

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

November 01, 2004

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

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

For the month of October 2004

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 Nine Months Ended

September 30, 2004 and 2003

Together with Independent Accountants' Review Report

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. as of September 30, 2004 and 2003 and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

October 12, 2004

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

BALANCE SHEETS

SEPTEMBER 30, 2004 AND 2003

(In Thousand New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

| ASSETS | 2004 | | 2003 | |
|--|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2, 3 and 4) | \$ 78,289,897 | 17 | \$ 82,730,782 | 22 |
| Short-term investments (Notes 2 and 4) | 46,128,381 | 10 | 11,664,302 | 3 |
| Receivables from related parties (Note 18) | 19,974,807 | 4 | 15,186,373 | 4 |
| Notes receivable | 76,183 | | 43,709 | |
| Accounts receivable | 17,689,511 | 4 | 12,704,943 | 3 |
| Allowance for doubtful receivables (Note 2) | (983,077) | | (1,021,399) | |
| Allowance for sales returns and others (Note 2) | (3,342,566) | (1) | (2,055,142) | (1) |
| Other receivables from related parties (Note 18) | 3,004,113 | 1 | 108,692 | |
| Other financial assets (Notes 2 and 21) | 1,307,965 | | 1,192,351 | |
| Inventories net (Notes 2 and 5) | 12,628,465 | 3 | 11,813,455 | 3 |
| Deferred income taxes assets (Notes 2 and 12) | 2,471,000 | | 2,117,000 | 1 |
| Prepaid expenses and other current assets | 437,243 | | 688,212 | |
| Total current assets | 177,681,922 | 38 | 135,173,278 | 35 |
| FUNDS AND LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21) | | | | |
| Equity method | 45,792,238 | 10 | 33,932,303 | 9 |
| Cost method | 717,299 | | 736,653 | |
| Long-term bonds | 11,676,396 | 3 | | |
| Total funds and long-term investments | 58,185,933 | 13 | 34,668,956 | 9 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18) | | | | |
| Cost | | | | |
| Buildings | 82,012,404 | 18 | 70,767,593 | 18 |
| Machinery and equipment | 374,207,513 | 81 | 324,426,114 | 85 |
| Office equipment | 6,853,204 | 1 | 6,077,495 | 2 |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| | 463,073,121 | 100 | 401,271,202 | 105 |
| Accumulated depreciation | (285,808,476) | (61) | (233,609,935) | (61) |
| Advance payments and construction in progress | 29,891,273 | 6 | 24,632,558 | 6 |
| Net property, plant and equipment | 207,155,918 | 45 | 192,293,825 | 50 |
| GOODWILL (Note 2) | 2,003,244 | | 2,351,634 | 1 |
| OTHER ASSETS | | | | |
| Deferred charges net (Notes 2, 8 and 20) | 9,520,310 | 2 | 8,415,357 | 2 |
| Deferred income taxes assets (Notes 2 and 12) | 7,796,174 | 2 | 8,841,310 | 3 |
| Assets leased to others net (Note 2) | 80,047 | | 85,072 | |
| Idle assets (Note 2) | 54,791 | | 74,644 | |
| Refundable deposits (Note 18) | 29,353 | | 287,403 | |
| Total other assets | 17,480,675 | 4 | 17,703,786 | 5 |
| TOTAL ASSETS | \$ 462,507,692 | 100 | \$ 382,191,479 | 100 |

| LIABILITIES AND SHAREHOLDERS EQUITY | 2004 | | 2003 | |
|---|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| CURRENT LIABILITIES | | | | |
| Payables to related parties (Notes 18 and 20) | \$ 5,639,023 | 1 | \$ 3,790,399 | 1 |
| Accounts payable | 7,357,718 | 2 | 5,596,631 | 1 |
| Payables to contractors and equipment suppliers | 15,260,860 | 3 | 9,480,795 | 3 |
| Accrued expenses and other current liabilities (Notes 2, 10, 20 and 21) | 10,974,741 | 2 | 8,319,012 | 2 |
| Current portion of long-term bonds payable (Note 9) | 5,000,000 | 1 | | |
| Total current liabilities | 44,232,342 | 9 | 27,186,837 | 7 |
| LONG-TERM LIABILITIES | | | | |
| Bonds payable (Note 9) | 30,000,000 | 6 | 35,000,000 | 9 |
| Other long-term payable (Notes 10 and 20) | 2,446,848 | 1 | 3,660,493 | 1 |
| Other payables to related parties (Notes 18 and 20) | 2,468,088 | 1 | | |

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| | | | | |
|--|--------------------------|----------------|--------------------------|----------------|
| Total long-term liabilities | <u>34,914,936</u> | <u>8</u> | <u>38,660,493</u> | <u>10</u> |
| OTHER LIABILITIES | | | | |
| Accrued pension cost (Notes 2 and 11) | 2,975,006 | 1 | 2,533,864 | 1 |
| Deferred credits gain on intercompany (Notes 2 and 18) | 598,350 | | | |
| Guarantee deposits (Note 20) | <u>524,268</u> | | <u>838,864</u> | |
| Total other liabilities | <u>4,097,624</u> | <u>1</u> | <u>3,372,728</u> | <u>1</u> |
| Total liabilities | <u>83,244,902</u> | <u>18</u> | <u>69,220,058</u> | <u>18</u> |
| SHAREHOLDERS EQUITY (Notes 2, 14, 15 and 16) | | | | |
| Capital stock \$10 par value | | | | |
| Authorized: 24,600,000 thousand shares | | | | |
| Issued: 23,251,877 thousand shares in 2004 and 20,266,619 thousand shares in 2003 | | | | |
| Capital surplus | 232,518,770 | 50 | 202,666,189 | 53 |
| Retained earnings: | 56,529,100 | 12 | 56,847,417 | 15 |
| Appropriated as legal reserve | 25,528,007 | 6 | 20,802,137 | 5 |
| Appropriated as special reserve | | | 68,945 | |
| Unappropriated earnings | 66,007,204 | 14 | 34,226,657 | 9 |
| Others: | | | | |
| Unrealized loss on long-term investments | (3,967) | | (2,441) | |
| Cumulative translation adjustments | 300,345 | | 5,921 | |
| Treasury stock (at cost) 45,970 thousand shares in 2004 and 40,784 thousand shares in 2003 | <u>(1,616,669)</u> | | <u>(1,643,404)</u> | |
| Total shareholders equity | <u>379,262,790</u> | <u>82</u> | <u>312,971,421</u> | <u>82</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | <u>\$462,507,692</u> | <u>100</u> | <u>\$382,191,479</u> | <u>100</u> |

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

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousand New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

| | 2004 | | 2003 | |
|--|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 18) | \$195,779,620 | | \$147,294,673 | |
| SALES RETURNS AND ALLOWANCES (Note 2) | (3,662,137) | | (3,169,937) | |
| NET SALES | 192,117,483 | 100 | 144,124,736 | 100 |
| COST OF SALES (Notes 13 and 18) | 109,109,645 | 57 | 93,940,362 | 65 |
| GROSS PROFIT | 83,007,838 | 43 | 50,184,374 | 35 |
| OPERATING EXPENSES (Notes 13 and 18) | | | | |
| Research and development | 8,947,939 | 4 | 8,657,300 | 6 |
| General and administrative | 7,214,420 | 4 | 4,572,503 | 3 |
| Marketing | 1,050,619 | 1 | 932,482 | 1 |
| Total operating expenses | 17,212,978 | 9 | 14,162,285 | 10 |
| INCOME FROM OPERATIONS | 65,794,860 | 34 | 36,022,089 | 25 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Investment income recognized by equity method net (Notes 2 and 6) | 3,431,747 | 2 | | |
| Interest | 1,060,412 | 1 | 580,879 | 1 |
| Technical service income (Notes 18 and 20) | 327,583 | | 158,925 | |
| Gain on disposal of property, plant and equipment (Notes 2 and 18) | 144,899 | | 347,656 | |
| Gain on sales of investments (Note 2) | 111,771 | | 66,428 | |
| Other (Note 18) | 322,958 | | 273,013 | |

| | | | | |
|---|------------------|----------|------------------|----------|
| Total non-operating income and gains | <u>5,399,370</u> | <u>3</u> | <u>1,426,901</u> | <u>1</u> |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Interest (Notes 2, 7 and 21) | 877,772 | 1 | 1,323,510 | 1 |
| Foreign exchange loss net (Notes 2 and 21) | 538,765 | | 426,256 | 1 |
| Loss on disposal of property, plant and equipment (Note 2) | 63,476 | | 291,077 | |
| Loss on property, plant and equipment and idle assets (Note 2) | | | 1,430,763 | 1 |
| Investment loss recognized by equity method net (Notes 2 and 6) | | | 343,951 | |
| Other | <u>29,262</u> | | <u>173,223</u> | |
| Total non-operating expenses and losses | <u>1,509,275</u> | <u>1</u> | <u>3,988,780</u> | <u>3</u> |

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

| | 2004 | | 2003 | |
|---|--------------|----|--------------|-----|
| | Amount | % | Amount | % |
| INCOME BEFORE INCOME TAX | \$69,684,955 | 36 | \$33,460,210 | 23 |
| INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 12) | 447,026 | | (2,203,861) | (1) |
| NET INCOME | \$70,131,981 | 36 | \$31,256,349 | 22 |

| | 2004 | | 2003 | |
|------------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 17) | | | | |
| Basic earnings per share | \$ 3.00 | \$ 3.01 | \$ 1.43 | \$ 1.33 |
| Diluted earnings per share | \$ 2.99 | \$ 3.01 | \$ 1.43 | \$ 1.33 |

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 | \$70,145,749 | \$31,332,102 |
| EARNINGS PER SHARE (NT\$) | | |
| Basic earnings per share | \$ 3.01 | \$ 1.33 |
| Diluted earnings per share | \$ 3.01 | \$ 1.33 |

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

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousand New Taiwan Dollars)
(Reviewed, Not Audited)

| | <u>2004</u> | <u>2003</u> |
|---|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 70,131,981 | \$ 31,256,349 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 46,456,739 | 46,290,739 |
| Deferred income taxes | (874,578) | 2,074,257 |
| Investment loss (income) recognized by equity method net | (3,431,747) | 343,951 |
| Gain on sales of long-term investments net | (2,150) | (66,428) |
| Amortization of discount of long-term bond investments | 3,347 | |
| Loss on property, plant, and equipment, and idle assets | | 1,430,763 |
| Gain on disposal of property, plant and equipment net | (81,423) | (56,579) |
| Pension cost accrued | 374,755 | 323,322 |
| Allowance for doubtful receivables | (32,945) | 91,535 |
| Allowance for sales returns and others | 1,216,541 | (307,925) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Receivables from related parties | (5,107,145) | (5,071,409) |
| Notes receivable | (66,290) | 16,531 |
| Accounts receivable | (3,781,597) | (3,209,496) |
| Other receivables from related parties | (64,688) | (40,168) |
| Other financial assets | (226,223) | (222,682) |
| Inventories net | (1,721,307) | (1,473,119) |
| Prepaid expenses and other current assets | 1,154,723 | 1,326,149 |
| Increase (decrease) in: | | |
| Payables to related parties | (224,782) | 1,323,401 |
| Accounts payable | 1,273,842 | 747,397 |
| Accrued expenses and other current liabilities | 1,949,179 | 2,408,255 |
| | <u>106,946,232</u> | <u>77,184,843</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in short-term investments net | (36,971,775) | (11,664,302) |
| Acquisitions of: | | |
| Long-term investments | (13,281,844) | (1,050,942) |
| Property, plant and equipment | (55,650,076) | (24,415,743) |

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| | | |
|--|-----------------------------|-----------------------------|
| Proceeds from disposal of: | | |
| Long-term investments | 7,552 | 458,308 |
| Property, plant and equipment | 310,038 | 158,858 |
| Increase in deferred charges | (1,053,342) | (1,792,664) |
| Decrease in refundable deposits | 148,026 | 256,066 |
| Decrease in other assets miscellaneous | | 9,250 |
| | <u> </u> | <u> </u> |
| Net cash used in investing activities | <u>(106,491,421)</u> | <u>(38,041,169)</u> |

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

| | 2004 | 2003 |
|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash dividends paid for common stock | \$(12,159,971) | \$ |
| Purchase of treasury stock | (7,059,798) | |
| Cash bonus paid to employees | (681,628) | |
| Decrease in guarantee deposits | (239,221) | (556,202) |
| Remuneration to directors and supervisors | (127,805) | (58,485) |
| Cash dividends paid for preferred stock | (184,493) | (455,000) |
| Repayment on long-term bonds | | (4,000,000) |
| Redemption of preferred stock | | (13,000,000) |
| | <u> </u> | <u> </u> |
| Cash used in financing activities | (20,452,916) | (18,069,687) |
| | <u> </u> | <u> </u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (19,998,105) | 21,073,987 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | 98,288,002 | 61,656,795 |
| | <u> </u> | <u> </u> |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | \$ 78,289,897 | \$ 82,730,782 |
| | <u> </u> | <u> </u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid (excluding the amounts capitalized of NT\$262,109 thousand and NT\$4,020 thousand in 2004 and 2003, respectively, Note 7) | \$ 169,670 | \$ 687,283 |
| | <u> </u> | <u> </u> |
| Income tax paid | \$ 309,552 | \$ 2,500 |
| | <u> </u> | <u> </u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Current portion of long-term bonds payable | \$ 5,000,000 | \$ |
| | <u> </u> | <u> </u> |
| Current portion of other payables to related parties (under payables to related parties) | \$ 1,914,915 | \$ |
| | <u> </u> | <u> </u> |
| Current portion of other long-term payable (under accrued expenses and other current liabilities) | \$ 1,817,542 | \$ 1,228,568 |
| | <u> </u> | <u> </u> |
| Reclassification of short-term investments to long-term investments | \$ 3,402,413 | \$ |

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

(Concluded)

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English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

NOTES TO FINANCIAL STATEMENTS

**(Amounts in Thousand New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)**

1. GENERAL

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. In September 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed 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 designing of integrated circuits and other semiconductor devices, and the manufacturing of masks.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with Guidelines Governing in Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C. 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 Non-current 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 non-current 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 consist of corporate bonds, bond funds, asset-backed securities, agency bonds, government bonds, government bonds acquired under repurchase agreements, commercial papers, notes, listed stocks and money market funds.

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Short-term investments are recorded at historical cost and are carried at the lower of cost or market value. An allowance for decline in value is provided and is charged to current period 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. Cash dividends are recorded as investment income when earned.

The cost of the asset-backed securities and the bonds sold is accounted for using the specific identification method, whereas the cost of bond funds and listed stocks sold is accounted for using the weighted-average method.

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

Allowance for Doubtful Receivables

Allowance for doubtful receivables are 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

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and the collectibility is reasonably assured. An allowance is provided for any sales return and pricing discounts. 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 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 each period. Market value represents net realizable value for finished goods and work in process. Replacement value represents net realizable value for raw materials, supplies and spare parts. 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 scrap and slow-moving items are recognized in the allowance for losses.

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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 as components of 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 investee's net book value is amortized using the straight-line method over five years and is recorded as a component of 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 equity 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 to capital surplus. If investee's functional currency is a foreign currency, cumulative translation adjustments will result from the process of translating the investee's financial statements into the reporting currency of the Company.

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as income in the year received but are accounted for as reduction in the carrying values 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

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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 market value of such investment is determined using the average-closing price of the listed stocks for the last month of the period. The carrying values 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 the 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 value.

