

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

January 27, 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 January 2006**  
**Taiwan Semiconductor Manufacturing Company Ltd.**  
(Translation of Registrant's Name Into English)  
**No. 8, Li-Hsin Rd. 6,**  
**Science-Based Industrial Park,**  
**Hsin-Chu, 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: \_\_\_\_\_.)

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Investor Relations Division

TSMC

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Topics in This Report

Revenue Analysis

Utilization &amp; Capacity

Profit &amp; Expense Analysis

Financial Condition Review

Cash Flow &amp; CapEx

Recap of Recent Important Events &amp; Announcements

**Operating Results Review:****Summary:**

<i>(Amount in NT\$ billion except noted otherwise)</i>	<b>4Q05</b>	<b>3Q05</b>	<b>4Q04</b>	<b>QoQ</b>	<b>YoY</b>
EPS (NT\$ per common share)	1.37	0.99	0.90	38.4%	52.7%
(US\$ per ADR unit)	0.21	0.15	0.14		
Net Sales	81.16	69.26	63.87	17.2%	27.1%
Gross Profit	39.86	30.53	27.15	30.6%	46.8%
Operating Expenses	(5.64)	(5.60)	(6.12)	0.8%	(7.9%)
Non-Operating Items	1.18	(0.51)	1.07		10.5%
Net Income	33.90	24.49	22.18	38.4%	52.8%
Capacity Utilization	104%	96%	88%		
Net Profit Margin	41.8%	35.4%	34.7%		

**Remarks:**

The fourth quarter EPS of NT\$1.37 represents a 38.4% increase compared to 3Q05. The unconsolidated operating results of 4Q05 are summarized below:

Net sales were NT\$81.16 billion, up 17.2% compared to net sales of NT\$69.26 billion in the previous quarter. Net sales for the quarter surpassed the top end of our guidance by approximately NT\$2 billion, driven by stronger than expected demand across all major product segments.

Gross profit was NT\$39.86 billion, representing a 30.6% increase from the previous quarter. Gross margin improved by five percentage points sequentially to 49.1%, mainly due to higher levels of capacity utilization and more favorable exchange rates.

Operating expenses were NT\$5.64 billion or 6.9% of net sales. The combined result from non-operating income and long-term investments was a gain of NT\$1.18 billion, compared to a loss of NT\$510 million in the third quarter of

2005.

Net income was NT\$33.9 billion, up 38.4% sequentially. Net margin was 41.8%.

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**I. Revenue Analysis****I 1. Wafer Sales Analysis**

By Application	4Q05	3Q05	4Q04
Computer	32%	30%	35%
Communication	41%	41%	41%
Consumer	21%	23%	16%
Industrial/Others	5%	5%	6%
Memory	1%	1%	2%
By Technology	4Q05	3Q05	4Q04
90nm	17%	10%	1%
0.11/0.13um	32%	33%	35%
0.15/0.18um	32%	35%	34%
0.25/0.35um	14%	16%	23%
0.50um+	5%	6%	7%
By Customer Type	4Q05	3Q05	4Q04
Fabless/System	72%	71%	67%
IDM	28%	29%	33%
By Geography *	4Q05	3Q05	4Q04
North America	77%	75%	75%
Asia Pacific	11%	11%	10%
Europe	8%	9%	7%
Japan	4%	5%	8%

\* This does not reflect the actual shipment destination of sales.

**Revenue Analysis:**

Net sales increased 17.2% sequentially to NT\$81.16 billion, topping the high end of our guidance by approximately NT\$2 billion, driven by stronger than expected demand across all major product segments.

On a quarter over quarter basis, revenues from computer applications increased by 30%, followed by an 18% increase from communications. Revenues from consumer applications also grew by 6% sequentially.

Revenue from advanced technologies defined as 0.13-micron and below accounted for 49% of total wafer sales, up from 43% in the previous quarter. Revenue from 90nm was up strongly and accounted for 17% of total wafer sales during the quarter, compared to 10% in the third quarter of 2005.

IDM accounted for 28% of total wafer sales during the quarter, down slightly from 29% in the previous quarter.

Geographically, North America accounted for 77% of wafer sales, up from 75% in 3Q05. Meanwhile, sales from Europe and Japan declined by one percentage point sequentially to 8% and 4% of wafer sales, respectively.

**II. Utilization & Capacity****Utilization Rate:**

Overall capacity utilization improved by eight percentage points to 104% in this quarter, reflecting strong demand from customers across the board and operational efficiencies.

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**II 2. Capacity**

<b>Fab / (Wafer size)</b>	<b>3Q05 (Act.)</b>	<b>4Q05 (Act.)</b>	<b>2005 (Act.)</b>	<b>1Q06 (Fest.)</b>
Fab-2 (6") <sup>1</sup>	251	251	989	244
Fab-3 (8")	247	247	973	246
Fab-5 (8")	126	126	496	135
Fab-6 (8")	217	217	850	215
Fab-7 (8")	40	40	155	33
Fab-8 (8")	227	227	893	231
Fab-12 (12") <sup>2</sup>	122	139	448	142
Fab-14 (12") <sup>2</sup>	46	56	156	61
<b>TSMC owned capacity 8" equivalent Kpcs</b>	<b>1,374</b>	<b>1,437</b>	<b>5,282</b>	<b>1,455</b>
Wafer Tech (8")	100	100	389	99
SSMC (8")	47	49	179	49
TSMC (Shanghai) (8")	30	44	105	48
<b>Total TSMC managed 8" equivalent Kpcs</b>	<b>1,550</b>	<b>1,629</b>	<b>5,955</b>	<b>1,651</b>

Figures represent number of 6" wafers. Conversion to 8"-equivalent wafers is by dividing this

Note: 1. number by 1.78

Figures represent number of 12" wafers. Conversion to 8"-equivalent wafers is by multiplying this

2. number by 2.25

**Capacity :**

Total TSMC managed capacity in 4Q05 was 1,629K 8-inch equivalent wafers, 5.1% higher than the 1,550K wafers in 3Q05.

