

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

April 29, 2005

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

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

For the month of April 2005

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: ____.)

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**Taiwan Semiconductor Manufacturing
Company Ltd.**

**Financial Statements for the
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Ltd.

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2004 and 2003, 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 Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with the 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 Ltd. as of and for the years ended December 31, 2004 and 2003, and have expressed an unqualified opinion on such financial statements.

(January 13, 2005 (January 30, 2005 as to Note 20m))

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 LTD.**BALANCE SHEETS****DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Par Value)**

	2004		2003	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 65,531,818	14	\$ 98,288,002	25
Short-term investments, net (Notes 2 and 4)	52,979,095	11	12,559,019	3
Receivables from related parties (Note 18)	16,186,083	4	14,867,662	4
Notes receivable	2,942		9,893	
Accounts receivable	15,323,939	3	13,907,914	4
Allowance for doubtful receivables (Note 2)	(980,461)		(1,016,022)	
Allowance for sales returns and others (Note 2)	(3,327,914)	(1)	(2,126,025)	(1)
Other receivables from related parties (Note 18)	1,617,339		132,963	
Other financial assets (Notes 2 and 21)	2,406,736		689,440	
Inventories, net (Notes 2 and 5)	14,171,945	3	10,907,158	3
Deferred income tax assets (Notes 2 and 12)	8,849,000	2	8,322,000	2
Prepaid expenses and other current assets	906,789		1,984,268	
Total current assets	173,667,311	36	158,526,272	40
LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21)				
Equity method	46,828,322	10	37,262,237	10
Cost method	772,634		703,116	
Long-term bonds	15,170,167	3		
Other investments	10,521,740	2		
Total long-term investments	73,292,863	15	37,965,353	10
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)				
Cost				
Buildings	84,299,167	17	71,277,031	18
Machinery and equipment	390,719,215	80	332,252,225	84
Office equipment	7,041,132	1	6,180,495	1
	482,059,514	98	409,709,751	103
Accumulated depreciation	(300,006,201)	(61)	(247,514,312)	(62)
Advance payments and construction in progress	45,923,087	10	26,091,313	6
Net property, plant and equipment	227,976,400	47	188,286,752	47
GOODWILL (Note 2)	1,916,146		2,264,536	1

OTHER ASSETS

Deferred charges, net (Notes 2, 8 and 20)	8,845,144	2	7,947,331	2
Deferred income tax assets (Notes 2 and 12)	1,645,003		1,070,596	
Refundable deposits (Note 18)	85,413		177,379	
Assets leased to others, net (Note 2)	78,613		84,347	
Idle assets (Note 2)	46,317		94,296	
Total other assets	10,700,490	2	9,373,949	2
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100

LIABILITIES AND SHAREHOLDERS EQUITY**CURRENT LIABILITIES**

Accounts payable	\$ 6,488,617	1	\$ 6,083,876	2
Payables to related parties (Note 18)	3,198,490	1	4,500,140	1
Payables to contractors and equipment suppliers	31,154,309	6	7,117,884	2
Accrued expenses and other current liabilities (Notes 2, 10 and 20)	9,297,436	2	7,836,084	2
Current portion of long-term bonds payable (Note 9)	10,500,000	2	5,000,000	1
Total current liabilities	60,638,852	12	30,537,984	8

LONG-TERM LIABILITIES

Bonds payable (Note 9)	19,500,000	4	30,000,000	7
Other long-term payables (Notes 10 and 20)	1,934,968		3,300,829	1
Other payables to related parties (Notes 18 and 20)	2,317,972	1		
Total long-term liabilities	23,752,940	5	33,300,829	8

OTHER LIABILITIES

Accrued pension cost (Notes 2 and 11)	3,101,196	1	2,600,251	1
Guarantee deposits (Note 20)	412,393		763,489	
Deferred credits gain on intercompany (Notes 2 and 18)	682,530			
Total other liabilities	4,196,119	1	3,363,740	1
Total liabilities	88,587,911	18	67,202,553	17

SHAREHOLDERS EQUITY (Notes 2 and 14)

Capital stock \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and 20,266,619 thousand shares in 2003	232,519,637	48	202,666,189	51
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve			68,945	
Unappropriated earnings	88,202,009	18	50,229,008	13
Others				
Unrealized loss on long-term investments			(35)	

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Cumulative translation adjustments	(2,226,427)		225,408	
Treasury stock (at cost) 45,521 thousand shares in 2004 and 40,597 thousand shares in 2003 (Notes 2 and 16)	(1,595,186)		(1,633,228)	
Total shareholders' equity	398,965,299	82	329,214,309	83
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2004		2003	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 18)	\$ 260,726,896		\$ 206,157,918	
SALES RETURNS AND ALLOWANCES (Note 2)	(4,734,469)		(4,253,577)	
NET SALES	255,992,427	100	201,904,341	100
COST OF SALES (Notes 13 and 18)	145,831,843	57	129,012,704	64
GROSS PROFIT	110,160,584	43	72,891,637	36
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	9,367,010	3	6,337,845	3
Marketing	1,454,362	1	1,193,520	1
Total operating expenses	23,337,806	9	20,244,060	10
INCOME FROM OPERATIONS	86,822,778	34	52,647,577	26
NON-OPERATING INCOME AND GAINS				
Investment income recognized by equity method, net (Notes 2 and 6)	4,040,319	2	791,424	
Interest (Notes 2 and 21)	1,762,347	1	819,377	1
Technical service income (Notes 18 and 20)	423,804		209,764	
Gain on disposal of property, plant and equipment (Notes 2 and 18)	164,147		438,804	
Gain on sales of investments (Note 2)	90,319		114,817	
Other (Note 18)	378,778		291,613	
Total non-operating income and gains	6,859,714	3	2,665,799	1
NON-OPERATING EXPENSES AND LOSSES				

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Interest (Notes 2, 7, 9 and 21)	1,352,738	1	1,576,343	1
Foreign exchange loss, net (Notes 2 and 21)	323,080		909,496	
Loss on disposal of property, plant and equipment (Note 2)	107,722		373,472	
Unrealized valuation loss on short-term investments (Notes 2 and 4)	75,212			
Loss on property, plant and equipment and idle assets (Note 2)			1,401,585	1
Other	45,156		24,205	
Total non-operating expenses and losses	1,903,908	1	4,285,101	2

(Continued)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2004		2003	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 91,778,584	36	\$ 51,028,275	25
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 12)	537,531		(3,769,575)	(2)
NET INCOME	\$ 92,316,115	36	\$ 47,258,700	23

	2004		2003	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17)				
Basic earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02
Diluted earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02

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

	2004	2003
NET INCOME	\$ 92,340,760	\$ 47,337,094
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 3.96	\$ 2.02
Diluted earnings per share	\$ 3.96	\$ 2.02

(Concluded)

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

Amount	Capital Stock Issued		Capital Surplus	Legal Reserve	Retained Earnings		Total	Unrealized Loss on Long-term Investments	Cumulative Translations Adjustments
	Common Stock Shares (Thousand)	Common Stock Amount			Special Reserve	Unappropriated Earnings			
1,000,000	18,622,887	\$ 186,228,867	\$ 57,004,789	\$ 18,641,108	\$	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,000
(1,000,000)									
				2,161,029		(2,161,029)			
					68,945	(68,945)			
	153,901	1,539,013				(1,539,013)	(1,539,013)		
						(455,000)	(455,000)		
	1,489,831	14,898,309				(14,898,309)	(14,898,309)		
						(58,485)	(58,485)		
						47,258,700	47,258,700		
			(158,924)						
								194,248	

(719,7

10,020

20,266,619 202,666,189 56,855,885 20,802,137 68,945 50,229,008 71,100,090 (35) 225,4

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2,837,327 28,373,267 (28,373,267) (28,373,267)

(127,805) (127,805)

92,316,115 92,316,115

34,059

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87 867 2,757

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1,864

(124,720) (1,247,200) (380,087)

(5,432,511) (5,432,511)

23,251,964 \$232,519,637 \$56,537,259 \$25,528,007 \$ \$ 88,202,009 \$113,730,016 \$ \$(2,226,9

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 92,316,115	\$ 47,258,700
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	63,072,140	61,786,114
Deferred income taxes	(1,101,407)	3,639,971
Investment income recognized by equity method, net	(4,040,319)	(791,424)
Amortization of premium/discount of long-term bond investments	28,673	
Loss on property, plant, and equipment, and idle assets		1,401,585
Gain on sales of long-term investments, net	(2,216)	(79,149)
Gain on disposal of property, plant and equipment, net	(56,425)	(65,332)
Accrued pension cost	500,945	389,709
Changes in operating assets and liabilities		
Decrease (increase) in		
Receivables from related parties	(1,318,421)	(4,752,698)
Notes receivable	6,951	50,347
Accounts receivable	(1,416,025)	(4,412,467)
Allowance for doubtful receivables	(35,561)	86,158
Allowance for sales returns and others	1,201,889	(237,042)
Other receivables from related parties	(11,496)	(64,439)
Other financial assets	(1,655,730)	189,024
Inventories, net	(3,264,787)	(566,822)
Prepaid expenses and other current assets	1,077,479	121,298
Increase (decrease) in		
Payables to related parties	(1,771,144)	2,033,142
Accounts payable	404,741	1,234,642
Accrued expenses and other liabilities	(255,184)	1,447,119
 Net cash provided by operating activities	 143,680,218	 108,668,436
 CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(43,822,489)	(12,529,448)
Acquisitions of		
Long-term investments	(30,290,982)	(3,006,374)
Property, plant and equipment	(76,171,356)	(37,247,465)
Proceeds from disposal of		
Long-term investments	7,822	476,405
Property, plant and equipment	1,713,934	177,307
Increase in deferred charges	(2,404,130)	(2,137,932)

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Decrease in refundable deposits	91,966	366,090
Decrease in other assets		9,250
Net cash used in investing activities	(150,875,235)	(53,892,167)

(Continued)

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TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid for common stock	\$ 12,159,971	\$
Repurchase of treasury stock	(7,059,798)	
Repayment of long-term bonds payable	(5,000,000)	(4,000,000)
Cash bonus paid to employees	(681,628)	
Decrease in guarantee deposits	(351,096)	(631,577)
Cash dividends paid for preferred stock	(184,493)	(455,000)
Remuneration paid to directors and supervisors	(127,805)	(58,485)
Proceeds from issuance of new shares arising from exercises of stock options	3,624	
Redemption of preferred stock		(13,000,000)
 Net cash used in financing activities	 (25,561,167)	 (18,145,062)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (32,756,184)	 36,631,207
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	 98,288,002	 61,656,795
 CASH AND CASH EQUIVALENTS, END OF THE YEAR	 \$ 65,531,818	 \$ 98,288,002
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (excluding the amount capitalized of NT\$262,109 thousand and NT\$138,668 thousand in 2004 and 2003, respectively, Note 7)	\$ 1,379,287	\$ 1,652,579
Income tax paid	\$ 309,522	\$ 2,500
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bonds payable	\$ 10,500,000	\$ 5,000,000
Current portion of other payables to related parties (under payables to related parties)	\$ 492,022	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,505,345	\$ 1,591,972
Reclassification of short-term investments to long-term investments	\$ 3,402,413	\$

Reclassification of long-term investments to short-term investments	\$	\$	29,571
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(Concluded)

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

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TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

NOTES TO FINANCIAL STATEMENTS

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

1. ORGANIZATION AND OPERATIONS

Taiwan Semiconductor Manufacturing Company Ltd. (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with 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 expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand 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

Government bonds under repurchase agreements and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

Short-term Investments

Short-term investments primarily consist of corporate bonds, asset-backed securities, bond funds, agency bonds, government bonds and others.

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Short-term investments are recorded at historical cost and are carried at the lower of cost or market value as of the balance sheet date. An allowance for decline in value is provided and is charged to current earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are counted for using the weighted-average method; whereas the other securities are accounted for using the specific identification method.