If an investee company recognizes an unrealized loss on its long-term investment using the lower-of-cost-or-market

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method, the Company also recognizes a corresponding unrealized loss in proportion to its equity interest 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 sale of the related products to third parties.

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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.

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 book value or net realizable value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the period incurred. Interest expense incurred for the project 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 charged to income in the period of sale or disposal.

Goodwill

Goodwill represents the excess of the consideration paid for acquisitions 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.

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Deferred Charges

Deferred charges consist of technology license fees and 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 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, unused tax credits, and net operating loss carry forwards. 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 non-current 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 non-current based on the expected length of time before it is realized.

Any tax credit arising from the purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprise are recognized using the current method.

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Adjustments to prior years' tax liabilities are added to or deducted from the current year's tax provision.
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As of January 1, 1998, income taxes on unappropriated earnings (excluding earnings from foreign consolidating subsidiaries) of 10% are expensed in the year of shareholder approval which is usually the year subsequent to the year incurred.

Stock-based Compensation

Compensatory 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 Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost is charged to expense over the employee vesting period as specified in the stock option plans.

Treasury Stock

When the Company purchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock which is a reduction to shareholders' equity. The Company's stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock.

Foreign Currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the current rate of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in a foreign currency are recognized in current operations. At the end of each period, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rate with the resulting gains or losses recognized in current operations.

Derivative Financial Instruments

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The Company enters into foreign currency forward contracts to manage its currency exposures in cash flow and in foreign currency-denominated assets and liabilities. The differences in the New Taiwan dollar amounts translated using the spot rate 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 period, the receivables or payables arising from forward contracts are restated using the prevailing spot rate at the balance sheet date with the resulting differences charged to income. In addition, the receivables and payables related to forward contracts are netted with the resulting amount presented as either an asset or a liability. Any resulting gains or losses upon settlement are charged to income in the period of settlement.

The Company enters into interest rate swap transactions to manage its exposures to changes in interest rates on existing 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.

The notional amount of foreign currency option contracts entered into for hedging purposes are not recognized as an asset or liability on the contract dates. The premiums paid or received for the call or put options are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gains or losses upon settlement are charged to income in the period of settlement.

Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2003 have been

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reclassified to conform to the financial statements as of and for the nine months ended September 30, 2004.

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3. CASH AND CASH EQUIVALENTS

| | September 30 | |
|---|---------------------|---------------------|
| | 2004 | 2003 |
| Cash and bank deposits | \$66,556,701 | \$79,403,491 |
| Government bonds acquired under repurchase agreements | 11,534,485 | 3,327,291 |
| Corporate issued notes | 112,077 | |
| Agency notes | 86,634 | |
| | <u>\$78,289,897</u> | <u>\$82,730,782</u> |

4. SHORT-TERM INVESTMENTS

| | September 30 | |
|---|---------------------|---------------------|
| | 2004 | 2003 |
| Corporate bonds | \$11,237,187 | \$ |
| Bond funds | 10,407,891 | 1,000,000 |
| Corporate issued asset-backed securities | 10,398,842 | |
| Agency bonds | 6,170,661 | |
| Government bonds | 5,160,321 | 7,437,502 |
| Government bonds acquired under repurchase agreements | 2,577,163 | 1,200,000 |
| Commercial papers | 101,861 | |
| Corporate issued notes | 67,927 | |
| Listed stocks | 6,528 | |
| Money market funds | | 2,026,800 |
| | <u>\$46,128,381</u> | <u>\$11,664,302</u> |
| Market value | <u>\$46,201,834</u> | <u>\$11,664,302</u> |

The Company entered into investment management agreements with two 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 should reach certain level of credit rating. As of September 30, 2004, the Company invested these investment portfolios in an aggregate amount of

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US\$800,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds, commercial papers and notes. The securities acquired with maturities less than three months from the date of purchase had been reclassified to cash equivalents.

5. INVENTORIES NET

| | September 30 | |
|--------------------------|---------------------|--------------|
| | 2004 | 2003 |
| Finished goods | \$ 2,463,121 | \$ 2,535,207 |
| Work in process | 10,324,213 | 9,891,487 |
| Raw materials | 721,880 | 373,404 |
| Supplies and spare parts | 851,071 | 712,492 |
| | <hr/> | <hr/> |
| | 14,360,285 | 13,512,590 |
| Allowance for losses | (1,731,820) | (1,699,135) |
| | <hr/> | <hr/> |
| | \$12,628,465 | \$11,813,455 |
| | <hr/> | <hr/> |

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6. FUNDS AND LONG-TERM INVESTMENTS

| | September 30 | | | |
|---|-------------------|------------------------|-------------------|------------------------|
| | 2004 | | 2003 | |
| | Carrying Value | % of Owner- ship | Carrying Value | % of Owner- ship |
| Equity method: | | | | |
| TSMC International Investment Ltd. (TSMC International) | \$24,904,849 | 100 | \$21,646,213 | 100 |
| TSMC (Shanghai) Company Limited (TSMC Shanghai) | 5,947,953 | 100 | | |
| Vanguard International Semiconductor Corporation (VIS) | 4,993,394 | 28 | 3,968,395 | 28 |
| TSMC Partners, Ltd. (TSMC Partners) | 4,150,226 | 100 | 4,089,066 | 100 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 3,469,018 | 32 | 2,616,143 | 32 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 865,937 | 99 | 755,364 | 99 |
| TSMC North America (TSMC North America) | 473,629 | 100 | 286,061 | 100 |
| Global Unichip Corporation (GUC) | 375,466 | 47 | 377,758 | 47 |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 327,876 | 98 | | |
| TSMC Japan K. K. (TSMC Japan) | 100,901 | 100 | 97,567 | 100 |
| VisEra Technology Company, Limited (VisEra) | 56,212 | 25 | | |
| Chi Cherng Investment Co., Ltd. (Chi Cherng) | 51,314 | 36 | 43,028 | 36 |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 50,999 | 36 | 41,787 | 36 |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 24,464 | 100 | 10,921 | 100 |
| | <u>45,792,238</u> | | <u>33,932,303</u> | |
| Cost method: | | | | |
| Publicly traded stock | | | | |
| Taiwan Mask Co., Ltd. | | | 32,129 | 2 |
| Non-publicly traded stock | | | | |
| United Industrial Gases Co., Ltd. | 193,584 | 10 | 193,584 | 11 |
| Shin-Etsu Handotai Taiwan Co., Ltd. | 105,000 | 7 | 105,000 | 7 |
| Hontung Venture Capital Co., Ltd. | 83,916 | 10 | 83,916 | 10 |
| W.K. Technology Fund IV | 50,000 | 2 | 50,000 | 2 |
| Funds | | | | |
| Horizon Venture Fund I, L.P. | 246,485 | | 229,669 | |
| Crimson Asia Capital Ltd., L.P. | 38,314 | | 42,355 | |
| | <u>45,792,238</u> | | <u>33,932,303</u> | |

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| | September 30 | | | |
|--|-------------------|------------------------|-------------------|------------------------|
| | 2004 | | 2003 | |
| | Carrying Value | % of Owner- ship | Carrying Value | % of Owner- ship |
| | 717,299 | | 736,653 | |
| Long-term bonds | | | | |
| Government bonds | | | | |
| 2004 Government Bond Series E | 3,892,641 | | | |
| 2003 Government Bond Series I | 3,399,371 | | | |
| 2004 Government Bond Series A | 1,750,231 | | | |
| 2004 Kaohsiung Municipal Bond Series A | 620,000 | | | |
| | 9,662,243 | | | |
| Corporate bonds | | | | |
| China Steel Corporation | 1,095,503 | | | |
| Taiwan Power Company | 918,650 | | | |
| | 2,014,153 | | | |
| | \$58,185,933 | | \$34,668,956 | |

In August 2003, November 2003 and May 2004, the Company established TSMC Shanghai and invested in VisEra and VTAF II, respectively.

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The Company's investee, VIS, reduced its capital on August 11, 2004 in order to decrease its accumulated deficits and improve the financial structure. The number of shares of VIS held by the Company after the capital reduction decreases from 787,016 thousand shares to 409,532 thousand shares. The ownership percentage remains the same.

For the nine months ended September 30, 2004 and 2003, net investment income and losses recognized by equity method were NT\$3,431,747 thousand and NT\$343,951 thousand, respectively. The carrying value of investments accounted for under the equity method and the related investment income or losses were determined based on the reviewed financial statements of the investees for the same periods as the Company.

7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

| | September 30 | |
|-------------------------|----------------------|----------------------|
| | 2004 | 2003 |
| Buildings | \$ 33,972,806 | \$ 27,881,029 |
| Machinery and equipment | 247,397,596 | 202,126,641 |
| Office equipment | 4,438,074 | 3,602,265 |
| | \$285,808,476 | \$233,609,935 |

Information on the status of the expansion or construction plans of the Company's manufacturing facilities as of September 30, 2004 is as follows:

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| Construction/Expansion Plan | Estimated Complete Cost | Accumulated Expenditures | Expected Date of Commencement |
|------------------------------------|--------------------------------|---------------------------------|--------------------------------------|
| Fab 14 construction | \$ 69,516,200 | \$ 62,572,308 | Fourth quarter of 2004 |
| Fab 12 expansion | 58,744,200 | 37,529,881 | First quarter of 2005 |

Interest expense for the nine months ended September 30, 2004 and 2003 was NT\$1,139,881 thousand and NT\$1,327,530 thousand, respectively (before deducting capitalized amounts of NT\$262,109 thousand in 2004 and NT\$4,020 thousand in 2003, respectively). The interest rate used for purposes of calculating the capitalized amount was 2.80% and 5.283% for the nine months ended September 30, 2004 and 2003, respectively.

8. DEFERRED CHARGES NET

| | September 30 | |
|----------------------------------|---------------------|--------------------|
| | 2004 | 2003 |
| Technology license fees | \$7,024,803 | \$5,396,897 |
| Software and system design costs | 2,248,598 | 2,844,212 |
| Others | 246,909 | 174,248 |
| | \$9,520,310 | \$8,415,357 |

English Translation of Financial Statements Originally Issued in Chinese**9. BONDS**

| | September 30 | |
|---|---------------------|---------------------|
| | 2004 | 2003 |
| Domestic unsecured bonds: | | |
| Issued in October 1999 and payable in October 2004, 5.95% interest payable annually | 5,000,000 | 5,000,000 |
| Issued in December 2000 and payable 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 payable 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 |
| | <u>\$35,000,000</u> | <u>\$35,000,000</u> |

As of September 30, 2004, future principal payments arrangements for the Company's bonds are as follows:

| Year of Repayment | Amount |
|--------------------------|---------------------|
| 2004 4th quarter | \$ 5,000,000 |
| 2005 | 10,500,000 |
| 2007 | 7,000,000 |
| 2008 and thereafter | 12,500,000 |
| | <u>35,000,000</u> |
| Less: Current portion | 5,000,000 |
| | <u>\$30,000,000</u> |

10. OTHER LONG-TERM PAYABLE

The Company entered into several license agreements for certain semiconductor-related patents. Future payments under the agreements as of September 30, 2004 are as follows:

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| Year | Amount |
|--|---------------|
| 2004 4th quarter | \$ 945,986 |
| 2005 | 1,296,356 |
| 2006 | 458,784 |
| 2007 | 475,776 |
| 2008 and thereafter | 1,087,488 |
| | 4,264,390 |
| Less: Current portion (under accrued expenses and other current liabilities) | 1,817,542 |
| | \$2,446,848 |

11. PENSION PLAN

The Company has a defined benefit pension plan for all regular employees that provides benefits based on length of service and average monthly salaries and wages for the six-month period prior to retirement.

The Company contributes at an amount equal to 2% of salaries paid every month to a Pension Fund (the Fund). The Fund is administered by a pension fund monitoring committee (the Committee) and the amounts in the Fund are deposited in the Committee's name in the Central Trust of China.

Accrued pension costs based on actuarial calculation for the nine months ended September 30, 2004 and 2003 were NT\$547,934 thousand and NT\$459,287 thousand, respectively. The balances of the Fund were NT\$1,376,527 thousand and NT\$1,146,853 thousand as of September 30, 2004 and 2003, respectively.

12. INCOME TAX

- a. A reconciliation of income tax expense on income

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before income tax at the statutory rate and current income tax expense before income tax credits is as follows:

| | Nine Months Ended September 30 | |
|--|---|---------------|
| | 2004 | 2003 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$(17,421,239) | \$(8,365,053) |
| Tax-exempt income | 10,261,110 | 3,598,750 |
| Temporary and permanent differences | 83,509 | 334,828 |
| | <hr/> | <hr/> |
| Current income tax expense before income tax credits | \$ (7,076,620) | \$(4,431,475) |
| | <hr/> | <hr/> |
| b. Income tax benefit (expense) consists of the following: | | |
| Current income tax expense before income tax credits | \$ (7,076,620) | \$(4,431,475) |
| Additional 10% tax on the unappropriated earnings | (821,767) | (1,271,759) |
| Income tax credits | 7,898,387 | 5,703,234 |
| Other income tax | (427,552) | (2,500) |
| Net change in deferred income tax assets and liabilities | | |
| Investment tax credits | 266,173 | 1,351,106 |
| Temporary differences | 755,306 | (340,310) |
| Valuation allowances | (146,901) | (3,212,157) |
| | <hr/> | <hr/> |
| Income tax benefit (expense) | \$ 447,026 | \$(2,203,861) |
| | <hr/> | <hr/> |

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

| | September 30 | |
|------------------------|---------------------|--------------|
| | 2004 | 2003 |
| Current: | | |
| Investment tax credits | \$ 2,471,000 | \$ 2,117,000 |
| | <hr/> | <hr/> |
| Non-current: | | |
| Investment tax credits | \$23,445,067 | \$25,801,759 |

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| | September 30 | |
|-----------------------|---------------------|---------------------|
| | 2004 | 2003 |
| Temporary differences | (2,730,145) | (3,906,151) |
| Valuation allowances | (12,918,748) | (13,054,298) |
| | <u>\$ 7,796,174</u> | <u>\$ 8,841,310</u> |

d. Integrated income tax information:

The balances of the imputation credit account (ICA) as of September 30, 2004 and 2003 were zero and NT\$14,748 thousand, respectively.

The actual creditable ratio for 2003 and 2002 were 0.03% and 0.08%, respectively.

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

f. As of September 30, 2004, investment tax credits consist of the following:

| Regulation | Items | Total Creditable Amounts | Remaining Creditable Amounts | Expire Year |
|-------------------------------------|--|--------------------------------|------------------------------------|---------------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 4,448,442 | \$ 20,936 | 2004 |
| | | 3,819,936 | 2,665,518 | 2005 |
| | | 4,925,775 | 4,925,775 | 2006 |
| | | 4,140,462 | 4,140,462 | 2007 |
| | | 4,200,106 | 4,200,106 | 2008 |
| | | | <u>\$21,534,721</u> | <u>\$15,952,797</u> |
| 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 |
| | | <u>1,372,550</u> | <u>1,372,550</u> | 2008 |

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| Regulation | Items | Total Creditable Amounts | Remaining Creditable Amounts | Expire Year |
|-------------------------------------|---|--------------------------------|------------------------------------|----------------|
| | | \$ 12,109,499 | \$ 9,839,486 | |
| Statute for Upgrading Industries | Personnel training | \$ 48,659 | \$ 2,209 | 2004 |
| | | 29,448 | 29,448 | 2005 |
| | | 27,311 | 27,311 | 2006 |
| | | 26,780 | 26,780 | 2007 |
| | | \$ 132,198 | \$ 85,748 | |
| Statute for Upgrading Industries | Investments in important technology-based enterprise | \$ 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 by the tax authority for 1992 and 1998. The Company believes that any additional assessment will not have a material adverse effect on the Company.

