

**MINUTES
OF
2006 ANNUAL GENERAL SHAREHOLDERS' MEETING
OF
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED
(Translation)**

Time and Date of Meeting: 9:30 a.m., May 16, 2006

Place of Meeting: Auditorium in the Activity Center of Hsinchu Science Park (No. 2,
Shing-An Road, Hsinchu Science Park, Hsin-Chu, Taiwan, ROC)

Total outstanding shares of TSMC: 24,700,114,501 shares

Total shares represented by shareholders present: 21,508,234,568 shares

Percentage of shares held by shareholders present: 87.08 %

Chairman: Dr. Morris Chang, the Chairman of the Board of Directors

Recorder: Sylvia Fang

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

A. Chairman's Address

B. Report Items

- I. Reported the business of 2005 (see Attachment I).
- II. Supervisors' review report (see Attachment II).

- III. Reported the status of acquisition or disposal of assets with related parties for 2005 (see Attachment III).
- IV. Reported the status of guarantee provided by TSMC as of the end of 2005:
 - 1. TSMC provided a guarantee for its subsidiary, TSMC North America. As of the end of 2005, the balance of the guarantee is US\$40,000,000.
 - 2. TSMC provided a guarantee for its subsidiary, TSMC Development, Inc. As of the end of 2005, the balance of the guarantee is US\$60,000,000.

C. Proposed Resolutions and Election

- I. The 2005 Business Report and Financial Statements were submitted at the meeting for acceptance. (Proposed by the Board of Directors)

- Explanatory Notes:
- 1. TSMC's 2005 Financial Statements, including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, and Cash Flow Statement, were audited by independent auditors, Messrs. Jackson Huang and Michael Chang, of Deloitte & Touche and were approved at the Board of Directors' Meeting held on February 14, 2006.
 - 2. The 2005 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached hereto as Attachments I, IV and V.
 - 3. Please accept the above-mentioned Business Report and Financial Statements.

Upon solicitation of comments by the Chairman, there was no objection voiced and the following resolution was adopted unanimously by the shareholders present:

RESOLVED, that the 2005 Business Report and Financial Statements be and hereby are accepted as submitted.

- II. A proposal to approve the distribution of 2005 profits was submitted at the meeting for discussion and approval. (Proposed by the Board of Directors)

Explanatory Notes:

1. The proposed profits distribution was adopted at the Board of Directors' Meeting held on February 14, 2006.
2. For distribution allocated from 2005 Earnings Available for Distribution, each common share holder will be entitled to receive a cash dividend of NT\$2.5 per share, and a stock dividend of 15 shares for each 1,000 shares held by such shareholders. In addition, each common share holder will be entitled to receive, for each 1,000 shares held, 15 shares from capitalization of capital surplus in the amount of NT\$3,709,503,700; and, together with the 15 shares of stock dividend as mentioned above, 30 shares in total for each 1,000 shares held by such shareholder. If the stock dividends include any fractional shares that are less than one full share, the shareholders concerned may arrange for pooling together their fractional shares to form one full share and register the same within 5 days after the record date. For the fractional shares which cannot be pooled, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by persons arranged by the Chairman as authorized by the Board of Directors of TSMC.
The total amount of common shares outstanding may change and the ultimate cash and stock to be distributed to each common share may need to be adjusted accordingly should TSMC subsequently repurchase its common shares or issue new common shares to its employees as a result of their

exercise of stock options. It is proposed that the Chairman of the Board of Directors of TSMC be authorized to adjust the cash and stock to be distributed to each common share based on the total amount of profits resolved to be distributed and capital surplus resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.

3. The 2005 Profit Allocation Proposal is attached hereto as Attachment VI.

Upon solicitation of comments by the Chairman, there was no objection voiced and the following resolution was adopted unanimously by the shareholders present:

RESOLVED, that the above proposals be and hereby are approved as proposed.

- III. A proposal to approve the capitalization of 2005 dividends, 2005 employee profit sharing, and capital surplus was submitted at the meeting for discussion and approval. (Proposed by the Board of Directors)

- Explanatory Notes:
1. For purposes of machine purchase and production capacity expansion, it is proposed that TSMC's paid-in capital be increased by capitalizing (i) the stock dividends to common share holders of NT\$3,709,503,700 and employee profit sharing (in stock) of NT\$3,432,128,680 allocated from 2005 Earnings Available for Distribution; and (ii) capital surplus in the amount of NT\$3,709,503,700.
 2. The total amount of paid-in capital increase shall be NT\$10,851,136,080, and 1,085,113,608 common shares, at par value of NT\$10 each share, shall be issued for such capital increase.
 3. The shareholder's rights and obligations of the new shares are the same as those of the existing shares.