The market value of funds is determined using the net asset value of the funds at the end of the year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are determined using the average of bid and ask prices as of the balance sheet date.

Cash dividends are recorded as investment income in the current year.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience 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 net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, have occurred, as well as the price is fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

Sales are determined using the 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 the sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash 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 end of the year. Market value represents replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investments

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company's proportionate share in the net income or net loss of investee companies is recognized in the investment income/loss recognized by equity method, net account. When equity investments are made, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's net equity is amortized using the straight-line method over five years and is also recorded in the investment income/loss recognized by equity method, net account.

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

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as dividend income in the year received but are accounted for as reductions in the carrying amount of the long-term investments if the dividends are received in the same year that the related investments are acquired. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income or the carrying amount of the investment. An allowance is recognized for any decline in the market value of investments with readily ascertainable fair market value with the corresponding amount recorded as an unrealized loss, a component of shareholders' equity. A reversal of the allowance will result from a subsequent recovery of the market value of such investments. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net asset value of the funds is lower than their cost, with the corresponding amount recorded as a reduction to shareholders' equity. A reversal of the allowance will result from a subsequent recovery of the net asset value.

The costs of stocks and mutual funds sold are determined using the weighted-average method.

Investments in long-term bonds are stated at amortized cost. The discount or premium is amortized over the duration period using the interest method, and recorded as an adjustment to interest income.

When investments in publicly-traded stocks are reclassified from short-term investments to long-term investments or from long-term investments to short-term investments, the Company recognizes a loss to the extent, if any, that the market value of such investments is lower than the carrying amount, and the market value becomes the new basis.

If an investee company recognizes an unrealized loss on its long-term investment using the lower-of-cost-or-market method, the Company also recognizes a corresponding unrealized loss in proportion to its ownership percentage in the investee company and records the amount as a component of its shareholders' equity.

Gains or losses on sales from the Company to investee companies accounted for using the equity method are deferred in proportion to the Company's ownership percentage in the investee companies until realized through transactions with third parties. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to third parties.

Gains or losses on sales from investee companies to the Company are deferred in proportion to the Company's ownership percentages in the investee companies until realized through transactions with third parties.

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If an investee's functional currency is a foreign currency, translation adjustments will result from the process of translating 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.

Property, Plant and Equipment, Assets Leased to Others and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an impairment is determined, the related assets are stated at the lower of fair value or book value. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the year incurred. Interest expense incurred during the purchase and construction period is also capitalized.

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 removed from the corresponding accounts, with any gain or loss credited or charged to non-operating income or expenses in the year of sale or disposal.

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair market value of identifiable net assets acquired and acquisition costs. Goodwill is amortized using the straight-line method over the estimated life of 10 years.

Deferred Charges

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: 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 or 5 years.

Pension Costs

The Company records net periodic pension costs on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gains or losses are amortized over 25 years.

Income Tax

The Company uses an inter-period tax allocation method for income tax. 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 credit arising from the 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 year's tax provision.
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Income taxes on unappropriated earnings of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 must be 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

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus—additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus—treasury stock and to retained earnings for any remaining amount. The Company's stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock.

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 current income. At the end of each year, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

Derivative Financial Instruments

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

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted rates on the contract date are amortized over the terms of the contracts using the straight-line method. At the end of each year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables related to the contracts are 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 is recorded as an

adjustment to the interest income or expense associated with the hedged items. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

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

The premiums paid for the foreign currency option contracts entered into for hedging purposes are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gain upon exercise settlement is credited or charged to income in the year of exercise.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2004.

3. CASH AND CASH EQUIVALENTS

	2004	2003
Cash and bank deposits	\$ 45,838,453	\$ 92,340,643
Government bonds acquired under repurchase agreements	19,215,153	5,947,359
Corporate issued notes	478,212	
	\$ 65,531,818	\$ 98,288,002

4. SHORT-TERM INVESTMENTS

	2004	2003
Corporate bonds	\$ 13,554,598	\$
Corporate issued asset-backed securities	11,766,877	
Bond funds	10,662,758	1,000,000
Agency bonds	8,633,889	
Government bonds	7,346,858	7,692,595
Money market funds	673,888	2,038,680
Government bonds acquired under repurchase agreements	249,449	1,800,000
Commercial papers	95,666	
Corporate issued notes	63,796	
Listed stocks	6,528	27,744
	53,054,307	12,559,019
Allowance for valuation losses	(75,212)	
	\$ 52,979,095	\$ 12,559,019
Market value	\$ 52,979,095	\$ 12,703,444

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an

original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

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5. INVENTORIES, NET

	2004	2003
Finished goods	\$ 3,229,417	\$ 2,716,195
Work in process	10,713,178	8,292,327
Raw materials	808,722	445,357
Supplies and spare parts	779,368	674,548
	15,530,685	12,128,427
Allowance for losses	(1,358,740)	(1,221,269)
	\$ 14,171,945	\$ 10,907,158

6. LONG-TERM INVESTMENTS

	2004		2003	
	Carrying	% of	Carrying	% of
	Amount	Owner-	Amount	Owner-
		ship		ship
Equity method				
TSMC International Investment Ltd. (TSMC International)	\$ 23,778,997	100	\$ 22,654,743	100
TSMC (Shanghai) Company Limited (TSMC Shanghai)	8,113,511	100	1,901,428	100
Vanguard International Semiconductor Corporation (VIS)	5,401,982	28	4,077,198	28
TSMC Partners, Ltd. (TSMC Partners)	3,908,356	100	4,116,934	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,290,888	32	2,759,376	32
Emerging Alliance Fund, L.P. (Emerging Alliance)	823,232	99	704,744	99
TSMC North America (TSMC North America)	502,242	100	417,858	100
Global UniChip Corporation (GUC)	391,626	47	368,434	47
VentureTech Alliance Fund II, L.P. (VTAF II)	329,968	98		
TSMC Japan K. K. (TSMC Japan)	102,572	100	101,722	100
VisEra Technologies Company, Limited (VisEra)	59,116	25	50,231	25
Chi Cherng Investment Co., Ltd. (Chi Cherng)	50,570	36	42,941	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	49,823	36	42,006	36
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	25,439	100	24,622	100
	46,828,322		37,262,237	
Cost method				
Non-publicly traded stocks	482,500		432,500	
Funds	290,134		270,616	
	772,634		703,116	
Long-term bonds				

Government bonds	10,260,481
Corporate bonds	
China Steel Corporation	2,978,804
Taiwan Power Company	915,276
Nan Ya Plastics Corporation	407,526

(Continued)

	2004	% of	2003	% of
	Carrying	Owner-	Carrying	Owner-
	Amount	ship	Amount	ship
Formosa Plastics Corporation	\$ 405,485		\$	
Formosa Petrochemical Corporation	202,595			
	15,170,167			
Other investments	10,521,740			
	\$ 73,292,863		\$ 37,965,353	

On January 8, 2003, the Company's investee, VIS, issued 600,000 thousand shares of common stock at a price of NT\$7 per share of which the Company purchased a total of 230,882 thousand shares. VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by the Company after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. The Company's ownership percentage remained the same.

For the years ended December 31, 2004 and 2003, net investment income recognized from the equity method investees was NT\$4,040,319 thousand and NT\$791,424 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

	Nominal	Carrying	Range of	Maturity
	Amount	Amount	Interest	Date
			Rates	
<u>Step-up callable deposits</u>				
Domestic bank	\$ 2,000,000	\$ 2,007,681	2.05%-2.20%	July 2007 to August 2007
Foreign bank	2,138,340	2,152,394	1.44%-4.75%	June 2007 to August 2007
<u>Callable range accrual deposits</u>				
Foreign bank	6,383,400	6,414,151	(See below)	September 2009 to December 2009
	\$ 10,521,740	\$ 10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

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

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 rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at minimum of 1.5%. Under the term of contracts, the bank has the right to cancel the contracts before the maturity date.

Deposits that reside in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

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7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2004	2003
Buildings	\$ 35,546,918	\$ 29,384,609
Machinery and equipment	259,782,721	214,296,129
Office equipment	4,676,562	3,833,574
	\$ 300,006,201	\$ 247,514,312

Information on the status of the expansion or construction plans of the Company's manufacturing facilities as of December 31, 2004 is as follows:

Construction/Expansion Plan	Estimated Total Cost	Accumulated Expenditures	Expected Date of Commencement
Fab 12 expansion	\$ 58,744,200	\$ 41,870,300	January 2005

Interest expense for the years ended December 31, 2004 and 2003 was NT\$ 1,614,847 thousand and NT\$1,715,011 thousand, respectively (before deducting capitalized amounts of NT\$262,109 thousand in 2004 and NT\$138,668 thousand in 2003, respectively). The interest rates used for purposes of calculating the capitalized amounts was 2.80% and 2.80% to 5.283% in 2004 and 2003, respectively.

8. DEFERRED CHARGES, NET

	2004	2003
Technology license fees	\$ 6,534,899	\$ 5,084,684
Software and system design costs	2,160,636	2,718,270
Other	149,609	144,377
	\$ 8,845,144	\$ 7,947,331

9. BONDS PAYABLE

	2004	2003
Domestic unsecured bonds:		
Issued in October 1999 and repayable in October 2004, 5.95% interest payable annually	\$	\$ 5,000,000
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	15,000,000	15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	15,000,000	15,000,000

\$ 30,000,000 \$ 35,000,000

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As of December 31, 2004, future principal repayments for the Company's bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	\$ 30,000,000

10. OTHER LONG-TERM PAYABLES

The Company entered into several license arrangements for certain semiconductor-related patents. Future payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008
	\$ 3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

11. PENSION PLAN

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

Information on the pension plan is summarized as follows:

a. Components of net periodic pension cost

	2004	2003
Service cost	\$ 632,594	\$ 502,116
Interest cost	128,315	109,671
Projected return on plan assets	(41,925)	(41,154)
Amortization	8,300	2,409
Net periodic pension cost	\$ 727,284	\$ 573,042

b. Reconciliation of the funded status of the plan and accrued pension cost

	2004	2003
Benefit obligation		
Vested benefit obligation	\$ 67,104	\$ 21,895
Nonvested benefit obligation	2,704,251	2,184,593
Accumulated benefit obligation	2,771,355	2,206,488
Additional benefits based on future salaries	2,132,721	1,752,208
Projected benefit obligation	4,904,076	3,958,696
Fair value of plan assets	(1,447,540)	(1,207,264)
Funded status	3,456,536	2,751,432
Unrecognized net transitional obligation	(132,791)	(141,091)
Unrecognized net loss	(222,549)	(10,090)
Accrued pension cost	\$ 3,101,196	\$ 2,600,251
Vested benefit	\$ 76,003	\$ 22,261

c. Actuarial assumptions

	2004	2003
Discount rate used in determining present values	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%
d. Contributions to the Fund	\$ 226,339	\$ 181,106
e. Payments from the Fund	\$ 1,446	\$ 3,490

12. INCOME TAX

a. A reconciliation of income tax on income before income tax at the statutory rate and income tax expense is as follows:

	2004	2003
Income tax based on income before income tax at statutory rate (25%)	\$ (22,944,646)	\$ (12,757,069)
Tax-exempt income	15,372,913	5,255,750
Temporary and permanent differences	(2,077,362)	728,904
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
b. Income tax benefit (expense) consists of:		
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
Additional 10% income tax on unappropriated earnings	(821,767)	(1,271,759)
Income tax credits	10,470,862	7,917,070

Other income tax	(563,876)	(2,500)
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(Continued)

	2004	2003
Net change in deferred income tax assets and liabilities		
Investment tax credits	\$ 234,690	\$ (917,759)
Temporary differences	1,034,916	80,390
Net change in valuation allowance of deferred income tax assets	(168,199)	(2,802,602)
Income tax benefit (expense)	\$ 537,531	\$ (3,769,575)

c. Deferred income tax assets (liabilities) consisted of the following:

Current:

Investment tax credits	\$ 8,849,000	\$ 8,322,000
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Noncurrent:

Investment tax credits	\$ 17,035,584	\$ 17,327,894
Temporary differences	(2,450,535)	(3,485,451)
Valuation allowance	(12,940,046)	(12,771,847)
	\$ 1,645,003	\$ 1,070,596

d. Integrated income tax information:

The balances of the imputation credit account (ICA) as of December 31, 2004 and 2003 were zero and NT\$2,832 thousand, respectively.