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13. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

| | Nine Months Ended September 30, 2004 | | | Nine Months Ended September 30, 2003 | | |
|-------------------------------|--------------------------------------|--|----------------------|--------------------------------------|--|---------------------|
| | Classified as Cost of Sales | Classified as Operating Expense | Total | Classified as Cost of Sales | Classified as Operating Expense | Total |
| Labor cost | | | | | | |
| Salary | \$ 6,597,662 | \$ 3,148,152 | \$ 9,745,814 | \$ 5,437,931 | \$ 2,273,059 | \$ 7,710,990 |
| Labor and health insurance | 418,441 | 230,945 | 649,386 | 349,560 | 174,175 | 523,735 |
| Pension | 353,123 | 194,811 | 547,934 | 306,331 | 152,956 | 459,287 |
| Other | 283,701 | 302,580 | 586,281 | 160,399 | 84,203 | 244,602 |
| | <u>\$ 7,652,927</u> | <u>\$ 3,876,488</u> | <u>\$ 11,529,415</u> | <u>\$ 6,254,221</u> | <u>\$ 2,684,393</u> | <u>\$ 8,938,614</u> |
| Depreciation | \$ 41,070,901 | \$ 1,823,129 | \$ 42,894,030 | \$ 41,815,245 | \$ 1,735,170 | \$ 43,550,415 |
| Amortization | \$ 1,904,560 | \$ 1,653,849 | \$ 3,558,409 | \$ 1,074,049 | \$ 1,807,137 | \$ 2,881,186 |

14. SHAREHOLDERS EQUITY

The Company has issued 668,351 thousand ADSs which are traded on the NYSE as of September 30, 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 ROC Company Law. However, the capital surplus generated from donated capital 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 transaction of treasury stock) is allowed to be appropriated under the restriction of certain percentage as stock dividends based on shareholders' ownerships.

As of September 30, 2004 and 2003, the capital surplus consisted of the following:

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| | 2004 | 2003 |
|----------------------------|--------------|--------------|
| From merger | \$24,003,546 | \$24,132,297 |
| Additional paid-in capital | 23,048,918 | 23,172,550 |
| From long-term investments | 116,157 | 81,746 |
| From convertible bonds | 9,360,424 | 9,410,632 |
| Donation | 55 | 55 |
| Treasury stock | | 50,137 |
| | <hr/> | <hr/> |
| Total | \$56,529,100 | \$56,847,417 |
| | <hr/> | <hr/> |

The Company's Articles of Incorporation provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any accumulated deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals to the Company's total paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees equals to 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;

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- d. Dividends to holders of preferred shares at a 3.5% annual rate are based on the period which the preferred shares have been outstanding. Following the redemption of all its issued and outstanding preferred shares on May 29, 2003, the Company amended its Article of Incorporation on June 3, 2003 to remove the provision for issuance of any future dividends to preferred shareholders as of that date; and
- e. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed in shares of common stock or a combination of cash and common stock. Distributions of profits are preferably made in the form of stock dividend. The total of cash dividends paid in any given year may not exceed 50% of total dividends distributed in that year.

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

The appropriation for legal reserve shall be made until the reserve equals the aggregate par value of the Company's issued capital stock. The reserve can only be used to offset an accumulated 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 debit balance of any account shown in the shareholder's equity section of the balance sheet (for example, unrealized loss on long-term investments and cumulative translation adjustments), shall be made from unappropriated retained earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau (SFB). The special reserve is allowed to be appropriated to the extent that the debit balance of

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such accounts is reversed.

The appropriations of earnings for 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 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 R.O.C. states that treasury stock shall not participate in the appropriation 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 and remuneration to directors and supervisors have been paid in cash and charged against income for 2003 and 2002, the basic earnings per share for the years ended December 31, 2003 and 2002 would decrease from NT\$2.33 to NT\$2.15 and NT\$1.14 to NT\$1.05, respectively. The shares distributed as a bonus

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to employees represented 1.35% and 0.83% of the Company's total outstanding common shares as of December 31, 2003 and 2002, respectively.

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The above information associated with 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, 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 as of January 1, 1998. An imputation credit account is maintained by the Company for such income tax and the tax credit allocated to each shareholder.

Preferred Shareholders

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, as amended on June 3, 2003, the Company is no longer authorized to issue preferred stock.

The preferred shareholders had the following rights and 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

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issue value 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 the 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, TSMC North America, and WaferTech, LLC, (WaferTech, an indirectly owned subsidiary of the Company). 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 both 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 2002 Plan, there were 58,271 thousand option rights that were never granted, or had been granted and subsequently cancelled. These un-granted or cancelled option rights were expired as of September 30, 2004.

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Information of outstanding stock options for the nine months ended September 30, 2004 and 2003 under the 2003 Plan and the 2002 Plan 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\$) |
| Nine months ended September 30, 2004 | | | | |
| Beginning balance | 842 | 57.8 | 48,515 | 42.7 |
| Options granted | 13,199 | 49.9 | 7,200 | 42.6 |
| Options cancelled | (1,090) | 51.1 | (3,165) | 44.1 |
| Ending balance | <u>12,951</u> | | <u>52,550</u> | |
| Nine months ended September 30, 2003 | | | | |
| Beginning balance | | | 19,369 | 48.6 |
| Options granted | | | 32,031 | 50.3 |
| Options cancelled | | | (1,778) | 48.0 |
| Ending balance | | | <u>49,622</u> | |

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 September 30, 2004, information on outstanding option rights is as follows:

| | Option Outstanding | | Option Exercisable | | |
|--|---------------------------------------|---|--|--|--|
| | Range of Exercise Price (NT\$) | Number of Outstanding Options (in Thousands) | Weighted-Average Remaining Contractual Exercise Price | Number of Exercisable Option (in Thousands) | Weighted-Average Exercise Price |
| | | | | | |

| | <u> </u> | <u> </u> | <u>Life</u> <u>(Years)</u> | <u>Price</u> <u>(NT\$)</u> | <u> </u> | <u>Price</u> <u>(NT\$)</u> |
|-----------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| 2003 plan | (43.8-57.8) | 12,951 | 9.59 | 50.3 | | |
| 2002 plan | (32.8-46.2) | <u>52,550</u> | 8.34 | 42.6 | <u>9,811</u> | 41.8 |
| Total | (32.8-57.8) | <u>65,501</u> | 8.59 | 44.1 | <u>9,811</u> | 41.8 |

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The compensation cost recognized for the nine months ended September 30, 2004 was zero. If the Company uses fair-value based method to evaluate the options granted, the method, assumptions and pro forma results of the Company for the nine months ended September 30, 2004 would be as follows:

| | Black Scholes Model |
|---------------------------|--------------------------------|
| | NT\$ |
| Method | |
| Assumptions: | |
| Expected dividend yield | 1.00% |
| Expected volatility | 43.19%-43.25% |
| Risk free interest rate | 3.07%-3.85% |
| Expected life | 5 years |
| Net income: | |
| Net income as reported | \$ 70,131,981 |
| Pro forma net income | 70,092,754 |
| | NT\$ |
| Earnings per share (EPS): | |
| Basic EPS as reported | 3.01 |
| Pro forma basic EPS | 3.01 |
| Diluted EPS as reported | 3.01 |
| Pro forma diluted EPS | 3.01 |

The estimated weighted average fair value for the options granted under the 2003 Plan during the nine-month period ended September 30, 2004 was NT\$19.73 per option.

16. TREASURY STOCK (COMMON STOCK)

| | (Shares in Thousand) | | | |
|---|-----------------------------|-------------------------------|-----------------|--------------------------|
| Purpose | Beginning Shares | Increase/ Dividend | Decrease | Ending Shares |
| Nine months ended September 30, 2004 | | | | |
| Reclassification of parent company stock held by subsidiaries from long-term investment | 40,597 | 5,676 | 303 | 45,970 |
| Maintaining the shareholders' equity | | 124,720 | 124,720 | |
| | <u>40,597</u> | <u>130,396</u> | <u>125,023</u> | <u>45,970</u> |
| Nine months ended September 30, 2003 | | | | |
| Reclassification of parent company stock held by subsidiaries from long-term investment | 42,001 | 3,357 | 4,574 | 40,784 |

Proceeds from the sales of treasury stock for the nine months ended September 30, 2004 and 2003 were NT\$18,218 thousand and NT\$318,850 thousand, respectively. As of September 30, 2004 and 2003, the book value of the treasury stock was NT\$1,616,669 thousand and NT\$1,643,404 thousand, respectively; the market value was NT\$2,056,707 thousand and NT\$2,776,198 thousand, respectively. Capital stock held by subsidiaries as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders.

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In order to maintain the shareholders' equity, 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 from its shareholders during the period from March 24, 2004 to May 23, 2004. The Company has 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.

17. EARNINGS PER SHARE

EPS is computed as follows:

| | Amounts (Numerator) | | Shares (Denominator) (Thousand) | EPS (NT\$) | |
|---|------------------------------|-----------------------------|--|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| | | | | | |
| Nine months ended September 30, 2004 | | | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$69,684,955 | \$70,131,981 | 23,262,992 | \$ 3.00 | \$ 3.01 |
| Effect of diluted securities - stock option | | | 7,032 | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of diluted securities) | \$69,684,955 | \$70,131,981 | 23,270,024 | \$ 2.99 | \$ 3.01 |
| Nine months ended September 30, 2003 | | | | | |
| Net income | \$33,460,210 | \$31,256,349 | | | |
| Less - preferred stock dividends | (184,493) | (184,493) | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$33,275,717 | \$31,071,856 | 23,326,379 | \$ 1.43 | \$ 1.33 |
| Effect of diluted securities - stock options | | | 4,913 | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of diluted securities) | \$33,275,717 | \$31,071,856 | 23,331,292 | \$ 1.43 | \$ 1.33 |

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
 - GUC
 - SSMC
 - VisEra

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e. Indirect subsidiaries

WaferTech

TSMC Technology Inc. (TSMC Technology)

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

| | Nine Months Ended September 30 | | | |
|--|---------------------------------------|-----------|----------------------|-----------|
| | 2004 | | 2003 | |
| | Amount | % | Amount | % |
| For the period | | | | |
| Sales | | | | |
| TSMC North America | \$ 107,409,697 | 55 | \$ 84,777,377 | 58 |
| Philips and its affiliates | 3,980,051 | 2 | 2,370,142 | 2 |
| Others | 325,335 | | 496,652 | |
| | <u>\$ 111,715,083</u> | <u>57</u> | <u>\$ 87,644,171</u> | <u>60</u> |
| Purchases | | | | |
| WaferTech | \$ 11,576,543 | 34 | \$ 7,815,373 | 35 |
| VIS | 6,912,218 | 21 | 3,454,704 | 16 |
| SSMC | 4,604,370 | 14 | 3,805,999 | 17 |
| | <u>\$ 23,093,131</u> | <u>69</u> | <u>\$ 15,076,076</u> | <u>68</u> |
| Manufacturing expenses technical assistance fee (see Note 20a) | | | | |
| Philips | \$ 1,022,446 | 1 | \$ 2,250,285 | 3 |
| Marketing expenses commission | | | | |
| TSMC Japan | \$ 193,748 | 18 | \$ 158,717 | 17 |
| TSMC Europe | 157,833 | 15 | 111,780 | 12 |
| | <u>\$ 351,581</u> | <u>33</u> | <u>\$ 270,497</u> | <u>29</u> |
| Sale of property, plant, and equipment | | | | |

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| | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| TSMC Shanghai | \$ 2,806,462 | 90 | \$ | |
| VIS | 32,960 | 1 | 8,098 | 5 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | \$ 2,839,422 | 91 | \$ 8,098 | 5 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-operating income and gain | | | | |
| SSMC (technical service income mainly, see Note 20e) | \$ 293,727 | 5 | \$ 119,041 | 8 |
| VIS (technical service income mainly, see Note 20n) | 111,983 | 2 | 271 | |
| VisEra | 22,876 | 1 | | |
| WaferTech | 2,901 | | 1,528 | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | \$ 431,487 | 8 | \$ 120,840 | 8 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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| | Nine Months Ended September 30 | | | |
|---|--------------------------------|-----|-------------------|-----|
| | 2004 | | 2003 | |
| | Amount | % | Amount | % |
| At end of the period | | | | |
| Receivables | | | | |
| TSMC North America | \$ 19,481,557 | 98 | \$ 14,337,121 | 94 |
| Philips and its affiliates | 432,040 | 2 | 752,568 | 5 |
| Others | 61,210 | | 96,684 | 1 |
| | <u>19,974,807</u> | | <u>15,186,373</u> | |
| | \$ 19,974,807 | 100 | \$ 15,186,373 | 100 |
| Other receivables | | | | |
| TSMC Shanghai | \$ 2,807,784 | 94 | \$ | |
| VIS (technical service income mainly, see Note 20n) | 101,707 | 3 | 95,092 | 88 |
| TSMC Technology | 3,039 | | 12,103 | 11 |
| Others | 91,583 | 3 | 1,497 | 1 |
| | <u>3,004,113</u> | | <u>108,692</u> | |
| | \$ 3,004,113 | 100 | \$ 108,692 | 100 |
| Payables | | | | |
| Philips and its affiliates | \$ 1,923,537 | 34 | \$ 1,481,653 | 39 |
| VIS | 1,916,758 | 34 | 796,865 | 21 |
| WaferTech | 1,104,866 | 20 | 964,659 | 26 |
| SSMC | 637,115 | 11 | 501,281 | 14 |
| Others | 56,747 | 1 | 45,941 | |
| | <u>5,639,023</u> | | <u>3,790,399</u> | |
| | \$ 5,639,023 | 100 | \$ 3,790,399 | 100 |
| Other payables to related parties (excluding current portion which is under payables to related parties. See Note 20a) | | | | |
| Philips and its affiliates | \$ 2,468,088 | 100 | \$ | |
| | <u>2,468,088</u> | | <u></u> | |
| Deferred credits gain on intercompany | | | | |
| TSMC Shanghai | \$ 598,350 | 100 | \$ | |

| | | | | |
|-------------------------|-------|-------|------------|-------|
| | _____ | _____ | _____ | _____ |
| Refundable deposits VIS | \$ | | \$ 260,992 | 91 |
| | _____ | _____ | _____ | _____ |

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since 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.

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As of September 30, 2004, future remaining lease payments are as follows:

| Year | Amount |
|---------------------|---------------|
| 2004 4th quarter | \$ 58,837 |
| 2005 | 235,348 |
| 2006 | 235,348 |
| 2007 | 235,348 |
| 2008 | 210,687 |
| 2009 and thereafter | 1,617,858 |
| | <hr/> |
| | \$2,593,426 |
| | <hr/> |

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies as of September 30, 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 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 fixed amounts mutually agreed-on, rather than under certain percentage of the Company's annual net sales. The Company and Philips also agree to cross license the patents owned by each party.
- 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 September 30, 2004, the Company had a total of US\$15,314 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 September 30, 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 unless pre-terminated by either party under certain conditions.

- f. The Company provided guarantees on loans amounting to US\$60,000 thousand, US\$40,000 thousand and US\$440,000 thousand for TSMC Development, Inc. (TSMC Development), TSMC North America and WaferTech, respectively.