After being approved by the governmental authority in charge, the new shares will be distributed on a record date to be determined by the Board of Directors or its designee(s).

4. As of March 18, 2006 (the first day of book-close period for registration of share transfer before the Annual General Shareholders' Meeting), the number of shares of employees' stock options that TSMC granted is approximately 63,730,000 shares. Due to the aforesaid paid-in capital increase, TSMC has to adjust upwards the number of employees' stock options in proportion to the capital increase. It is estimated that the number of such additional employees' stock options is approximately 2,796,000 shares. Since the additional employees' stock options are issued in proportion to the increase of paid-in capital, it shall not cause any major impact to shareholders' interest. There are sufficient common shares reserved in the Articles of Incorporation for granting the aforesaid additional employees' stock options.

Upon solicitation of comments by the Chairman, there was no objection voiced and the following resolution was adopted unanimously by the shareholders present:

RESOLVED, that the capitalization of 2005 dividends, 2005 employee profit sharing, and capital surplus be and hereby is approved as proposed.

- IV. A proposal to approve revisions to the Articles of Incorporation was submitted at the meeting for discussion and approval. (Proposed by the Board of Directors)

Explanatory Notes: (1) It is proposed to revise the number of supervisors specified in TSMC's Articles of Incorporation from

- the current "three" to "two to three" supervisors.
- (2) Pursuant to the newly amended Securities and Exchange Law, the ROC Financial Supervisory Commission ("FSC") just announced implementing regulations pertaining to independent directors and establishment of audit committee by public companies. The FSC regulations require that the number and manner of election of independent directors, and the establishment of audit committee shall be specified in companies' articles of incorporation. It is proposed to revise TSMC's Articles of Incorporation accordingly.
 - (3) The Comparison Table for the Articles of Incorporation Before and After Revision is attached hereto as Attachment VII.

Upon solicitation of comments by the Chairman, there was no objection voiced and the following resolution was adopted unanimously by the shareholders present:

RESOLVED, that the revisions to the Articles of Incorporation be and hereby are approved as proposed.

- V. Election of nine Directors and two Supervisors. (Proposed by the Board of Directors)

Result of the Election: Nine directors and two supervisors were elected as the Tenth Board of Directors and Supervisors by the shareholders present. The tenure of the newly elected directors commences on May 16, 2006 and shall expire on May 15, 2009. The tenure of the newly elected supervisors commences on May 16, 2006 and shall expire on December 31, 2006. The list of the newly elected directors and supervisors with indication of votes received by each of them is

attached hereto as Attachment VIII.

D. Special Motion

(Shareholders' comments and questions, as well as the management's responses omitted.)

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.

Morris Chang
Chairman of the Board of Directors

Sylvia Fang
Recorder

Business Report

TSMC continued to grow in 2005, a year that began at the low end of capacity utilization but ended with another record for revenue and earnings.

Since the worst downturn in semiconductor history in 2001, TSMC has steadily improved its performance year over year. Through cyclical upturns and downturns, TSMC has drawn on its industry-leading technology, manufacturing excellence, and strong customer partnerships to deliver consistent profitability and growth.

Financial Results

Revenue for 2005 totaled NT\$264.6 billion, an increase of 3.4% compared with NT\$255.9 billion in 2004. Net income was NT\$93.58 billion, an increase of 1.4% compared with NT\$92.32 billion in 2004. Earnings per share were NT\$3.79, an increase of 1.5% compared with fully diluted earnings per share of NT\$3.73 the previous year. In US dollars, revenue for 2005 was US\$8.23 billion, an increase of 7.5%, while net income grew to US\$2.91 billion, an increase of 5.4%. Among other highlights in 2005, TSMC achieved:

- Total average capacity utilization of 92%
- Average gross profit margin of 43.6%
- Average operating profit margin of 35.2%

During the year, TSMC provided 5.96 million 8-inch equivalent wafer capacity, representing approximately 7.4% of global IC wafer supply.

Cycle Management

Since our founding in 1987 through this year, TSMC has steadily expanded our business and improved our ability to manage cycles and deliver profit and positive cash flows. With the single exception of 1997, we have achieved positive free cash flow every year since our Initial

Public Offering in 1994, while trough utilization rates have improved with stronger gross margins since the industry's record downturn in 2001.

TSMC has painstakingly built internal long-range planning processes that strategically expand capacity and allow the company to respond appropriately to cyclical demand trends. In this way, the Company can optimize ramp-up times at each new generation of chip process technologies, while also increasing our reliability as a manufacturing partner, building sustainable market share and maximizing profitability. As a result of expanded capacity and quality improvement, TSMC's share of the pure-play semiconductor foundry segment expanded from 47% in 2000 to approximately 50% in 2005, while simultaneously delivering substantially higher operating profit than the rest of the sector competitors combined.

