this time.

- j. Amounts available under unused letters of credit as of September 30, 2006 were NT\$6,480 thousand.

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26. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 8 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC Shanghai entered into forward exchange contracts during the nine months ended September 30, 2006 to manage exposures related to foreign exchange rate fluctuations. As of September 30, 2006, TSMC Shanghai did not have any outstanding forward exchange contracts. Net realized settlement gains arising from forward exchange transactions for the nine months ended September 30, 2006 were NT\$2,492 thousand.

- k. Information on investment in Mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 9 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 23.

TABLE 1

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

No.	Financing Name	Counterparty	Maximum		Type of Financing	Reasons for Allowance	Collateral	Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
			Balance for the Period (US\$ in Thousands)	Ending Balance (US\$ in Thousands)					
1	TSMC International Development	TSMC Other	\$1,158,430	\$ 35,000	2	Operating capital	\$	N/A	\$32,699,765 (US\$ 987,968) (Note 2)

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

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

TABLE 2

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

Counter-party	Nature of Relationship	Limits on Each Counter-party s	Maximum	Ending Balance	Value of Collateral
	(Note 2)	Endorsement/ Guarantee Amounts	Balance for the Period (US\$ in Thousands)	(US\$ in Thousands)	Property, Plant and Equipment
me th America	2	Not exceed 10% of the net worth of the Company, and be also limited to the paid-in capital of	\$1,323,920 (US\$40,000)	\$	\$
velopment	3	the endorsement/guarantee company, unless otherwise approved by Board of Directors.	\$1,985,880 (US\$60,000)		

Note 1: 25% of the net worth of the Company as of September 30, 2006.

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

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

TABLE 3

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2006
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

September 30, 2006

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership
Government bond					
United States Treas Nts		Available-for-sale financial assets		US\$ 5,944	N/A
4 Government Bond Series B				\$ 1,003,371	N/A
5 Government Bond Series D		Held-to-maturity financial assets		3,658,687	N/A
5 Government Bond Series A				3,049,206	N/A
8 Government Bond Series B				1,647,828	N/A
8 Asian Development Bank Government Bond				831,028	N/A
4 Kaohsiung Municipal Bond Series A				620,000	N/A
European Investment Bank Bonds				370,374	N/A
2 Government Bond Series B				351,806	N/A
4 Kaohsiung Municipal Bond Series B				249,998	N/A
8 Government Bond Series F				149,603	N/A
8 European Bank for Reconstruction and Development Government Bond Series A				87,756	N/A
Open-end mutual funds					
TC Bond Fund		Available-for-sale financial assets	22,219	3,643,097	N/A
N AMRO Bond Fund			175,156	2,630,053	N/A
Hwa Bond			125,122	1,661,927	N/A
ential Financial Bond Fund			103,751	1,510,993	N/A
ay Bond			122,762	1,410,843	N/A
C Taiwan Bond			93,312	1,310,068	N/A
aiwan Bond Fund			75,286	1,144,625	N/A
adner Bond DAM Fund			95,553	1,103,240	N/A
aiwan First Bond Fund			77,530	1,085,714	N/A
N AMRO Select Bond Fund			94,250	1,064,534	N/A
kong Chi Shin Bond Fund			72,680	1,037,545	N/A
N AMRO Income			63,947	1,008,483	N/A
ident James Bond			65,496	1,006,962	N/A

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hin Lucky Fund	78,624	803,580	N/A
BC Taiwan Money Management	34,093	504,512	N/A
M High Yield	36,616	452,912	N/A
sco R.O.C. Bond Fund	35,359	402,408	N/A

(Continued)

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		September 30, 2006						
Held Company	Name	Marketable Securities Type and Name	Relationship with Company	Financial	Carrying	Percentage	Market	
				State/Units	Value	of	Value or	
				(in	(US\$ in	Ownership	Value	
			Account	Thousands)	Thousands)	Percentage	(US\$ in	
				Thousands)	Thousands)	Ownership	Thousands)	
				Thousands)	Thousands)	Ownership	Thousands)	
		Stocks						
	TSMC Global		Subsidiary	Investment accounted for using equity method	851	\$28,423,113	100	\$28,423,113
	TSMC International		Subsidiary	Equity method investee	987,968	27,017,212	100	27,017,212
	SSMC		Equity method investee		382	5,611,199	32	5,611,199
	VIS		Equity method investee		442,262	5,359,803	27	9,375,950
	TSMC Partners		Subsidiary		300	4,397,781	100	4,397,781
	TSMC-North America		Subsidiary		11,000	1,876,355	100	1,876,355
	GUC		Investee over which the company had a controlling interest		42,315	468,150	44	483,620
	TSMC-Japan		Subsidiary		6	97,810	100	97,810
	TSMC-Europe		Subsidiary			44,143	100	44,143
	TSMC-Korea		Subsidiary		80	14,432	100	14,432
	United Industrial Gases Co., Ltd.			Financial assets carried at cost	16,783	193,584	10	289,359
	Shin-Etsu Handotai Taiwan Co., Ltd.				10,500	105,000	7	210,602
	Hontung Venture Capital Co., Ltd.				2,633	83,916	10	29,409
	W.K. Technology Fund IV				4,000	40,000	2	48,880
	Capital							
	TSMC-Shanghai		Subsidiary	Investment accounted for using equity method		9,250,288	100	9,250,288
	Emerging Alliance		Subsidiary			908,370	100	908,370
	VentureTech Alliance Fund II		Subsidiary			717,136	98	716,139
	VentureTech Alliance Fund III		Subsidiary			224,580	98	222,250
	Chi Cheng		Subsidiary			115,347	36	573,911

Hsin Ruey	Subsidiary			
			114,548	36
Corporate bond				574,059
Taiwan Power Company		Held-to-maturity financial assets		
Formosa Petrochemical Corporation			4,384,931	N/A
Nan Ya Plastics Corporation			3,089,119	N/A
China Steel Corporation			2,975,056	N/A
Chinese Petroleum Corporation			1,600,753	N/A
Formosa Plastic Corporation			1,452,529	N/A
Far Eastone Telecommunications Co. Ltd.			515,430	N/A
Shanghai commercial & Saving Bank			300,004	N/A
Formosa Chemicals &Fiber Corporation			284,950	N/A
			67,241	N/A

(Continued)