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- g. 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.
- h. 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.
- i. 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.
- j. 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 royalty to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- k. In December 2003, the Company filed a lawsuit in the US District Court for the Northern District of California against Semiconductor Manufacturing International Corporation and certain of its subsidiaries (SMIC) for patent infringement seeking injunctive relief and monetary damages. The probable outcome in the above forum cannot be reasonably estimated.
- l. In May 2004, the Company filed a separate suit against SMIC in Alameda County of California for trade secret misappropriation seeking injunctive relief and monetary damages. The probable outcome in the above forum cannot be reasonably estimated.
- m. In August 2004, the Company and certain of its subsidiaries filed a Complaint with the United States International Trade Commission (ITC) against SMIC for infringing the Company's U.S. patents, and misappropriation the Company's trade secrets. The Company requested the ITC to institute an immediate investigation and issue a permanent exclusion order from entry into the United States all unlicensed semiconductor devices and products containing the same fabricated by SMIC that infringing the Company's patents or were fabricated using TSMC's trade secrets. The Company subsequently filed a patent infringement lawsuit in the U.S. District Court of Northern California on the patents alleged in the ITC action, and sought injunctive relief as well as treble damages and associated costs for SMIC's willful infringement of the asserted

patents. The probable outcome in the above forum cannot be reasonably estimated.

- n. The Company provides 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 a specific percentage of net selling price of certain products sold by VIS.

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- o. Amounts available under unused letters of credit as of September 30, 2004 were NT\$6,480 thousand, US\$15 thousand and SG\$85 thousand.

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 or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the capital: Please see Table 6 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the capital: Please see Table 7 attached;
- i. Names, locations, and related information of investee on 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 nine-month period ended September 30, 2004 to manage exposures related to foreign-currency denominated receivables or payables, and interest rate fluctuations. Certain information on these contracts is as follows:

- a) Outstanding forward exchange contracts as of September 30, 2004 are as follows:

| Financial Instruments | Maturity Period | Contract Amount (Nominal) (in Thousand) | |
|------------------------------|----------------------------|--|-------------|
| Sell | October 2004 | US\$ 33,723 | (US\$/EUR) |
| Sell | October 2004 to April 2005 | US\$ 2,351,000 | (US\$/NT\$) |

| | | | | |
|------|---------------|-----|--------|------------|
| Sell | November 2004 | EUR | 58,500 | (EUR/US\$) |
|------|---------------|-----|--------|------------|

As of September 30, 2004, receivables from forward exchange contracts (included in the other financial assets account) aggregate approximately NT\$27,881 thousand, and payables from forward exchange contracts (included in the other current liabilities account) aggregate approximately NT\$887,272 thousand. Net exchange loss for the nine months ended September 30, 2004 was NT\$190,846 thousand.

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b) Interest rate swaps

The Company entered into interest rate swap contracts to manage related interest rates on its long-term loans. Net interest income on these transactions for the nine months ended September 30, 2004 was NT\$6,966 thousand.

Outstanding contracts as of September 30, 2004 are as follows:

| Contract Date | Period | Contract Amount (Nominal) |
|----------------------|---|--------------------------------------|
| September 19, 2003 | September 22, 2003 to December 15, 2005 | \$ 500,000 |
| October 16, 2003 | October 20, 2003 to December 15, 2005 | 500,000 |
| October 16, 2003 | October 20, 2003 to December 15, 2005 | 500,000 |
| October 17, 2003 | October 21, 2003 to December 15, 2005 | 500,000 |
| October 17, 2003 | October 20, 2003 to December 15, 2005 | 500,000 |
| November 7, 2003 | November 11, 2003 to December 15, 2005 | 500,000 |

c) 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 exposures related to the potential default by those counter-parties are low.
- ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in currency exchange rates on the Company's foreign currency denominated receivables or payables and interest rate fluctuations on its floating rate long-term loans. Gains or losses from forward exchange contracts are likely to be offset by gains or losses from the hedged receivables and payables. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be minimal.
- iii) Liquidity and cash flow risk and uncertainty of amount and term of future cash demand.

As of September 30, 2004, the Company's future cash demand for outstanding forward exchange contracts are as follows:

| Term | Inflow (In Thousand) | Outflow (In Thousand) |
|-----------------|---------------------------------|----------------------------------|
| Within one year | NT\$79,033,789 | US\$2,384,723 |
| | US\$ 72,065 | EUR 58,500 |
| | EUR 27,500 | |

The Company has sufficient operating capital to meet the above cash demand. The interest rate of the interest rate swaps has taken the Company's cost of capital into account. In addition, the

exchange rates of forward foreign exchange contracts and interest swap contracts are fixed. Therefore, there is no material fund raising risk and cash flow risk.

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2) The fair value of financial instruments were as follows:

| | September 30, 2004 | | September 30, 2003 | |
|--|--------------------|--------------|--------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Non-derivative financial instruments | | | | |
| Assets | | | | |
| Short-term investments | \$46,128,381 | \$46,201,834 | \$11,664,302 | \$11,664,302 |
| Long-term investments | 58,185,933 | 62,904,359 | 34,668,956 | 39,200,246 |
| Liabilities | | | | |
| Bonds payable (includes current portion) | 35,000,000 | 35,655,089 | 35,000,000 | 35,641,304 |
| Derivative financial instruments | | | | |
| Forward exchange contracts (buy) | | | 45,189 | 52,376 |
| Forward exchange contracts (sell) | (787,029) | (349,631) | 334,407 | 540,975 |
| Interest rate swaps | 4,361 | 1,391 | | (5,812) |

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 aforementioned instruments reported in the balance sheet are approximate to their fair values.

The above financial instruments also exclude refundable deposits, guarantee deposits and other long-term payables. The future cash inflow and outflow of the deposits approximate to their fair values. The fair value of other long-term payables is determined using the expected discounted cash flows, which approximate to the carrying value.

Fair values of financial instruments were determined as follows:

- a) Fair value of short-term and long-term investments is based on quoted market prices. If quoted market prices are unavailable, fair value is based on net asset value or book value of investment.
- b) The fair value of bonds payable is the quoted market value.
- c) Fair value of derivative financial instruments is the estimated net receivable (payable) if the contracts are terminated on the relevant balance sheet date.

The fair values of some financial and non-financial instruments are not included in the fair values disclosed above. Accordingly, the sum of the fair values of the financial instruments listed above does not represent the fair value of the Company as a whole.

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.

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TABLE 1

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

FINANCING PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| No. Financing | Name of Company | Account | Maximum Balance for the Period (US\$ in Thousand) | Ending Balance (US\$ in Thousand) | Interest Rate | Type of Financing | Reasons for Allowance | Collateral | Financing Limit for Each Company | Financing Company's Amount Limits (US\$ in Thousand) |
|---------------|--------------------|------------------------|---|-----------------------------------|---------------|-------------------|-----------------------|------------|----------------------------------|--|
| 1 | TSMC International | TSMC Other Development | 2,039,040 US\$ (60,000) | \$2,039,040 US\$ (60,000) | 1.50% | 2 | Operating capital | | \$ N/A | \$33,575,113 US\$ (987,968) (Note 2) |
| | | TSMC Other Technology | 339,840 US\$ (10,000) | | | | | | | |
| 2 | TSMC Partners | TSMC Other Development | 2,718,720 US\$ (80,000) | 2,718,720 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 NINE MONTHS ENDED SEPTEMBER 30, 2004
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)**

| No. | Endorsement/ Guarantee Provider | Counter-party | | Limits on Each Counter-party's Endorsement/ Guarantee Amounts | Maximum Balance for the Period (US\$ in Thousand) | Ending Balance (US\$ in Thousand) | Ratio of Accumulated Amount of Collateral to Net Equity of the Plant and Financial Statement | Maximum Collateral/ Guarantee Amounts Allowable (Note 1) |
|-----|------------------------------------|-----------------------|---|--|---|--|---|---|
| | | Name | Nature of Relationship (Note 2) | | | | | |
| 0 | The Company | 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. | \$ 2,039,040 US\$ (60,000) | \$ 2,039,040 US\$ (60,000) | 0.54% | \$94,815,698 |
| | | TSMC North America | 2 | | 1,359,360 US\$ (40,000) | 1,359,360 US\$ (40,000) | 0.36% | |
| | | WaferTech | 3 | | 14,952,960 US\$ (440,000) | 14,952,960 US\$ (440,000) | 3.94% | |

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

SEPTEMBER 30, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Security Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2004 | | | |
|------------------|--|-------------------------------|-----------------------------|----------------------------|-----------------------------------|-------------------------|--|
| | | | | Shares/Units (In Thousand) | Carrying Value (US\$ in Thousand) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in Thousand) |
| Government bonds | | | | | | | |
| | 2003 Government Bond Series A | | Short-term investment | | \$ 1,207,409 | N/A | \$ 1,201,300 |
| | 2002 Government Bond Series J | | Short-term investment | | 2,023,206 | N/A | 2,002,100 |
| | United States Treas NTS | | Short-term investment | | US\$ 56,783 | N/A | US\$ 56,744 |
| | 2003 Government Bond Series I | | Long-term investment | | 3,399,371 | N/A | 3,392,501 |
| | 2004 Government Bond Series A | | Long-term investment | | 1,750,231 | N/A | 1,748,432 |
| | 2004 Government Bond Series E | | Long-term investment | | 3,892,641 | N/A | 3,889,287 |
| | 2004 Kaohsiung Municipal Bond Series A | | Long-term investment | | 620,000 | N/A | 620,000 |
| | Bonds under repurchase agreement | | Short-term investment | | 2,577,163 | N/A | 2,594,896 |
| Bond funds | | | | | | | |
| | JF Taiwan Bond Fund | | Short-term investment | 85,441 | 1,252,019 | N/A | 1,265,366 |
| | ABN AMRO Bond Fund | | Short-term investment | 134,906 | 1,954,409 | N/A | 1,972,094 |
| | JF Taiwan First Bond Fund | | Short-term investment | 84,886 | 1,151,463 | N/A | 1,158,727 |
| | INVESCO R.O.C. Bond A Fund | | Short-term investment | 93,975 | 1,350,000 | N/A | 1,357,721 |
| | Dresdner Bond DAM Fund | | Short-term investment | 80,833 | 900,000 | N/A | 906,183 |
| | Barits Bond Fund | | Short-term investment | 76,640 | 900,000 | N/A | 904,539 |

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| | | | | | | |
|-------------------------------------|------------|-----------------------|---------|------------|-----|------------|
| Shinkong Chi Shin Bond Fund | | Short-term investment | 151,594 | 2,100,000 | N/A | 2,108,050 |
| ABN AMRO Select Bond Fund | | Short-term investment | 18,235 | 200,000 | N/A | 200,476 |
| NITC Bond Fund | | Short-term investment | 3,764 | 600,000 | N/A | 600,407 |
| Stock | | | | | | |
| Taiwan Mask Corp. | | Short-term investment | 1,787 | 6,528 | | 27,570 |
| TSMC North America | Subsidiary | Long-term investment | 11,000 | 473,629 | 100 | 1,172,222 |
| TSMC Europe | Subsidiary | Long-term investment | | 24,464 | 100 | 24,464 |
| TSMC Japan | Subsidiary | Long-term investment | 6 | 100,901 | 100 | 100,901 |
| VIS | Investee | Long-term investment | 409,532 | 4,993,394 | 28 | 7,964,599 |
| TSMC International | Subsidiary | Long-term investment | 987,968 | 24,904,849 | 100 | 24,904,849 |
| TSMC Partners | Subsidiary | Long-term investment | 300 | 4,150,226 | 100 | 4,150,226 |
| SSMC | Investee | Long-term investment | 382 | 3,469,018 | 32 | 3,469,018 |
| GUC | Investee | Long-term investment | 39,040 | 375,466 | 47 | 404,333 |
| VisEra | Investee | Long-term investment | 5,100 | 56,212 | 25 | 56,212 |
| United Industrial Gases Co., Ltd. | | Long-term investment | 16,783 | 193,584 | 10 | 272,001 |
| Shin-Etsu Handotai Taiwan Co., Ltd. | | Long-term investment | 10,500 | 105,000 | 7 | 161,712 |

(Continued)

| | | | | | | | September 30, 2004 | |
|--------------|---|-------------------------------|------------------------------|----------------------------|-----------------------------------|-------------------------|---------------------------|--------------------------|
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statements Account | Shares/Units (In Thousand) | Carrying Value (US\$ in Thousand) | Percentage of Ownership | Market Value or Net Asset | |
| | | | | | | | Value (US\$ in Thousand) | Value (US\$ in Thousand) |
| | W.K. Technology Fund IV | | Long-term investment | 5,000 | \$ 50,000 | 2 | \$ | 56,507 |
| | Hontung Ventures Capital Co., Ltd. | | Long-term investment | 8,392 | 83,916 | 10 | | 57,819 |
| | Certificate Chi Cherng | Investee | Long-term investment | | 51,314 | 36 | | 509,878 |
| | Hsin Ruey | Investee | Long-term investment | | 50,999 | 36 | | 510,511 |
| | Corporate bonds Taiwan Power Company | | Short-term investment | | 2,777,798 | N/A | | 2,743,519 |
| | Abbott Labs | | Short-term investment | | US\$ 2,732 | N/A | US\$ | 2,744 |
| | Abbott Labs | | Short-term investment | | US\$ 1,581 | N/A | US\$ | 1,604 |
| | Allstate Finl Global Fdg LLC | | Short-term investment | | US\$ 3,171 | N/A | US\$ | 3,134 |
| | American Express Co. | | Short-term investment | | US\$ 3,550 | N/A | US\$ | 3,536 |
| | American Gen Fin Corp. Mtn | | Short-term investment | | US\$ 3,130 | N/A | US\$ | 3,123 |
| | American Gen Fin Corp. Mtn | | Short-term investment | | US\$ 3,702 | N/A | US\$ | 3,694 |
| | American Honda Fin Corp. Mtn | | Short-term investment | | US\$ 3,800 | N/A | US\$ | 3,795 |

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| | | | | | | |
|---------------------------------|-----------------------|------|-------|-----|------|-------|
| American Intl Group Inc. Mtnf | Short-term investment | US\$ | 3,795 | N/A | US\$ | 3,812 |
| Amsouth Bk Birmingham Ala | Short-term investment | US\$ | 1,972 | N/A | US\$ | 1,979 |
| Bank New York Inc. | Short-term investment | US\$ | 3,945 | N/A | US\$ | 3,957 |
| Bear Stearns Cos Inc. | Short-term investment | US\$ | 3,518 | N/A | US\$ | 3,509 |
| Bear Stearns Cos Inc. Medium Te | Short-term investment | US\$ | 3,105 | N/A | US\$ | 3,096 |
| Berkshire Hathaway Fin Corp. | Short-term investment | US\$ | 1,498 | N/A | US\$ | 1,506 |
| Bristol Myers Squibb Co. | Short-term investment | US\$ | 3,819 | N/A | US\$ | 3,827 |
| Cargill Inc. | Short-term investment | US\$ | 2,120 | N/A | US\$ | 2,103 |
| Citigroup Inc. | Short-term investment | US\$ | 2,000 | N/A | US\$ | 1,992 |
| Citigroup Inc. | Short-term investment | US\$ | 3,583 | N/A | US\$ | 3,545 |
| Colonial Pipeline Co. | Short-term investment | US\$ | 1,625 | N/A | US\$ | 1,637 |
| Compaq Computer Corp. | Short-term investment | US\$ | 3,719 | N/A | US\$ | 3,647 |
| Consolidated Edison Co. NY Inc. | Short-term investment | US\$ | 3,687 | N/A | US\$ | 3,666 |
| Countrywide Home Lns Inc. | Short-term investment | US\$ | 3,662 | N/A | US\$ | 3,640 |
| Credit Suisse Fb USA Inc. | Short-term investment | US\$ | 2,645 | N/A | US\$ | 2,629 |
| Dell Computer Corp. | Short-term investment | US\$ | 3,054 | N/A | US\$ | 3,062 |
| Diageo PLC | Short-term investment | US\$ | 3,459 | N/A | US\$ | 3,506 |
| Fifth Third Bk Cincinnati OH | Short-term investment | US\$ | 2,419 | N/A | US\$ | 2,488 |
| First Data Corp. | Short-term investment | US\$ | 3,013 | N/A | US\$ | 2,995 |
| General Elec Cap Corp. Mtn | Short-term investment | US\$ | 3,507 | N/A | US\$ | 3,510 |
| Genworth Finl Inc. | Short-term investment | US\$ | 3,412 | N/A | US\$ | 3,400 |
| Goldman Sachs Group LP | Short-term investment | US\$ | 1,637 | N/A | US\$ | 1,622 |
| Goldman Sachs Group LP | Short-term investment | US\$ | 1,100 | N/A | US\$ | 1,090 |
| Hershey Foods Corp. | Short-term investment | US\$ | 1,627 | N/A | US\$ | 1,623 |
| Hewlett Packard Co. | Short-term investment | US\$ | 3,373 | N/A | US\$ | 3,347 |

| | | | | | | |
|--------------------------------|-----------------------|------|-------|-----|------|-------|
| Honeywell Inc. | Short-term investment | US\$ | 3,284 | N/A | US\$ | 3,266 |
| Household Fin Corp. | Short-term investment | US\$ | 3,712 | N/A | US\$ | 3,671 |
| Household Fin Corp. Mtn Bk Ent | Short-term investment | US\$ | 3,542 | N/A | US\$ | 3,530 |