The expected and actual creditable ratio for distribution of earnings of 2004 and 2003 was zero and 0.03%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

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

f. As of December 31, 2004, investment tax credits consisted of the following:

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,448,442	\$	2004
		3,819,937	116,189	2005
		4,886,439	4,886,439	2006
		4,140,462	4,140,462	2007
		6,309,182	6,309,182	2008
		\$ 23,604,462	\$ 15,452,272	

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 2,270,013	\$	2004
		3,147,071	3,147,071	2005
		3,342,952	3,342,952	2006
		1,976,913	1,976,913	2007
		1,843,800	1,843,800	2008
		\$ 12,580,749	\$ 10,310,736	
Statute for Upgrading Industries	Personnel training	\$ 48,659	\$	2004
		29,448	29,448	2005
		27,312	27,312	2006
		26,780	26,780	2007
		\$ 132,199	\$ 83,540	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$ 38,036	2005

- g. The sales generated from the following expansion and construction of the Company's manufacturing plants are exempt from income tax:

	Tax-Exemption Period
Construction of Fab 6	2001 to 2004
Construction of Fab 8 module 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 2000. However, the Company is contesting the assessment of the tax authority for 1992 and 1998. The Company believes that any additional assessment will not have a material adverse effect on the Company.

13. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

Year Ended December 31, 2004	Year Ended December 31, 2003
Classified	Classified
as	as
Operating	Operating

	Classified as Cost of			Classified as Cost of		
	Sales	Expenses	Total	Sales	Expenses	Total
Labor cost						
Salary	\$ 8,832,324	\$ 4,160,867	\$ 12,993,191	\$ 7,392,295	\$ 3,093,658	\$ 10,485,953
Labor and health insurance	571,853	309,585	881,438	476,687	239,067	715,754
Pension	471,646	255,482	727,128	379,845	190,507	570,352
Other	398,428	356,877	755,305	273,780	159,569	433,349
	\$ 10,274,251	\$ 5,082,811	\$ 15,357,062	\$ 8,522,607	\$ 3,682,801	\$ 12,205,408
Depreciation	\$ 56,001,719	\$ 2,429,967	\$ 58,431,686	\$ 55,699,522	\$ 2,298,375	\$ 57,997,897
Amortization	\$ 2,496,827	\$ 2,137,893	\$ 4,634,720	\$ 1,385,594	\$ 2,399,724	\$ 3,785,318

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14. SHAREHOLDERS EQUITY**Common Stock, Capital Surplus and Earnings**

The Company has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. However, the capital surplus generated from donations and the excess of the issue price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders ownership.

As of December 31, 2004 and 2003, the capital surplus consisted of the following:

	2004	2003
From merger	\$ 24,003,546	\$ 24,132,297
Additional paid-in capital	23,051,675	23,172,550
From long-term investments	121,354	87,295
From convertible bonds	9,360,424	9,410,632
Donations	55	55
Treasury stock	205	53,056
	\$ 56,537,259	\$ 56,855,885

The Company's Articles of Incorporation as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the Company's paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of the Company. As the operation of the Company is at a steady growth stage, 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 however, the ratio for stock dividend shall not exceed 50% of total distribution.

Any appropriations of net income are recorded in the financial statements in the year of shareholder approval.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of the Company's issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of the Company.

A special reserve equivalent to the net debit balance of the other components of shareholder's equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock), shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriations of the earnings of 2003 and 2002 were approved in the shareholders' meeting on May 11, 2004 and June 3, 2003, respectively. The appropriations and dividend per share are as follows:

	Appropriation of Earnings		Dividend Per Share	
			(NT\$)	
	For Fiscal Year 2003	For Fiscal Year 2002	For Fiscal Year 2003	For Fiscal Year 2002
Legal reserve	\$ 4,725,870	\$ 2,161,029		
Special reserve	(68,945)	68,945		
Bonus paid to employees in cash	681,628			
Bonus paid to employees in stock	2,726,514	1,539,013		
Preferred stock dividend in cash	184,493	455,000	\$ 0.35	\$ 0.35
Common stock dividend in cash	12,159,971		0.60	
Common stock dividend in stock	28,373,267	14,898,309	1.41	0.80
Remuneration to directors and supervisors in cash	127,805	58,485		
	\$ 48,910,603	\$ 19,180,781		

The amount of the above appropriation of earnings for 2003 and 2002 is consistent with the resolution of the meetings of board of directors on February 17, 2004 and March 4, 2003, respectively. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003 and 2002, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.33 to NT\$2.15 and NT\$ 1.14 to NT\$1.05, respectively. The shares distributed as a bonus to employees represented 1.35% and 0.83% of the Company's total outstanding common shares as of December 31, 2003 and 2002, respectively.

As of January 13, 2005, the board of directors have not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation 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.

Preferred Stock

The Company issued 1,300,000 thousand shares of unlisted Series A preferred stock to certain investors on November 29, 2000. All of the preferred stock was redeemed at par value and retired on May 29, 2003. Under the Company's Articles of Incorporation, the Company is no longer authorized to issue preferred stock.

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The preferred shareholders had the following rights and the related terms and conditions prior to redemption:

Preferred shareholders

- a. Are entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Are not entitled to receive any common stock dividends (whether declared out of unappropriated earnings or capital surplus).
- c. Have priority over the holders of common shares to the assets of TSMC available for distribution to shareholders upon liquidation or dissolution; however, the pre-emptive rights to the assets shall not exceed the issue price of the shares.
- d. Have voting rights similar to that of the holders of common shares.
- e. Have no right to convert their shares into common shares. The preferred shares are to be redeemed within thirty months from their issuance. The preferred shareholders have the aforementioned rights and the Company's related obligations remain the same until the preferred shares are redeemed by the Company.

15. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights 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 option rights of both 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, stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights 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 option rights of 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 plan, stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on outstanding stock options for the years ended December 31, 2004 and 2003 is as follows:

	2003 Plan		2002 Plan	
	Number of Outstanding Stock Option Rights (in Thousands)	Weighted- Average Exercise Price (NT\$)	Number of Outstanding Stock Option Rights (in Thousands)	Weighted- Average Exercise Prices (NT\$)
<u>Year ended December 31, 2004</u>				
Beginning outstanding balance	842	57.8	48,515	42.7
Options granted	13,199	49.9	7,201	42.6
Options exercised			(87)	41.8
Options cancelled	(1,404)	50.9	(3,899)	44.2
Ending outstanding balance	12,637		51,730	
<u>Year ended December 31, 2003</u>				
Beginning outstanding balance			19,369	48.6
Options granted	843	66.5	32,031	50.3
Options cancelled	(1)	66.5	(2,885)	48.7
Ending outstanding balance	842		48,515	

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

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

	Options Outstanding			Options Exercisable		
	Range of Exercise Price (NT\$)	Number of Outstanding Options (in Thousands)	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price (NT\$)	Number of Exercisable Options (in Thousands)	Weighted- Average Exercise Price (NT\$)
2003 plan	43.8-57.8	12,637	9.34	50.3		
2002 plan	32.8-46.2	51,730	8.09	42.6	10,307	41.7
Total		64,367	8.33	44.1	10,307	41.7

The compensation cost recognized for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and pro forma results of the

Company for the year ended December 31, 2004 would have been as follows:

Method:	Black-Scholes Model
Assumptions:	
Expected dividend yield	1.00%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years

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	NT\$
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,257,355
Earnings per share (EPS) after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

The estimated weighted average fair value for the options granted during the year ended December 31, 2004 was NT\$19.73 per option.

16. TREASURY STOCK (COMMON STOCK)

(Shares in Thousand)

	Beginning Shares	Increase/ Dividend	Decrease	Ending Shares
<u>Year ended December 31, 2004</u>				
Reclassification of parent company stock held by subsidiaries from long-term investment	40,597	5,676	752	45,521
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,472	45,521
<u>Year ended December 31, 2003</u>				
Reclassification of parent company stock held by subsidiaries from long-term investment	42,001	3,357	4,761	40,597

Proceeds from the sale of treasury stock for the years ended December 31, 2004 and 2003 were NT\$39,906 thousand and NT\$331,945 thousand, respectively. The Company's capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004 and 2003, the book value of the treasury stock was NT\$1,595,186 thousand and NT\$1,633,228 thousand, respectively; the market value was NT\$2,241,009 thousand and NT\$2,548,788 thousand,

respectively.

The Company held a special meeting of the board of directors and approved a share buyback plan to repurchase the Company's common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. The Company repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

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17. EARNINGS PER SHARE

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (Thousand)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year ended December 31, 2004</u>					
Basic EPS					
Income available to common shareholders	\$ 91,778,584	\$ 92,316,115	23,248,682	\$ 3.95	\$ 3.97
Effect of diluted securities – stock options			6,404		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 91,778,584	\$ 92,316,115	23,255,086	\$ 3.95	\$ 3.97
<u>Year ended December 31, 2003</u>					
Net Income	\$ 51,028,275	\$ 47,258,700			
Less preferred stock dividends	(184,493)	(184,493)			
Basic EPS					
Income available to common shareholders	50,843,782	47,074,207	23,327,354	\$ 2.18	\$ 2.02
Effect of diluted potential common stock stock options			9,599		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 50,843,782	\$ 47,074,207	23,336,953	\$ 2.18	\$ 2.02

18. 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 directors
- b. Philips; a major shareholder of the Company
- c. Subsidiaries

TSMC North America
TSMC Europe
TSMC Japan
TSMC Shanghai

d. Investees

VIS
SSMC
GUC
VisEra

e. Indirect subsidiaries

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

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The significant transactions with the aforementioned parties in addition to those disclosed in other notes are summarized as follows:

	2004		2003	
	Amount	%	Amount	%
<u>For the years</u>				
Sales				
TSMC North America	\$ 142,271,732	55	\$ 117,758,911	57
Philips and its affiliates	5,463,565	2	3,577,054	2
Others	466,345		610,534	
	\$ 148,201,642	57	\$ 121,946,499	59
Purchase				
WaferTech	\$ 15,203,047	34	\$ 11,433,083	36
VIS	9,169,602	21	4,910,810	15
SSMC	5,869,123	13	5,519,805	17
TSMC Shanghai	12,752			
	\$ 30,254,524	68	\$ 21,863,698	68
Manufacturing expenses technical assistance fee (See Note 20a)				
Philips	\$ 907,047	1	\$ 3,023,741	3
Marketing expenses commission				
TSMC Japan	\$ 253,341	17	\$ 215,202	18
TSMC Europe	202,678	14	154,262	13
	\$ 456,019	31	\$ 369,464	31
General and administrative expense rental expenses				
GUC	\$ 13,186	2	\$	
Research and development expenses				
GUC	\$ 11,688		\$	
Sales of property, plant and equipment				
TSMC Shanghai	\$ 2,969,347	96	\$	
VIS	33,974	1	15,125	9
	\$ 3,003,321	97	\$ 15,125	9
Non-operating income and gains				
SSMC (primarily technical service income, see Note 20e)	\$ 364,505	5	\$ 201,869	8
VIS (primarily technical service income, see Note 20j)	117,760	2	251	
VisEra	28,917			
WaferTech	3,267		2,794	

\$ 514,449 7 \$ 204,914 8

(Continued)

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	2004		2003	
	Amount	%	Amount	%
<u>At end of year</u>				
Receivables				
TSMC North America	\$ 15,526,964	96	\$ 13,946,638	94
Philips and its affiliates	581,487	4	895,063	6
Others	77,632		25,961	
	\$ 16,186,083	100	\$ 14,867,662	100
Other receivables				
TSMC Shanghai	\$ 1,472,880	91	\$	
SSMC	63,701	4		
VIS	47,599	3	118,503	89
Others	33,159	2	14,460	11
	\$ 1,617,339	100	\$ 132,963	100
Payables				
VIS	\$ 1,533,938	48	1,034,074	23
WaferTech	913,107	29	1,184,642	27
Philips and its affiliates	469,494	15	1,579,568	35
SSMC	207,794	6	634,647	14
Others	74,157	2	67,209	1
	\$ 3,198,490	100	\$ 4,500,140	100
Other long-term payables				
Philips and its affiliates	\$ 2,317,972	100	\$	
Deferred credits gain on intercompany				
TSMC Shanghai (disposal of property, plant and equipment)	\$ 682,530	100	\$	
Refundable deposits				
VIS	\$		\$ 150,840	85

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

19. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

Future remaining lease payments are as follows:

Year	Amount
2005	\$ 238,411
2006	238,411
2007	238,411
2008	220,246
2009	214,192
2010 and thereafter	1,422,637
	\$ 2,572,308

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies as of December 31, 2004 are as follows:

- a. On June 20, 2004, the Company and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amounts mutually agreed-on, rather than under certain percentage of the Company's annual net sales. The Company and Philips agree to cross license the patents owned by each party. The Company also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.