		September 30, 2006			
		Market Value or			
Held Company	Relationship with Financial the State	Shares/ Units (in thousands)	Carrying Value (US\$ in thousands)	Percentage of Net Asset Value (US\$ in thousands)	Note
Name	Marketable Securities Type and Name	Company	Account	Ownership	
	Hua Nan Bank		Available-for-sale financial assets		
			\$ 1,539,139	N/A	\$ 1,539,139
	Cathay United Bank		1,154,464	N/A	1,154,464
	Formosa Petrochemical Corporation		397,646	N/A	397,646
	Taiwan Power Company		299,185	N/A	299,185
	Abbott Labs		US\$ 1,509	N/A	US\$ 1,509
	Abbott Labs		US\$ 2,556	N/A	US\$ 2,556
	Allstate Life Global Fdg Secd		US\$ 2,951	N/A	US\$ 2,951
	American Gen Fin Corp. Mtn		US\$ 3,442	N/A	US\$ 3,442
	American Gen Fin Corp. Mtn		US\$ 1,002	N/A	US\$ 1,002
	American Honda Fin Corp. Mtn		US\$ 3,092	N/A	US\$ 3,092
	American Honda Fin Corp. Mtn		US\$ 802	N/A	US\$ 802
	Amgen Inc.		US\$ 2,902	N/A	US\$ 2,902
	Amsouth Bk Birmingham Ala		US\$ 1,995	N/A	US\$ 1,995
	Associates Corp. North Amer		US\$ 2,550	N/A	US\$ 2,550
	Beneficial Corp. Mtn Bk Entry		US\$ 2,308	N/A	US\$ 2,308
	Berkshire Hathaway Fin Corp.		US\$ 1,480	N/A	US\$ 1,480
	Cargill Inc.		US\$ 3,385	N/A	US\$ 3,385
	Chase Manhattan Corp. New		US\$ 3,566	N/A	US\$ 3,566
	Cit Group Hldgs Inc.		US\$ 3,038	N/A	US\$ 3,038
	Cogentrix Energy Inc.		US\$ 3,786	N/A	US\$ 3,786
	Colonial Pipeline Co.		US\$ 1,502	N/A	US\$ 1,502
	Consolidated Edison Inc.		US\$ 2,904	N/A	US\$ 2,904
	Dayton Hudson Corp.		US\$ 2,030	N/A	US\$ 2,030
	Dell Computer Corp.		US\$ 2,834	N/A	US\$ 2,834
	Diageo Plc		US\$ 3,433	N/A	US\$ 3,433
	Fifth Third Bk Cincinnati Oh		US\$ 2,423	N/A	US\$ 2,423
	First Data Corp.		US\$ 2,891	N/A	US\$ 2,891
	Fleet Boston Corp.		US\$ 2,660	N/A	US\$ 2,660
	Gannett Co. Inc.		US\$ 2,937	N/A	US\$ 2,937
	General Elec Cap Corp. Mtn		US\$ 3,409	N/A	US\$ 3,409
	General Elec Cap Corp. Mtn		US\$ 3,888	N/A	US\$ 3,888
	General Re Corp.		US\$ 3,327	N/A	US\$ 3,327
	Goldman Sachs Group Inc.		US\$ 3,451	N/A	US\$ 3,451
	Hancock John Global Fdg II Mtn		US\$ 2,891	N/A	US\$ 2,891
	Hancock John Global Fdg II Mtn		US\$ 3,812	N/A	US\$ 3,812
	Hbos Plc Medium Term Sr Nts		US\$ 2,946	N/A	US\$ 2,946
	Hershey Foods Corp.		US\$ 1,510	N/A	US\$ 1,510

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Honeywell Inc.	US\$	3,024	N/A	US\$	3,024
Huntington Natl Bk Columbus Oh	US\$	2,996	N/A	US\$	2,996
International Business Machs	US\$	2,212	N/A	US\$	2,212
Intl Lease Fin Corp. Mtn	US\$	2,943	N/A	US\$	2,943
J P Morgan Chase + Co.	US\$	3,313	N/A	US\$	3,313
Keycorp Mtn Book Entry	US\$	3,013	N/A	US\$	3,013
Metropolitan Life Global Mtn	US\$	3,355	N/A	US\$	3,355
Monumental Global Fdg Ii	US\$	1,470	N/A	US\$	1,470
Monumental Global Fdg Ii 2	US\$	3,391	N/A	US\$	3,391

(Continued)

September 30, 2006							
						Market Value or	
Held Company	Relationship with the		Financial Statement	Carrying Shares/Units Value	Percentage of	Net Asset Value	
Name	Marketable Securities	Type and Name	Company Account	(in thousands)	(US\$ in thousands)	(US\$ in thousands)	
Available-for-sale financial assets							
		National City Corp.			US\$ 3,398	N/A	US\$ 3,398
		Nationwide Life Global Fdg I			US\$ 3,517	N/A	US\$ 3,517
		Nationwide Life Global Mtn			US\$ 1,476	N/A	US\$ 1,476
		Nucor Corp.			US\$ 3,810	N/A	US\$ 3,810
		Pepsico Inc. Mtn Book Entry			US\$ 3,627	N/A	US\$ 3,627
		Praxair Inc.			US\$ 3,152	N/A	US\$ 3,152
		Premark Intl Inc.			US\$ 2,746	N/A	US\$ 2,746
		Pricoa Global Fdg I Mtn			US\$ 3,400	N/A	US\$ 3,400
		Protective Life Secd Trs			US\$ 2,908	N/A	US\$ 2,908
		Prudential Ins Co. Amer			US\$ 2,644	N/A	US\$ 2,644
		Public Svc Elec Gas Co.			US\$ 3,679	N/A	US\$ 3,679
		Slm Corp. Medium Term Nts			US\$ 2,934	N/A	US\$ 2,934
		St Paul Cos Inc. Mtn Bk Ent			US\$ 2,557	N/A	US\$ 2,557
		Suntrust Bk Atlanta Ga Medium			US\$ 3,444	N/A	US\$ 3,444
		Tiaa Global Mkts Inc.			US\$ 499	N/A	US\$ 499
		Unitedhealth Group Inc.			US\$ 2,999	N/A	US\$ 2,999
		Us Bk Natl Assn Cincinnati Oh			US\$ 2,716	N/A	US\$ 2,716
		Virginia Elec + Pwr Co.			US\$ 2,644	N/A	US\$ 2,644
		Vodafone Group Plc New			US\$ 2,506	N/A	US\$ 2,506
		Washington Post Co.			US\$ 3,006	N/A	US\$ 3,006
		Wps Resources Corp.			US\$ 1,054	N/A	US\$ 1,054
Agency bond							
Available-for-sale financial assets							
		Fed Hm Ln Pc Pool E89857			US\$ 1,659	N/A	US\$ 1,659
		Fed Hm Ln Pc Pool G11295			US\$ 1,442	N/A	US\$ 1,442
		Fed Hm Ln Pc Pool M80855			US\$ 3,412	N/A	US\$ 3,412
		Federal Home Ln Mtg Corp.			US\$ 2,503	N/A	US\$ 2,503
		Federal Home Ln Mtg Corp.			US\$ 3,917	N/A	US\$ 3,917
		Federal Home Ln Mtg Corp.			US\$ 3,944	N/A	US\$ 3,944
		Federal Home Ln Mtg Corp.			US\$ 4,761	N/A	US\$ 4,761
		Federal Home Ln Mtg Corp.			US\$ 1,830	N/A	US\$ 1,830
		Federal Home Ln Mtg Corp.			US\$ 3,357	N/A	US\$ 3,357
		Federal Home Ln Mtg Corp.			US\$ 3,964	N/A	US\$ 3,964
		Federal Home Ln Mtg Corp.			US\$ 3,471	N/A	US\$ 3,471
		Federal Home Ln Mtg Corp.			US\$ 8,938	N/A	US\$ 8,938

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Federal Home Ln Mtg Corp.	US\$4,238	N/A	US\$ 4,238
Federal Home Ln Mtg Corp.	US\$3,183	N/A	US\$ 3,183
Federal Home Ln Mtg Corp.	US\$3,818	N/A	US\$ 3,818
Federal Home Ln Mtg Corp.	US\$4,671	N/A	US\$ 4,671
Federal Home Ln Mtg Corp.	US\$4,548	N/A	US\$ 4,548
Federal Home Ln Mtg Corp.	US\$4,478	N/A	US\$ 4,478
Federal Home Loan Mtg	US\$4,976	N/A	US\$ 4,976
Federal Natl Mtg Assn	US\$3,015	N/A	US\$ 3,015
Federal Natl Mtg Assn	US\$ 625	N/A	US\$ 625
Federal Natl Mtg Assn	US\$2,001	N/A	US\$ 2,001
Federal Natl Mtg Assn Gtd	US\$2,329	N/A	US\$ 2,329

(Continued)