Core Strengths to Satisfy Customers

A solid foundation of technological innovation and the development and deployment of proprietary process technologies for the most advanced integrated devices drives TSMC's success. For example, since entering volume production, our proprietary 0.13-micron process technology has consistently captured substantial market share among all other major foundries. Through our innovative NexsysSM process technology, the Company is well situated to capture a leading share position at the 90-nanometer and 65-nanometer nodes.

TSMC's manufacturing excellence is further enhanced by a company-wide focus on operating efficiency. Together, these strengths have allowed TSMC to leverage technology and capacity more effectively than other players in the dedicated semiconductor foundry segment. The Company has consistently achieved the foundry segment's highest utilization rates and won high customer satisfaction throughout the cycle.

Customer partnership, TSMC's third core strength, is central to building customer loyalty and sustainable, profitable market share. "Virtual Fab," the Company's unique customer-first business model, includes cutting-edge front-end and back-end services that help customers take full advantage of TSMC's technology and manufacturing capabilities. As a true partnership, each brings core strengths to a relationship that reflects the most efficient use of invested capital, with TSMC providing the proprietary process technologies and the most efficient production facilities

that enable IC developers to continually reduce their time to market, time to volume and maximize their long-term profitability.

A New Stage of Continuity

As the Company continuously seeks to improve its strength and quality, we are entering a new stage in TSMC's maturity as a public company. Dr. Morris Chang, who founded TSMC in 1987, turned over the role of Chief Executive Officer on July 1, 2005 to Dr. Rick Tsai, who has served the Company since 1989, most recently as President and Chief Operating Officer. Dr. Chang will continue to dedicate his full time and efforts to the Company as Chairman of the Board of Directors. At the same time, the Board of Directors has elected Dr. F.C. Tseng as Vice Chairman. In his new capacity, Dr. Tseng will assist Dr. Chang and remain as Chairman of TSMC (Shanghai), and the TSMC Education and Culture Foundation.

With continuity in mind, all TSMC employees remain dedicated to bringing innovative thinking and strategic planning to bear on whatever changes the market presents in the decades to come. Core strengths – technology leadership, manufacturing excellence, and customer partnership - ensure TSMC's place as a pioneer in developing new ways of serving customers and shareholders better.

Innovation

TSMC enjoyed another year of leadership in innovation, providing the market with advanced process technology that represents a significant step-up in performance.

The focal point of technology innovation in 2005 was the unveiling and successful prototyping of the new 65nm NexsysSM Technology for SoC Design, the company's third-generation semiconductor process employing both copper interconnects and low-k dielectrics. The new process technology allows customers to build logic devices with double the density of 90nm node and leads the industry with a 50% gain in speed over the 90nm General Purpose process and a 20% reduction in standby power.

The Company continues to invest in enlarging its position as the foundry segment's technology

leader. In 2005, TSMC spent approximately US\$417 million, more than 5% of revenues, on Research and Development. It will dedicate a similar percentage of revenue to R&D in 2006.

Awards

In 2005, TSMC continued to receive recognition and awards from around the world as a corporate role model. Among the numerous media surveys conducted in 2005, *Institutional Investors*, *FinanceAsia* and *Asiamoney* have chosen TSMC as the Best Managed Company, with the Best Corporate Governance, Best Investor Relations, and Best CFO. *IR Magazine* has awarded TSMC six out of seven possible performance awards -- ranging from Grand Prix for Best Overall Investor Relations in the region of Hong Kong and Taiwan, to Best Corporate Governance, Best Annual Report and Other Corporate Literature, and Best Web Site; and from Best Investor Relations by a CEO or Chairman, to Best IR Officer. *Globalviews* elected TSMC to receive the Award for Social Responsibility, while *CommonWealth Magazine* voted us the Most Admired Company for the ninth consecutive time. TSMC also received the Outstanding Nano-Tech Award from the Ministry of Economic Affairs (MOEA) of the Republic of China with a unanimous vote of recognition from The Award Steering Committee of the Industrial Development Bureau of MOEA.

Corporate Developments

In August, the Company successfully completed a secondary offering of approximately 163 million American Depositary Shares (ADSs) by Koninklijke Philips Electronics N.V., the Executive Yuan's Development Fund, and other shareholders at a price of US\$8.60 per ADS. Each TSMC ADS represents five common shares of TSMC. After the offering, TSMC's outstanding ADSs represented approximately 17.5 % of the total share capital.