- 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 December 31, 2004, the Company had a total of US\$12,802 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, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, the Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls 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 certain 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 notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated for convenience. 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. Beginning in 2001, the Company entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. The Company has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, the Company entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. The Company also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. The Company will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, the Company entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Motorola, 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 Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 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 prior as agreed by the parties.
- k. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$204 thousand and SG\$85 thousand.
- l. The Company provided guarantees on loans amounting to US\$60,000 thousand and US\$40,000 thousand for TSMC Development, Inc. (TSMC Development) and TSMC North America, respectively.
- m. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission 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 have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

21. 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 and 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 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 at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchase from or sale to related parties amounting to 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 of which the Company exercises significant influence: Please see Table 8 attached;
- j. Financial instrument transactions:

1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the years ended December 31, 2004 and 2003 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

- a) Outstanding forward exchange contracts as of December 31, 2004 and 2003 are as follows:

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)	
<u>2004</u>				
Sell	US\$/NT\$	January 2005 to March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081
<u>2003</u>				
Sell	US\$/NT\$	January 2004 to July 2004	US\$	1,805,000
Buy	EUR/US\$	January 2004	EUR	7,500
Buy	JPY/US\$	January 2004	JPY	748,405

As of December 31, 2004 and 2003, receivables from forward exchange contracts (included in the other financial assets account) aggregate approximately NT\$392,534 thousand, and NT\$76,385 thousand; payables from forward exchange contracts (included in the other current liabilities account) aggregate approximately NT\$559 thousand and NT\$174,018 thousand.

b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
January 2005 to June 2005	US\$ 1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) was approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

c) Interest rate swaps

Outstanding contracts as of December 31, 2004 and 2003 were as follows:

Contract Date	Period	Contract Amount (in Thousands)
<u>2004</u>		
September 2003	September 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
November 2003	November 2003 to December 2005	NT\$ 500,000
<u>2003</u>		
September 2003	September 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
October 2003	October 2003 to December 2005	NT\$ 500,000
November 2003	November 2003 to December 2005	NT\$ 500,000
July 1999	July 1999 to June 2004	US\$ 2,857

d) Option contracts

During 2004, the Company did not enter into any foreign currency option contracts.

There were no outstanding option contracts as of December 31, 2003. The Company entered into

foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the foreign exchange loss, net account.

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e) Transaction risk

- i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company's future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

Term	Inflow (In Thousands)	Outflow (In Thousands)
Within one year	NT\$ 69,761,484	US\$ 2,312,081
	EUR 118,500	

The Company has sufficient operating capital to meet the above cash needs. In addition, there will be corresponding cash inflow for the cash outflow. Therefore, the cash flow risk is low.

2) Fair values of financial instruments were as follows:

	2004		2003	
	Carrying Amount (In Thousands)	Fair Value	Carrying Amount (In Thousands)	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Short-term investments, net	\$ 52,979,095	\$ 52,979,095	\$ 12,559,019	\$ 12,703,444
Long-term investments (securities with market price)	20,572,150	23,657,754	4,077,198	10,465,676
Liabilities				
Bonds payable (including current portion)	30,000,000	30,607,341	35,000,000	35,850,377
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)			2,351	3,037
Forward exchange contracts (sell)	391,975	317,090	(99,984)	40,638

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Cross currency swap contracts	761,030	760,012	
Interest rate swap contracts	4,361	(22,714)	2,093
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The above financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payable to contractors and equipment suppliers. The carrying amounts of the aforementioned instruments reported in the balance sheet approximate their fair values.

The above financial instruments also exclude refundable deposits, guarantee deposits, long-term investments that do not have quoted market prices as well as other long-term payables. The future cash inflow and outflow of the deposits approximate their fair values. Some of long-term investments do not have quoted market prices; therefore, fair values for those long-term investments are not shown above. The fair value of other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

Fair values of financial instruments were determined as follows:

- a) Fair value of short-term and publicly traded long-term investments is based on quoted market prices.
- b) The fair value of bonds payable is the quoted market value.
- c) Fair value of derivative financial instruments is the amount receivable from or payable to the counter-party if the contracts were terminated on the balance sheet date.

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.
- 2) Significant direct or indirect transactions with the investee company, 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 18.

22. SEGMENT FINANCIAL INFORMATION

a. Gross export sales

Area	2004	2003
Americas	\$ 113,948,320	\$ 103,600,081
Asia and others	91,057,215	63,349,186
Europe	19,084,530	11,706,059
	\$ 224,090,065	\$ 178,655,326

The export sales information is based on amounts billed to customers within the area.

b. Major customers representing at least 10% of net total sales:

In 2004, there is no customer accounted for at least 10% of the Company's total sales. The Company only has one customer that accounts for at least 10% of its total sales in 2003. The sales to such customer amounted to \$ 21,893,320 thousand and \$31,220,104 thousand in 2004 and 2003, representing 8% and 15% of its total sales, respectively.

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TABLE 1**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****FINANCING PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financing No. Name	Counter-party	Financial Statement Account	Maximum	Ending	Interest	Type	Reasons	Allowance	Collateral	Borrowing	Financing Company Limit for Each Limits (US\$ in Thousand)
			Balance for the Period (US\$ in Thousand)	Balance (US\$ in Thousand)		of Financing (Note Amount)					
TSMC International	TSMC Development	Other receivables	\$ 1,915,020 (US\$60,000)	\$ 1,915,020 (US\$60,000)	1.50%	2	Operating capital	\$	\$	N/A	\$ 31,532,987 (US\$987,968 (Note 2)
	TSMC Technology	Other receivables	319,170 (US\$10,000)								
TSMC Partners	TSMC Development	Other receivables	2,553,360 (US\$80,000)	2,553,360 (US\$80,000)	1.50%	2	Operating capital			N/A	(Note 3)

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

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

Note 3: Generally not exceeding the issued capital of the Company, unless approved by all members of the board.

TABLE 2**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Endorsement/ Guarantee Provider Company	Counter-party Name	Relationship (Note 2)	Nature of Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum	Ratio			
				Balance for the Year (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	of Accumulated Value of Collateral to Net Equity of the Collateral/ Plant Latest and Financial Statement (%)	Maximum Amount Allowed (New Taiwan Dollars)	
	TSMC Development	3	Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors.	\$ 1,915,020 (US\$60,000)	\$ 1,915,020 (US\$60,000)	\$	0.48%	\$ 99,700
	TSMC North America	2		1,276,680 (US\$40,000)	1,276,680 (US\$40,000)		0.32%	
	WaferTech	3		14,043,480 (US\$440,000)				

Note 1: 25% of the net worth of the Company as of December 31, 2004.

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 LTD. AND INVESTEEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	December 31, 2004	
					Carrying Value (US\$ in Thousand)	Market Value or Net Asset Value (US\$ in Thousand)
					Percentage of Ownership	
	<u>Government bonds</u>					
	2003 Government Bond Series A		Short-term investment			
	United States Treas NTS		Short-term investment			
	2003 Government Bond Series I		Long-term investment			
	2004 Government Bond Series A		Long-term investment			
	2004 Government Bond Series E		Long-term investment			
	2004 Kaohsiung Municipal Bond Series A		Long-term investment			
	<u>Bonds under repurchase agreement</u>		Short-term investment			
	<u>Bond funds</u>					
	JF Taiwan Bond Fund		Short-term investment	78,698	1,153,209	N/A
	ABN AMRO Bond Fund		Short-term investment	134,906	1,956,175	N/A
	JF Taiwan First Bond Fund		Short-term investment	84,886	1,151,463	N/A
	INVESCO R.O.C. Bond A Fund		Short-term investment	76,705	1,101,911	N/A
	Dresdner Bond DAM Fund		Short-term investment	80,833	900,000	N/A
	Barits Bond Fund		Short-term investment	76,640	900,000	N/A

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Shinkong Chi Shin Bond Fund		Short-term investment	151,594	2,100,000	N/A	2,115,554
ABN AMRO Select Bond Fund		Short-term investment	18,235	200,000	N/A	201,183
NITC Bond Fund		Short-term investment	3,764	600,000	N/A	602,703
HSBC NTD Money Management Fund		Short-term investment	41,568	600,000	N/A	601,958
<u>Stock</u>						
Taiwan Mask Corp.		Short-term investment	1,787	6,528		27,552
TSMC International	Subsidiary	Long-term investment	987,968	23,778,997	100	23,778,997
VIS	Investee	Long-term investment	409,532	5,401,982	28	8,493,692
TSMC Partners	Subsidiary	Long-term investment	300	3,908,356	100	3,908,356
SSMC	Investee	Long-term investment	382	3,290,888	32	3,290,888
	Subsidiary	Long-term investment	11,000	502,242	100	1,179,352
TSMC North America						
GUC	Investee	Long-term investment	39,040	391,626	47	418,272
TSMC Japan	Subsidiary	Long-term investment	6	102,572	100	102,572
VisEra	Investee	Long-term investment	5,100	59,116	25	59,116
TSMC Europe	Subsidiary	Long-term investment		25,439	100	25,439
United Industrial Gases Co., Ltd.		Long-term investment	16,783	193,584	10	284,036
Shin-Etsu Handotai Taiwan Co., Ltd.		Long-term investment	10,500	105,000	7	170,940

(Continued)

				December 31, 2004			
				Carrying			Market
				Value	Percentage		Value or
				(US\$ in	of		Net Asset
				Thousand)	Ownership		Value
				(In			(US\$ in
				Thousand)			Thousand)
Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)
	W.K. Technology Fund IV		Long-term investment	5,000	\$ 50,000	2	\$ 55,146
	Hontung Venture Capital Co., Ltd.		Long-term investment	8,392	83,916	10	53,571
	Globaltop Partner I Venture Capital Corp.		Long-term investment	5,000	50,000	1	49,909
<u>Corporate bonds</u>							
	Taiwan Power Company		Short-term investment		2,777,798	N/A	2,749,413
	Abbott Labs		Short-term investment		US\$ 2,732	N/A	US\$ 2,709
	Abbott Labs		Short-term investment		US\$ 1,581	N/A	US\$ 1,587
	Ace Ltd		Short-term investment		US\$ 1,046	N/A	US\$ 1,042
	AIG Sunamerica Global Fing IX		Short-term investment		US\$ 1,032	N/A	US\$ 1,028
	Allstate Finl Global Fdg LLC		Short-term investment		US\$ 3,171	N/A	US\$ 3,096
	American Express Co.		Short-term investment		US\$ 3,550	N/A	US\$ 3,503
	American Gen Fin Corp.		Short-term investment		US\$ 1,768	N/A	US\$ 1,765
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 3,130	N/A	US\$ 3,087
	American Gen Fin Corp. Mtn		Short-term investment		US\$ 1,058	N/A	US\$ 1,042
	American Honda Fin Corp. Mtn		Short-term investment		US\$ 3,800	N/A	US\$ 3,803
	American Intl Group Inc. Mtnf		Short-term investment		US\$ 3,795	N/A	US\$ 3,795
	Amgen Inc.		Short-term investment		US\$ 3,005	N/A	US\$ 2,991
	Amsouth Bk Birmingham Ala		Short-term investment		US\$ 1,972	N/A	US\$ 1,978
	ANZ Cap Tr I		Short-term investment		US\$ 1,012	N/A	US\$ 1,001
	Bank New York Inc.		Short-term investment		US\$ 1,525	N/A	US\$ 1,509