September 30, 2006						
						Market Value or
Held Company	Relationship with Financial the State		Carrying Percentage	Net Asset Value		
Name	Marketable Securities Type and Name Company	Account	Shares/Units	Value	of	Value
			(in thousands)	(US\$ in thousands)	Ownership	(US\$ in thousands)
						Note
	Fnma Pool 254834			Available-for-sale financial assets		
				US\$ 1,483	N/A	US\$ 1,483
	Fnma Pool 685116			US\$ 638	N/A	US\$ 638
	Fnma Pool 725095			US\$ 1,260	N/A	US\$ 1,260
	Fnma Pool 730033			US\$ 1,498	N/A	US\$ 1,498
	Fnma Pool 740934			US\$ 1,532	N/A	US\$ 1,532
	Fnma Pool 790828			US\$ 2,828	N/A	US\$ 2,828
	Fnma Pool 793932			US\$ 668	N/A	US\$ 668
	Fnma Pool 794040			US\$ 837	N/A	US\$ 837
	Federal Home Ln Bks			US\$ 8,731	N/A	US\$ 8,731
	Federal Home Ln Bks			US\$ 4,848	N/A	US\$ 4,848
	Federal Home Ln Bks			US\$ 4,881	N/A	US\$ 4,881
	Federal Home Ln Bks			US\$ 2,984	N/A	US\$ 2,984
	Federal Home Ln Bks			US\$ 5,890	N/A	US\$ 5,890
	Federal Home Ln Bks			US\$ 2,392	N/A	US\$ 2,392
	Federal Home Ln Mtg Corp.			US\$ 3,473	N/A	US\$ 3,473
	Federal Natl Mtg Assn			US\$ 4,356	N/A	US\$ 4,356
	Federal Natl Mtg Assn Medium			US\$ 3,406	N/A	US\$ 3,406
	Federal Natl Mtg Assn Mtn			US\$ 2,908	N/A	US\$ 2,908
	Federal Natl Mtg Assn Mtn			US\$ 2,895	N/A	US\$ 2,895
	Tennessee Valley Auth			US\$ 6,036	N/A	US\$ 6,036
	Corporate issued asset-backed securities					
	Americredit Automobile Rec Tr			Available-for-sale financial assets		
				US\$ 560	N/A	US\$ 560
	Atlantic City Elc Trns Fdglc			US\$ 495	N/A	US\$ 495
	Banc Amer Mtg Secs Inc.			US\$ 630	N/A	US\$ 630
	Bank Of Amer Lease Equip Tr			US\$ 1,486	N/A	US\$ 1,486
	Capital One Multi Asset Execut			US\$ 4,877	N/A	US\$ 4,877
	Caterpillar Finl Asset Tr			US\$ 2,114	N/A	US\$ 2,114
	Caterpillar Finl Asset Tr			US\$ 4,904	N/A	US\$ 4,904
	Cendant Rent Car Fdg Aesop LLC			US\$ 3,926	N/A	US\$ 3,926
	Cit Equip Coll Tr			US\$ 2,550	N/A	US\$ 2,550
	Cit Equip Coll Tr			US\$ 3,996	N/A	US\$ 3,996
	Citicorp Mtg Secs			US\$ 625	N/A	US\$ 625
	Credit Suisse First Boston Mtg			US\$ 4,816	N/A	US\$ 4,816
	Cwmbms Inc.			US\$ 979	N/A	US\$ 979
	Daimlerchrysler Auto Tr			US\$ 2,225	N/A	US\$ 2,225

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Deere John Owner Tr	US\$2,454	N/A	US\$ 2,454
Federal Natl Mtg Assn	US\$4,701	N/A	US\$ 4,701
Fifth Third Auto Tr	US\$ 709	N/A	US\$ 709
Ford Cr Auto Owner Tr	US\$1,886	N/A	US\$ 1,886
Granite Mtgs Plc	US\$1,455	N/A	US\$ 1,455
Gs Auto Ln Tr	US\$ 222	N/A	US\$ 222
Harley Davidson Motorcycle Tr	US\$ 432	N/A	US\$ 432
Holmes Fing No 8 Plc	US\$5,001	N/A	US\$ 5,001
Hyundai Auto Receivables Tr	US\$3,427	N/A	US\$ 3,427
Hyundai Auto Receivables Tr	US\$3,209	N/A	US\$ 3,209

(Continued)

		September 30, 2006			
		Marketable Securities			
Company	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value	Percentage of Ownership
				(US\$ in Thousands)	(%)
Marketable Securities Type and Name	Company	Account	Thousands	(US\$ in Thousands)	Ownership (%)
Long Beach Accep Auto Receivab		Available-for-sale financial assets		US\$ 1,341	N/A
Mbna Master Cr Card Tr Ii				US\$ 7,664	N/A
National City Auto Receivables				US\$ 233	N/A
Residential Asset Sec Mtg Pass				US\$ 2,641	N/A
Residential Asset Sec Mtg Pass				US\$ 3,231	N/A
Residential Fdg Mtg Secs I Inc.				US\$ 2,138	N/A
Residential Fdg Mtg Secs I Inc.				US\$ 4,252	N/A
Wachovia Auto Owner Tr				US\$ 1,786	N/A
Washington Mut Mtg Secs Corp.				US\$ 3,323	N/A
Wells Fargo Finl Auto Owner Tr				US\$ 4,934	N/A
Wfs Financial Owner Trust				US\$ 2,184	N/A
Wfs Finl				US\$ 759	N/A
Whole Auto Ln Tr				US\$ 2,710	N/A
Whole Auto Ln Tr				US\$ 2,944	N/A
Fund					
Horizon Ventures Fund I, L.P.		Financial assets carried at cost	N/A	\$ 280,179	N/A
Crimson Asia Capital Ltd., L.P.			N/A	66,732	N/A
Stocks					
TSMC	Parent company	Available-for-sale financial assets	16,947	1,011,752	100
VIS	Equity method investee	Investment accounted for using equity method	5,032	102,757	
Stocks					
TSMC	Parent company	Available-for-sale financial assets	16,979	1,013,648	100
VIS	Equity method investee	Investment accounted for using equity method	3,711	80,655	
Stocks					
TSMC Development	Subsidiary	Investment accounted for using equity method	1	US\$ 649,102	100
TSMC Technology	Subsidiary		1	US\$ 5,691	100
InveStar	Subsidiary		14,476	US\$ 40,692	97
InveStar II	Subsidiary		51,300	US\$ 44,956	97
WaferTech stock	Subsidiary	Investment accounted for using		US\$ 355,450	99

		equity method				
Common stocks						
VisEra Holding Company	Equity method investee	Investment accounted for using equity method	18,931	US\$	25,649	48 US\$
					(Continued)	

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			September 30, 2006			
Company	Relationship with the	Financial Statement	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market
						Value (US\$ Thousands)
Marketable Securities Type and Name	Company	Account				
Common stocks						
NetLogic Microsystems, Inc.		Financial assets at fair value through profit or loss	84	US\$ 2,138		US\$ 2,138
Pixim, Inc.		Financial assets carried at cost	1,924	US\$ 512	4	US\$ 512
RichWave Technology Corp.			4,247	US\$ 1,648	13	US\$ 1,648
Global Investment Holding, Inc.			10,800	\$100,000	6	\$100,000
Preferred stock						
Ikanos Communication, Inc.		Available-for-sale financial assets	515	US\$ 6,058	2	US\$ 6,058
Audience, Inc.		Financial assets carried at cost	1,654	US\$ 250	1	US\$ 250
Axiom Microdevices, Inc.			1,000	US\$ 1,000	3	US\$ 1,000
Britestream Networks, Inc.			2,444	US\$ 1,172	2	US\$ 1,172
Centrality Communications, Inc.			1,325	US\$ 1,800	3	US\$ 1,800
Miradia, Inc.			3,040	US\$ 1,000	3	US\$ 1,000
Mobilygen Corporation			1,415	US\$ 750	1	US\$ 750
Mosaic Systems, Inc.			2,481	US\$ 12	6	US\$ 12
Next IO, Inc.			800	US\$ 500	2	US\$ 500
NuCORE Technology Inc.			2,254	US\$ 1,455	2	US\$ 1,455
Optichron, Inc.			714	US\$ 1,000	4	US\$ 1,000
Optimal Corporation			583	US\$ 600	4	US\$ 600
Pixim, Inc.			2,193	US\$ 583		US\$ 583
Quicksilver Technology, Inc.			1,049	US\$	4	US\$
Reflectivity, Inc.			4,848	US\$ 531	4	US\$ 531
Teknovus, Inc.			6,977	US\$ 1,327	3	US\$ 1,327
Zenesis Technologies, Inc.			2,410	US\$ 1,399	5	US\$ 1,399
Warrants						
Pixim, Inc.		Financial assets carried at cost	242			N/A
Common stock						
Beceem Communication		Financial assets carried at cost	650	US\$ 1,600	1	US\$ 1,600
Yobon Technologies, Inc.			1,675	US\$ 787	13	US\$ 787
Sentelic, Corp.			1,200	US\$ 2,040	15	US\$ 2,040