Outlook

With the inventory adjustment that began in mid 2004 and carried through the first half of 2005, the IC industry was able to register another growth year in 2005 at 8%, according to IC Insights' latest estimates. The outlook for 2006 is for the industry to grow another 8%, representing the fifth consecutive year of expansion of the IC industry, as forecast by IC Insights. Although the

foundry segment grew at a lower rate than the industry in 2005, affected by the need to digest excess inventory in the early part of the year, it is expected to resume its momentum and outpace the IC industry in 2006.

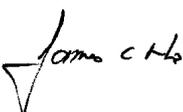
With our leadership in technology, manufacturing excellence, and customer partnership, as well as our focus on strategic planning and financial discipline, we are confident that TSMC should be able to compete well and continue to deliver growth and profitability to maximize shareholder value in the future.

Supervisors' Report

The Board of Directors has prepared and submitted to the supervisors the Company's 2005 business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial statements. The auditors have submitted to the Board a report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been examined by and determined to be correct and accurate by the undersigned, the supervisors of Taiwan Semiconductor Manufacturing Company Limited. According to Article 219 of the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Supervisor Michel Besseau 

Supervisor James Ho 

Supervisor Michael E. Porter 

March 8, 2006

ATTACHMENT III

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED DETAILS OF ACQUISITION OR DISPOSAL OF ASSETS WITH RELATED PARTIES IN 2005

Unit: US\$ in Thousand

Assets Acquired (Disposed)	Date of Acquisition (Disposal)	Number of Shares Acquired (Disposed)	Transaction Amount	Counterparty	Relationship with TSMC
Ownership of TSMC (Shanghai) Company Limited	03/30/2005	N/A	<i>US\$95,000.0</i>	TSMC (Shanghai) Company Limited	Subsidiary
Ownership of Emerging Alliance Fund	05/03/2005	N/A	<i>US\$2,487.5</i>	Emerging Alliance Fund	Subsidiary
Ownership of VentureTech Alliance Fund II	10/19/2005	N/A	<i>US\$4,900.0</i>	VentureTech Alliance Fund II	Subsidiary
Disposal of Machinery Equipment	12/27/2005	N/A	<i>US\$16,100.0</i>	VisEra Technologies Company	Subsidiary

ATTACHMENT IV

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2005 and 2004, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2005 and 2004, and have expressed an unqualified opinion on such financial statements.