	Short-term investment					
Bank New York Inc.	Short-term investment	US\$	3,945	N/A	US\$	3,943
Bank Scotland Treas Svcs PLC	Short-term investment	US\$	2,715	N/A	US\$	2,717
Bank Utd Houston TX Mtn	Short-term investment	US\$	580	N/A	US\$	574
Bear Stearns Cos Inc.	Short-term investment	US\$	3,518	N/A	US\$	3,493
Bear Stearns Cos Inc. Medium Te	Short-term investment	US\$	3,105	N/A	US\$	3,105
Berkshire Hathaway Fin Corp.	Short-term investment	US\$	1,498	N/A	US\$	1,494
Bristol Myers Squibb Co.	Short-term investment	US\$	3,819	N/A	US\$	3,788
British Telecommunications PLC	Short-term investment	US\$	2,104	N/A	US\$	2,091
Cargill Inc.	Short-term investment	US\$	2,120	N/A	US\$	2,079
Chase Manhattan Corp. New	Short-term investment	US\$	1,628	N/A	US\$	1,613
Cit Group Hldgs Inc.	Short-term investment	US\$	3,203	N/A	US\$	3,195
Citigroup Inc.	Short-term investment	US\$	2,000	N/A	US\$	2,002
Citigroup Inc.	Short-term investment	US\$	1,033	N/A	US\$	1,033
Citigroup Inc.	Short-term investment	US\$	3,583	N/A	US\$	3,523
Colonial Pipeline Co.	Short-term investment	US\$	1,625	N/A	US\$	1,612
Compaq Computer Corp.	Short-term investment	US\$	3,719	N/A	US\$	3,593
Consolidated Edison Co. NY Inc.	Short-term investment	US\$	3,687	N/A	US\$	3,618
Corestates Cap Corp.	Short-term investment	US\$	1,062	N/A	US\$	1,060
Countrywide Fdg Corp. Mtn	Short-term investment	US\$	2,158	N/A	US\$	2,151
Countrywide Home Lns Inc.	Short-term investment	US\$	5,210	N/A	US\$	5,157

(Continued)

				December 31, 2004				
				Carrying			Market	
				Value			Value or	
				Percentage				
				of			Net Asset	
				(US\$ in			Value	
				Thousand)			(US\$ in	
				Shares/Units			Thousand)	
				(In			Note	
Held Company Name	Type and Name	Relationship with	Financial Statement	Account	Thousand	Ownership	Thousand	
		the Company						
	Credit Suisse Fb USA Inc.			Short-term investment	US\$ 2,645	N/A	US\$ 2,599	
	Credit Suisse First Boston			Short-term investment	US\$ 786	N/A	US\$ 779	
	Credit Suisse First Boston USA			Short-term investment	US\$ 2,249	N/A	US\$ 2,240	
	Daimlerchrysler North Amer			Short-term investment	US\$ 997	N/A	US\$ 999	
	Daimlerchrysler North Amer Hld			Short-term investment	US\$ 749	N/A	US\$ 755	
	Dell Computer Corp.			Short-term investment	US\$ 3,054	N/A	US\$ 3,025	
	Den Danske BK Aktieselskab			Short-term investment	US\$ 2,192	N/A	US\$ 2,166	
	Deutsche Telekom Intl Fin BV			Short-term investment	US\$ 1,852	N/A	US\$ 1,838	
	Diageo PLC			Short-term investment	US\$ 3,459	N/A	US\$ 3,477	
	Dow Chem Co.			Short-term investment	US\$ 921	N/A	US\$ 911	
	European Invt Bk			Short-term investment	US\$ 8,315	N/A	US\$ 8,236	
	Fifth Third Bk Cincinnati OH			Short-term investment	US\$ 2,419	N/A	US\$ 2,466	
	First Data Corp.			Short-term investment	US\$ 3,013	N/A	US\$ 2,986	
	First Un Corp.			Short-term investment	US\$ 970	N/A	US\$ 965	
	Fleet Finl Group Inc. New			Short-term investment	US\$ 494	N/A	US\$ 493	
	Fleet Finl Corp Inc. New			Short-term investment	US\$ 975	N/A	US\$ 962	
	Ford Mtr Cr Co.			Short-term investment	US\$ 1,542	N/A	US\$ 1,535	
	FPL Group Cap Inc.			Short-term investment	US\$ 1,001	N/A	US\$ 990	
	FPL Group Cap Inc.			Short-term investment	US\$ 860	N/A	US\$ 846	
					US\$ 3,467	N/A	US\$ 3,455	

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General Elec Cap Corp. Mtn	Short-term investment			
General Elec Cap Corp. Mtn	Short-term investment	US\$ 1,040	N/A	US\$ 1,040
General Elec Cap Corp. Mtn	Short-term investment	US\$ 3,886	N/A	US\$ 3,878
Genworth Finl Inc.	Short-term investment	US\$ 3,412	N/A	US\$ 3,408
Goldman Sachs Group Inc. Mtn	Short-term investment	US\$ 3,505	N/A	US\$ 3,494
Goldman Sachs Group LP	Short-term investment	US\$ 1,637	N/A	US\$ 1,599
Goldman Sachs Group LP	Short-term investment	US\$ 1,100	N/A	US\$ 1,075
Greenpoint Finl Corp.	Short-term investment	US\$ 974	N/A	US\$ 972
GTE Corp.	Short-term investment	US\$ 2,134	N/A	US\$ 2,109
Hancock John Global Fdg Mtn	Short-term investment	US\$ 1,003	N/A	US\$ 986
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 765	N/A	US\$ 758
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 296	N/A	US\$ 296
Heller Finl Inc.	Short-term investment	US\$ 1,171	N/A	US\$ 1,163
Hershey Foods Corp.	Short-term investment	US\$ 1,627	N/A	US\$ 1,606
Hewlett Packard Co.	Short-term investment	US\$ 3,373	N/A	US\$ 3,305
Honeywell Inc.	Short-term investment	US\$ 3,284	N/A	US\$ 3,218
Household Fin Corp.	Short-term investment	US\$ 529	N/A	US\$ 522
Household Fin Corp.	Short-term investment	US\$ 2,993	N/A	US\$ 2,985
Household Fin Corp. Mtn Bk Ent	Short-term investment	US\$ 3,542	N/A	US\$ 3,510
HSBC USA Inc. New	Short-term investment	US\$ 1,154	N/A	US\$ 1,134
Huntington Natl Bk	Short-term investment	US\$ 3,003	N/A	US\$ 3,000
Huntington Natl Bk Columbus OH	Short-term investment	US\$ 2,954	N/A	US\$ 2,961
ING Bank	Short-term investment	US\$ 2,114	N/A	US\$ 2,113
ING Sec Life Ins Ingslf	Short-term investment	US\$ 3,012	N/A	US\$ 3,007
Intl Bk For Recon + Dev	Short-term investment	US\$ 5,232	N/A	US\$ 5,102
JP Morgan Chase + Co.		US\$ 1,043	N/A	US\$ 1,039

Jackson Natl Life	Short-term investment			
Global Fdg	Short-term investment	US\$ 1,036	N/A	US\$ 1,032
Jackson Natl Life	Short-term investment			
Global Fdg S	Short-term investment	US\$ 2,998	N/A	US\$ 2,988

(Continued)

				December 31, 2004			
				Carrying			Market
				Value			Value or
				Percentage			Net Asset
				of			Value
				(US\$ in			(US\$ in
				Thousand)			Thousand)
Marketable Securities	Relationship with	Financial Statement	Shares/Units	(In	Thousand)	Ownership	Note
Held Company Name	Type and Name	the Company	Account	Thousand	Thousand	Percentage	Note
			Short-term investment	US\$ 3,663	N/A	US\$ 3,629	
	JP Morgan Chase + Co. Keycorp Mtn Book Entry		Short-term investment	US\$ 3,500	N/A	US\$ 3,502	
	KFW Intl Fin Inc.		Short-term investment	US\$ 5,104	N/A	US\$ 5,027	
	Kraft Foods Inc.		Short-term investment	US\$ 773	N/A	US\$ 765	
	Kraft Foods Inc.		Short-term investment	US\$ 1,037	N/A	US\$ 1,036	
	Lehman Brothers Hldgs Inc.		Short-term investment	US\$ 1,163	N/A	US\$ 1,162	
	Lehman Brothers Hldgs Inc.		Short-term investment	US\$ 3,705	N/A	US\$ 3,634	
	Lehman Brothers Hldgs Inc.		Short-term investment	US\$ 2,171	N/A	US\$ 2,154	
	Lilly Eli + Co.		Short-term investment	US\$ 3,750	N/A	US\$ 3,749	
	Lincoln Natl Corp. In		Short-term investment	US\$ 519	N/A	US\$ 518	
	Merita Bk Ltd NY Brh Merrill Lynch + Co. Inc.		Short-term investment	US\$ 538	N/A	US\$ 533	
	Metropolitan Life Global Mtn		Short-term investment	US\$ 3,486	N/A	US\$ 3,481	
	Monumental Global Fdg II		Short-term investment	US\$ 1,907	N/A	US\$ 1,910	
	Monumental Global Fdg II		Short-term investment	US\$ 2,500	N/A	US\$ 2,501	
	Monumental Global Fdg II 2002A		Short-term investment	US\$ 1,534	N/A	US\$ 1,516	
	Morgan Stanley		Short-term investment	US\$ 1,045	N/A	US\$ 1,034	
	Morgan Stanley Group Inc.		Short-term investment	US\$ 2,136	N/A	US\$ 2,128	
	Morgan Stanley Group Inc.		Short-term investment	US\$ 3,638	N/A	US\$ 3,628	
	Morgan Stanley Group Inc.		Short-term investment	US\$ 1,050	N/A	US\$ 1,048	
				US\$ 1,433	N/A	US\$ 1,422	

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National Westminster Bk PLC	Short-term investment			
Nationsbank Corp.	Short-term investment	US\$ 3,644	N/A	US\$ 3,549
Nationwide Bldg Soc	Short-term investment	US\$ 3,457	N/A	US\$ 3,477
Nationwide Life Global Mtn	Short-term investment	US\$ 1,463	N/A	US\$ 1,469
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$ 3,818	N/A	US\$ 3,817
PNC Fdg Corp.	Short-term investment	US\$ 1,080	N/A	US\$ 1,075
Popular North Amer Inc. Mtn	Short-term investment	US\$ 3,042	N/A	US\$ 3,022
Premark Intl Inc.	Short-term investment	US\$ 2,954	N/A	US\$ 2,914
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,507	N/A	US\$ 3,503
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,050	N/A	US\$ 3,047
Principal Life Global Fdg I Gl	Short-term investment	US\$ 3,168	N/A	US\$ 3,102
Protective Life Secd Trs	Short-term investment	US\$ 2,920	N/A	US\$ 2,969
Prudential Ins Co. Amer	Short-term investment	US\$ 2,648	N/A	US\$ 2,610
Reinsurance Group Amer Inc.	Short-term investment	US\$ 2,091	N/A	US\$ 2,089
Royal Bk Scotland Group PLC	Short-term investment	US\$ 1,563	N/A	US\$ 1,547
Royal Bk Scotland Group PLC	Short-term investment	US\$ 564	N/A	US\$ 558
Royal Bk Scotland Group PLC	Short-term investment	US\$ 369	N/A	US\$ 364
Safeco Corp.	Short-term investment	US\$ 765	N/A	US\$ 763
Salomon Smith Barney Hldgs Inc.	Short-term investment	US\$ 3,160	N/A	US\$ 3,100
Sara Lee Corp.	Short-term investment	US\$ 1,596	N/A	US\$ 1,601
SBC Communications Inc.	Short-term investment	US\$ 3,681	N/A	US\$ 3,617
SBC Communications Inc.	Short-term investment	US\$ 2,251	N/A	US\$ 2,245
Scotland Intl Fin B V 144A	Short-term investment	US\$ 1,533	N/A	US\$ 1,532
Shell Finance (UK) PLC	Short-term investment	US\$ 3,604	N/A	US\$ 3,553
SLM Corp.	Short-term investment	US\$ 500	N/A	US\$ 501
		US\$ 2,950	N/A	US\$ 2,985