(Continued)

| | | | | | September 30, 2004 | |
|--------------------------|--|--------------------------------------|-------------------------------------|-------------------------|---------------------------|------------------|
| | | | | | Carrying | Market |
| | | | | | Value | Value |
| | | | | | Percentage | or Net |
| | | | | | of | Asset |
| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Accounts | Shares/Units (In | US\$ in | Ownership |
| | | | | | Thousand) | (US\$ in |
| | | | | | Thousand) | Thousand) |
| | | | | | of | Note |
| | Huntington Natl Bk | | Short-term investment | US\$3,003 | N/A | US\$2,998 |
| | Huntington Natl Bk Columbus OH | | Short-term investment | US\$2,954 | N/A | US\$2,981 |
| | ING Sec Life Ins IngsIf | | Short-term investment | US\$3,012 | N/A | US\$3,008 |
| | Intl Bk For Recon + Dev | | Short-term investment | US\$5,232 | N/A | US\$5,167 |
| | JP Morgan Chase + Co. | | Short-term investment | US\$3,638 | N/A | US\$3,605 |
| | JP Morgan Chase + Co. | | Short-term investment | US\$3,128 | N/A | US\$3,149 |
| | Jackson Natl Life Global Fdg S | | Short-term investment | US\$2,998 | N/A | US\$2,980 |
| | Keycorp Mtn Book Entry | | Short-term investment | US\$3,500 | N/A | US\$3,497 |
| | KFW Intl Fin Inc. | | Short-term investment | US\$5,104 | N/A | US\$5,059 |
| | Lehman Brothers Hldgs Inc. | | Short-term investment | US\$3,417 | N/A | US\$3,381 |
| | Lehman Brothers Hldgs Inc. | | Short-term investment | US\$3,705 | N/A | US\$3,679 |
| | Lilly Eli + Co. | | Short-term investment | US\$3,750 | N/A | US\$3,743 |
| | Metropolitan Life Global Mtn | | Short-term investment | US\$1,907 | N/A | US\$1,935 |
| | Monumental Global FDG II | | Short-term investment | US\$2,500 | N/A | US\$2,498 |
| | Monumental Global FDG II | | Short-term investment | US\$1,534 | N/A | US\$1,530 |
| | Monumental Global FDG II 2002A | | Short-term investment | US\$2,084 | N/A | US\$2,092 |
| | Morgan Stanley Group Inc. | | Short-term investment | US\$2,652 | N/A | US\$2,652 |
| | Nationsbank Corp. | | | US\$3,644 | N/A | US\$3,586 |

| | | | | |
|---------------------------------|-----------------------|-----------|-----|-----------|
| | Short-term investment | | | |
| Nationwide Bldg Soc | Short-term investment | US\$3,457 | N/A | US\$3,498 |
| Nationwide Life Global Mtn | Short-term investment | US\$3,413 | N/A | US\$3,451 |
| Pepsico Inc. Mtn Book Entry | Short-term investment | US\$3,818 | N/A | US\$3,867 |
| Premark Intl Inc. | Short-term investment | US\$2,954 | N/A | US\$2,955 |
| Pricoa Global Fdg I Mtn | Short-term investment | US\$3,507 | N/A | US\$3,506 |
| Pricoa Global Fdg I Mtn | Short-term investment | US\$3,050 | N/A | US\$3,050 |
| Principal Life Global Fdg I Gl | Short-term investment | US\$3,168 | N/A | US\$3,141 |
| Protective Life Secd Trs | Short-term investment | US\$2,920 | N/A | US\$2,995 |
| Prudential Ins Co. Amer | Short-term investment | US\$2,648 | N/A | US\$2,644 |
| Salomon Smith Barney Hldgs Inc. | Short-term investment | US\$3,160 | N/A | US\$3,133 |
| SBC Communications Inc. | Short-term investment | US\$3,681 | N/A | US\$3,658 |
| Shell Finance (UK) PLC | Short-term investment | US\$3,604 | N/A | US\$3,586 |
| SLM Corp. | Short-term investment | US\$ 500 | N/A | US\$ 505 |
| SLM Corp. Medium Term NTS | Short-term investment | US\$2,950 | N/A | US\$3,013 |
| TIAA Global Mkts Inc. | Short-term investment | US\$ 519 | N/A | US\$ 520 |
| Tribune Co. Med Trm NTS | Short-term investment | US\$2,943 | N/A | US\$3,001 |
| Union Planters | Short-term investment | US\$2,104 | N/A | US\$2,084 |
| Unitedhealth Group Inc. | Short-term investment | US\$3,119 | N/A | US\$3,133 |
| US Bk Natl Assn Cincinnati OH | Short-term investment | US\$2,669 | N/A | US\$2,701 |
| Viacom Inc. | Short-term investment | US\$3,177 | N/A | US\$3,140 |
| Viacom Inc. | Short-term investment | US\$3,172 | N/A | US\$3,164 |
| Virginia Elec + Pwr Co. | Short-term investment | US\$2,884 | N/A | US\$2,884 |
| Vodafone Group PLC New | Short-term investment | US\$2,559 | N/A | US\$2,585 |
| Wachovia Corp. | Short-term investment | US\$3,720 | N/A | US\$3,655 |
| Wal Mart Cda Venture Corp. | | US\$3,670 | N/A | US\$3,642 |

| | | | | |
|--------------------------|-----------------------|-----------|-----|-----------|
| | Short-term investment | | | |
| Washington Mut Fin Corp. | Short-term investment | US\$3,725 | N/A | US\$3,689 |
| Washington Mut Inc. | Short-term investment | US\$3,692 | N/A | US\$3,682 |
| Washington Post Co. | Short-term investment | US\$3,182 | N/A | US\$3,227 |
| Wells Fargo + Co. New | Short-term investment | US\$3,697 | N/A | US\$3,675 |

(Continued)

| | | September 30, 2004 | | | | |
|--------------|-------------------------------------|-------------------------------|---|--------------------|-------------------------|---------------------------------|
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Accounts (In thousands) | Carrying Value | | Market Value or Net Asset Value |
| | | | | (US\$ in thousand) | Percentage of Ownership | (US\$ in thousand) |
| | China Steel Corporation | | Long-term investment | \$ 1,095,503 | N/A | \$ 1,094,593 |
| | Taiwan Power Company | | Long-term investment | 918,650 | N/A | 917,729 |
| | Agency bonds Fed Hm Ln Pc | | Short-term investment | US\$ 3,466 | N/A | US\$ 3,480 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 2,532 | N/A | US\$ 2,574 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 1,042 | N/A | US\$ 1,036 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 4,927 | N/A | US\$ 4,992 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 7,961 | N/A | US\$ 7,985 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 4,936 | N/A | US\$ 4,987 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 5,264 | N/A | US\$ 5,281 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 4,948 | N/A | US\$ 4,958 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 2,454 | N/A | US\$ 2,482 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 7,018 | N/A | US\$ 7,090 |
| | Federal Home Ln Bks | | Short-term investment | US\$ 4,997 | N/A | US\$ 5,009 |
| | Federal Home Ln Mtg Corp. | | Short-term investment | US\$ 3,388 | N/A | US\$ 3,441 |
| | Federal Home Ln Mtg Corp. | | Short-term investment | US\$ 4,953 | N/A | US\$ 4,986 |
| | Federal Home Ln Mtg Corp. | | Short-term investment | US\$ 9,997 | N/A | US\$ 10,002 |
| | Federal Home Ln Mtg Corp. | | Short-term investment | US\$ 999 | N/A | US\$ 998 |
| | Federal Home Ln Mtg Corp. | | Short-term investment | US\$ 4,933 | N/A | US\$ 4,955 |

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| | | | | | | |
|-------------------------------|-----------------------|------|-------|-----|------|-------|
| Federal Home Ln Mtg Corp. Mtn | Short-term investment | US\$ | 4,930 | N/A | US\$ | 4,997 |
| Federal Home Loan Mtg Assn | Short-term investment | US\$ | 4,847 | N/A | US\$ | 4,955 |
| Federal Home Loan Mtg Corp. | Short-term investment | US\$ | 4,903 | N/A | US\$ | 4,988 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 6,940 | N/A | US\$ | 6,987 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 4,867 | N/A | US\$ | 4,933 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 6,903 | N/A | US\$ | 6,962 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 4,981 | N/A | US\$ | 4,984 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 6,997 | N/A | US\$ | 7,019 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 1,498 | N/A | US\$ | 1,500 |
| Federal Natl Mtg Assn Mtn | Short-term investment | US\$ | 7,000 | N/A | US\$ | 7,001 |
| Freddie Mac | Short-term investment | US\$ | 4,929 | N/A | US\$ | 4,988 |
| Fed Hm Ln Pc Pool | Short-term investment | US\$ | 2,739 | N/A | US\$ | 2,737 |
| Fed Hm Ln Pc Pool | Short-term investment | US\$ | 2,445 | N/A | US\$ | 2,443 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$ | 6,096 | N/A | US\$ | 6,124 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$ | 4,618 | N/A | US\$ | 4,660 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$ | 3,558 | N/A | US\$ | 3,571 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$ | 4,060 | N/A | US\$ | 4,067 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 5,028 | N/A | US\$ | 4,989 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 2,736 | N/A | US\$ | 2,732 |
| Federal Natl Mtg Assn | Short-term investment | US\$ | 5,379 | N/A | US\$ | 5,369 |
| Federal Natl Mtg Assn Gtd | Short-term investment | US\$ | 4,462 | N/A | US\$ | 4,429 |
| Fnma Pool | Short-term investment | US\$ | 1,033 | N/A | US\$ | 1,031 |
| Fnma Pool | Short-term investment | US\$ | 2,114 | N/A | US\$ | 2,109 |
| Fnma Pool | Short-term investment | US\$ | 1,005 | N/A | US\$ | 1,004 |
| Fnma Pool | Short-term investment | US\$ | 1,034 | N/A | US\$ | 1,031 |
| Government Natl Mtg Assn | | US\$ | 2,661 | N/A | US\$ | 2,619 |

Short-term
investment

(Continued)

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| | | September 30, 2004 | | | | |
|--------------------------|--|--------------------------------------|--|--|--------------------------------|---|
| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Shares/Unit (In thousand) | Carrying Value (US\$ in thousand) | Percentage of Ownership | Market Value or Net Asset Value (US\$ in thousand) |
| | | | | | | Not |
| | Corporate issued asset backed securities | | | | | |
| | Aesop Fed II LLC | | Short-term investment | US\$ 4,955 | N/A | US\$ 4,992 |
| | Aesop Fed II LLC | | Short-term investment | US\$ 2,295 | N/A | US\$ 2,284 |
| | Americredit Automobile Receiv | | Short-term investment | US\$ 2,002 | N/A | US\$ 1,999 |
| | Americredit Automobile Rec Tr | | Short-term investment | US\$ 1,055 | N/A | US\$ 1,055 |
| | Americredit Automobile Rec Tr | | Short-term investment | US\$ 2,000 | N/A | US\$ 1,984 |
| | Americredit Automobile Receivb | | Short-term investment | US\$ 4,949 | N/A | US\$ 4,945 |
| | Atlantic City Elc Trns Fdg LLC | | Short-term investment | US\$ 995 | N/A | US\$ 1,000 |
| | Banc Amer Mtg Secs Inc. | | Short-term investment | US\$ 4,030 | N/A | US\$ 4,018 |
| | Bank Of Amer Lease Equip Tr | | Short-term investment | US\$ 4,023 | N/A | US\$ 4,048 |
| | BMW Veh Owner Tr | | Short-term investment | US\$ 4,978 | N/A | US\$ 4,977 |
| | California Infr + Economic Dev | | Short-term investment | US\$ 4,298 | N/A | US\$ 4,290 |
| | California Infr + Economic | | Short-term investment | US\$ 7,129 | N/A | US\$ 7,117 |
| | California Infrastructure Dev | | Short-term investment | US\$ 5,915 | N/A | US\$ 5,905 |
| | Capital One Auto Fin Tr | | Short-term investment | US\$ 1,233 | N/A | US\$ 1,232 |
| | Capital One Auto Fin Tr | | Short-term investment | US\$ 1,562 | N/A | US\$ 1,561 |
| | Capital One Auto Fin Tr | | Short-term investment | US\$ 3,000 | N/A | US\$ 3,003 |
| | Capital One Master Tr | | Short-term investment | US\$ 3,093 | N/A | US\$ 3,092 |
| | Capital One Multi Asset Execut | | | US\$ 4,957 | N/A | US\$ 4,995 |

| | | | | |
|--------------------------------|-----------------------|-------------|-----|-------------|
| | Short-term investment | | | |
| Capital One Secd Nt Tr | Short-term investment | US\$ 5,032 | N/A | US\$ 5,003 |
| Caterpillar Finl Asset Tr | Short-term investment | US\$ 10,008 | N/A | US\$ 9,986 |
| Centex Home Equity Ln Tr | Short-term investment | US\$ 3,500 | N/A | US\$ 3,507 |
| Cit Equip Coll Tr | Short-term investment | US\$ 4,999 | N/A | US\$ 5,026 |
| Citibank Cr Card Issuance Tr | Short-term investment | US\$ 4,959 | N/A | US\$ 4,984 |
| Citicorp Mtg Secs | Short-term investment | US\$ 2,557 | N/A | US\$ 2,571 |
| Cnh Equip Tr | Short-term investment | US\$ 5,000 | N/A | US\$ 4,973 |
| Comm | Short-term investment | US\$ 4,600 | N/A | US\$ 4,599 |
| Credit Suisse First Boston Mtg | Short-term investment | US\$ 4,768 | N/A | US\$ 4,761 |
| Cwmbs Inc. | Short-term investment | US\$ 2,635 | N/A | US\$ 2,625 |
| Daimlerchrysler Auto Tr | Short-term investment | US\$ 4,991 | N/A | US\$ 5,001 |
| Daimlerchrysler Auto Tr | Short-term investment | US\$ 4,982 | N/A | US\$ 4,987 |
| Daimlerchrysler Auto Tr | Short-term investment | US\$ 4,897 | N/A | US\$ 4,926 |
| Detroit Edison Securitization | Short-term investment | US\$ 674 | N/A | US\$ 676 |
| Fifth Third Auto Tr | Short-term investment | US\$ 3,000 | N/A | US\$ 3,016 |
| First Union Lehman Bros Mtg Tr | Short-term investment | US\$ 3,860 | N/A | US\$ 3,869 |
| First USA Credit Cr Master Tr | Short-term investment | US\$ 5,011 | N/A | US\$ 5,009 |
| Ford Cr Auto Owner Tr | Short-term investment | US\$ 10,999 | N/A | US\$ 10,998 |
| GE Cap Cr Card Master Nt Tr | Short-term investment | US\$ 4,000 | N/A | US\$ 4,001 |
| 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\$ 2,980 |
| GS Mtg Secs Corp. | Short-term investment | US\$ 3,509 | N/A | US\$ 3,510 |
| Harley Davidson Motorcycle Tr | Short-term investment | US\$ 3,901 | N/A | US\$ 3,897 |
| Harley Davidson Motorcycle Tr | Short-term investment | US\$ 5,999 | N/A | US\$ 5,964 |
| Holmes Fing No 8 PLC | Short-term investment | US\$ 5,001 | N/A | US\$ 5,062 |

| | | | | |
|-------------------------|-----------------------|------------|-----|------------|
| | Short-term investment | | | |
| Honda Auto Receivables | Short-term investment | US\$ 5,000 | N/A | US\$ 5,022 |
| Household Automotive Tr | Short-term investment | US\$ 817 | N/A | US\$ 816 |