January 12, 2006

Notice to Readers

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

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2005		2004		LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 85,383,583	17	\$ 65,531,818	14	Accounts payable	\$ 8,052,106	1	\$ 6,488,617	1
Short-term investments, net (Notes 2 and 4)	47,055,347	9	52,979,095	11	Payables to related parties (Notes 18 and 21)	3,242,197	1	3,198,490	1
Receivables from related parties (Note 18)	21,050,604	4	16,136,039	3	Income tax payable (Notes 2 and 12)	3,815,888	1	379,903	-
Notes and accounts receivable	20,591,818	4	15,326,881	3	Accrued expenses and other current liabilities (Notes 2, 10, 21 and 22)	8,214,994	1	8,917,533	2
Allowance for doubtful receivables (Note 2)	(976,344)	-	(980,461)	-	Payables to contractors and equipment suppliers	8,859,230	2	31,154,309	6
Allowance for sales returns and others (Note 2)	(4,269,969)	(1)	(3,327,914)	(1)	Current portion of long-term bonds payable (Note 9)	-	-	10,500,000	2
Other receivables from related parties (Note 18)	1,797,714	1	1,667,383	-					
Other financial assets (Notes 2 and 22)	2,403,929	1	2,080,640	1	Total current liabilities	32,184,415	6	60,638,852	12
Inventories, net (Notes 2 and 5)	16,257,955	3	14,171,945	3	LONG-TERM LIABILITIES				
Deferred income tax assets (Notes 2 and 12)	7,013,000	1	8,849,000	2	Bonds payable (Note 9)	19,500,000	4	19,500,000	4
Prepaid expenses and other current assets	1,254,779	-	1,232,885	-	Other long-term payables (Notes 10 and 21)	1,511,100	-	1,934,968	-
					Other payables to related parties (Notes 18 and 21)	1,100,475	-	2,317,972	1
Total current assets	197,562,416	39	173,667,311	36	Total long-term liabilities	22,111,575	4	23,752,940	5
LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 22)					OTHER LIABILITIES				
Equity method	51,076,803	10	46,828,322	10	Accrued pension cost (Notes 2 and 11)	3,461,392	1	3,101,196	1
Cost method	807,490	-	772,634	-	Guarantee deposits (Note 21)	2,892,945	1	412,393	-
Long-term bonds	18,548,308	4	15,170,167	3	Deferred credits (Notes 2 and 18)	1,259,139	-	682,530	-
Other investments	10,227,000	2	10,521,740	2	Total other liabilities	7,613,476	2	4,196,119	1
Total long-term investments	80,659,601	16	73,292,863	15	Total liabilities	61,909,466	12	88,587,911	18
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)					SHAREHOLDERS' EQUITY (Notes 2, 14, 15 and 16)				
Cost					Capital stock - \$10 par value				
Buildings	90,769,622	18	84,299,167	17	Authorized: 27,050,000 thousand shares in 2005 and 24,600,000 thousand shares in 2004				
Machinery and equipment	459,850,773	91	390,719,215	80	Issued: 24,730,025 thousand shares in 2005 and 23,251,964 thousand shares in 2004	247,300,246	49	232,519,637	48
Office equipment	7,850,035	1	7,041,132	1	Capital surplus	57,117,886	11	56,537,259	11
	558,470,430	110	482,059,514	98	Retained earnings				
Accumulated depreciation	(359,191,829)	(71)	(300,006,201)	(61)	Appropriated as legal capital reserve	34,348,208	7	25,528,007	5
Advance payments and construction in progress	14,867,032	3	45,923,087	10	Appropriated as special capital reserve	2,226,427	-	-	-
					Unappropriated earnings	106,196,399	21	88,202,009	18
Property, plant and equipment, net	214,145,633	42	227,976,400	47	Others				
					Cumulative translation adjustments	(640,742)	-	(2,226,427)	-
GOODWILL (Note 2)	1,567,756	-	1,916,146	-	Treasury stock (at cost) - 32,938 thousand shares in 2005 and 45,521 thousand shares in 2004	(918,075)	-	(1,595,186)	-
OTHER ASSETS					Total shareholders' equity	445,630,349	88	398,965,299	82
Deferred charges, net (Notes 2, 8 and 21)	6,681,144	1	8,845,144	2					
Deferred income tax assets (Notes 2 and 12)	6,759,955	2	1,645,003	-	TOTAL	\$ 507,539,815	100	\$ 487,553,210	100
Refundable deposits	83,642	-	85,413	-					
Assets leased to others, net (Note 2)	72,879	-	78,613	-					
Idle assets (Note 2)	6,789	-	46,317	-					
Total other assets	13,604,409	3	10,700,490	2					
TOTAL	\$ 507,539,815	100	\$ 487,553,210	100					

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 18)	\$ 270,315,064		\$ 260,726,896	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>5,726,700</u>		<u>4,734,469</u>	
NET SALES	264,588,364	100	255,992,427	100
COST OF SALES (Notes 13 and 18)	<u>149,344,315</u>	<u>56</u>	<u>145,831,843</u>	<u>57</u>
GROSS PROFIT	<u>115,244,049</u>	<u>44</u>	<u>110,160,584</u>	<u>43</u>
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	13,395,801	5	12,516,434	5
General and administrative	7,485,011	3	9,367,010	3
Sales and marketing	<u>1,349,413</u>	<u>1</u>	<u>1,454,362</u>	<u>1</u>
Total operating expenses	<u>22,230,225</u>	<u>9</u>	<u>23,337,806</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>93,013,824</u>	<u>35</u>	<u>86,822,778</u>	<u>34</u>
NON-OPERATING INCOME AND GAINS				
Interest (Notes 2 and 22)	2,769,978	1	1,687,681	1
Settlement income (Note 20)	950,046	1	-	-
Gain on disposal of property, plant and equipment (Notes 2 and 18)	494,374	-	164,147	-
Technical service income (Notes 18 and 21)	491,267	-	423,804	-
Equity in earnings of equity method investees, net (Notes 2 and 6)	-	-	4,040,319	2
Gain on sales of investments, net (Note 2)	-	-	90,319	-
Others (Note 18)	<u>366,344</u>	<u>-</u>	<u>378,778</u>	<u>-</u>
Total non-operating income and gains	<u>5,072,009</u>	<u>2</u>	<u>6,785,048</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 7, 9 and 22)	2,429,568	1	1,278,072	1
Equity in losses of equity method investees, net (Notes 2 and 6)	1,052,045	1	-	-
Unrealized valuation loss on short-term investments (Notes 2 and 4)	337,160	-	75,212	-
Loss on sales of investments, net (Note 2)	149,498	-	-	-

(Continued)