Preferred stock					
5V Technologies, Inc.	Financial assets carried at cost	2,357	US\$	1,768	11 US\$
Ageia Technologies, Inc.		2,030	US\$	2,074	2 US\$
Aquantia Corporation		1,264	US\$	1,150	5 US\$
Audience, Inc.		2,208	US\$	474	1 US\$
Axiom Microdevices, Inc.		761	US\$	776	2 US\$
GemFire Corporation		600	US\$	68	1 US\$
					(Continued)

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		September 30, 2006					
Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units	Carrying Value	Percentage of Ownership	Market Value
				(in Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)
	Impinj, Inc.		Financial assets carried at cost	257	US\$ 500		US\$ 500
	Leadtrend Technology, Inc.			1,150	US\$ 660	6	US\$ 660
	Miradia, Inc.			2,740	US\$ 2,424	3	US\$ 2,424
	Next IO, Inc.			216	US\$ 182		US\$ 182
	Optichron, Inc.			353	US\$ 869	2	US\$ 869
	Power Analog Microelectronics			2,000	US\$ 1,500	13	US\$ 1,500
	Powerprecise Solutions, Inc.			1,445	US\$ 1,400	11	US\$ 1,400
	RichWave Technology Corp.			500	US\$ 231	2	US\$ 231
	Teknorus, Inc.			518	US\$ 119		US\$ 119
	Tzero Technologies, Inc.			730	US\$ 1,500	2	US\$ 1,500
	Xceive Corporation			714	US\$ 1,000	2	US\$ 1,000
	Common stock						
	M2000, Inc.		Financial assets carried at cost	1,500	US\$ 1,500	4	US\$ 1,500
	Mutua-Pac Ltd.			170	US\$ 52	13	US\$ 52
	Quellan, Inc.			2,231	US\$ 2,500	7	US\$ 2,500
	SynDiTec, Inc.			4,332	US\$ 720	7	US\$ 720
	Validity Sensors, Inc.			5,333	US\$ 2,000	7	US\$ 2,000
	Common stock						
	Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	1,975	US\$ 18,681	7	US\$ 18,681
	Broadtek Electronics Corp.			29	US\$ 9		US\$ 9
	Global Testing Corp.			17,661	US\$ 2,561	8	US\$ 2,561
	Broadtek Electronics Corp.		Available-for-sale financial assets	116	US\$ 35		US\$ 35
	Capella Microsystems (Taiwan), Inc.		Financial assets carried at cost	530	US\$ 154	3	US\$ 154
	Preferred stock						
	Integrated Memory Logic, Inc.		Financial assets carried at cost	1,831	US\$ 1,221	9	US\$ 1,221
	IP Unity, Inc.			1,008	US\$ 494	1	US\$ 494
	Memsic, Inc.			2,724	US\$ 1,500	10	US\$ 1,500
	NanoAmp Solutions, Inc.			541	US\$ 853	2	US\$ 853
	Sonics, Inc.			1,843	US\$ 3,530	3	US\$ 3,530

Common stock				
Monolithic Power Systems, Inc.	Financial assets at fair value through profit or loss	864	US\$ 8,178	3 US\$ 8,1
RichTek Technology Corp.		341	US\$ 2,725	US\$ 2,7
GeoVision, Inc.		46	US\$ 171	1 US\$ 1
RichTek Technology Corp.	Available-for-sale financial assets	227	US\$ 1,816	US\$ 1,8
GeoVision, Inc.		15	US\$ 55	US\$

(Continued)

		September 30, 2006					
Company	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value		Percentage Ownership	
				(US\$ in Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)
Marketable Securities Type and Name	Company	Account	Thousands	US\$	Thousands	US\$	Ownership (%)
Ralink Technology (Taiwan), Inc.		Financial assets carried at cost	1,833	US\$ 791	3	US\$	
Capella Microsystems (Taiwan), Inc.			419	US\$ 122	2	US\$	
Auden Technology MFG. Co., Ltd.			953	US\$ 223	4	US\$	
eChannelOpen Holding, Inc.			358	US\$ 251	4	US\$	
EoNEX Technologies, Inc.			55	US\$ 3,048	5	US\$	
Epic Communications, Inc.			191	US\$ 37	1	US\$	
EON Technology, Corp.			4,247	US\$ 1,175	7	US\$	
Goyatek Technology, Corp.			2,088	US\$ 545	7	US\$	
Conwise Technology Corporation, Ltd.			700	US\$ 107	9	US\$	
Trendchip Technologies Corp.			2,000	US\$ 574	5	US\$	
Preferred stock							
eLCOS Microdisplay Technology, Ltd.		Financial assets carried at cost	2,937	US\$ 3,527	9	US\$	
Alchip Technologies Limited			3,531	US\$ 2,950	15	US\$	
FangTek, Inc.			6,931	US\$ 3,250	20	US\$	
Kilopass Technologies, Inc.			3,887	US\$ 2,000	6	US\$	
Memsic, Inc.			2,289	US\$ 1,560	8	US\$	
NanoAmp Solutions, Inc.			375	US\$ 1,500	1	US\$	
Sonics, Inc.			4,335	US\$ 3,082	4	US\$	
Bond funds							
Dresdner Bond DAM Fund		Financial assets at fair value through profit or loss	2,601	\$ 30,032	N/A	\$	
ABN AMRO Select Bond Fund			1,773	20,031	N/A		
ABN AMRO Bond Fund			952	15,019	N/A		
ABN AMRO Income			668	10,036	N/A		
Stock							
Global Unichip Corporation - North America	Subsidiary	Investments accounted for using equity method	100	5,964	100		
Global Unichip Japan	Subsidiary			2,625	100		
Government bonds							
United States Treas Nts		Available-for-sale financial assets		US\$ 118,175	N/A	US\$	

Corporate bonds

Ace Ltd.	Available-for-sale financial assets	US\$	1,002	N/A	US\$
Aig Sunamerica Global Fing Ix		US\$	999	N/A	US\$
American Express Co.		US\$	3,446	N/A	US\$
American Gen Fin Corp.		US\$	1,630	N/A	US\$
American Gen Fin Corp. Mtn		US\$	1,967	N/A	US\$
Ameritech Capital Funding Co.		US\$	485	N/A	US\$
Anz Cap Tr I		US\$	969	N/A	US\$

(Continued)

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Hsbc Usa Inc. New	US\$1,072	N/A	US\$1,072
Huntington National Bank	US\$1,904	N/A	US\$1,904
Ing Sec Life Instl Fdg	US\$2,489	N/A	US\$2,489
Intl Lease Fin Corp. Mtn	US\$4,140	N/A	US\$4,140
Intl Lease Fin Corp. Mtn	US\$2,972	N/A	US\$2,972
Jackson Natl Life Global Fdg	US\$1,000	N/A	US\$1,000
Key Bk Na Med Term Nts Bk Entr	US\$4,400	N/A	US\$4,400

(Continued)