Overall installed capacity for year 2005 was 5.96 million 8-inch equivalent wafers, up 24.4% on a year-over-year basis. Majority of the capacity increase was dedicated to advanced technologies.

TSMC managed capacity in 1Q06 will increase slightly to 1,651K 8-inch equivalent wafers, representing a 1.3% sequential growth.

**III. Profit & Expense Analysis****III 1. Gross Profit Analysis**

(Amount: NT\$ billion)

**4Q05****3Q05****4Q04**

<b>COGS</b>	<b>41.3</b>	<b>38.7</b>	<b>36.7</b>
Depreciation	14.9	15.5	14.9
Other MFG Cost	26.4	23.2	21.8
<b>Gross Profit</b>	<b>39.9</b>	<b>30.5</b>	<b>27.2</b>
<b>Gross Margin</b>			
- TSMC	49.1%	44.1%	42.5%
- TSMC w/o affiliates	53.6%	47.6%	47.8%

**Gross Profit Analysis:**

Gross profit for the fourth quarter of 2005 was NT\$39.9 billion. Gross margin climbed by five percentage points sequentially to 49.1%. The improvement in gross margin was mainly due to higher levels of capacity utilization and a 3.8% appreciation of US dollar against the local currency.

During the quarter, the gross margin for TSMC's own fabs increased to 53.6% from 47.6% in 3Q05.

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**III 2. Operating Expense Analysis**

(Amount: NT\$ billion)	<b>4Q05</b>	<b>3Q05</b>	<b>4Q04</b>
<b>Total Operating Exp.</b>	<b>5.6</b>	<b>5.6</b>	<b>6.1</b>
SG&A	2.2	2.3	2.5
Research & Development	3.4	3.3	3.6

**Operating Expenses:**

Operating expenses were essentially flat from the previous quarter at NT\$5.6 billion. Total operating expenses represented 6.9% of net sales, down from 8.1% in the third quarter of 2005.

**III 3. Non-Operating Items**

(Amount: NT\$ million)	<b>4Q05</b>	<b>3Q05</b>	<b>4Q04</b>
<b>Non-Operating Income/(Exp.)</b>	<b>952</b>	<b>(19)</b>	<b>457</b>
Net Interest Income/(Exp.)	142	(41)	227
Other Non-Operating	810	22	230
<b>Equity-Method Investments</b>	<b>225</b>	<b>(491)</b>	<b>609</b>
WaferTech	793	487	891
SSMC	348	210	31
Vanguard	177	61	423
TSMC (Shanghai)	(414)	(760)	(359)
Others	(679)	(489)	(377)

**Non-Operating Items:**

Combined result from non-operating income and long-term investments was a gain of NT\$1.2 billion.

During the fourth quarter of 2005, the non-operating income was NT\$952 million, compared to a loss of NT\$19 million in the previous quarter. The increase in non-operating income was mainly due to an increase in gains on sale of fixed assets, scheduled settlement payment from the lawsuit against SMIC, and a smaller valuation loss under lower of cost or market method for short-term investments.

Net investment income recognized by equity method was NT\$225 million in this quarter, compared to a loss of NT\$491 million in 3Q05. This was primarily attributable to improved operating performance at TSMC's manufacturing affiliates.

**IV. Financial Condition Review****IV 1. Liquidity Analysis**

(Amount: NT\$ Billion)	<b>4Q05</b>	<b>3Q05</b>	<b>4Q04</b>
Cash & S-T Investments	132.4	107.3	118.5
Accounts Receivable Trade	36.4	37.2	27.2
Inventory	16.3	15.1	14.2
<b>Total Current Assets</b>	<b>197.6</b>	<b>165.1</b>	<b>173.7</b>
Accounts Payable	20.2	20.9	40.8

Accrued Liabilities and others	12.0	22.0	19.8
<b>Total Current Liabilities</b>	<b>32.2</b>	<b>42.9</b>	<b>60.6</b>
Current Ratio (x)	6.1	3.8	2.9
Net Working Capital	165.4	122.2	113.0

**Liquidity Analysis:**

Cash & short-term investments increased by NT\$25.1 billion in this quarter, mainly due to strong cash flow from operating activities. Accounts receivable decreased slightly while inventory increased from the levels at 3Q05. As a result, TSMC ended the quarter with total current assets of NT\$197.6 billion, NT\$32.5 billion higher on a sequential basis.

Total current liabilities were NT\$32.2 billion at the end of the quarter, NT\$10.7 billion lower sequentially, mainly due to an NT\$10.5 billion pay down of corporate bond.

As a result, net working capital increased to NT\$165.4 billion and current ratio jumped to 6.1x.

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**Receivable/Inventory Days Trend:**

Days of Receivable decreased to 42 days in 4Q05 compared to 46 days in the previous quarter.

Days of Inventory increased slightly to 42 days from 40 days in the third quarter of 2005.

**IV 3. Debt Service**

(Amount: NT\$ Billion)	<b>4Q05</b>	<b>3Q05</b>	<b>4Q04</b>
Cash & S-T Investments	132.4	107.3	118.5
Interest-Bearing Debt	19.5	30.0	30.0
Net Cash Reserves	112.9	77.3	88.5

**Debt Service:**

As a result of strong operating performance during the quarter, net cash reserves defined as the excess of cash and short-term investments over interest-bearing debt increased by NT\$35.6 billion to NT\$112.9 billion in 4Q05.