	<u>2005</u>		<u>2004</u>	
	Amount	%	Amount	%
Loss on disposal of property, plant, equipment and idle assets (Note 2)	\$ 59,992	-	\$ 107,722	-
Foreign exchange loss, net (Notes 2 and 22)	34,379	-	323,080	-
Others (Note 2)	<u>203,768</u>	-	<u>45,156</u>	-
Total non-operating expenses and losses	<u>4,266,410</u>	<u>2</u>	<u>1,829,242</u>	<u>1</u>
INCOME BEFORE INCOME TAX	93,819,423	35	91,778,584	36
INCOME TAX BENEFITS (EXPENSES) (Notes 2 and 12)	<u>(244,388)</u>	<u>-</u>	<u>537,531</u>	<u>-</u>
NET INCOME	<u>\$ 93,575,035</u>	<u>35</u>	<u>\$ 92,316,115</u>	<u>36</u>

	<u>2005</u>		<u>2004</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17)				
Basic earnings per share	<u>\$ 3.80</u>	<u>\$ 3.79</u>	<u>\$ 3.71</u>	<u>\$ 3.73</u>
Diluted earnings per share	<u>\$ 3.80</u>	<u>\$ 3.79</u>	<u>\$ 3.71</u>	<u>\$ 3.73</u>

The pro forma net income and earnings per share (after income tax) are shown as follows, and are based on the assumption that the parent company stock held by its subsidiaries is treated as an investment instead of as treasury stock (Notes 2 and 16):

	<u>2005</u>	<u>2004</u>
NET INCOME	<u>\$ 93,881,698</u>	<u>\$ 92,340,760</u>
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	<u>\$3.80</u>	<u>\$3.73</u>
Diluted earnings per share	<u>\$3.79</u>	<u>\$3.73</u>

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

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock		Capital Surplus	Retained Earnings			Unrealized Loss on Long-term Investments	Cumulative Translation Adjustments	Treasury Stock	Total Shareholders' Equity	
	Shares (in Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings					Total
BALANCE, JANUARY 1, 2004	20,266,619	\$ 202,666,189	\$ 56,855,885	\$ 20,802,137	\$ 68,945	\$ 50,229,008	\$ 71,100,090	\$ (35)	\$ 225,408	\$ (1,633,228)	\$ 329,214,309
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	4,725,870	-	(4,725,870)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(68,945)	68,945	-	-	-	-	-
Employees' profit sharing - in cash	-	-	-	-	-	(681,628)	(681,628)	-	-	-	(681,628)
Employees' profit sharing - in stock	272,651	2,726,514	-	-	-	(2,726,514)	(2,726,514)	-	-	-	-
Cash dividends to preferred shareholders	-	-	-	-	-	(184,493)	(184,493)	-	-	-	(184,493)
Cash dividends to common shareholders - NT\$0.60 per share	-	-	-	-	-	(12,159,971)	(12,159,971)	-	-	-	(12,159,971)
Stock dividends to common shareholders - NT\$1.41 per share	2,837,327	28,373,267	-	-	-	(28,373,267)	(28,373,267)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(127,805)	(127,805)	-	-	-	(127,805)
Net income in 2004	-	-	-	-	-	92,316,115	92,316,115	-	-	-	92,316,115
Adjustment arising from changes of percentage of ownership in investees	-	-	34,059	-	-	-	-	-	-	-	34,059
Reversal of unrealized loss on long-term investment of investees	-	-	-	-	-	-	-	35	-	-	35
Translation adjustments	-	-	-	-	-	-	-	-	(2,451,835)	-	(2,451,835)
Issuance of stock from exercising stock options	87	867	2,757	-	-	-	-	-	-	-	3,624
Cash dividends received by subsidiaries from the Company	-	-	22,781	-	-	-	-	-	-	-	22,781
Treasury stock transactions - sales of the Company's stock held by subsidiaries	-	-	1,864	-	-	-	-	-	-	38,042	39,906
Treasury stock repurchased by the Company	-	-	-	-	-	-	-	-	-	(7,059,798)	(7,059,798)
Retirement of treasury stock	(124,720)	(1,247,200)	(380,087)	-	-	(5,432,511)	(5,432,511)	-	-	7,059,798	-
BALANCE, DECEMBER 31, 2004	23,251,964	232,519,637	56,537,259	25,528,007	-	88,202,009	113,730,016	-	(2,226,427)	(1,595,186)	398,965,299
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	8,820,201	-	(8,820,201)	-	-	-	-	-
Special capital reserve	-	-	-	-	2,226,427	(2,226,427)	-	-	-	-	-
Employees' profit sharing - in cash	-	-	-	-	-	(3,086,215)	(3,086,215)	-	-	-	(3,086,215)
Employees' profit sharing - in stock	308,622	3,086,215	-	-	-	(3,086,215)	(3,086,215)	-	-	-	-
Cash dividends to common shareholders - NT\$2.00 per share	-	-	-	-	-	(46,504,097)	(46,504,097)	-	-	-	(46,504,097)
Stock dividends to common shareholders - NT\$0.50 per share	1,162,602	11,626,024	-	-	-	(11,626,024)	(11,626,024)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(231,466)	(231,466)	-	-	-	(231,466)
Net income in 2005	-	-	-	-	-	93,575,035	93,575,035	-	-	-	93,575,035
Adjustment arising from changes of percentage of ownership in investees	-	-	71,405	-	-	-	-	-	-	-	71,405
Translation adjustments	-	-	-	-	-	-	-	-	1,585,685	-	1,585,685
Issuance of stock from exercising stock options	6,837	68,370	202,559	-	-	-	-	-	-	-	270,929
Cash dividends received by subsidiaries from the Company	-	-	84,285	-	-	-	-	-	-	-	84,285
Treasury stock transactions - sales of the Company's stock held by subsidiaries	-	-	222,378	-	-	-	-	-	-	677,111	899,489
BALANCE, DECEMBER 31, 2005	24,730,025	\$ 247,300,246	\$ 57,117,886	\$ 34,348,208	\$ 2,226,427	\$ 106,196,399	\$ 142,771,034	\$ -	\$ (640,742)	\$ (918,075)	\$ 445,630,349