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				September 30, 2006		
				Carrying	Percentage	Net Assets
				Value	of	Value
				(in US\$ in		
				Thousands)	Ownership	(in
				Thousand	Percentage	Thousand
				US\$	of	US\$
				750	N/A	750
				Available-for-sale		
				financial assets		
				US\$	N/A	US\$
				1,000	N/A	1,000
				US\$	N/A	US\$
				1,625	N/A	1,625
				US\$	N/A	US\$
				487	N/A	487
				US\$	N/A	US\$
				988	N/A	988
				US\$	N/A	US\$
				1,083	N/A	1,083
				US\$	N/A	US\$
				500	N/A	500
				US\$	N/A	US\$
				503	N/A	503
				US\$	N/A	US\$
				3,441	N/A	3,441
				US\$	N/A	US\$
				1,982	N/A	1,982
				US\$	N/A	US\$
				4,872	N/A	4,872
				US\$	N/A	US\$
				1,204	N/A	1,204
				US\$	N/A	US\$
				1,000	N/A	1,000
				US\$	N/A	US\$
				1,965	N/A	1,965
				US\$	N/A	US\$
				1,925	N/A	1,925
				US\$	N/A	US\$
				2,128	N/A	2,128
				US\$	N/A	US\$
				1,329	N/A	1,329
				US\$	N/A	US\$
				3,512	N/A	3,512
				US\$	N/A	US\$
				1,976	N/A	1,976
				US\$	N/A	US\$
				1,011	N/A	1,011
				US\$	N/A	US\$
				2,915	N/A	2,915
				US\$	N/A	US\$
				1,020	N/A	1,020
				US\$	N/A	US\$
				2,372	N/A	2,372
				US\$	N/A	US\$
				717	N/A	717
				US\$	N/A	US\$
				1,039	N/A	1,039
				US\$	N/A	US\$
				696	N/A	696
				US\$	N/A	US\$
				1,405	N/A	1,405
				US\$	N/A	US\$
				1,011	N/A	1,011
				US\$	N/A	US\$
				6,045	N/A	6,045
				US\$	N/A	US\$
				968	N/A	968
				US\$	N/A	US\$
				1,001	N/A	1,001
				US\$	N/A	US\$
				1,692	N/A	1,692
				US\$	N/A	US\$
				4,505	N/A	4,505
				US\$	N/A	US\$
				2,943	N/A	2,943
				US\$	N/A	US\$
				4,308	N/A	4,308
				US\$	N/A	US\$
				2,007	N/A	2,007
				US\$	N/A	US\$
				3,238	N/A	3,238
Agency bond						
Fed Hm Ln Pc Pool 1h2520				US\$	N/A	US\$

	Available-for-sale financial assets			
Fed Hm Ln Pc Pool 1h2524		US\$2,449	N/A	US\$2,449
Fed Hm Ln Pc Pool 781959		US\$6,405	N/A	US\$6,405
Federal Home Ln Mtg		US\$3,242	N/A	US\$3,242
Federal Home Ln Mtg Corp.		US\$3,868	N/A	US\$3,868
Federal Home Ln Mtg Corp.		US\$1,405	N/A	US\$1,405
Federal Home Ln Mtg Corp.		US\$3,826	N/A	US\$3,826
Federal Home Ln Mtg Corp.		US\$3,192	N/A	US\$3,192

(Continued)

September 30, 2006

Company Name	Relationship with the Company	Financial Statement Account	Shares/Units (in thousands)	Carrying Value (US\$ in thousands)	Percentage of Ownership	Market Value (US\$ in thousands)	Net Asset Value (US\$ in thousands)
		Available-for-sale financial assets		US\$ 3,431	N/A	US\$ 3,431	
				US\$ 2,870	N/A	US\$ 2,870	
				US\$ 848	N/A	US\$ 848	
				US\$ 2,580	N/A	US\$ 2,580	
				US\$ 1,760	N/A	US\$ 1,760	
				US\$ 3,546	N/A	US\$ 3,546	
				US\$ 3,007	N/A	US\$ 3,007	
				US\$ 3,358	N/A	US\$ 3,358	
				US\$ 2,555	N/A	US\$ 2,555	
				US\$ 492	N/A	US\$ 492	
				US\$ 1,293	N/A	US\$ 1,293	
				US\$ 3,937	N/A	US\$ 3,937	
				US\$ 3,097	N/A	US\$ 3,097	
				US\$ 2,206	N/A	US\$ 2,206	
				US\$ 2,857	N/A	US\$ 2,857	
				US\$ 4,311	N/A	US\$ 4,311	
				US\$ 3,053	N/A	US\$ 3,053	
				US\$ 1,713	N/A	US\$ 1,713	
				US\$ 656	N/A	US\$ 656	
				US\$ 2,289	N/A	US\$ 2,289	
				US\$ 3,961	N/A	US\$ 3,961	
				US\$ 4,953	N/A	US\$ 4,953	
				US\$ 8,741	N/A	US\$ 8,741	
				US\$ 4,898	N/A	US\$ 4,898	
				US\$ 5,847	N/A	US\$ 5,847	
				US\$ 7,960	N/A	US\$ 7,960	
				US\$ 6,072	N/A	US\$ 6,072	
				US\$ 12,258	N/A	US\$ 12,258	
				US\$ 6,899	N/A	US\$ 6,899	
				US\$ 7,520	N/A	US\$ 7,520	
				US\$ 9,833	N/A	US\$ 9,833	
				US\$ 5,948	N/A	US\$ 5,948	
				US\$ 6,435	N/A	US\$ 6,435	
				US\$ 14,312	N/A	US\$ 14,312	
				US\$ 9,985	N/A	US\$ 9,985	
				US\$ 4,937	N/A	US\$ 4,937	
				US\$ 4,929	N/A	US\$ 4,929	
				US\$ 4,950	N/A	US\$ 4,950	
				US\$ 5,895	N/A	US\$ 5,895	

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Federal Natl Mtg Assn	US\$ 7,857	N/A	US\$ 7,857
Federal Natl Mtg Assn	US\$ 19,743	N/A	US\$ 19,743
Federal Natl Mtg Assn	US\$ 14,975	N/A	US\$ 14,975
Federal Natl Mtg Assn	US\$ 10,466	N/A	US\$ 10,466
Federal Natl Mtg Assn	US\$ 6,519	N/A	US\$ 6,519
Federal Natl Mtg Assn	US\$ 7,998	N/A	US\$ 7,998
Federal Natl Mtg Assn Mtn	US\$ 5,304	N/A	US\$ 5,304
Federal Natl Mtg Assn Mtn	US\$ 5,561	N/A	US\$ 5,561
Freddie Mac	US\$ 4,440	N/A	US\$ 4,440

(Continued)