Interest-bearing debt declined by NT\$10.5 billion from the previous quarter due to the pay down of corporate bond.

**V. Cash Flow & CapEx****V 1. Cash Flow Analysis**

(Amount: NT\$ billion)	<b>4Q05</b>	<b>3Q05</b>	<b>4Q04*</b>
Net Income	33.9	24.5	22.2
Depreciation & Amortization	16.6	17.1	16.6
Other Op Sources/(Uses)	(1.6)	(3.7)	(2.1)
<b>Total Op Sources/(Uses)</b>	<b>48.9</b>	<b>37.9</b>	<b>36.7</b>
Capital Expenditure	(13.3)	(9.1)	(20.5)
Short Term Investment	1.8	0.6	(6.9)
Long Term Investment	(1.0)	(0.7)	(9.1)
Other Investing Sources/(Uses)	0.4	(0.2)	0.0
<b>Net Investing Sources/(Uses)</b>	<b>(12.1)</b>	<b>(9.4)</b>	<b>(36.5)</b>
Cash dividends-common stocks	0.0	(46.5)	0.0
Employees Bonus	0.0	(3.1)	0.0
Repayment of Corporate Bonds	(10.5)	0.0	(5.0)
Other Financing Sources/(Uses)	0.6	0.9	(0.1)
<b>Net Financing Sources/(Uses)</b>	<b>(9.9)</b>	<b>(48.7)</b>	<b>(5.1)</b>

<b>Net Cash Position Changes</b>	<b>26.9</b>	<b>(20.1)</b>	<b>(4.8)</b>
<b>Ending Cash Balance</b>	<b>85.4</b>	<b>58.5</b>	<b>65.5</b>

\* Certain amounts have been reclassified to conform with the current period presentation.

***Summary of Cash Flow:***

During this quarter, TSMC generated NT\$48.9 billion from operating activities, mainly from net income of NT\$33.9 billion and depreciation & amortization of NT\$16.6 billion.

Net cash used in investment activities totaled NT\$12.1 billion, mainly resulting from NT\$13.3 billion of capital spending.

Net cash used in financing activities was NT\$9.9 billion during this quarter, largely attributable to an NT\$10.5 billion pay down of corporate bond.

As a result, TSMC ended the quarter with a cash balance of NT\$85.4 billion, NT\$26.9 billion higher than in 3Q05.

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**Operating Cash Flow Trend:**

Operating cash flow of NT\$48.9 billion was higher than the NT\$37.9 billion generated in the previous quarter, mainly due to increased net income.

**V 3. Capital Expenditure**

(In US\$ million)	4Q05	2005
<b>TSMC</b>	<b>\$389</b>	<b>2,291</b>
<b>TSMC (Shanghai)</b>	<b>4</b>	<b>187</b>
<b>WaferTech &amp; Others</b>	<b>3</b>	<b>7</b>
<b>TSMC &amp; Affiliates</b>	<b>\$396</b>	<b>2,485</b>

**Capital Spending:**

Capital expenditures for TSMC alone during the quarter totaled US\$389 million. Most of the spending was for the purchase of 12-inch production equipment. Capital spending for TSMC (Shanghai) in this quarter was US\$4 million. For year 2005, total capital expenditure for TSMC and affiliates was approximately US\$2.5 billion, including US\$2.3 billion for TSMC and US\$0.2 billion for TSMC (Shanghai).

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**VI. Recap of Recent Important Events & Announcements**

TSMC has entered full production of its 80 nanometer process technology for high-performance designs (2006/01/18)

TSMC has pledged NT\$120 million for the phase II project of the Chemistry Research Center at National Taiwan University (2005/12/16)

TSMC successfully manufactured industry's first network search engine using its 90 nanometer process technology for Integrated Device Technology, Inc., achieving new levels of performance, cost and power consumption (2005/12/07)

TSMC was voted The Best Large Cap Company in Taiwan region by AsiaMoney (2005/12/01)

TSMC board of directors approved capital appropriation of US\$706.5 million to expand its 65 nanometer, 0.18 micron and 0.15 micron capacities (2005/11/08)

TSMC board of directors approved the investment of up to US\$75 million in establishing a new venture capital fund (2005/11/08)

TSMC won 6 out of 11 award categories at the IR Magazine Hong Kong and Taiwan Awards, including Grand Prix for Best Overall Investor Relations - Large Cap and Best Corporate Governance (2005/11/04)

TSMC was ranked No. 8 of the Top 50 Management Teams in Asia by CFO Asia magazine (2005/10)

\* Please visit TSMC's  
Web site  
(<http://www.tsmc.com>)  
for details about  
these and other  
announcements.

\* Starting from 1Q05,  
TSMC will post  
quarterly  
consolidated  
financial statements,  
in addition to the  
unconsolidated  
financial statements,  
on our web site.