(Continued)

| | | September 30, 2004 | | | | | |
|---------------------|--|--------------------------------------|-------------------------------------|-----------------------------------|--|--------------------------------|--|
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statements Account | Shares/Units (In Thousand) | Carrying Value (US\$ in Thousand) | Percentage of Ownership | Market Value or Net Asset Value |
| | | | | | | | (US\$ in Thousand) |
| | Hyundai Auto Receivables Tr | | Short-term investment | | US\$ 3,500 | N/A | US\$ 3480 |
| | Impac Secd Assets Corp. | | Short-term investment | | US\$ 3,966 | N/A | US\$ 3,962 |
| | Long Beach Accep Auto Receivab | | Short-term investment | | US\$ 2,526 | N/A | US\$ 2,518 |
| | Monumentl Global Fdg II | | Short-term investment | | US\$ 1,000 | N/A | US\$ 1,000 |
| | National City Auto Receivables | | Short-term investment | | US\$ 1,206 | N/A | US\$ 1,212 |
| | Navistar Finl 2003 A Owner Tr | | Short-term investment | | US\$ 4,928 | N/A | US\$ 4,941 |
| | Nissan Auto Receivables | | Short-term investment | | US\$ 7,000 | N/A | US\$ 6,987 |
| | Nissan Auto Receivables Own Tr | | Short-term investment | | US\$ 4,999 | N/A | US\$ 5,027 |
| | Nissan Auto Receivables Owner | | Short-term investment | | US\$ 4,853 | N/A | US\$ 4,899 |
| | ONYX Accep Owner Tr | | Short-term investment | | US\$ 1,589 | N/A | US\$ 1,589 |
| | ONYX Accep Owner Tr | | Short-term investment | | US\$ 4,913 | N/A | US\$ 4,966 |
| | Permanent Fing No 1 PLC | | Short-term investment | | US\$ 5,102 | N/A | US\$ 5,102 |
| | Providian Gateway Owner Tr | | Short-term investment | | US\$ 4,204 | N/A | US\$ 4,199 |
| | Reliant Energy Transition Bd | | Short-term investment | | US\$ 5,185 | N/A | US\$ 5,165 |
| | Residential Asset Sec Mtg Pass | | Short-term investment | | US\$ 3,000 | N/A | US\$ 3,000 |
| | Toyota Auto Receivables 2003B | | Short-term investment | | US\$ 4,970 | N/A | US\$ 4,964 |
| | Triad Auto Receivables Tr | | Short-term investment | | US\$ 5,042 | N/A | US\$ 5,025 |
| | TXU Elec Delivery Transition | | Short-term investment | | US\$ 8,009 | N/A | US\$ 8,066 |
| | USAA Auto Owner Tr | | | | US\$ 4,000 | N/A | US\$ 4,011 |

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| | | | | | | | |
|-----------------|--|-------------------|-----------------------|--------|------------|-----|------------|
| | | | Short-term investment | | | | |
| | Wachovia Auto Owner Tr | | Short-term investment | | US\$ 6,000 | N/A | US\$ 6,008 |
| | Wachovia Auto Owner Tr | | Short-term investment | | US\$ 4,999 | N/A | US\$ 5,027 |
| | WFS Financial Owner Trust | | Short-term investment | | US\$ 5,008 | N/A | US\$ 5,019 |
| | WFS Finl 2002 4 Owner Tr | | Short-term investment | | US\$ 2,958 | N/A | US\$ 2,959 |
| | WFS Finl 2004 2 Owner Tr | | Short-term investment | | US\$ 4,994 | N/A | US\$ 5,013 |
| | Whole Auto Ln Tr | | Short-term investment | | US\$ 5,967 | N/A | US\$ 5,975 |
| | World Omni Auto Receivables Tr | | Short-term investment | | US\$ 5,963 | N/A | US\$ 5,946 |
| | World Omni Auto Receivables Tr | | Short-term investment | | US\$ 5,000 | N/A | US\$ 5,009 |
| | Commercial papers Canadian Imperial | | Short-term investment | | US\$ 2,997 | N/A | US\$ 2,997 |
| | Corporate issued notes Canadian Imperial Bk | | Short-term investment | | US\$ 1,999 | N/A | US\$ 1,999 |
| | Equity Crimson Asia Capital Ltd., L.P. | | Long-term investment | | 38,314 | N/A | 38,314 |
| | Horizon Venture Fund I, L.P. | | Long-term investment | | 246,485 | N/A | 246,485 |
| C North America | Stock TSMC | Parent company | Short-term investment | 14,600 | 698,593 | | 653,211 |
| Cherng | Stock TSMC | Parent company | Short-term investment | 15,670 | 458,564 | | 701,091 |
| | Certificate Hsin Ruey | Major shareholder | Long-term investment | | 918,599 | 64 | 918,599 |

(Continued)

| | | September 30, 2004 | | | | | |
|-----------------|---|-------------------------------|-----------------------------|----------------------------|-----------------------------------|-------------------------|--|
| Company Name | Marketable Securities 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) |
| Ruey | Stock TSMC | Parent company | Short-term investment | 15,700 | \$ 459,512 | | \$ 702,405 |
| | Certificate Chi Cherng | Major shareholder | Long-term investment | | 917,803 | 64 | 917,803 |
| C International | Stock InveStar | Subsidiary | Long-term investment | 24,320 | US\$ 28,432 | 97 | US\$ 28,432 |
| | InveStar II | Subsidiary | Long-term investment | 51,300 | US\$ 35,454 | 97 | US\$ 35,454 |
| | TSMC Development | Subsidiary | Long-term investment | 1 | US\$ 597,064 | 100 | US\$ 597,064 |
| | TSMC Technology | Subsidiary | Long-term investment | 1 | US\$ 5,936 | 100 | US\$ 5,936 |
| | 3DFX Interactive Inc. | | Long-term investment | 68 | | | |
| | Money market fund BOA Fund | | Short-term investment | 30,300 | US\$ 30,300 | N/A | US\$ 30,300 |
| C Development | Stock WaferTech | Subsidiary | Long-term investment | | US\$ 459,344 | 99 | US\$ 459,344 |
| tar | Common stock RichTek Technology Corp. | | Short-term investment | 1,090 | US\$ 107 | 2 | US\$ 2,253 |
| | Advanced Power Electronics Corp. | | Short-term investment | 843 | US\$ 439 | 1 | US\$ 615 |
| | Broadtek Electronics Corp. | | Short-term investment | 869 | US\$ 275 | | US\$ 244 |
| | SiRF Technology Holdings, Inc. | | Short-term investment | 306 | US\$ 1,333 | 1 | US\$ 3,843 |
| | Broadtek Electronics Corp. | | Long-term investment | 145 | US\$ 44 | | US\$ 41 |
| | Programmable Microelectronics (Taiwan), Corp. | | Long-term investment | 575 | US\$ 203 | 1 | US\$ 203 |

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|-------------------------------------|----------------------|--------|------|-------|----|------|-------|
| Global Testing Corp. | Long-term investment | 13,268 | US\$ | 5,293 | 9 | US\$ | 5,293 |
| RichTek Technology Corp. | Long-term investment | 1,053 | US\$ | 99 | 2 | US\$ | 2,176 |
| Signia Technologies, Inc. | Long-term investment | 701 | US\$ | 206 | 3 | US\$ | 206 |
| Incentia Design Systems, Inc. | Long-term investment | 365 | US\$ | 90 | 1 | US\$ | 90 |
| Advanced Power Electronics Corp. | Long-term investment | 1,123 | US\$ | 530 | 2 | US\$ | 819 |
| Capella Microsystems (Taiwan), Inc. | Long-term investment | 530 | US\$ | 156 | 4 | US\$ | 156 |
| Preferred stock | | | | | | | |
| 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 | 5 | 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 |
| Monolithic Power Systems, Inc. | Long-term investment | 2,521 | US\$ | 2,000 | 11 | US\$ | 2,000 |
| Memsic, Inc. | Long-term investment | 2,727 | US\$ | 1,500 | 10 | US\$ | 1,500 |
| Reflectivity, Inc. | Long-term investment | 1,064 | US\$ | 741 | 2 | US\$ | 741 |
| Match Lab, Inc. | Long-term investment | 1,875 | US\$ | 150 | 3 | US\$ | 150 |
| Oridus, Inc. (CreOsys, Inc.) | Long-term investment | 1,500 | US\$ | 150 | 8 | US\$ | 150 |
| IP Unity | Long-term investment | 1,008 | US\$ | 494 | 2 | US\$ | 494 |
| Tropian, Inc. | Long-term investment | 1,758 | US\$ | 471 | 3 | US\$ | 471 |

(Continued)

| | | September 30, 2004 | | | | | | |
|--------------|--|-------------------------------|-----------------------------|----------------------------|--------------------|-------------------------|---------------------------------|--------------------|
| Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (In Thousand) | Carrying Value | | Market Value or Net Asset Value | |
| | | | | | (US\$ in Thousand) | Percentage of Ownership | (US\$ in Thousand) | (US\$ in Thousand) |
| Star II | Common stock | | | | | | | |
| | RichTek Technology Corp. | | Short-term investment | 503 | US\$ 287 | 1 | US\$ 1,039 | |
| | SiRF Technology Holdings, Inc. | | Short-term investment | 20 | US\$ 131 | | US\$ 253 | |
| | 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 (Taiwan), 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 | 494 | US\$ 282 | 1 | US\$ 1,021 | |
| | 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\$ 979 | 14 | US\$ 979 | |
| | EON Technology, Corp. | | Long-term investment | 3,276 | US\$ 1,179 | 8 | US\$ 1,179 | |
| | Goyatek Technology, Corp. | | Long-term investment | 2,088 | US\$ 545 | 8 | US\$ 545 | |
| | Trendchip Technologies Corp. | | Long-term investment | 2,000 | US\$ 861 | 5 | US\$ 861 | |
| | Ralink Technology (Taiwan), Inc. | | Long-term investment | 1,833 | US\$ 791 | 4 | US\$ 791 | |
| | Silicon Data, Inc. | | Long-term investment | 2,000 | US\$ 204 | 5 | US\$ 204 | |
| | Capella Microsystems (Taiwan), Inc. | | | 419 | US\$ 122 | 3 | US\$ 122 | |

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|-------------------------------------|----------------------|--------|------|---------|----|------|---------|
| | Long-term investment | | | | | | |
| Preferred stock Memsic, Inc. | Long-term investment | 2,289 | US\$ | 1,560 | 8 | US\$ | 1,560 |
| OEpic, Inc. | Long-term investment | 4,997 | US\$ | 542 | 8 | US\$ | 542 |
| 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 |
| Monolithic Power Systems, Inc. | Long-term investment | 804 | US\$ | 1,946 | 4 | US\$ | 1,946 |
| Sonics, Inc. | Long-term investment | 3,082 | US\$ | 3,082 | 5 | US\$ | 3,082 |
| Newport Opticom, Inc. | Long-term investment | 1,157 | US\$ | 120 | 9 | US\$ | 120 |
| 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 |
| Match Lab, Inc. | Long-term investment | 313 | US\$ | 25 | 1 | US\$ | 25 |
| Kilopass Technology, 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, Ltd. | Long-term investment | 2,579 | US\$ | 2,950 | 18 | US\$ | 2,950 |
| ing 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)

| | | September 30, 2004 | | | | | | |
|---------------------|---|-------------------------------|----------------------------------|----------------------------|-----------------------------------|----|--|--|
| Parent Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statements (In Account | Shares/Units (In Thousand) | Carrying Value (US\$ in Thousand) | | Market Value or Net Asset Value (US\$ in Thousand) | |
| | | | | | Percentage of Ownership | | | |
| | Quicksilver Technology, Inc. | | Long-term investment | 1,049 | US\$ 670 | 4 | US\$ 670 | |
| | Mosaic Systems, Inc. | | Long-term investment | 2,481 | US\$ 12 | 6 | US\$ 12 | |
| | Zenesis Technologies, Inc. | | Long-term investment | 861 | US\$ 500 | 4 | US\$ 500 | |
| | Reflectivity, Inc. | | Long-term investment | 4,848 | US\$ 2,479 | 4 | US\$ 2,479 | |
| | Iridigm Display, Co. | | Long-term investment | 254 | US\$ 500 | 1 | US\$ 500 | |
| | 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 | |
| AF II | Common stock | | | | | | | |
| | Yobon Technologies, Inc. | | Long-term investment | 1,675 | US\$ 787 | 17 | US\$ 787 | |
| | Preferred stock | | | | | | | |
| | Powerprecise Solutions, Inc. | | Long-term investment | 258 | US\$ 250 | 3 | US\$ 250 | |
| | Iridigm Display, Co. | | Long-term investment | 163 | US\$ 325 | | US\$ 325 | |
| | Tzero Technologies, Inc. | | Long-term investment | 244 | US\$ 500 | 2 | US\$ 500 | |
| | Miradia, Inc. | | | 1,809 | US\$ 1,600 | 2 | US\$ 1,600 | |

| | | | | | | | | | |
|--|--|--|--|------------|-----------------------|-------|------|--------|------------|
| | | | | | Long-term investment | | | | |
| Axiom Microdevices, Inc. | | | | | Long-term investment | 686 | US\$ | 700 | 5 US\$ 700 |
| Next IO, Inc. | | | | | Long-term investment | 216 | US\$ | 182 | US\$ 182 |
| Bond funds | | | | | | | | | |
| Grand Cathay | | | | | Short-term investment | 2,814 | | 35,275 | N/A 35,401 |
| TIIM | | | | | Short-term investment | 1,065 | | 14,581 | N/A 14,641 |
| Polaris De Li | | | | | Short-term investment | 1,550 | | 22,652 | N/A 22,713 |
| EnTrust Kirin | | | | | Short-term investment | 2,106 | | 22,516 | N/A 22,607 |
| E. Sun New Era | | | | | Short-term investment | 1,920 | | 20,144 | N/A 20,231 |
| Jih Sun | | | | | Short-term investment | 1,525 | | 20,116 | N/A 20,196 |
| EnTrust Phoenix | | | | | Short-term investment | 1,399 | | 20,382 | N/A 20,462 |
| Mega Diamond | | | | | Short-term investment | 1,281 | | 14,220 | N/A 14,276 |
| Taiwan Security Argent | | | | | Short-term investment | 8 | | 37,079 | N/A 38,610 |
| President Home Run | | | | | Short-term investment | 247 | | 3,364 | N/A 3,363 |
| Stock funds | | | | | | | | | |
| TIIM DaLi | | | | | Short-term investment | 296 | | 5,000 | N/A 4,530 |
| Stock | | | | | | | | | |
| Global Unichip Corporation North America | | | | Subsidiary | Long-term investment | 100 | | 3,531 | 100 3,531 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Company Name | Marketable Securities Type and Name | 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) |
| Company | Money market funds | | | | | | | |
| | BOA Fund | Short-term investment | BOA | | 40,000 | \$ 1,359,120 US\$ (40,000) | | \$ |
| | GS Fund | Short-term investment | Goldman Sachs | | 20,000 | 679,560 US\$ (20,000) | | |
| | Bond funds | | | | | | | |
| | JF Taiwan Bond Fund | Short-term investment | JF Asset Management (Taiwan) Ltd. | | 34,343 | 500,000 | 68,021 | 1,000,000 |
| | ABN AMRO Bond Fund | Short-term investment | ABN AMRO | | 34,794 | 500,000 | 165,257 | 2,400,000 |
| | ABN AMRO Select Bond Fund | Short-term investment | ABN AMRO | | | | 18,235 | 200,000 |
| | JF Taiwan First Bond Fund | Short-term investment | JF Asset Management (Taiwan) Ltd. | | | | 110,580 | 1,500,000 |
| | INVESCO R.O.C Bond A Fund | Short-term investment | INVESCO Asset Management Taiwan | | | | 93,975 | 1,350,000 |
| | Dresdner Bond DAM Fund | Short-term investment | Allianz Dresdner Securities Investment Consulting Co., Ltd. | | | | 80,833 | 900,000 |
| | Barits Bond Fund | Short-term investment | Barits Securities Investment Trust Co., Ltd. | | | | 76,640 | 900,000 |
| | | | | | | | 151,594 | 2,100,000 |