						September 30, 2006
Company	Relationship with the	Financial Statement	Shares/Unit Value	Percentage of	Net Asset	Market Value of
Name	Company	Account	(in US\$ in Thousands)	Ownership	Value (US\$ in Thousands)	Value of
		Corporate issued asset-backed securities				
		American Home Mtg Invt Tr	Available-for-sale financial assets	US\$ 199	N/A	US\$ 199
		Americredit Auto Rec Tr		US\$ 1,007	N/A	US\$ 1,007
		Americredit Automobile Rec Tr		US\$ 1,992	N/A	US\$ 1,992
		Americredit Automobile Rec Tr		US\$ 2,602	N/A	US\$ 2,602
		Americredit Automobile Rec Tr		US\$ 3,274	N/A	US\$ 3,274
		Americredit Automobile Receiva		US\$ 4,967	N/A	US\$ 4,967
		Americredit Automobile Receivb		US\$ 3,430	N/A	US\$ 3,430
		Banc Amer Coml Mtg Inc.		US\$ 3,120	N/A	US\$ 3,120
		Bear Stearns Alt A Tr		US\$ 702	N/A	US\$ 702
		Bear Stearns Arm Tr		US\$ 1,951	N/A	US\$ 1,951
		Bear Stearns Arm Tr		US\$ 3,569	N/A	US\$ 3,569
		Bear Stearns Coml Mtg Secs Inc.		US\$ 6,360	N/A	US\$ 6,360
		Capital Auto Receivables Asset		US\$ 3,252	N/A	US\$ 3,252
		Capital One Auto Fin Tr		US\$ 2,619	N/A	US\$ 2,619
		Capital One Auto Fin Tr		US\$ 2,985	N/A	US\$ 2,985
		Capital One Auto Fin Tr		US\$ 5,010	N/A	US\$ 5,010
		Capital One Multi Asset Execut		US\$ 3,939	N/A	US\$ 3,939
		Capital One Multi Asset Execut		US\$ 2,968	N/A	US\$ 2,968
		Capital One Prime Auto Receiv		US\$ 2,780	N/A	US\$ 2,780
		Caterpillar Finl Asset Tr		US\$ 3,237	N/A	US\$ 3,237
		Cbass Tr		US\$ 4,270	N/A	US\$ 4,270
		Cendant Rent Car Fdg Aesop Llc		US\$ 5,349	N/A	US\$ 5,349
		Citibank Cr Card Issuance Tr		US\$ 9,820	N/A	US\$ 9,820
		Cnh Equip Tr		US\$ 2,810	N/A	US\$ 2,810
		Credit Suisse First Boston Mtg		US\$ 3,746	N/A	US\$ 3,746
		Credit Suisse First Boston Mtg		US\$ 3,582	N/A	US\$ 3,582
		Credit Suisse First Boston Mtg		US\$ 572	N/A	US\$ 572
		Cwabs Inc.		US\$ 292	N/A	US\$ 292
		Cwabs Inc.		US\$ 605	N/A	US\$ 605
		Drive Auto Receivables Tr		US\$ 3,192	N/A	US\$ 3,192
		First Horizon Abs Tr		US\$ 602	N/A	US\$ 602
		First Union Lehman Bros Mtg Tr		US\$ 1,953	N/A	US\$ 1,953
		Ford Credit Auto Owner Trust		US\$ 4,338	N/A	US\$ 4,338
		Ge Cap Cr Card Master Nt Tr		US\$ 2,855	N/A	US\$ 2,855
		Gs Mtg Secs Corp.		US\$ 4,149	N/A	US\$ 4,149
		Gsamp Tr		US\$ 4,263	N/A	US\$ 4,263
		Harley Davidson Motorcycle Tr		US\$ 5,832	N/A	US\$ 5,832
		Hertz Veh Fing Llc		US\$ 5,322	N/A	US\$ 5,322

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Home Equity Mtg Tr 2006 4	US\$4,233	N/A	US\$4,233
Hsbc Automotive Tr	US\$2,982	N/A	US\$2,982
Hyundai Auto Receivables Tr	US\$2,938	N/A	US\$2,938
Hyundai Auto Receivables Tr	US\$3,933	N/A	US\$3,933
Impac Cmb Tr	US\$ 436	N/A	US\$ 436
Impac Cmb Tr	US\$ 299	N/A	US\$ 299

(Continued)

September 30, 2006

Company Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)
		Available-for-sale financial assets		US\$3,585	N/A	US\$3,585
				US\$3,204	N/A	US\$3,204
				US\$3,405	N/A	US\$3,405
				US\$6,289	N/A	US\$6,289
				US\$3,585	N/A	US\$3,585
				US\$ 707	N/A	US\$ 707
				US\$4,160	N/A	US\$4,160
				US\$4,541	N/A	US\$4,541
				US\$4,406	N/A	US\$4,406
				US\$3,931	N/A	US\$3,931
				US\$2,483	N/A	US\$2,483
				US\$2,539	N/A	US\$2,539
				US\$ 598	N/A	US\$ 598
				US\$ 654	N/A	US\$ 654
				US\$ 809	N/A	US\$ 809
				US\$1,521	N/A	US\$1,521
				US\$ 507	N/A	US\$ 507
				US\$4,065	N/A	US\$4,065
				US\$4,115	N/A	US\$4,115
				US\$2,649	N/A	US\$2,649
				US\$ 999	N/A	US\$ 999
				US\$1,953	N/A	US\$1,953
				US\$5,256	N/A	US\$5,256
				US\$ 755	N/A	US\$ 755
				US\$2,974	N/A	US\$2,974
				US\$3,474	N/A	US\$3,474
				US\$1,277	N/A	US\$1,277
				US\$2,225	N/A	US\$2,225
				US\$1,555	N/A	US\$1,555
		Money market funds				
		SSGA Cash Mgmt Global Offshore	Available-for-sale financial assets	US\$6,396	N/A	US\$6,396

(Concluded)

TABLE 4

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

Financial Statement	Nature of	Relationship	Beginning Balance		Acquisition		Disposal (N Ca V	
			Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)		
Account	Counter-party							
available-for-sale financial assets			US\$ 46,173		US\$ 268,521		US\$ 304,524	US\$
			US\$ 6,881				US\$ 6,866	US\$
	KGI Securities Co., Ltd. and several financial institutions		\$		\$ 1,005,115		\$	\$
held-to-maturity financial assets	KGI Securities Co., Ltd. and several financial institutions				3,658,659			
	KGI Securities Co., Ltd. and several financial institutions		2,548,977		499,084			
	KGI Securities Co., Ltd. and several financial institutions				1,647,823			
	KGI Securities Co., Ltd. and several financial institutions				827,820			
	KGI Securities Co., Ltd. and several financial institutions				367,600			

	institutions						
	KGI Securities						
	Co., Ltd. and						
	several						
	financial						
	institutions				249,998		
available-for-sale	National						
financial assets	Investment						
	Trust Co., Ltd.	3,764	610,864	18,455	\$3,000,000		
	ABN-AMRO						
	Securities						
	Investment						
	Trust (Taiwan)						
	Ltd.	134,906	2,004,862	40,250	600,000		
	Fuh Hwa						
	Investment						
	Trust Co.			125,122	1,655,781		
	Reliance						
	Securities						
	Investment						
	Trust Co., Ltd.			103,751	1,500,000		
	Cathay						
	Securities						
	Investment						
	Trust Co., Ltd.			122,762	1,400,000		
	National						
	Investment						
	Trust Co., Ltd.			93,312	1,300,000		
	JF Asset						
	Management						
	(Taiwan) Ltd.	62,009	933,430	13,277	200,000		
	Allianz						
	Dresdner						
	Securities						
	Investment						
	Consulting Co.,						
	Ltd.	69,303	792,068	34,914	400,000	8,664	100,000
	JF Asset						
	Management						
	(Taiwan) Ltd.	63,131	875,416	14,399	200,000		
	ABN-AMRO						
	Securities						
	Investment						
	Trust (Taiwan)						
	Ltd.	18,235	203,860	93,738	1,050,000	17,723	200,000
	Shinkong	55,063	778,482	17,617	250,000		
	Securities						
	Investment						
	Trust (Taiwan)						

Ltd.
ABN-AMRO
Securities
Investment
Trust (Taiwan)
Ltd.