**TAIWAN SEMICONDUCTOR MANUFACTURING**  
**COMPANY LIMITED**  
**Condensed Balance Sheets (Unconsolidated)**  
**(Figures in Million of New Taiwan Dollars ( NTD ) and**  
**U.S. Dollars ( USD ))**

	December 31, 2005			September 30, 2005		December 31, 2004 <sup>(2)</sup>		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	\$ 2,599	\$ 85,384	16.8	\$ 58,467	12.1	\$ 65,532	13.4	\$ 26,917	46.0	\$ 19,852	30.3
Short Term Investments, Net	1,432	47,055	9.3	48,822	10.1	52,979	10.9	(1,767)	(3.6)	(5,924)	(11.2)
Accounts Receivable											
Trade, Net	1,108	36,396	7.2	37,248	7.7	27,155	5.6	(852)	(2.3)	9,241	34.0
Inventories, Net	495	16,258	3.2	15,070	3.1	14,172	2.9	1,188	7.9	2,086	14.7
Other Current Assets	380	12,469	2.4	5,447	1.2	13,829	2.8	7,022	128.9	(1,360)	(9.8)
<b>Total Current Assets</b>	<b>6,014</b>	<b>197,562</b>	<b>38.9</b>	<b>165,054</b>	<b>34.2</b>	<b>173,667</b>	<b>35.6</b>	<b>32,508</b>	<b>19.7</b>	<b>23,895</b>	<b>13.8</b>
<b>Long Term Investments</b>											
	2,455	80,660	15.9	78,958	16.3	73,293	15.0	1,702	2.2	7,367	10.1
<b>Properties, Plant and Equipment</b>											
Cost: Accumulated Depreciation	17,453	573,337	113.0	565,426	117.0	527,982	108.4	7,911	1.4	45,355	8.6
	(10,934)	(359,191)	(70.8)	(346,517)	(71.7)	(300,006)	(61.6)	(12,674)	3.7	(59,185)	19.7
<b>Properties, Plant and Equipment, Net</b>	<b>6,519</b>	<b>214,146</b>	<b>42.2</b>	<b>218,909</b>	<b>45.3</b>	<b>227,976</b>	<b>46.8</b>	<b>(4,763)</b>	<b>(2.2)</b>	<b>(13,830)</b>	<b>(6.1)</b>
<b>Other Assets</b>	<b>462</b>	<b>15,172</b>	<b>3.0</b>	<b>20,185</b>	<b>4.2</b>	<b>12,617</b>	<b>2.6</b>	<b>(5,013)</b>	<b>(24.8)</b>	<b>2,555</b>	<b>20.3</b>
<b>Total Assets</b>	<b>\$ 15,450</b>	<b>\$ 507,540</b>	<b>100.0</b>	<b>\$ 483,106</b>	<b>100.0</b>	<b>\$ 487,553</b>	<b>100.0</b>	<b>\$ 24,434</b>	<b>5.1</b>	<b>\$ 19,987</b>	<b>4.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>											
<b>Current Liabilities</b>											
Accounts Payables	\$ 344	\$ 11,294	2.2	\$ 10,042	2.1	\$ 9,687	2.0	\$ 1,252	12.5	\$ 1,607	16.6
Payables to Contractors and	270	8,859	1.7	10,815	2.2	31,154	6.4	(1,956)	(18.1)	(22,295)	(71.6)

Equipment Suppliers											
Accrued Expenses											
and Other Current											
Liabilities	366	12,031	2.4	11,547	2.4	9,298	1.9	484	4.2	2,733	29.4
Current Portion of											
Bonds Payable	0	0	0.0	10,500	2.2	10,500	2.2	(10,500)	(100.0)	(10,500)	(100.0)
Total Current											
Liabilities	980	32,184	6.3	42,904	8.9	60,639	12.5	(10,720)	(25.0)	(28,455)	(46.9)
Bonds Payable	594	19,500	3.8	19,500	4.0	19,500	4.0	0	0.0	0	0.0
Other Long Term											
Liabilities	311	10,225	2.1	9,591	2.0	8,449	1.7	634	6.6	1,776	21.0
Total Liabilities	1,885	61,909	12.2	71,995	14.9	88,588	18.2	(10,086)	(14.0)	(26,679)	(30.1)
Shareholders' Equity											
Capital Stock	7,528	247,300	48.7	247,273	51.2	232,520	47.7	27	0.0	14,780	6.4
Capital Surplus	1,739	57,118	11.3	56,777	11.7	56,537	11.6	341	0.6	581	1.0
Retained Earnings	4,346	142,771	28.1	108,871	22.6	113,730	23.3	33,900	31.1	29,041	25.5
Treasury Stock	(28)	(918)	(0.2)	(1,550)	(0.3)	(1,595)	(0.3)	632	(40.8)	677	(42.4)
Others	(20)	(640)	(0.1)	(260)	(0.1)	(2,227)	(0.5)	(380)	146.3	1,587	(71.2)
Total Shareholders' Equity	13,565	445,631	87.8	411,111	85.1	398,965	81.8	34,520	8.4	46,666	11.7
Total Liabilities & Shareholders' Equity	\$ 15,450	\$ 507,540	100.0	\$ 483,106	100.0	\$ 487,553	100.0	\$ 24,434	5.1	\$ 19,987	4.1

*Note: (1) Amounts in NTD have been translated into USD at the rate of NT\$32.85 as of December 31, 2005.*

*(2) Certain prior period balances have been reclassified to conform with the current period presentation.*

**TAIWAN SEMICONDUCTOR MANUFACTURING**  
**COMPANY LIMITED**  
**Condensed Income Statements (Unconsolidated)**  
**For the Three Months Ended December 31, 2005,**  
**September 30, 2005 and December 31, 2004**  
**(Expressed in Million New Taiwan Dollars ( NTD ) and U.S.**  
**Dollars ( USD<sup>1</sup>)**  
**Except for Per Share Amounts and Shares Outstanding)**