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| | | | | |
|--|-----------------------|--|-----------|--------------|
| Shinkong Chi Shin Bond Fund | Short-term investment | Shinkong Investment Trust Co., Ltd. | | |
| NITC Bond Fund | Short-term investment | National Investment Trust Co., Ltd. | 3,764 | 600,000 |
| Bonds under repurchase agreement | Short-term investment | Chung Shing Bills Finance Corp. and several financial institutions | 1,800,000 | 2,577,000 |
| Government bonds 1994 Government Bond Series C | Short-term investment | Chung Shing Bills Finance Corp. and several financial institutions | 1,422,197 | |
| 2002 Government Bond Series A | Short-term investment | BNP and several financial institutions | 3,157,331 | |
| 2002 Government Bond Series E | Short-term investment | BNP and several financial institutions | 3,113,066 | |
| 2002 Government Bond Series J | Short-term investment | BNP and several financial institutions | | 2,023,000 |
| 2003 Government Bond Series A | Short-term investment | BNP and several financial institutions | | 1,207,000 |
| 2003 Government Bond Series I | Long-term investment | FCB and several financial institutions | | 3,402,000 |
| 2004 Government Bond Series A | Long-term investment | China Bills Finance Corp. and several financial institutions | | 1,750,000 |
| 2004 Government Bond Series E | Long-term investment | BNP and several financial institutions | | 3,890,000 |
| United States Treas NTS | Short-term investment | | | US\$ 321,000 |

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|-------------------------------|-----------------------|--------------------------|--|--|------|---------|--|
| Corporate bonds | | | | | | | |
| Taiwan Power Company | Short-term investment | KGI Securities Co., Ltd. | | | | 2,777,7 | |
| Allstate Finl Global Fdg LLC | Short-term investment | | | | US\$ | 3, | |
| American Express Co. | Short-term investment | | | | US\$ | 3,5 | |
| American Express Cr Corp. Mtn | Short-term investment | | | | US\$ | 3,5 | |
| American Gen Fin Corp. Mtn | Short-term investment | | | | US\$ | 3, | |
| American Gen Fin Corp. Mtn | Short-term investment | | | | US\$ | 3,7 | |
| American Honda Fin Corp. Mtn | Short-term investment | | | | US\$ | 3,5 | |
| American Honda Fin Corp. Mtn | Short-term investment | | | | US\$ | 3,7 | |
| American Honda Fin Corp. Mtn | Short-term investment | | | | US\$ | 3,8 | |
| American Intl Group Inc. Mtnf | Short-term investment | | | | US\$ | 3,7 | |
| Bank New York Inc. | Short-term investment | | | | US\$ | 3,9 | |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Shares/Units (Thousand) | Amount (US\$ in Thousand) | Disposal | | Ending Balance | |
|------|-------------------------------------|-----------------------------|---------------------|-------------------------|---------------------------|-----------------------------------|--|-------------------------|---------------------------|
| | | | | | | Carrying Value (US\$ in Thousand) | Gain (Loss) on Disposal (US\$ in Thousand) | Shares/Units (Thousand) | Amount (US\$ in Thousand) |
| | Money market funds | | | | | | | | |
| | BOA Fund | Short-term investment | BOA | 40,000 | \$ 1,359,120 | \$ 1,359,120 | \$ | | |
| | GS Fund | Short-term investment | Goldman Sachs | 20,000 | US\$ (40,000) | US\$ (40,000) | | | |
| | | | | | US\$ 679,560 | US\$ 679,560 | | | |
| | | | | | US\$ (20,000) | US\$ (20,000) | | | |
| | Bond funds | | | | | | | | |
| | JF Taiwan Bond Fund | Short-term investment | JF Asset Management | 16,923 | 250,000 | 247,981 | 2,019 | 85,441 | |

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| | | | | | | | |
|--|-----------------------|--|--------|-----------|-----------|--------|---------|
| ABN AMRO Bond Fund | Short-term investment | (Taiwan) Ltd. ABN AMRO | 65,143 | 950,000 | 943,825 | 6,175 | 134,906 |
| ABN AMRO Select Bond Fund | Short-term investment | ABN AMRO | | | | | 18,235 |
| JF Taiwan First Bond Fund | Short-term investment | JF Asset Management (Taiwan) Ltd. | 25,694 | 350,000 | 348,537 | 1,463 | 84,886 |
| INVESCO R.O.C Bond A Fund | Short-term investment | INVESCO Asset Management Taiwan | | | | | 93,975 |
| Dresdner Bond DAM Fund | Short-term investment | Allianz Dresdner Securities Investment Consulting Co., Ltd. | | | | | 80,833 |
| Barits Bond Fund | Short-term investment | Barits Securities Investment Trust Co., Ltd. | | | | | 76,640 |
| Shinkong Chi Shin Bond Fund | Short-term investment | Shinkong Investment Trust Co., Ltd. | | | | | 151,594 |
| NITC Bond Fund | Short-term investment | National Investment Trust Co., Ltd. | | | | | 3,764 |
| Bonds under repurchase agreement | Short-term investment | Chung Shing Bills Finance Corp. and several financial institutions | | 1,800,000 | 1,800,000 | | |
| Government bonds 1994 Government Bond Series C | Short-term investment | Chung Shing Bills Finance Corp. and several financial institutions | | 1,427,762 | 1,422,197 | 5,565 | |
| 2002 Government Bond Series A | Short-term investment | BNP and several financial institutions | | 3,169,750 | 3,157,331 | 12,419 | |
| 2002 Government Bond Series E | Short-term investment | BNP and several financial institutions | | 3,133,875 | 3,113,066 | 20,809 | |

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| | | | | | | | |
|---|--------------------------|--|--------------|--------------|------------|--|----|
| 2002 Government Bond Series J | Short-term investment | BNP and several financial institutions | | | | | |
| 2003 Government Bond Series A | Short-term investment | BNP and several financial institutions | | | | | |
| 2003 Government Bond Series I | Long-term investment | FCB and several financial institutions | | | | | |
| 2004 Government Bond Series A | Long-term investment | China Bills Finance Corp. and several financial institutions | | | | | |
| 2004 Government Bond Series E | Long-term investment | BNP and several financial institutions | | | | | |
| United States Treas NTS Corporate bonds | Short-term investment | | US\$ 264,138 | US\$ 264,681 | US\$ (543) | | US |
| Taiwan Power Company | Short-term investment | KGI Securities Co., Ltd. | | | | | US |
| Allstate Finl Global Fdg LLC | Short-term investment | | | | | | US |
| American Express Co. | Short-term investment | | | | | | US |
| American Express Cr Corp. Mtn | Short-term investment | | US\$ 3,503 | US\$ 3,503 | | | |
| American Gen Fin Corp. Mtn | Short-term investment | | | | | | US |
| American Gen Fin Corp. Mtn | Short-term investment | | | | | | US |
| American Honda Fin Corp. Mtn | Short-term investment | | US\$ 3,510 | US\$ 3,509 | US\$ 1 | | |
| American Honda Fin Corp. Mtn | Short-term investment | | US\$ 3,755 | US\$ 3,750 | US\$ 5 | | |
| American Honda Fin Corp. Mtn | Short-term investment | | | | | | US |
| American Intl Group Inc. Mtnf | Short-term investment | | | | | | US |
| Bank New York Inc. | Short-term investment | | | | | | US |

| Company Name | Marketable Securities Type and Name | 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) |
| | Bank One Corp. | Short-term investment | | | | \$ | | US\$3,6 |
| | Bear Stearns Cos Inc. | Short-term investment | | | | | | US\$3,5 |
| | Bear Stearns Cos Inc. | Short-term investment | | | | | | US\$3,8 |
| | Bear Stearns Cos Inc. Medium Te | Short-term investment | | | | | | US\$3,1 |
| | Bristol Myers Squibb Co. | Short-term investment | | | | | | US\$3,8 |
| | Cardinal Health Inc. | Short-term investment | | | | | | US\$3,8 |
| | Citigroup Inc. | Short-term investment | | | | | | US\$3,5 |
| | Compaq Computer Corp. | Short-term investment | | | | | | US\$3,7 |
| | Consolidated Edison Co. NY Inc. | Short-term investment | | | | | | US\$3,6 |
| | Countrywide Fdg Corp. Mtn | Short-term investment | | | | | | US\$3,5 |
| | Countrywide Home Ln Inc. | Short-term investment | | | | | | US\$3,6 |
| | Credit Suisse | Short-term investment | | | | | | US\$3,1 |
| | First Boston USA | Short-term investment | | | | | | US\$3,0 |
| | Dell Computer Corp. | Short-term investment | | | | | | US\$3,0 |
| | Diageo PLC | Short-term investment | | | | | | US\$3,4 |
| | First Data Corp. | Short-term investment | | | | | | US\$3,0 |
| | General Elec Cap Corp. Mtn | Short-term investment | | | | | | US\$3,5 |
| | Genworth Finl Inc. | Short-term investment | | | | | | US\$3,4 |
| | Goldman Sachs Group LP | Short-term investment | | | | | | US\$3,8 |
| | Hewlett Packard Co. | Short-term investment | | | | | | US\$3,3 |
| | Honeywell Inc. | Short-term investment | | | | | | US\$3,2 |
| | | | | | | | | US\$3,7 |

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| | | |
|---------------------------------|-----------------------|---------|
| Household Fin Corp. | Short-term investment | |
| Household Fin Corp. Mtn Bk Ent | Short-term investment | US\$3,5 |
| Huntington Natl Bk | Short-term investment | US\$3,0 |
| ING Sec Life Ins Ingslf | Short-term investment | US\$3,0 |
| Intl Bk For Recon + Dev | Short-term investment | US\$5,2 |
| JP Morgan Chase + Co. | Short-term investment | US\$3,1 |
| JP Morgan Chase + Co. | Short-term investment | US\$3,6 |
| Keycorp Mtn Book Entry | Short-term investment | US\$3,5 |
| KFW Intl Fin Inc. | Short-term investment | US\$5,1 |
| Lehman Brothers Hldgs Inc. | Short-term investment | US\$3,4 |
| Lehman Brothers Hldgs Inc. | Short-term investment | US\$3,7 |
| Lilly Eli + Co. | Short-term investment | US\$3,7 |
| Nationsbank Corp. | Short-term investment | US\$3,6 |
| Nationwide Bldg Soc | Short-term investment | US\$3,4 |
| Nationwide Life Global Mtn | Short-term investment | US\$3,4 |
| Pepsico Inc. Mtn Book Entry | Short-term investment | US\$3,8 |
| Pricoa Global Fdg I Mtn | Short-term investment | US\$3,0 |
| Pricoa Global Fdg I Mtn | Short-term investment | US\$3,5 |
| Principal Life Global Fdg I Gl | Short-term investment | US\$3,1 |
| Salomon Smith Barney Hldgs Inc. | Short-term investment | US\$3,1 |
| SBC Communications Inc. | Short-term investment | US\$3,6 |
| Shell Finance (UK) PLC | Short-term investment | US\$3,6 |
| TIAA Global Mkts Inc. | Short-term investment | US\$3,6 |
| Unitedhealth Group Inc. | Short-term investment | US\$3,1 |

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| | | |
|------------------------------------|-----------------------|---------|
| Viacom Inc. | Short-term investment | US\$3,1 |
| Viacom Inc. | Short-term investment | US\$3,1 |
| Wachovia Corp. | Short-term investment | US\$3,7 |
| Walmart Cda Venture Corp. | Short-term investment | US\$3,6 |
| Washington Mut Fin Corp. | Short-term investment | US\$3,7 |
| Washington Mut Inc. | Short-term investment | US\$3,6 |
| Washington Post Co. | Short-term investment | US\$3,1 |
| Wells Fargo + Co. New Agency bonds | Short-term investment | US\$3,6 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$3,5 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$4,7 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$6,0 |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Disposal | | | Ending Balance | |
|---------------------------------|-------------------------------------|-----------------------------|---------------|-------------------------|---------------------------|-----------------------------------|--|-------------------------|
| | | | | Shares/Units (Thousand) | Amount (US\$ in Thousand) | Carrying Value (US\$ in Thousand) | Gain (Loss) on Disposal (US\$ in Thousand) | Shares/Units (Thousand) |
| Bank One Corp. | Short-term investment | | | | US\$3,695 | US\$3,693 | US\$ 2 | |
| Bear Stearns Cos Inc. | Short-term investment | | | | | | | US\$ |
| Bear Stearns Cos Inc. | Short-term investment | | | | US\$3,816 | US\$3,805 | US\$ 11 | |
| Bear Stearns Cos Inc. Medium Te | Short-term investment | | | | | | | US\$ |
| Bristol Myers Squibb Co. | Short-term investment | | | | | | | US\$ |
| Cardinal Health Inc. | Short-term investment | | | | US\$3,795 | US\$3,837 | US\$(42) | |
| Citigroup Inc. | | | | | | | | US\$ |

| | | | | |
|---|-----------------------|-----------|-----------|---------|
| | Short-term investment | | | |
| Compaq Computer Corp. Consolidated Edison Co. NY Inc. | Short-term investment | | | |
| Countrywide Fdg Corp. Mtn | Short-term investment | US\$3,540 | US\$3,534 | US\$ 6 |
| Countrywide Home Ln Inc. | Short-term investment | | | |
| Credit Suisse First Boston USA | Short-term investment | US\$3,188 | US\$3,177 | US\$ 11 |
| Dell Computer Corp. | Short-term investment | | | |
| Diageo PLC | Short-term investment | | | |
| First Data Corp. | Short-term investment | | | |
| General Elec Cap Corp. Mtn | Short-term investment | | | |
| Genworth Finl Inc. | Short-term investment | | | |
| Goldman Sachs Group LP | Short-term investment | | | |
| Hewlett Packard Co. | Short-term investment | | | |
| Honeywell Inc. | Short-term investment | | | |
| Household Fin Corp. | Short-term investment | | | |
| Household Fin Corp. Mtn Bk Ent | Short-term investment | | | |
| Huntington Natl Bk | Short-term investment | | | |
| ING Sec Life Ins Ingslf | Short-term investment | | | |
| Intl Bk For Recon + Dev | Short-term investment | | | |
| JP Morgan Chase + Co. | Short-term investment | | | |
| JP Morgan Chase + Co. | Short-term investment | | | |
| Keycorp Mtn Book Entry | Short-term investment | | | |
| KFW Intl Fin Inc. | Short-term investment | | | |
| Lehman Brothers Hldgs Inc. | Short-term investment | | | |