63,947 1,000,000

(Continued)

Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal	
			Shares/Units (in	Amount (US\$	Shares/Units	Amount (US\$	Shares/Units	Amount (US\$
			Thousands)	in Thousands)	(in Thousands)	(in Thousands)	(in Thousands)	(in Thousands)
Available-for-sale assets	Uni-President Assets Management Corp.			\$ 72,002	\$ 1,100,000	6,506	\$ 100,000	
	Taishin Securities Investment Trust (Taiwan) Ltd.			78,624	800,000			
	HSBC Investment (Taiwan) Ltd.			47,667	700,000	13,573	200,007	
	Taiwan International Securities Corp.			48,743	600,000	12,127	150,000	
	Invesco Taiwan Ltd.			44,180	500,000	8,821	100,000	
	Fuh Hwa Investment Trust Co.			89,510	1,000,000	89,510	1,005,781	
Available-for-sale assets	KGI Securities Co., Ltd.			3,263,349	1,690,567			
	KGI Securities Co., Ltd.			1,093,283	2,294,348			
	KGI Securities Co., Ltd.			2,150,842	1,097,948			
	KGI Securities Co., Ltd.			1,010,532	1,000,000			
	KGI Securities Co., Ltd. and several financial institutions			705,436	1,000,441			
	KGI Securities Co., Ltd. and several financial			268,855	380,260			

institutions							
	KGI Securities						
e-for-sale	Co., Ltd.				284,448		
assets	HSBC				1,526,049		
	HSBC and						
	other financial						
	institutions				1,144,877		
	KGI Securities						
	Co., Ltd.				397,076		
	KGI Securities						
	Co., Ltd.				298,918		
		US\$	3,550			US\$	3,431
					US\$	3,415	
					US\$	3,087	
		US\$	3,800			US\$	3,004
					US\$	3,326	US\$
		US\$	3,329			US\$	3,325
		US\$	3,757			US\$	3,340
					US\$	3,337	US\$
		US\$	5,721			US\$	5,761
		US\$	1,628		US\$	3,540	US\$
		US\$	5,210			US\$	1,526
		US\$	4,141			US\$	5,001
					US\$	4,911	US\$
		US\$	5,079			US\$	4,003
		US\$	3,918			US\$	4,899
					US\$	5,013	US\$
					US\$	3,930	US\$
		US\$	8,315		US\$	5,995	US\$
					US\$	5,994	US\$
					US\$	8,002	US\$
					US\$	7,937	US\$
					US\$	3,351	US\$
		US\$	8,862			US\$	8,716
		US\$	3,412			US\$	3,415
		US\$	4,981			US\$	4,941
		US\$	3,566			US\$	3,486
					US\$	3,808	
					US\$	5,016	US\$
		US\$	3,201			US\$	5,048
						US\$	3,182

(Continued)

Marketable Securities Type	Financial Statement	Beginning Balance	Acquisition	Disposal (Note1)	Gain (Loss) on Disposal
and Name	Account	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)
Hewlett Packard Co.	Available-for-sale financial assets	US\$ 3,373	US\$	US\$ 3,177	US\$ (196)
msbc Fin Corp. Mtn		US\$ 5,097		US\$ 5,066	US\$ (31)
tl Lease Fin Corp. Mtn		US\$ 2,471	US\$ 4,100	US\$ 6,578	US\$ 7
Morgan Chase + Co.		US\$ 3,663		US\$ 3,519	US\$ (144)
ey Bk Na Med Term Nts Bk Entry		US\$ 4,450		US\$ 4,393	US\$ (57)
eycorp Mtn Book Entry		US\$ 3,500		US\$ 3,508	US\$ 8
eycorp Mtn Book Entry			US\$ 3,006		
errill Lynch + Co. Inc.		US\$ 3,486		US\$ 3,426	US\$ (60)
errill Lynch + Co. Inc.		US\$ 4,900		US\$ 4,842	US\$ (58)
onumental Global Fdg Ii 2			US\$ 3,348		
organ Stanley Group Inc.		US\$ 4,507		US\$ 4,386	US\$ (121)
ationwide Bldg Soc		US\$ 3,457		US\$ 3,495	US\$ 38
ationwide Bldg Soc Mtn		US\$ 3,000		US\$ 3,004	US\$ 4
ationwide Life Global Fdg I			US\$ 3,491		
ucor Corp.			US\$ 3,828		
raxair Inc.			US\$ 3,180		
icoa Global Fdg 1 Mtn		US\$ 3,500		US\$ 3,504	US\$ 4
icoa Global Fdg I Mtn			US\$ 3,394		
ntander Us Debt S A					
niperso		US\$ 4,998		US\$ 4,957	US\$ (41)
m Corp. Medium Term Nts		US\$ 2,950	US\$ 6,012	US\$ 6,012	US\$ 6,012
ntrust Bk Atlanta Ga			US\$ 3,409		
edium					
ashington Mut Inc.		US\$ 4,735		US\$ 4,505	US\$ (230)
ells Fargo + Co. New		US\$ 3,697		US\$ 3,512	US\$ (185)
ells Fargo + Co. New			US\$ 6,076	US\$ 6,073	US\$ (3)
gency bonds					
ederal Farm Cr Bks	Available-for-sale financial assets	US\$ 3,985		US\$ 3,940	US\$ (45)
ederal Home Ln Bank		US\$ 3,962		US\$ 3,955	US\$ (7)
ederal Home Ln Bks		US\$ 6,110		US\$ 6,061	US\$ (49)
ederal Home Ln Bks		US\$ 7,886		US\$ 7,960	US\$ 74
ederal Home Ln Bks		US\$ 3,932		US\$ 3,980	US\$ 48
ederal Home Ln Bks		US\$ 4,927		US\$ 4,930	US\$ 3
ederal Home Ln Bks		US\$ 3,976		US\$ 3,964	US\$ (12)
ederal Home Ln Bks			US\$ 8,628	US\$ 8,716	US\$ 88
ederal Home Ln Bks		US\$ 4,136		US\$ 4,140	US\$ 4

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Federal Home Ln Bks	US\$ 4,939		US\$ 4,872	US\$ 4,939	US\$ (67)
Federal Home Ln Bks	US\$ 4,965		US\$ 4,944	US\$ 4,965	US\$ (21)
Federal Home Ln Bks		US\$ 5,740	US\$ 5,825	US\$ 5,740	US\$ (85)
Federal Home Ln Bks	US\$ 7,558		US\$ 7,515	US\$ 7,558	US\$ (43)
Federal Home Ln Bks		US\$ 4,823			
Federal Home Ln Bks	US\$ 8,594		US\$ 8,519	US\$ 8,594	US\$ (75)
Federal Home Ln Bks		US\$12,227	US\$12,233	US\$12,227	US\$ 6
Federal Home Ln Bks	US\$ 3,972		US\$ 3,951	US\$ 3,972	US\$ (21)
Federal Home Ln Bks	US\$ 7,887		US\$ 7,758	US\$ 7,887	US\$ (129)
Federal Home Ln Bks	US\$19,846		US\$19,800	US\$19,846	US\$ (46)
Federal Home Ln Bks	US\$ 6,908		US\$ 6,881	US\$ 6,908	US\$ (27)
Federal Home Ln Bks	US\$ 9,134		US\$ 8,968	US\$ 9,134	US\$ (166)
Federal Home Ln Bks	US\$ 3,379		US\$ 3,296	US\$ 3,379	US\$ (83)
Federal Home Ln Bks		US\$ 7,490	US\$ 7,490	US\$ 7,490	
Federal Home Ln Mtg Corp.	US\$ 9,997		US\$ 9,788	US\$ 9,997	US\$ (209)
Federal Home Ln Mtg Corp.	US\$ 6,980		US\$ 6,941	US\$ 6,980	US\$ (39)
Federal Home Ln Mtg Corp.	US\$ 5,929		US\$ 5,930	US\$ 5,929	US\$ 1
Federal Home Ln Mtg Corp.		US\$ 6,415	US\$ 6,410	US\$ 6,415	US\$ (5)
Federal Home Ln Mtg Corp.		US\$14,175	US\$14,269	US\$14,175	US\$ 94
Federal Home Ln Mtg Corp.		US\$ 9,974	US\$ 9,929	US\$ 9,974	US\$ (45)
tn	US\$ 4,930		US\$ 4,912	US\$ 4,930	US\$ (18)
Federal Home Loan Bank	US\$ 3,475		US\$ 3,459	US\$ 3,475	US\$ (16)

(Continued)