	Q4 2005			Q3 2005		Q4 2004		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
Net Sales	\$ 2,426	\$ 81,161	100.0	\$ 69,258	100.0	\$ 63,875	100.0	\$ 11,903	17.2	\$ 17,286	27.1
Cost of Sales	(1,234)	(41,296)	(50.9)	(38,733)	(55.9)	(36,722)	(57.5)	(2,563)	6.6	(4,574)	12.5
Gross Profit	1,192	39,865	49.1	30,525	44.1	27,153	42.5	9,340	30.6	12,712	46.8
Operating Expenses											
Research and Development Expenses	(102)	(3,423)	(4.2)	(3,341)	(4.8)	(3,568)	(5.6)	(82)	2.5	145	(4.1)
General and Administrative Expenses	(56)	(1,860)	(2.3)	(1,881)	(2.8)	(2,153)	(3.4)	21	(1.1)	293	(13.6)
Sales and Marketing Expenses	(11)	(358)	(0.4)	(373)	(0.5)	(404)	(0.6)	15	(4.2)	46	(11.3)
Total Operating Expenses	(169)	(5,641)	(6.9)	(5,595)	(8.1)	(6,125)	(9.6)	(46)	0.8	484	(7.9)
Income from Operations	1,023	34,224	42.2	24,930	36.0	21,028	32.9	9,294	37.3	13,196	62.8
Non-Operating Incomes (Expenses), Net	28	952	1.1	(19)	0.0	457	0.7	971	(5,319.4)	495	108.3
Investment Gains (Losses)	7	225	0.3	(491)	(0.7)	609	1.0	716	(145.8)	(384)	(63.0)
Income before Income Tax	1,058	35,401	43.6	24,420	35.3	22,094	34.6	10,981	45.0	13,307	60.2

Income Tax Benefits (Expenses)	(45)	(1,501)	(1.8)	68	0.1	90	0.1	(1,569)	(2,337.1)	(1,591)	(1,758.6)
Net Income	\$ 1,013	\$ 33,900	41.8	\$ 24,488	35.4	\$ 22,184	34.7	\$ 9,412	38.4	\$ 11,716	52.8
Earnings per Common Shares Diluted	0.04	1.37		0.99		0.90		0.38	38.4	0.09	52.7
Earnings per ADR <sup>(2)</sup>	0.21	6.86		4.96		4.49					
Weighted Average Outstanding Shares ( M) <sup>(3)</sup>		24,693		24,690		24,724					

*Note: (1) Amounts in NTD have been translated into USD at the weighted average rate of NTD33.456 for the fourth quarter of 2005.*

*(2) 1 ADR equals 5 ordinary shares.*

*(3) Total diluted weighted average outstanding shares were 24,693M shares for 4Q05 and 24,724M shares for 4Q04 after the retroactive adjustments for stock dividends and stock bonus.*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED****Condensed Income Statements (Unconsolidated)****For the Twelve Months Ended December 31, 2005 and 2004****(Expressed in Million New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )****Except for Per Share Amounts and Shares Outstanding)**

	USD	2005 NTD	%	2004 NTD	%	YoY Amount	%
Net Sales	\$ 8,228	\$ 264,588	100.0	\$ 255,992	100.0	\$ 8,596	3.4
Cost of Sales	(4,644)	(149,344)	(56.4)	(145,831)	(57.0)	(3,513)	2.4
Gross Profit	3,584	115,244	43.6	110,161	43.0	5,083	4.6
Operating Expenses							
Research and Development Expenses	(417)	(13,396)	(5.1)	(12,516)	(4.9)	(880)	7.0
General and Administrative Expenses	(233)	(7,485)	(2.8)	(9,367)	(3.7)	1,882	(20.1)
Sales and Marketing Expenses	(42)	(1,349)	(0.5)	(1,455)	(0.6)	106	(7.2)
Total Operating Expenses	(692)	(22,230)	(8.4)	(23,338)	(9.1)	1,108	(4.7)
Income from Operations	2,892	93,014	35.2	86,823	33.9	6,191	7.1
Non-Operating Incomes (Expenses), Net	59	1,857	0.7	916	0.4	941	102.9
Investment Gains (Losses)	(33)	(1,052)	(0.4)	4,040	1.6	(5,092)	(126.0)
Income before Income Tax	2,918	93,819	35.5	91,779	35.9	2,040	2.2
Income Tax Benefits (Expenses)	(8)	(244)	(0.1)	537	0.2	(781)	(145.5)
Net Income	\$ 2,910	\$ 93,575	35.4	\$ 92,316	36.1	\$ 1,259	1.4
Diluted Earnings Per Ordinary Share	0.12	3.79		3.73		0.06	1.5

Earnings Per ADR <sup>(2)</sup>	0.59	18.95	18.67
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Weighted Average Outstanding Shares ( M) <sup>(3)</sup>		24,693	24,724
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*Note: (1) Amounts in NTD have been translated into USD at the weighted average rate of NTD 32.157 for the twelve months of 2005.*

*(2) 1 ADR equals 5 ordinary shares.*

*(3) Total weighted average outstanding shares were 24,693M shares for the twelve months ended December 31, 2005 and 24,724M shares for the twelve months ended December 31, 2004 after the retroactive adjustments for stock dividends and stock bonus.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED****Condensed Statement of Cash Flows (Unconsolidated)****For the Twelve Months Ended December 31, 2005****(Figures in Million of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD ))**