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 93,575,035	\$ 92,316,115
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	67,991,423	63,072,140
Deferred income taxes	(3,278,952)	(1,101,407)
Equity in losses (earnings) of equity method investees, net	1,052,045	(4,040,319)
Gain on sales of long-term investments, net	(3,502)	(2,216)
Amortization of premium/discount from long-term bond investments, net	120,872	28,673
Gain on disposal of property, plant and equipment and idle assets, net	(434,382)	(56,425)
Loss on idle assets	131,849	-
Donation of idle assets	7,207	-
Provision for pension cost	360,196	500,945
Dividends received from equity method investees	668,464	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	(4,914,565)	(1,301,979)
Notes and accounts receivable	(5,264,937)	(1,409,074)
Allowance for doubtful receivables	(4,117)	(35,561)
Allowance for sales returns and others	942,055	1,201,889
Other receivables from related parties	(1,243,126)	(27,938)
Other financial assets	(98,854)	(1,329,634)
Inventories, net	(2,086,010)	(3,264,787)
Prepaid expenses and other current assets	(21,280)	751,383
Increase (decrease) in:		
Accounts payable	1,563,489	404,741
Payables to related parties	(1,224,371)	(1,771,144)
Income tax payable	3,435,985	252,800
Accrued expenses and other liabilities	(890,473)	(507,984)
Deferred credits	95,744	-
Net cash provided by operating activities	<u>150,479,795</u>	<u>143,680,218</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short-term investments, net	5,923,748	(43,822,489)
Acquisitions of:		
Long-term investments	(17,037,788)	(30,290,982)
Property, plant and equipment	(73,659,014)	(76,171,356)
Proceeds from disposal of:		
Long-term investments	10,474,035	7,822
Property, plant and equipment and idle assets	2,087,236	1,713,934
Increase in deferred charges	(847,721)	(2,404,130)
Decrease in refundable deposits	1,771	91,966
Net cash used in investing activities	<u>(73,057,733)</u>	<u>(150,875,235)</u>

(Continued)

ATTACHMENT VI

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED PROFIT ALLOCATION PROPOSAL

December 31, 2005

	Unit: NT\$
Net Income of 2005	93,575,035,469
Less:	
- 10% Legal Reserve	9,357,503,547
2005 Earnings Available for Distribution	84,217,531,922
Plus:	
- Reversed Special Reserve from 2004	1,585,685,053
- Un-appropriated Retained Earnings of Previous Years	12,621,363,595
Earnings Available for Distribution as of December 31, 2005	98,424,580,570
Distribution Items:	
- Bonus to Directors & Supervisors	257,409,650
- Employees' Profit Sharing (in cash)	3,432,128,678
- Employees' Profit Sharing (in stock)	3,432,128,680
- Cash Dividends to Common Share Holders (NT\$2.50 per share)	61,825,061,618
- Stock Dividends to Common Share Holders (NT\$0.15 per share at par value, i.e., 15 shares for each 1,000 shares owned)	3,709,503,700
Total Distribution	72,656,232,326
Unappropriated Earnings	25,768,348,244