Marketable Securities Type	Financial Statement	Beginning Balance	Acquisition		Disposal (Note1)		Gain (Loss) on Disposal
			Shares/Units	Amount	Shares/Units	Amount	
and Name	Account Cou	of (in US\$ in thousands)	(in US\$ thousands)	(in US\$ thousands)	(in US\$ thousands)	(US\$ Thousands)	(US\$ Thousands)
Federal Home Loan Mtg Assn	Available-for-sale financial assets	US\$ 4,847		US\$	US\$ 4,901	US\$ 4,847	US\$ 54
Federal Home Loan Mtg Corp.		US\$ 4,903			US\$ 4,927	US\$ 4,903	US\$ 24
Federal Natl Mtg Assn		US\$ 8,971			US\$ 8,940	US\$ 8,971	US\$ (31)
Federal Natl Mtg Assn		US\$ 4,921			US\$ 4,916	US\$ 4,921	US\$ (5)
Federal Natl Mtg Assn		US\$ 7,892			US\$ 7,908	US\$ 7,892	US\$ 16
Federal Natl Mtg Assn		US\$ 4,943			US\$ 4,944	US\$ 4,943	US\$ 1
Federal Natl Mtg Assn		US\$ 17,888			US\$ 17,782	US\$ 17,888	US\$ (106)
Federal Natl Mtg Assn		US\$ 5,928			US\$ 5,885	US\$ 5,928	US\$ (43)
Federal Natl Mtg Assn				US\$ 7,800	US\$ 7,832	US\$ 7,800	US\$ 32
Federal Natl Mtg Assn		US\$ 7,926			US\$ 7,834	US\$ 7,926	US\$ (92)
Federal Natl Mtg Assn				US\$ 19,539	US\$ 19,702	US\$ 19,539	US\$ 162
Federal Natl Mtg Assn				US\$ 14,901	US\$ 14,931	US\$ 14,901	US\$ 30
Federal Natl Mtg Assn				US\$ 10,430	US\$ 10,459	US\$ 10,430	US\$ 29
Federal Natl Mtg Assn				US\$ 7,966	US\$ 7,979	US\$ 7,966	US\$ 13
Federal Natl Mtg Assn Medium				US\$ 3,353			
Federal Natl Mtg Assn Mtn		US\$ 9,758			US\$ 9,781	US\$ 9,758	US\$ 23
Federal Natl Mtg Assn Mtn		US\$ 7,000			US\$ 6,925	US\$ 7,000	US\$ (75)
Federal Natl Mtg Assn Mtn		US\$ 15,787			US\$ 15,851	US\$ 15,787	US\$ 64
Federal Natl Mtg Assn Mtn				US\$ 5,255	US\$ 5,292	US\$ 5,255	US\$ 37
Federal Natl Mtg Assn Mtn		US\$ 5,740			US\$ 5,562	US\$ 5,740	US\$ (178)
Freddie Mac				US\$ 9,391	US\$ 9,314	US\$ 9,391	US\$ (77)
Tennessee Valley Auth				US\$ 6,039			
Federal Hm Ln Pc Pool 1h2520		US\$ 3,753			US\$ 3,329	US\$ 3,345	US\$ (16)
Federal Hm Ln Pc Pool 781959		US\$ 7,112			US\$ 6,577	US\$ 6,553	US\$ 24
Federal Hm Ln Pc Pool M80855				US\$ 3,882			
Federal Home Ln Mtg Corp.		US\$ 3,848			US\$ 3,308	US\$ 3,336	US\$ (28)
Federal Home Ln Mtg Corp.				US\$ 3,898			
Federal Home Ln Mtg Corp.		US\$ 6,096			US\$ 4,316	US\$ 4,424	US\$ (108)
Federal Home Ln Mtg Corp.				US\$ 4,962			
Federal Home Ln Mtg Corp.				US\$ 3,351			
Federal Home Ln Mtg Corp.				US\$ 4,317			
Federal Home Ln Mtg Corp.		US\$ 4,902			US\$ 4,069	US\$ 4,159	US\$ (90)
Federal Home Ln Mtg Corp.		US\$ 3,755			US\$ 3,308	US\$ 3,362	US\$ (54)
Federal Home Ln Mtg Corp.				US\$ 4,481			
Federal Home Ln Mtg Corp.				US\$ 3,349			
Federal Home Ln Mtg Corp.				US\$ 3,857			

Federal Home Ln Mtg Corp		US\$ 5,380			
Federal Home Ln Mtg Corp		US\$ 4,631			
Federal Home Ln Mtg Corp		US\$ 4,488			
Federal Home Loan Mtg		US\$ 5,009			
Federal Natl Mtg Assn	US\$ 4,030		US\$ 3,515	US\$ 3,568	US\$ (53)
Federal Natl Mtg Assn	US\$ 4,051		US\$ 3,131	US\$ 3,196	US\$ (65)
ma Pool 255883	US\$ 3,771		US\$ 3,559	US\$ 3,581	US\$ (22)
ma Pool 696485	US\$ 4,175		US\$ 3,393	US\$ 3,403	US\$ (10)
ma Pool 813641		US\$ 3,906	US\$ 3,916	US\$ 3,906	US\$ 10
ma Pool 815626	US\$ 3,622		US\$ 3,189	US\$ 3,203	US\$ (14)
ma Pool 825398	US\$ 4,949		US\$ 4,562	US\$ 4,672	US\$ (110)
ma Pool 841069	US\$ 3,673		US\$ 3,134	US\$ 3,156	US\$ (22)
Corporate issued asset-backed securities					
Americredit Automobile Rec	Available-for-sale financial assets	US\$ 3,249	US\$ 3,261	US\$ 3,249	US\$ 12
Americredit Automobile receiva	US\$ 5,000		US\$ 4,959	US\$ 5,000	US\$ (41)
Americredit Automobile receivb	US\$ 4,949		US\$ 3,826	US\$ 3,856	US\$ (30)
anc Amer Coml Mtg Inc.	US\$ 4,462		US\$ 3,254	US\$ 3,325	US\$ (71)
ear Stearns Arm Tr		US\$ 3,826	US\$ 3,597	US\$ 3,609	US\$ (12)
ear Stearns Coml Mtg Secs c.	US\$ 6,350		US\$ 6,362	US\$ 6,350	US\$ 12
apital Auto Receivables asset		US\$ 3,250	US\$ 3,232	US\$ 3,250	US\$ (18)
apital One Auto Fin Tr		US\$ 5,000	US\$ 5,008	US\$ 5,000	US\$ 8

(Continued)

Marketable Securities Type and Name	Financial Statement Account	Beginning	Acquisition	Disposal (Note1)		Gain
		Balance		Carrying	(Loss)	
		Shares/Units of (in US\$ in	Shares/Units (in US\$ in	Shares/Units (in US\$ in	Value (US\$ in	on Disposal (US\$ in
Global One Multi Asset	Available-for-sale financial					
Asset	assets	US\$ 3,974	US\$	US\$ 3,932	US\$ 3,974	US\$ (42)
Pillar Finl Asset Tr	"	US\$ 8,219		US\$ 3,218	US\$ 3,299	US\$ (81)
Plant Rent Car Fdg Aesop	"	US\$ 11,626		US\$ 7,482	US\$ 7,649	US\$ (167)
Equip Coll Tr	"		US\$ 3,975			
Bank Cr Card Issuance Tr	"	US\$ 9,782		US\$ 9,797	US\$ 9,782	US\$ 15
Equip Tr	"	US\$ 5,000		US\$ 3,457	US\$ 3,500	US\$ (43)
Bit Suisse First Boston	"					
Bit Suisse First Boston	"		US\$ 3,750	US\$ 3,728	US\$ 3,750	US\$ (22)
Bit Suisse First Boston	"		US\$ 4,773			
Bit Suisse First Boston	"		US\$ 3,572	US\$ 3,566	US\$ 3,572	US\$ (6)
Auto Receivables Tr	"	US\$ 3,200		US\$ 3,182	US\$ 3,200	US\$ (18)
Gen Natl Mtg Assn	"		US\$ 4,828			