	<b>12 Months 2005</b>	<b>4Q 2005</b>	<b>3Q 2005</b>	<b>4Q 2004 <sup>(2)</sup></b>
	<b>USD</b>	<b>NTD</b>	<b>NTD</b>	<b>NTD</b>
<b>Cash Flows from Operating Activities:</b>				
Net Income	2,910	93,575	33,900	22,184
Depreciation & Amortization	2,114	67,991	16,554	16,615
Deferred Income Tax	(102)	(3,279)	(950)	(226)
Investment Loss(Income) Recognized by Equity Method	33	1,052	(225)	(608)
Changes in Working Capital & Others	(275)	(8,859)	(422)	(1,231)
<b>Net Cash Provided from Operating Activities</b>	<b>4,680</b>	<b>150,480</b>	<b>48,857</b>	<b>36,734</b>
<b>Cash Flows from Investing Activities:</b>				
Decrease(Increase) in Short Term Investments	184	5,924	1,767	(6,851)
Increase in Long Term Investments	(530)	(17,038)	(6,936)	(9,091)
Acquisition of Properties, Plant and Equipment	(2,291)	(73,659)	(13,323)	(20,521)
Proceeds from Disposal of Long Term Investments	326	10,474	5,945	3,014
Proceeds from Disposal of Properties, Plant and Equipment	65	2,087	585	1,404
Decrease in Others	(26)	(846)	(112)	(1,407)
<b>Net Cash Used By Investing Activities</b>	<b>(2,272)</b>	<b>(73,058)</b>	<b>(12,074)</b>	<b>(36,466)</b>
<b>Cash Flows from Financing Activities:</b>				
Cash Dividend Common Shares	(1,446)	(46,504)		(46,504)
Bonus Paid to Employees, Directors and Supervisors	(103)	(3,318)		(3,086)
Repayment of Long Term Bonds Payable	(327)	(10,500)	(10,500)	(5,000)
Increase(Decrease) in Guarantee Deposits	77	2,481	529	(112)
Proceeds from Exercise of Stock Options	8	271	105	4
<b>Net Cash Used By Financing Activities</b>	<b>(1,791)</b>	<b>(57,570)</b>	<b>(9,866)</b>	<b>(5,108)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>617</b>	<b>19,852</b>	<b>26,917</b>	<b>(4,840)</b>

Cash and Cash Equivalents at Beginning of Period	2,038	65,532	58,467	78,597	70,372
Cash and Cash Equivalents at End of Period	2,655	85,384	85,384	58,467	65,532

*Note: (1) Amounts in NTD have been translated into USD at the rate of NTD32.157, the weighted average rate for the twelve months ended December 31, 2005.*

*(2) Certain prior period amounts have been reclassified to conform with the current period presentation.*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Condensed Balance Sheets (Consolidated)****(Figures in Million of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD ))**

	December 31, 2005			September 30, 2005		December 31, 2004		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and Cash Equivalents	\$ 2,937	\$ 96,484	18.6	\$ 69,582	14.0	\$ 74,303	14.9	\$ 26,902	38.7	\$ 22,181	29.9
Short Term Investments, Net	1,443	47,399	9.1	49,260	9.9	54,108	10.8	(1,861)	(3.8)	(6,709)	(12.4)
Accounts Receivable Trade, Net	1,171	38,478	7.4	39,140	7.9	27,544	5.5	(662)	(1.7)	10,934	39.7
Inventories, Net	540	17,728	3.4	16,239	3.3	15,556	3.1	1,489	9.2	2,172	14.0
Other Current Assets	370	12,166	2.4	4,880	1.0	12,938	2.6	7,286	149.3	(772)	(6.0)
<b>Total Current Assets</b>	<b>6,461</b>	<b>212,255</b>	<b>40.9</b>	<b>179,101</b>	<b>36.1</b>	<b>184,449</b>	<b>36.9</b>	<b>33,154</b>	<b>18.5</b>	<b>27,806</b>	<b>15.1</b>
<b>Long Term</b>											
Investment	1,292	42,428	8.2	40,331	8.1	38,102	7.6	2,097	5.2	4,326	11.4
Properties, Plant and Equipment	19,572	642,948	123.8	635,513	128.1	590,166	118.3	7,435	1.2	52,782	8.9
Less: Accumulated Depreciation	(12,119)	(398,125)	(76.7)	(384,200)	(77.4)	(331,255)	(66.4)	(13,925)	3.6	(66,870)	20.2
<b>Properties, Plant and Equipment, Net</b>	<b>7,453</b>	<b>244,823</b>	<b>47.1</b>	<b>251,313</b>	<b>50.7</b>	<b>258,911</b>	<b>51.9</b>	<b>(6,490)</b>	<b>(2.6)</b>	<b>(14,088)</b>	<b>(5.4)</b>
Other Assets	609	20,003	3.8	25,371	5.1	17,992	3.6	(5,368)	(21.2)	2,011	11.2
<b>Total Assets</b>	<b>\$ 15,815</b>	<b>\$ 519,509</b>	<b>100.0</b>	<b>\$ 496,116</b>	<b>100.0</b>	<b>\$ 499,454</b>	<b>100.0</b>	<b>\$ 23,393</b>	<b>4.7</b>	<b>\$ 20,055</b>	<b>4.0</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>											
<b>Current Liabilities</b>											
Short-term loan payable	\$ 10	\$ 328	0.1	\$ 1,125	0.2	\$ 382	0.1	(\$797.00)	(70.8)	(\$54)	(14.2)
Accounts Payables	340	11,165	2.1	9,852	2.0	9,481	1.9	1,313	13.3	1,684	17.7
Payables to Contractors and Equipment Suppliers	276	9,066	1.7	11,247	2.3	33,428	6.7	(2,181)	(19.4)	(24,362)	(72.9)