SLM Corp. Medium Term Nts	Short-term investment			
SP Powerassets Ltd Global	Short-term investment	US\$ 991	N/A	US\$ 992
Suntrust Bks Inc.	Short-term investment	US\$ 1,062	N/A	US\$ 1,060 (Continued)

		December 31, 2004			
		Carrying Value	Percentage of	Market Value or Net Asset Value	
Marketable Securities	Relationship with	Financial Statement	Shares/Units	(US\$ in	(US\$ in
Old Company Name	Type and Name	the Company	Account	(In Thousand)	Ownership Thousand)
	Swedbank Sparbanken Svenge AB		Short-term investment	US\$ 1,084	N/A US\$ 1,067
	TIAA Global Mkts Inc.		Short-term investment	US\$ 519	N/A US\$ 514
	Tribune Co. Med Trm Nts		Short-term investment	US\$ 2,943	N/A US\$ 2,965
	Union Planters		Short-term investment	US\$ 2,755	N/A US\$ 2,704
	Unitedhealth Group Inc.		Short-term investment	US\$ 3,119	N/A US\$ 3,097
	US Bk Natl Assn Cincinnati OH		Short-term investment	US\$ 2,669	N/A US\$ 2,687
	Virginia Elec + Pwr Co.		Short-term investment	US\$ 2,884	N/A US\$ 2,838
	Vodafone Group PLC New		Short-term investment	US\$ 2,559	N/A US\$ 2,561
	Wachovia Corp.		Short-term investment	US\$ 3,720	N/A US\$ 3,600
	Wal Mart Cda Venture Corp.		Short-term investment	US\$ 3,670	N/A US\$ 3,602
	Washington Mut Fin Corp.		Short-term investment	US\$ 4,768	N/A US\$ 4,689
	Washington Mut Inc.		Short-term investment	US\$ 4,735	N/A US\$ 4,682
	Washington Post Co.		Short-term investment	US\$ 3,182	N/A US\$ 3,180
	Wells Fargo + Co. New		Short-term investment	US\$ 3,697	N/A US\$ 3,631
	Westfield Cap Corp. Ltd		Short-term investment	US\$ 1,999	N/A US\$ 1,999
	China Steel Corporation		Long-term investment	2,978,804	N/A 2,977,695
	Taiwan Power Company		Long-term investment	915,276	N/A 914,582
	Nan Ya Plastics Corporation		Long-term investment	407,526	N/A 407,484
	Formosa Plastics Corporation		Long-term investment	405,485	N/A 405,322
				202,595	N/A 200,000

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Formosa Petrochemical Corporation	Long-term investment					
<u>Agency bonds</u>						
Fed Hm Ln Pc	Short-term investment	US\$	3,466	N/A	US\$	3,462
Federal Home Ln Bks	Short-term investment	US\$	2,532	N/A	US\$	2,520
Federal Home Ln Bks	Short-term investment	US\$	1,042	N/A	US\$	1,024
Federal Home Ln Bks	Short-term investment	US\$	4,927	N/A	US\$	4,947
Federal Home Ln Bks	Short-term investment	US\$	7,962	N/A	US\$	7,939
Federal Home Ln Bks	Short-term investment	US\$	7,014	N/A	US\$	6,924
Federal Home Ln Bks	Short-term investment	US\$	4,936	N/A	US\$	4,949
Federal Home Ln Bks	Short-term investment	US\$	4,948	N/A	US\$	4,944
Federal Home Ln Bks	Short-term investment	US\$	2,454	N/A	US\$	2,468
Federal Home Ln Bks	Short-term investment	US\$	7,018	N/A	US\$	7,004
Federal Home Ln Bks	Short-term investment	US\$	4,996	N/A	US\$	4,973
Federal Home Ln Bks	Short-term investment	US\$	7,042	N/A	US\$	6,985
Federal Home Ln Bks	Short-term investment	US\$	6,098	N/A	US\$	6,084
Federal Home Ln Bks	Short-term investment	US\$	2,909	N/A	US\$	2,907
Federal Home Ln Bks	Short-term investment	US\$	13,953	N/A	US\$	13,898
Federal Home Ln Bks	Short-term investment	US\$	13,983	N/A	US\$	13,946
Federal Home Ln Bks	Short-term investment	US\$	13,981	N/A	US\$	13,946
Federal Home Ln Mtg Corp	Short-term investment	US\$	6,978	N/A	US\$	6,928
Federal Home Ln Mtg Corp.	Short-term investment	US\$	3,388	N/A	US\$	3,419
Federal Home Ln Mtg Corp	Short-term investment	US\$	4,953	N/A	US\$	4,941
Federal Home Ln Mtg Corp.	Short-term investment	US\$	9,997	N/A	US\$	9,943
Federal Home Ln Mtg Corp.	Short-term investment	US\$	998	N/A	US\$	993
Federal Home Ln Mtg Corp.	Short-term investment	US\$	4,933	N/A	US\$	4,936
		US\$	4,930	N/A	US\$	4,938

Federal Home Ln Mtg Corp. Mtn	Short-term investment				
Federal Home Loan Mtg Assn	Short-term investment	US\$	4,847	N/A	US\$ 4,891

(Continued)

		December 31, 2004					
			Carrying		Market		
			Value	Percentage	Value or		
			Value	of	Net Asset		
			(US\$ in	Ownership	Value		
			Thousand)	Thousand)	(US\$ in		
			(In	Thousand)	Thousand)		
			Thousand	Thousand)	Thousand)		
Marketable Securities	Relationship with	Financial Statement	Shares/Unit	(US\$ in	of	(US\$ in	
Held Company Name	Type and Name	the Company	Account	Thousand	Ownership	Thousand)	
						Note	
	Federal Home Loan Mtg Corp.		Short-term investment	US\$ 4,903	N/A	US\$ 4,943	
	Federal Natl Mtg Assn		Short-term investment	US\$ 5,270	N/A	US\$ 5,237	
	Federal Natl Mtg Assn		Short-term investment	US\$ 6,940	N/A	US\$ 6,937	
	Federal Natl Mtg Assn		Short-term investment	US\$ 6,903	N/A	US\$ 6,917	
	Federal Natl Mtg Assn		Short-term investment	US\$ 4,981	N/A	US\$ 4,953	
	Federal Natl Mtg Assn		Short-term investment	US\$ 6,997	N/A	US\$ 6,983	
	Federal Natl Mtg Assn		Short-term investment	US\$ 15,787	N/A	US\$ 15,798	
	Federal Natl Mtg Assn		Short-term investment	US\$ 7,000	N/A	US\$ 6,976	
	Freddie Mac		Short-term investment	US\$ 4,929	N/A	US\$ 4,934	
	Fed Hm Ln Pc Pool E89857		Short-term investment	US\$ 2,535	N/A	US\$ 2,531	
	Fed Hm Ln Pc Pool G11295		Short-term investment	US\$ 2,277	N/A	US\$ 2,273	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 6,096	N/A	US\$ 6,075	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 4,435	N/A	US\$ 4,440	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 3,558	N/A	US\$ 3,539	
	Federal Home Ln Mtg Corp.		Short-term investment	US\$ 3,645	N/A	US\$ 3,615	
	Federal Natl Mtg Assn		Short-term investment	US\$ 4,242	N/A	US\$ 4,188	
	Federal Natl Mtg Assn		Short-term investment	US\$ 2,141	N/A	US\$ 2,126	
	Federal Natl Mtg Assn		Short-term investment	US\$ 4,765	N/A	US\$ 4,719	
	Federal Natl Mtg Assn		Short-term investment	US\$ 3,486	N/A	US\$ 3,446	
	Gtd		Short-term investment	US\$ 3,486	N/A	US\$ 3,446	
	FNMA Pool 685116		Short-term investment	US\$ 1,003	N/A	US\$ 1,002	

	Short-term investment			
FNMA Pool 725095	Short-term investment	US\$ 2,008	N/A	US\$ 2,003
FNMA Pool 790828	Short-term investment	US\$ 4,807	N/A	US\$ 4,773
FNMA Pool 793932	Short-term investment	US\$ 994	N/A	US\$ 994
FNMA Pool 794040	Short-term investment	US\$ 1,021	N/A	US\$ 1,020
FNMA Pool 795548	Short-term investment	US\$ 977	N/A	US\$ 975
FNMA Pool 806642	Short-term investment	US\$ 2,006	N/A	US\$ 2,004
GNMA II Pool 081150	Short-term investment	US\$ 999	N/A	US\$ 997
GNMA II Pool 081153	Short-term investment	US\$ 3,789	N/A	US\$ 3,766
Government Natl Mtg Assn	Short-term investment	US\$ 1,734	N/A	US\$ 1,700
<u>Corporate issued asset-backed securities</u>				
Aegis Asset Backed Secs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,004
Aesop Fed II LLC	Short-term investment	US\$ 4,955	N/A	US\$ 4,963
Aesop Fed II LLC	Short-term investment	US\$ 1,912	N/A	US\$ 1,888
American Express Cr Account Ma	Short-term investment	US\$ 3,445	N/A	US\$ 3,427
American Home Mtg Invt Tr	Short-term investment	US\$ 949	N/A	US\$ 949
Americredit Automobile Receiv	Short-term investment	US\$ 2,002	N/A	US\$ 1,998
Americredit Automobile Rec Tr	Short-term investment	US\$ 1,055	N/A	US\$ 1,048
Americredit Automobile Rec Tr	Short-term investment	US\$ 2,000	N/A	US\$ 1,990
Americredit Automobile Receivb	Short-term investment	US\$ 4,949	N/A	US\$ 4,912
Atlantic City Elc Trns Fdg LLC	Short-term investment	US\$ 926	N/A	US\$ 923
Banc Amer Coml Mtg Inc.	Short-term investment	US\$ 5,364	N/A	US\$ 5,315
Banc Amer Mtg Secs Inc.	Short-term investment	US\$ 4,030	N/A	US\$ 4,006
Bank of Amer Lease Equip Tr	Short-term investment	US\$ 4,023	N/A	US\$ 3,995
Bear Stearns Alt A Tr	Short-term investment	US\$ 1,478	N/A	US\$ 1,489

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Bear Stearns Asset Backed Secs	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
BMW Veh Owner Tr	Short-term investment	US\$ 4,978	N/A	US\$ 4,941

(Continued)