ATTACHMENT VII

**COMPARISON TABLE FOR
THE ARTICLES OF INCORPORATION BEFORE AND AFTER
REVISION**

	<u>Before Revision</u>	<u>After Revision</u>
Article 19	The Corporation shall have seven to nine Directors and three Supervisors. The Board of Directors is authorized to determine the number of Directors.	<p>The Corporation shall have seven to nine Directors and two to three Supervisors. The Board of Directors is authorized to determine the number of Directors and Supervisors.</p> <p>In compliance with Articles 14-2 and 183 of the ROC Securities and Exchange Law, the aforesaid Board of Directors must have at least three independent directors.</p>

	<u>Before Revision</u>	<u>After Revision</u>
Article 19-1 (New)		<p>For the election of Directors, each share has the same voting rights equal to the number of Directors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Directors. Except those elected in 2006 in accordance with the letter of March 28, 2006 Chin-Kuan Cheng one Tze No. 0950001617 issued by the relevant regulatory authority, independent directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the ROC Company Law. The nomination of independent directors and related announcement shall comply with the relevant regulations of the ROC Company Law and Securities and Exchange Law. The election of independent directors and non-independent directors shall be held together; provided, however, that in order to ensure the election of at least three independent directors after each election, the number of independent directors and non-independent directors elected shall be calculated separately.</p> <p>For the election of Supervisors, each share has the same voting rights equal to the number of Supervisors to be elected, and a shareholder may cast all his/her voting rights to one candidate or among several candidates; those candidates receiving more voting rights shall be elected as Supervisors.</p>
Article 19-2 (New)		<p>In compliance with Articles 14-4 and 183 of the ROC Securities and Exchange Law, the Corporation shall establish an Audit Committee, which shall consist of all independent directors. Effective from January 1, 2007, the Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of</p>

	<u>Before Revision</u>	<u>After Revision</u>
		Supervisors specified under the ROC Company Law, Securities and Exchange Law and other relevant regulations, as well as these Articles of Incorporation.
Article 20	The term of office for Directors and Supervisors shall be three (3) years. Both the Directors and the Supervisors shall be eligible for re-election.	The term of office for Directors shall be three (3) years, and all Directors shall be eligible for re-election. The term of office for Supervisors shall expire on December 31, 2006.
Article 38	These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, and the tenth Amendment on May 11, 1999, and the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, and the seventeenth Amendment on May 10, 2005.	These Articles of Incorporation are agreed to and signed on December 10, 1986 by all the promoters of the Corporation, and the first Amendment was approved by the shareholders' meeting on April 28, 1987, the second Amendment on November 27, 1989, the third Amendment on May 28, 1991, the fourth Amendment on May 18, 1993, the fifth Amendment on January 28, 1994, the sixth Amendment on May 12, 1995, the seventh Amendment on April 8, 1996, and the eighth Amendment on May 13, 1997, the ninth Amendment on May 12, 1998, and the tenth Amendment on May 11, 1999, and the eleventh Amendment on April 14, 2000, the twelfth Amendment on September 5, 2000, the thirteenth Amendment on May 15, 2001, the fourteenth Amendment on May 7, 2002, the fifteenth Amendment on June 3, 2003, the sixteenth Amendment on December 21, 2004, the seventeenth Amendment on May 10, 2005, and the eighteenth Amendment on May 16, 2006.

ATTACHMENT VIII**Taiwan Semiconductor Manufacturing Company, Ltd.
List of Elected Directors and Supervisors**

Shareholder No. (or Passport No.)	Title	Name	Votes Received
4515	Director	Morris Chang	17,493,722,485
2	Director	Koninklijke Philips Electronics N.V. Representative: J.C. Lobbezoo	16,044,086,263
534770	Director	Stan Shih*	15,913,651,676
104	Director	F.C. Tseng	15,913,646,537
1	Director	Development Fund, Executive Yuan Representative: Chintay Shih	15,913,646,537
500166059 (Passport No.)	Director	Sir Peter Leahy Bonfield*	15,913,646,537
102505482 (Passport No.)	Director	Lester Carl Thurow*	15,913,646,537
7252	Director	Rick Tsai	15,913,646,537
026323305 (Passport No.)	Director	Carleton (Carly) S. Fiorina*	15,913,646,537
1	Supervisor	Development Fund, Executive Yuan Representative: James C. Ho	16,182,266,834
158611569 (Passport No.)	Supervisor	Michael E. Poter	16,182,266,834

Remarks:

These four candidates were elected in accordance with an order dated March 28, 2006 issued by the Financial Supervisory Commission of the Executive Yuan, ROC and in compliance with the qualifications for "independent directors" specified by the "Regulation for Public Companies' Establishment of Independent Directors".