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Accrued Expenses and Other Current Liabilities	443	14,558	2.8	13,846	2.8	10,128	2.1	712	5.1	4,430	43.8
Current Portion of Bonds Payable	0	5	0.1	10,505	2.1	10,500	2.1	(10,500)	(99.9)	(10,495)	(99.9)
Total Current Liabilities	1,069	35,122	6.8	46,575	9.4	63,919	12.9	(11,453)	(24.6)	(28,797)	(45.1)
Bonds Payable	594	19,500	3.8	19,500	3.9	19,500	3.9	0	0.0	0	0.0
Other Long Term Liabilities	567	18,649	3.5	18,144	3.7	16,994	3.3	505	2.8	1,655	9.7
Total Liabilities	2,230	73,271	14.1	84,219	17.0	100,413	20.1	(10,948)	(13.0)	(27,142)	(27.0)
Shareholders Equity attributable to Shareholders of the Parent											
Common Stock	7,528	247,300	47.6	247,273	49.8	232,520	46.6	27	0.0	14,780	6.4
Capital Surplus	1,739	57,118	11.0	56,777	11.3	56,537	11.3	341	0.6	581	1.0
Retained Earnings	4,346	142,771	27.5	108,871	22.0	113,730	22.8	33,900	31.1	29,041	25.5
Treasury Stock	(28)	(918)	(0.2)	(1,550)	(0.3)	(1,595)	(0.3)	632	(40.8)	677	(42.4)
Others	(19)	(641)	(0.1)	(260)	(0.1)	(2,227)	(0.5)	(381)	146.3	1,586	(71.2)
Total equity attributable to Shareholders of the Parent	13,566	445,630	85.8	411,111	82.7	398,965	79.9	34,519	8.4	46,665	11.7
Minority interest	19	608	0.1	786	0.3	76	0.0	(178)	(22.6)	532	703.3
Total shareholders equity	13,585	446,238	85.9	411,897	83.0	399,041	79.9	34,341	8.3	47,197	11.8
Total Liabilities & Shareholders Equity	\$ 15,815	\$ 519,509	100.0	\$ 496,116	100.0	\$ 499,454	100.0	\$ 23,393	4.7	\$ 20,055	4.0

*Note: (1) Amounts in NTD have been translated into USD at the rate of NT\$32.85 as of December 31, 2005*

*(2) Certain prior period balances have been reclassified to*

*conform to the  
current period  
presentation.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES****Condensed Income Statements (Consolidated)**

**For the Three Months Ended December 31, 2005 and September 30, 2005**  
**(Expressed in Million New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )**  
**Except For Per Share Amount and Shares Outstanding)**

	Q4 2005			Q3 2005		QoQ	
	USD	NTD	%	NTD	%	Amount	%
Net Sales	\$ 2,508	\$ 80,661	100.0	\$ 70,502	100.0	\$ 10,159	14.4
Cost of Sales	(1,223)	(39,347)	(48.8)	(39,545)	(56.1)	198	(0.5)
Gross Profit	1,285	41,314	51.2	30,957	43.9	10,357	33.5
Operating Expenses							
Research and Development Expenses	(111)	(3,570)	(4.4)	(3,473)	(4.9)	(97)	2.8
General and Administrative Expenses	(60)	(1,911)	(2.4)	(2,410)	(3.5)	499	(20.8)
Sales and Marketing Expenses	(44)	(1,424)	(1.8)	(898)	(1.3)	(526)	58.7
Total Operating Expenses	(215)	(6,905)	(8.6)	(6,781)	(9.7)	(124)	1.8
Income from Operations	1,070	34,409	42.6	24,176	34.2	10,233	42.3
Non-Operating Incomes (Expenses), Net	21	640	0.8	20	0.1	620	3,162.4
Investment Gains (Losses)	16	540	0.7	271	0.4	269	98.9
Income before Income Tax	1,107	35,589	44.1	24,467	34.7	11,122	45.5
Income Tax Benefits (Expenses)	(53)	(1,692)	(2.1)	57	0.1	(1,749)	(3,049.9)
Net Income	\$ 1,054	\$ 33,897	42.0	\$ 24,524	34.8	\$ 9,373	38.2
Attributable to:							
Shareholders of the parent	\$ 1,054	\$ 33,900	42.0	\$ 24,488	34.7	\$ 9,412	27.8
Minority Interest		(3)	0.0	36	0.1	(39)	1,300.0

	\$ 1,054	\$ 33,897	42.0	\$ 24,524	34.8	\$ 9,373	27.7
Earnings per Common Shares Diluted	\$ 0.04	\$ 1.37		\$ 0.99			
Earnings per ADR <sup>(2)</sup>	\$ 0.21	\$ 6.86		\$ 4.97			
Weighted Average Outstanding Shares ( M) <sup>(3)</sup>		24,693		24,690			

*Note: (1) Amounts in NTD have been translated into USD at the weighted average rate of NTD33.456 for the fourth quarter of 2005.*

*(2) 1 ADR equals 5 ordinary shares.*

*(3) Total diluted weighted average outstanding shares were 24,693M shares for 4Q05 and 24,690M shares for 3Q05 after the retroactive adjustments for stock dividends and stock bonus.*

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND  
SUBSIDIARIES**

**Condensed Income Statements (Consolidated)  
For the Twelve Months Ended December 31, 2005 and 2004  
(Expressed in Million New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD )  
Except for Per Share Amount and Shares Outstanding)**