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		December 31, 2004					
			Carrying	Market			
			Value	Value or			
				Net Asset			
				Value			
				Percentage			
				of			
				(US\$ in			
				Thousand)			
				Ownership			
				(Thousand)			
				Note			
Held Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	(US\$ in Thousand)	Percentage of (US\$ in Thousand)	Note
	California Infr + Economic Dev		Short-term investment	US\$ 4,298	N/A	US\$ 4,230	
	California Infr + Economic		Short-term investment	US\$ 6,126	N/A	US\$ 6,064	
	California Infrastructure Dev		Short-term investment	US\$ 5,089	N/A	US\$ 5,035	
	Capital Auto Receivables Asset		Short-term investment	US\$ 4,018	N/A	US\$ 3,992	
	Capital One Auto Fin Tr		Short-term investment	US\$ 319	N/A	US\$ 318	
	Capital One Auto Fin Tr		Short-term investment	US\$ 1,147	N/A	US\$ 1,145	
	Capital One Auto Fin Tr		Short-term investment	US\$ 3,000	N/A	US\$ 2,989	
	Capital One Multi Asset Execut		Short-term investment	US\$ 4,957	N/A	US\$ 4,977	
	Caterpillar Finl Asset Tr		Short-term investment	US\$ 10,008	N/A	US\$ 9,923	
	Centex Home Equity Ln Tr		Short-term investment	US\$ 3,500	N/A	US\$ 3,493	
	Cit Equip Coll Tr		Short-term investment	US\$ 4,999	N/A	US\$ 4,991	
	Citibank Cr Card Issuance Tr		Short-term investment	US\$ 4,959	N/A	US\$ 4,965	
	Citicorp Mtg Secs		Short-term investment	US\$ 2,364	N/A	US\$ 2,363	
	CNH Equip Tr		Short-term investment	US\$ 5,000	N/A	US\$ 4,952	
	Comm 2004 Htl 1		Short-term investment	US\$ 4,600	N/A	US\$ 4,607	
	Credit Suisse First Boston Mtg		Short-term investment	US\$ 4,209	N/A	US\$ 4,178	
	CWABS Inc.		Short-term investment	US\$ 1,647	N/A	US\$ 1,662	
	CWABS Inc.		Short-term investment	US\$ 1,903	N/A	US\$ 1,907	
	CWABS Inc.		Short-term investment	US\$ 1,907	N/A	US\$ 1,912	
	CWABS Inc.		Short-term investment	US\$ 2,000	N/A	US\$ 1,997	

	Short-term investment			
CWABS Inc.	Short-term investment	US\$ 5,000	N/A	US\$ 5,055
CWABS Inc.	Short-term investment	US\$ 3,500	N/A	US\$ 3,541
CWALT Inc.	Short-term investment	US\$ 4,292	N/A	US\$ 4,277
CWABS Inc.	Short-term investment	US\$ 2,317	N/A	US\$ 2,298
CWABS Inc.	Short-term investment	US\$ 4,040	N/A	US\$ 4,040
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,991	N/A	US\$ 4,970
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,982	N/A	US\$ 4,970
Daimlerchrysler Auto Tr	Short-term investment	US\$ 4,897	N/A	US\$ 4,893
Detroit Edison Securitization	Short-term investment	US\$ 674	N/A	US\$ 671
Fifth Third Auto Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,999
Finance Amer Mtg Ln Tr	Short-term investment	US\$ 985	N/A	US\$ 986
First Franklin Mtg Ln Tr	Short-term investment	US\$ 2,002	N/A	US\$ 2,006
First Horizon Abs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
First Union Lehman Bros Mtg Tr	Short-term investment	US\$ 3,567	N/A	US\$ 3,534
First USA Credit Cr Master Tr	Short-term investment	US\$ 5,011	N/A	US\$ 5,008
Ford Cr Auto Owner Tr	Short-term investment	US\$ 10,999	N/A	US\$ 10,936
Granite Mtgs PLC	Short-term investment	US\$ 5,000	N/A	US\$ 5,000
GS Auto Ln Tr	Short-term investment	US\$ 2,948	N/A	US\$ 2,970
GS Mtg Secs Corp.	Short-term investment	US\$ 2,944	N/A	US\$ 2,944
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 3,417	N/A	US\$ 3,400
Harley Davidson Motorcycle Tr	Short-term investment	US\$ 5,999	N/A	US\$ 5,938
Holmes Fing No 8 PLC	Short-term investment	US\$ 5,001	N/A	US\$ 5,052
Honda Auto Receivables	Short-term investment	US\$ 5,000	N/A	US\$ 4,991
Household Automotive Tr	Short-term investment	US\$ 513	N/A	US\$ 511
		US\$ 3,500	N/A	US\$ 3,468

Hyundai Auto Receivables Tr	Short-term investment			
IMPAC Cmb Tr	Short-term investment	US\$ 1,414	N/A	US\$ 1,413
IMPAC Cmb Tr	Short-term investment	US\$ 988	N/A	US\$ 988

(Continued)

	Short-term investment			
Sequoia Mtg Tr	Short-term investment	US\$ 1,488	N/A	US\$ 1,486
Sequoia Mtg Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2,000
Sequoia Mtg Tr	Short-term investment	US\$ 3,500	N/A	US\$ 3,500
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$ 3,037	N/A	US\$ 3,031
Structured Asset Secs Corp.	Short-term investment	US\$ 1,403	N/A	US\$ 1,394
Thoornburg Mtg Secs Tr	Short-term investment	US\$ 1,921	N/A	US\$ 1,923
Toyota Auto Receivables 2003B	Short-term investment	US\$ 4,970	N/A	US\$ 4,930
Triad Auto Receivables Tr	Short-term investment	US\$ 5,042	N/A	US\$ 4,997
TXU Elec Delivery Transition	Short-term investment	US\$ 7,736	N/A	US\$ 7,715
USAA Auto Owner Tr	Short-term investment	US\$ 4,000	N/A	US\$ 3,991
Wachovia Auto Owner Tr	Short-term investment	US\$ 6,000	N/A	US\$ 5,991
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,999	N/A	US\$ 4,995
WFS Financial Owner Trust	Short-term investment	US\$ 5,008	N/A	US\$ 4,989
WFS Finl 2004 2 Owner Tr	Short-term investment	US\$ 4,994	N/A	US\$ 4,992
WFS Finl 2004 4 Owner Tr	Short-term investment	US\$ 5,399	N/A	US\$ 5,342
Whole Auto Ln Tr	Short-term investment	US\$ 5,967	N/A	US\$ 5,966
Whole Auto Ln Tr	Short-term investment	US\$ 4,000	N/A	US\$ 3,969
Whole Auto Ln Tr	Short-term investment	US\$ 3,000	N/A	US\$ 2,964
World Omni Auto Receivables Tr	Short-term investment	US\$ 5,963	N/A	US\$ 5,906
<u>Commercial papers</u>	Short-term investment	US\$ 2,997	N/A	US\$ 2,997
<u>Corporate issued notes</u>	Short-term investment	US\$ 1,999	N/A	US\$ 1,999

(Continued)

Company Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	December 31, 2004		Market Value or Net Asset Value (US\$ in Thousand)
					Carrying Value (US\$ in Thousand)	Percentage of Ownership	
	<u>Money market funds</u>		Short-term investment		US\$ 21,114	N/A	US\$ 21,114
	<u>Equity</u>						
	Horizon Venture Fund I, L.P.		Long-term investment		246,485	N/A	246,485
	Crimson Asia Capital Ltd., L.P.		Long-term investment		43,649	N/A	43,649
MC - North America	TSMC stock	Parent company	Short-term investment	14,151	677,110		696,661
Cherng	TSMC stock	Parent company	Short-term investment	15,670	458,564		771,451
a Ruey	TSMC stock	Parent company	Short-term investment	15,700	459,512		772,897
MC International	<u>Money market fund</u>						
	BOA Fund		Short-term investment	30,300	US\$ 30,300	N/A	US\$ 30,300
	<u>Stock</u>						
	InveStar	Subsidiary	Long-term investment	24,320	US\$ 34,514	97	US\$ 34,514
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 34,534	97	US\$ 34,534
	TSMC Development	Subsidiary	Long-term investment	1	US\$ 603,993	100	US\$ 603,993
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,544	100	US\$ 5,544
	3DFX Interactive Inc.		Long-term investment	68			
MC Development	WaferTech stock	Subsidiary	Long-term investment		US\$ 484,060	99	US\$ 484,060
Star	<u>Common stock</u>			682	US\$ 67		US\$ 1,370

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RichTek Technology Corp.	Short-term investment				
Advanced Power Electronics Corp.	Short-term investment	1,108	US\$ 502	US\$	697
Broadtek Electronics Corp.	Short-term investment	869	US\$ 275	US\$	225
Monolithic Power Systems, Inc.	Short-term investment	1,975	US\$ 1,567	US\$	19,910
SiRF Technology Holdings, Inc.	Short-term investment	90	US\$ 393	US\$	1,157
Broadtek Electronics Corp.	Long-term investment	145	US\$ 46	US\$	38
Programmable Microelectronics (Taiwan), Corp.	Long-term investment	575	US\$ 208	1 US\$	208
Global Testing Corp.	Long-term investment	13,268	US\$ 5,670	9 US\$	5,670
RichTek Technology Corp.	Long-term investment	842	US\$ 83	1 US\$	1,692
Signia Technologies, Inc.	Long-term investment	701	US\$ 202	3 US\$	202
Incentia Design Systems, Inc.	Long-term investment	365	US\$ 92	1 US\$	92
Advanced Power Electronics Corp.	Long-term investment	1,123	US\$ 508	2 US\$	706
Capella Microsystems (Taiwan), Inc.	Long-term investment	530	US\$ 154	4 US\$	154
<u>Preferred stock</u>					
Integrated Memory Logic, Inc.	Long-term investment	1,831	US\$ 1,221	12 US\$	1,221
Sensory, Inc.	Long-term investment	1,404	US\$ 125	6 US\$	125
Sonics, Inc.	Long-term investment	2,686	US\$ 3,530	4 US\$	3,530
NanoAmp Solutions, Inc.	Long-term investment	541	US\$ 853	2 US\$	853
Memsic, Inc.	Long-term investment	2,727	US\$ 1,500	10 US\$	1,500

(Continued)

Marketable Securities	Relationship with	Financial Statements	December 31, 2004					
			Shares/Units	Carrying Value	Percentage of	Market Value or Net Asset Value	Market Value or Net Asset Value	
Company Name	Type and Name	the Company	Account	(In Thousand)	(US\$ in Thousand)	Ownership	(US\$ in Thousand)	(US\$ in Thousand)
	Reflectivity, Inc.		Long-term investment	1,064	US\$ 741	2	US\$ 741	
	IP Unity		Long-term investment	1,008	US\$ 494	2	US\$ 494	
	Tropian, Inc.		Long-term investment	1,758	US\$ 471	3	US\$ 471	
eStar II	<u>Common stock</u>							
	RichTek Technology Corp.		Short-term investment	321	US\$ 184		US\$ 645	
	Monolithic Power Systems, Inc.		Short-term investment	864	US\$ 2,081		US\$ 8,716	
	eChannel Option Holding, Inc.		Long-term investment	358	US\$ 251	4	US\$ 251	
	eLCOS Microdisplay Technology, Ltd.		Long-term investment	270	US\$ 27	1	US\$ 27	
	Signia Technologies, Inc.		Long-term investment	351	US\$ 101	1	US\$ 101	
	Procoat Technology, Inc.		Long-term investment	5,123	US\$ 1,940	10	US\$ 1,940	
	RichTek Technology Corp.		Long-term investment	395	US\$ 226	1	US\$ 794	
	Programmable Microelectronics (Taiwan), Inc.		Long-term investment	177	US\$ 50		US\$ 50	
	Auden Technology MFG. Co., Ltd.		Long-term investment	953	US\$ 738	4	US\$ 738	
	GeoVision, Inc.		Long-term investment	471	US\$ 127	1	US\$ 127	
	EoNex Technologies, Inc.		Long-term investment	55	US\$ 3,048	5	US\$ 3,048	
	Conwise Technology Corporation, Ltd.		Long-term investment	2,800	US\$ 490	14	US\$ 490	
	EON Technology, Corp.		Long-term investment	3,276	US\$ 1,175	8	US\$ 1,175	
	Goyatek Technology, Corp.		Long-term investment	2,088	US\$ 545	7	US\$ 545	
	Trendchip Technologies Corp.		Long-term investment	2,000	US\$ 861	5	US\$ 861	

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Ralink Technology (Taiwan), Inc.	Long-term investment	1,833	US\$	791	3	US\$	791
Silicon Data International Co., Inc.	Long-term investment	2,000	US\$	204	3	US\$	204
Capella Microsystems (Taiwan), Inc.	Long-term investment	419	US\$	122	3	US\$	122