	2005			2004		YoY	
	USD	NTD	%	NTD	%	Amount	%
Net Sales	\$ 8,334	\$ 267,998	100.0	\$ 257,213	100.0	\$ 10,785	4.2
Cost of Sales	(4,658)	(149,795)	(55.9)	(141,394)	(55.0)	(8,401)	5.9
Gross Profit	3,676	118,203	44.1	115,819	45.0	2,384	2.1
Operating Expenses							
Research and Development Expenses	(436)	(14,016)	(5.2)	(12,515)	(4.9)	(1,501)	12.0
General and Administrative Expenses	(283)	(9,086)	(3.4)	(11,454)	(4.5)	2,368	(20.7)
Sales and Marketing Expenses	(128)	(4,132)	(1.5)	(3,368)	(1.3)	(764)	22.7
Total Operating Expenses	(847)	(27,234)	(10.1)	(27,337)	(10.7)	103	(0.4)
Income from Operations	2,829	90,969	34.0	88,482	34.3	2,487	2.8
Non-Operating Incomes (Expenses), Net	57	1,861	0.8	1,391	0.5	470	33.9
Investment Gains (Losses)	45	1,433	0.5	2,093	0.8	(660)	(31.6)
Income before Income Tax	2,931	94,263	35.3	91,966	35.6	2,297	2.5
Income Tax Benefits (Expenses)	(19)	(630)	(0.2)	363	0.1	(993)	(273.5)
Net Income	\$ 2,912	\$ 93,633	35.1	\$ 92,329	35.7	\$ 1,304	1.4

Attributable to:

Shareholders of the parent	\$ 2,910	\$ 93,575	35.0	\$ 92,316	35.7	\$ 1,259	1.3
Minority Interest	2	58	0.1	13	0.0	45	77.6
	\$ 2,912	\$ 93,633	35.1	\$ 92,329	35.7	\$ 1,304	1.4
Diluted Earnings Per Ordinary Share	\$ 0.12	\$ 3.82		\$ 3.95			
Earnings Per ADR <sup>(2)</sup>	\$ 0.59	\$ 19.10		\$ 19.75			
Weighted Average Outstanding Shares ( M ) <sup>(3)</sup>		24,693		24,724			

Note: (1) Amounts in NTD have been translated into USD at the weighted average rate of NTD 32.157 for the twelve months of 2005.

(2) 1 ADR equals 5 ordinary shares.

(3) Total diluted weighted average outstanding shares were 24,693M shares for the twelve months ended December 31, 2005 and 24,724M shares for the twelve months ended December 31, 2004 after the retroactive adjustments for stock dividends and stock

*bonus.*

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**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND  
SUBSIDIARIES**

**Condensed Statements of Cash Flows (Consolidated)  
For the Twelve Months Ended December 31, 2005**

**(Figures in Million of New Taiwan Dollars ( NTD ) and U.S. Dollars ( USD ))**

	<b>12 Months 2005</b>		<b>4Q 2005</b>	<b>3Q 2005</b>
	<b>USD</b>	<b>NTD</b>	<b>NTD</b>	<b>NTD</b>
Cash Flows from Operating Activities:				
Net Income	\$ 2,910	\$ 93,575	\$ 33,900	\$ 24,488
Net Income attributable to minority interest	2	58	(3)	36
Depreciation & Amortization	2,352	75,649	18,664	19,006
Deferred Income Tax	(104)	(3,354)	(953)	(1,220)
Investment Loss(Income) From Equity Method Investees	(45)	(1,433)	(539)	(271)
Changes in Working Capital & Others	(232)	(7,482)	(983)	(2,125)
<b>Net Cash Provided from Operating Activities</b>	<b>4,883</b>	<b>157,013</b>	<b>50,086</b>	<b>39,914</b>
Cash Flows from Investing Activities:				
Decrease(Increase) in Short Term Investments	216	6,954	1,779	424
Increase in Long Term Investments	(456)	(14,675)	(7,615)	(3,697)
Acquisition of Properties, Plant and Equipment	(2,484)	(79,879)	(13,618)	(10,599)
Proceeds from Disposal of Long Term Investments	328	10,534	5,965	3,035
Proceeds from Disposal of Properties, Plant and Equipment	15	481	206	147
Decrease in Others	(27)	(855)	(101)	(231)
<b>Net Cash Used By Investing Activities</b>	<b>(2,408)</b>	<b>(77,440)</b>	<b>(13,384)</b>	<b>(10,921)</b>
Cash Flows from Financing Activities:				
Cash Dividend Common Shares	(1,444)	(46,420)		(46,420)
Bonus Paid to Employees, Directors and Supervisors	(103)	(3,318)		(3,086)
Repayment of Long Term Bonds Payable	(327)	(10,500)	(9,504)	(49)
Increase(Decrease) in Guarantee Deposits	77	2,484	531	847
Proceeds from Exercise of Stock Options	8	271	105	166
Increase(Decrease) in Others	(15)	(486)	(1,150)	549
<b>Net Cash Used By Financing Activities</b>	<b>(1,804)</b>	<b>(57,969)</b>	<b>(10,018)</b>	<b>(47,993)</b>
		0		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>671</b>	<b>21,604</b>	<b>26,684</b>	<b>(19,000)</b>

Effect of exchange rate changes on cash and cash equivalents and others	11	349	363	33
Effect of first inclusion for consolidation of certain subsidiaries	7	229	(145)	144
Cash and Cash Equivalents at Beginning of Period	2,311	74,302	69,582	88,405
Cash and Cash Equivalents at End of Period	\$ 3,000	\$ 96,484	\$ 96,484	\$ 69,582

*Note : (1) Amounts in NTD have been translated into USD at the rate of NTD32.157 , the weighted average rate for the twelve months ended December 31, 2005.*

*(2) Certain prior period amounts have been reclassified to conform to the current period presentation.*







































**SIGNATURES**

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

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: January 26, 2006

By /s/ Lora Ho

Lora Ho  
Vice President & Chief Financial  
Officer