Preferred stock

Memsic, Inc.	Long-term investment	2,289	US\$	1,560	8	US\$	1,560
eLCOS Microdisplay Technology, Ltd.	Long-term investment	2,667	US\$	3,500	15	US\$	3,500
NanoAmp Solutions, Inc.	Long-term investment	375	US\$	1,500	1	US\$	1,500
Advanced Analogic Technology, Inc.	Long-term investment	948	US\$	1,261	2	US\$	1,261
Sonics, Inc.	Long-term investment	1,582	US\$	3,082	5	US\$	3,082
Reflectivity, Inc.	Long-term investment	4,255	US\$	2,205	5	US\$	2,205
Tropian, Inc.	Long-term investment	1,464	US\$	393	2	US\$	393
Kilopass Technologies, Inc.	Long-term investment	3,887	US\$	2,000	19	US\$	2,000
FangTek, Inc.	Long-term investment	6,806	US\$	3,250	34	US\$	3,250
Alchip Technologies Limited	Long-term investment	2,579	US\$	2,950	18	US\$	2,950

erging Alliance

Common stock

Global Investment Holding, Inc.	Long-term investment	10,000		100,000	6		100,000
RichWave Technology Corp.	Long-term investment	2,600	US\$	867	13	US\$	867
NetLogic Microsystems, Inc.	Long-term investment	113	US\$	1,388	1	US\$	1,388

Preferred stock

Quake Technologies, Inc.	Long-term investment	601	US\$	450	1	US\$	450
Pixim, Inc.	Long-term investment	1,721	US\$	2,382	3	US\$	2,382
Newport Opticom, Inc.	Long-term investment	962	US\$	250	6	US\$	250
Ikanos Communication, Inc.	Long-term investment	7,446	US\$	3,125	3	US\$	3,125

(Continued)

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004					
				Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
	Quicksilver Technology, Inc.		Long-term investment	1,049	US\$		4	US\$	
	Mosaic Systems, Inc.		Long-term investment	2,481	US\$	12	6	US\$	12
	Zenesis Technologies, Inc.		Long-term investment	1,204	US\$	699	4	US\$	699
	Reflectivity, Inc.		Long-term investment	4,848	US\$	2,479	4	US\$	2,479
	Teknovus, Inc.		Long-term investment	5,556	US\$	1,000	3	US\$	1,000
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)		Long-term investment	3,040	US\$	1,000	4	US\$	1,000
	Axiom Microdevices, Inc.		Long-term investment	1,000	US\$	1,000	5	US\$	1,000
	Optichron, Inc.		Long-term investment	714	US\$	1,000	6	US\$	1,000
	Audience, Inc.		Long-term investment	1,654	US\$	250	2	US\$	250
	Next IO, Inc.		Long-term investment	800	US\$	500	2	US\$	500
	NuCORE Technology Inc.		Long-term investment	2,254	US\$	1,455	2	US\$	1,455
	Centrality Communications, Inc.		Long-term investment	809	US\$	1,000	2	US\$	1,000
	Layer N Networks, Inc.		Long-term investment	1,905	US\$	1,000	2	US\$	1,000
F II	<u>Common stock</u>								
	Yobon Technologies, Inc.		Long-term investment	1,675	US\$	787	17	US\$	787
	Sentelic, Corp.		Long-term investment	600	US\$	1,022	15	US\$	1,022
	Ivyon Technology, Inc.		Long-term investment	200	US\$	775	10	US\$	775
	<u>Preferred stock</u>								
	Powerprecise Solutions, Inc.		Long-term investment	258	US\$	250	3	US\$	250
	Tzero Technologies, Inc.		Long-term investment	244	US\$	500	2	US\$	500

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Miradia, Inc.		Long-term investment	1,809	US\$ 1,600	2	US\$ 1,600
Agelia Technologies, Inc.		Long-term investment	1,149	US\$ 1,000	2	US\$ 1,000
Audience, Inc.		Long-term investment	531	US\$ 102	1	US\$ 102
Axiom Microdevices, Inc.		Long-term investment	686	US\$ 700	5	US\$ 700
Next IO, Inc.		Long-term investment	216	US\$ 182		US\$ 182
<u>Bond funds</u>						
Grand Cathay		Short-term investment	3,608	45,543	N/A	45,544
TIIM		Short-term investment	703	9,698	N/A	9,698
Polaris De Li		Short-term investment	1,550	22,800	N/A	22,800
EnTrust Kirin		Short-term investment	2,106	22,697	N/A	22,698
E. Sun New Era		Short-term investment	1,920	20,313	N/A	20,314
Jih Sun		Short-term investment	772	10,262	N/A	10,262
EnTrust Phoenix		Short-term investment	2,081	30,563	N/A	30,564
Transcend Fortune		Short-term investment	1,936	22,947	N/A	22,948
<u>Stock funds</u>						
TIIM DaLi		Short-term investment	296	5,000	N/A	4,474
UPAMC Global Select Fund of Funds		Short-term investment	336	3,364	N/A	3,378
Sheng Hua 9966 Balance		Short-term investment	300	3,000	N/A	3,011
<u>Stock</u>						
Global Unichip Corporation	Subsidiary	Long-term investment	100	3,375	100	3,375

TABLE 4**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES****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 YEAR ENDED DECEMBER 31, 2004****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal Amount (US\$ in Thousand)	Disposal (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Short-term investment	BOA		40,000	\$ 1,359,120 (US\$)		\$	40,000	\$ 1,359,120 (US\$)
Short-term investment	Goldman Sachs		20,000	40,000 (US\$)			20,000	679,560 (US\$)
Short-term investment	JF Asset Management (Taiwan) Ltd.		34,343	500,000	68,021	1,000,000	23,666	350,000
Short-term investment	ABN AMRO		34,794	500,000	165,257	2,400,000	65,145	950,000
Short-term investment	ABN AMRO				18,235	200,000		
Short-term investment	JF Asset Management (Taiwan) Ltd.				110,580	1,500,000	25,694	350,000
Short-term investment	INVESCO Asset Management Taiwan				93,975	1,350,000	17,270	250,000
Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.				80,833	900,000		
Short-term investment	Barits Securities Investment Trust Co., Ltd.				76,640	900,000		
Short-term investment	Shinkong Investment				151,594	2,100,000		

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Short-term investment	Trust Co., Ltd. National Investment Trust Co., Ltd.	3,764	600,000		
Short-term investment	HSBC Asset Management (Taiwan) Ltd.	41,568	600,000		
Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	1,800,000	2,577,163	4,127,714	
Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	1,422,197		1,427,762	
Short-term investment	BNP and several financial institutions	3,157,331		3,169,750	
Short-term investment	BNP and several financial institutions	3,113,066		3,133,875	
Short-term investment	BNP and several financial institutions		2,023,206	2,031,500	
Short-term investment	BNP and several financial institutions		1,207,409		
Short-term investment			US\$ 699,398	US\$ 506,162	US\$
Long-term investment	FCB and several financial institutions		3,402,213		
Long-term investment	China Bills Finance Corp. and several financial institutions		2,349,573		
Long-term investment	BNP and several financial institutions		3,890,925		

ong-term vestment	KGI Securities Co., Ltd. and several financial institutions	620,000			
ort-term vestment	KGI Securities Co., Ltd.	2,777,798			
ort-term vestment		US\$ 3,171			
ort-term vestment		US\$ 3,550			
ort-term vestment		US\$ 3,503	US\$ 3,504	US\$	
ort-term vestment		US\$ 3,130			

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal Amount
			Shares/Units	Amount	Shares/Units	Amount	
			(Thousand)	(US\$ in Thousand)	(Thousand)	(US\$ in Thousand)	
Short-term investment				\$		US\$3,702	
Short-term investment						US\$3,509	US\$3,509
Short-term investment						US\$3,750	US\$3,750
Short-term investment						US\$3,800	
Short-term investment						US\$3,795	
Short-term investment						US\$3,005	
Short-term investment						US\$3,945	
Short-term investment						US\$3,693	US\$3,693
Short-term investment						US\$3,805	US\$3,805
Short-term investment						US\$3,518	
Short-term investment						US\$3,105	
Short-term investment						US\$3,819	
Short-term investment						US\$3,277	US\$3,277
Short-term investment						US\$3,837	US\$3,837
Short-term investment						US\$3,203	
Short-term investment						US\$3,583	
Short-term investment						US\$3,719	
Short-term investment						US\$3,687	
Short-term investment						US\$3,534	US\$3,534
Short-term investment						US\$5,210	
						US\$3,177	US\$3,177

Short-term investment		
Short-term investment	US\$3,054	
Short-term investment	US\$3,459	
Short-term investment	US\$8,315	
Short-term investment	US\$4,237	
Short-term investment	US\$4,847	
Short-term investment	US\$3,013	
Short-term investment	US\$3,507	US\$3,4
Short-term investment	US\$3,467	
Short-term investment	US\$3,886	
Short-term investment	US\$3,412	
Short-term investment	US\$3,505	
Short-term investment	US\$3,820	
Short-term investment	US\$3,373	
Short-term investment	US\$3,284	
Short-term investment	US\$3,712	US\$3,6
Short-term investment	US\$3,542	
Short-term investment	US\$3,003	
Short-term investment	US\$3,012	
Short-term investment	US\$5,232	
Short-term investment	US\$3,638	US\$3,6
Short-term investment	US\$3,128	
Short-term investment	US\$3,663	
Short-term investment	US\$3,500	
Short-term investment	US\$5,104	
	US\$3,417	US\$3,3

Short-term investment		
Short-term investment	US\$3,705	
Short-term investment	US\$3,750	
Short-term investment	US\$3,497	US\$3,4
Short-term investment	US\$3,486	
Short-term investment	US\$3,129	
Short-term investment	US\$5,741	
Short-term investment	US\$4,763	US\$3,7
Short-term investment	US\$3,644	
Short-term investment	US\$3,457	
Short-term investment	US\$3,413	
Short-term investment	US\$3,818	
Short-term investment	US\$3,042	
Short-term investment	US\$3,507	

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (Thousand)	Amount (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Short-term investment				\$	US\$	3,050		
Short-term investment					US\$	3,168		
Short-term investment					US\$	3,160		
Short-term investment					US\$	3,681		
Short-term investment					US\$	3,604		
Short-term investment					US\$	3,631		US\$3,1
Short-term investment					US\$	3,119		
Short-term investment					US\$	3,177		US\$3,1
Short-term investment					US\$	3,172		US\$3,1
Short-term investment					US\$	3,720		
Short-term investment					US\$	3,670		
Short-term investment					US\$	4,768		
Short-term investment					US\$	4,735		
Short-term investment					US\$	3,182		
Short-term investment					US\$	3,697		
Long-term investment	Chung Shing Bills Finance Corp.					2,997,430		
Long-term investment	BNP and several financial institutions					950,646		
Long-term investment	Chung Shing Bills Finance Corp.					408,538		
						406,245		

ong-term investment	Chung Shing Bills Finance Corp.		
ong-term investment	Chung Shing Bills Finance Corp.	202,980	
hort-term investment		US\$ 6,096	
hort-term investment		US\$ 4,725	
hort-term investment		US\$ 3,558	
hort-term investment		US\$ 5,861	
hort-term investment		US\$ 3,393	
hort-term investment		US\$ 6,130	
hort-term investment		US\$ 6,371	
hort-term investment		US\$ 7,000	
hort-term investment		US\$ 5,014	
hort-term investment		US\$ 3,817	
hort-term investment		US\$ 4,829	US\$4,829
hort-term investment		US\$ 4,473	
hort-term investment		US\$ 3,466	
hort-term investment		US\$ 5,210	US\$4,130
hort-term investment		US\$ 4,927	
hort-term investment		US\$ 14,938	US\$6,938
hort-term investment		US\$ 7,014	
hort-term investment		US\$ 4,936	
hort-term investment		US\$ 9,956	US\$9,956
hort-term investment		US\$ 5,264	US\$5,264
hort-term investment		US\$ 4,948	