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| | | | | | |
|------------------------------------|-----------------------|-----------|-----------|---------|----|
| Lehman Brothers Hldgs Inc. | Short-term investment | | | | |
| Lilly Eli + Co. | Short-term investment | | | | US |
| Nationsbank Corp. | Short-term investment | | | | US |
| Nationwide Bldg Soc | Short-term investment | | | | US |
| Nationwide Life Global Mtn | Short-term investment | | | | US |
| Pepsico Inc. Mtn Book Entry | Short-term investment | | | | US |
| Pricoa Global Fdg I Mtn | Short-term investment | | | | US |
| Pricoa Global Fdg I Mtn | Short-term investment | | | | US |
| Principal Life Global Fdg I Gl | Short-term investment | | | | US |
| Salomon Smith Barney Hldgs Inc. | Short-term investment | | | | US |
| SBC Communications Inc. | Short-term investment | | | | US |
| Shell Finance (UK) PLC | Short-term investment | | | | US |
| TIAA Global Mkts Inc. | Short-term investment | US\$3,131 | US\$3,112 | US\$ 19 | US |
| Unitedhealth Group Inc. | Short-term investment | | | | US |
| Viacom Inc. | Short-term investment | | | | US |
| Viacom Inc. | Short-term investment | | | | US |
| Wachovia Corp. | Short-term investment | | | | US |
| Walmart Cda Venture Corp. | Short-term investment | | | | US |
| Washington Mut Fin Corp. | Short-term investment | | | | US |
| Washington Mut Inc. | Short-term investment | | | | US |
| Washington Post Co. | Short-term investment | | | | US |
| Wells Fargo + Co. New Agency bonds | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp. | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$108 | US\$107 | US\$ 1 | US |

Federal Home Ln Short-term
Mtg Corp. investment

US

(Continued)

| Company Name | Marketable Securities Type and Name | 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) |
| | Federal Natl Mtg Assn | Short-term investment | | | | \$ | | US\$3,3 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$5,8 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$6,1 |
| | Federal Natl Mtg Assn Gtd | Short-term investment | | | | | | US\$6,3 |
| | Federal Natl Mtg Assn Mtn | Short-term investment | | | | | | US\$7,0 |
| | Government Natl Mtg Assn | Short-term investment | | | | | | US\$4,4 |
| | Student Ln Marketing Assn | Short-term investment | | | | | | US\$16,0 |
| | Freddie Mac | Short-term investment | | | | | | US\$4,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$11,0 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$10,4 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$6,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$6,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$6,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$4,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$4,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$4,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$4,9 |
| | Federal Natl Mtg Assn | Short-term investment | | | | | | US\$4,8 |
| | Federal Home Loan Mtg Corp. | Short-term investment | | | | | | US\$4,9 |
| | Federal Home Ln Mtg Corp | Short-term investment | | | | | | US\$4,9 |
| | Federal Home Ln Mtg Corp. | Short-term investment | | | | | | US\$11,9 |
| | | | | | | | | US\$9,9 |

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|--|-----------------------|----------|
| Federal Home Ln Mtg Corp. | Short-term investment | |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$9,9 |
| Federal Home Ln Mtg Crop. | Short-term investment | US\$4,9 |
| Federal Home Ln Mtg Crop. | Short-term investment | US\$4,9 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$4,9 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$3,3 |
| Federal Home Ln Bks | Short-term investment | US\$14,9 |
| Federal Home Ln Bks | Short-term investment | US\$9,9 |
| Federal Home Ln Bks | Short-term investment | US\$9,9 |
| Federal Home Ln Bks | Short-term investment | US\$7,0 |
| Federal Home Ln Bks | Short-term investment | US\$5,2 |
| Federal Home Ln Bks | Short-term investment | US\$5,2 |
| Federal Home Ln Bks | Short-term investment | US\$4,9 |
| Federal Home Ln Bks | Short-term investment | US\$4,9 |
| Federal Home Ln Bks | Short-term investment | US\$4,9 |
| Federal Hm On Pc | Short-term investment | US\$3,4 |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$4,2 |
| Federal Home Loan Mtg Assn | Short-term investment | US\$4,8 |
| Corporate issued asset-backed securities | | |
| Aesop Fdg II LLC | Short-term investment | US\$4,9 |
| Americredit Automobile Receivb | Short-term investment | US\$4,9 |
| Banc Amer Mtg Secs Inc. | Short-term investment | US\$4,0 |
| Bank Of Amer Lease Equip Tr | Short-term investment | US\$4,0 |
| BMW Veh Owner Tr | Short-term investment | US\$4,9 |
| | | US\$7,4 |

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| | | |
|---|-----------------------|----------|
| California Infrastructure Dev | Short-term investment | |
| California Infrast + Economic Dev | Short-term investment | US\$4,2 |
| California Infrast + Economic Capital One | Short-term investment | US\$8,3 |
| Master Tr | Short-term investment | US\$3,0 |
| Capital One Multi Asset Execut | Short-term investment | US\$4,9 |
| Capital One Secd Nt Tr | Short-term investment | US\$5,0 |
| Caterpillar Finl Asset Tr | Short-term investment | US\$10,0 |
| Centex Home Equity Ln Tr | Short-term investment | US\$3,5 |
| CIT Equip Coll Tr | Short-term investment | US\$4,9 |
| Citibank Cr Card Issuance Tr | Short-term investment | US\$4,9 |
| CHN Equip Tr | Short-term investment | US\$5,0 |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Disposal | | | Ending Balance | | |
|--------------|-------------------------------------|-----------------------------|---------------|-------------------------|---------------------------|--------------------------|--|-------------------------|---------------------------|
| | | | | Shares/Units (Thousand) | Amount (US\$ in Thousand) | Value (US\$ in Thousand) | Gain (Loss) on Disposal (US\$ in Thousand) | Shares/Units (Thousand) | Amount (US\$ in Thousand) |
| | Federal Natl Mtg Assn | Short-term investment | | | US\$649 | US\$657 | US\$ (8) | | US\$ |
| | Federal Natl Mtg Assn | Short-term investment | | | US\$810 | US\$833 | US\$(23) | | US\$ |
| | Federal Natl Mtg Assn | Short-term investment | | | US\$735 | US\$751 | US\$(16) | | US\$ |
| | Federal Natl Mtg Assn Gtd | Short-term investment | | | US\$1,857 | US\$1,909 | US\$(52) | | US\$ |
| | Federal Natl Mtg Assn Mtn | Short-term investment | | | | | | | US\$ |

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|-----------------------------|-----------------------|------------|------------|----------|----|
| Government Natl Mtg Assn | Short-term investment | US\$1,763 | US\$1,812 | US\$(49) | US |
| Student Ln Marketing Assn | Short-term investment | US\$16,000 | US\$16,000 | | |
| Freddie Mac | Short-term investment | | | | US |
| Federal Natl Mtg Assn | Short-term investment | US\$10,997 | US\$11,036 | US\$(39) | |
| Federal Natl Mtg Assn | Short-term investment | US\$10,430 | US\$10,496 | US\$(66) | |
| Federal Natl Mtg Assn | Short-term investment | | | | US |
| Federal Natl Mtg Assn | Short-term investment | | | | US |
| Federal Natl Mtg Assn | Short-term investment | | | | US |
| Federal Natl Mtg Assn | Short-term investment | US\$3,501 | US\$3,495 | US\$ 6 | US |
| Federal Natl Mtg Assn | Short-term investment | US\$4,983 | US\$4,982 | US\$ 1 | |
| Federal Natl Mtg Assn | Short-term investment | | | | US |
| Federal Natl Mtg Assn | Short-term investment | | | | US |
| Federal Home Loan Mtg Corp. | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$10,966 | US\$10,985 | US\$(21) | U |
| Federal Home Ln Mtg Corp. | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$9,942 | US\$9,971 | US\$(29) | |
| Federal Home Ln Mtg Crop. | Short-term investment | | | | US |
| Federal Home Ln Mtg Crop. | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$4,981 | US\$4,907 | US\$ 74 | |
| Federal Home Ln Mtg Corp. | Short-term investment | | | | US |
| Federal Home Ln Bks | Short-term investment | US\$6,980 | US\$6,977 | US\$ 3 | US |
| Federal Home Ln Bks | Short-term investment | US\$5,000 | US\$4,997 | US\$ 3 | US |
| Federal Home Ln Bks | Short-term investment | US\$9,967 | US\$9,956 | US\$ 11 | |
| Federal Home Ln Bks | Short-term investment | | | | US |

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|--|-----------------------|-----------|-----------|----------|------|
| Federal Home Ln Bks | Short-term investment | | | | US |
| Federal Home Ln Bks | Short-term investment | US\$4,153 | US\$4,168 | US\$(15) | US |
| Federal Home Ln Bks | Short-term investment | | | | US |
| Federal Home Ln Bks | Short-term investment | | | | US |
| Federal Home Ln Bks | Short-term investment | | | | US |
| Federal Hm On Pc | Short-term investment | | | | US |
| Federal Home Ln Mtg Corp. | Short-term investment | US\$178 | US\$177 | US\$ 1 | US |
| Federal Home Loan Mtg Assn | Short-term investment | | | | US |
| Corporate issued asset-backed securities | | | | | |
| Aesop Fdg II LLC | Short-term investment | | | | US |
| Americredit Automobile Receivb | Short-term investment | | | | US |
| Banc Amer Mtg Secs Inc. | Short-term investment | | | | US |
| Bank Of Amer Lease Equip Tr | Short-term investment | | | | US |
| BMW Veh Owner Tr | Short-term investment | | | | US |
| California Infrastructure Dev | Short-term investment | US\$1,445 | US\$1,504 | US\$(59) | US |
| California Infrac + Economic Dev | Short-term investment | | | | US |
| California Infrac + Economic | Short-term investment | US\$1,202 | US\$1,254 | US\$(52) | US |
| Capital One Master Tr | Short-term investment | | | | US |
| Capital One Multi Asset Execut | Short-term investment | | | | US |
| Capital One Secd Nt Tr | Short-term investment | | | | US |
| Caterpillar Finl Asset Tr | Short-term investment | | | | US\$ |
| Centex Home Equity Ln Tr | Short-term investment | | | | US |
| CIT Equip Coll Tr | Short-term investment | | | | US |

| | |
|---------------|------------|
| Citibank Cr | Short-term |
| Card Issuance | investment |
| Tr | |
| CHN Equip Tr | Short-term |
| | investment |

US

US

(Continued)

| Company Name | Marketable Securities Type and Name | 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) |
| | Comm 2004 Htl1 | Short-term investment | | | | \$ | | US\$4,600 |
| | Credit Suisse | Short-term investment | | | | | | US\$5,000 |
| | First Boston Mtg CWMB Inc. | Short-term investment | | | | | | US\$3,129 |
| | Daimlerchrysler Auto Tr | Short-term investment | | | | | | US\$4,897 |
| | Daimlerchrysler Auto Tr | Short-term investment | | | | | | US\$4,982 |
| | Daimlerchrysler Auto Tr | Short-term investment | | | | | | US\$4,991 |
| | First Union | Short-term investment | | | | | | US\$4,177 |
| | Lehman Bros Mtg Tr | Short-term investment | | | | | | US\$5,011 |
| | First USA Credit Cr Master Tr | Short-term investment | | | | | | US\$10,999 |
| | Ford Cr Auto Owner Tr | Short-term investment | | | | | | US\$4,000 |
| | GE Cap Cr Card Master NT Tr | Short-term investment | | | | | | US\$5,000 |
| | Granite Mtgs PLC | Short-term investment | | | | | | US\$4,000 |
| | GS Mtg Secs Corp. | Short-term investment | | | | | | US\$4,000 |
| | Harley Davidson Motorcycle Tr | Short-term investment | | | | | | US\$4,000 |
| | Harley Davidson Motorcycle Tr | Short-term investment | | | | | | US\$5,999 |
| | Holmes Fing No 8 PLC | Short-term investment | | | | | | US\$5,001 |
| | Honda Auto Receivables | Short-term investment | | | | | | US\$5,000 |
| | Hyundai Auto Receivables Tr | Short-term investment | | | | | | US\$3,500 |
| | Impac Secd Assets Corp. | Short-term investment | | | | | | US\$4,000 |
| | Monumentl Global Fdg II | Short-term investment | | | | | | US\$3,500 |
| | Navistar Finl 2003 A Owner Tr | Short-term investment | | | | | | US\$4,928 |

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|----------------------------------|-----------------------|-------|-----------|-----------|
| Nissan Auto Receivables | Short-term investment | | | US\$7,000 |
| Nissan Auto Receivables | Short-term investment | | | US\$4,999 |
| Owner Tr Nissan Auto Receivables | Short-term investment | | | US\$4,853 |
| Owner ONYX Accep Owner Tr | Short-term investment | | | US\$4,913 |
| Permanent Fing No 1 PLC | Short-term investment | | | US\$5,102 |
| Providian Gateway Owner Tr | Short-term investment | | | US\$4,204 |
| Reliant Energy Transition Bd | Short-term investment | | | US\$5,185 |
| Toyota Auto Receivables | Short-term investment | | | US\$4,970 |
| 2003 B Triad Auto Receivables Tr | Short-term investment | | | US\$5,042 |
| TXU Elec Delivery Transition | Short-term investment | | | US\$8,009 |
| USAA Auto Owner Tr | Short-term investment | | | US\$4,000 |
| Wachovia Auto Owner Tr | Short-term investment | | | US\$4,999 |
| Wachovia Auto Owner Tr | Short-term investment | | | US\$6,000 |
| WFS Financial Owner Trust | Short-term investment | | | US\$5,008 |
| WFS Finl 2002 4 Owner Tr | Short-term investment | | | US\$3,904 |
| WFS Finl 2004 2 Owner Tr | Short-term investment | | | US\$4,994 |
| Whole Auto Ln Tr | Short-term investment | | | US\$5,967 |
| World Omni Auto Receivables | Short-term investment | | | US\$5,000 |
| World Omni Auto Receivables | Short-term investment | | | US\$5,963 |
| Common stock | | | | |
| RichTek Technology Corp. | Short-term investment | 947 | US\$121 | |
| Atheros Communication, | Short-term investment | 1,205 | US\$3,593 | |

InveStar

| | | | | | |
|-------------|----------------------|------------|--|-----|---------|
| InveStar II | Inc. Common stock | | | | |
| | RichTek | Short-term | | 465 | US\$346 |
| | Technology Corp. | investment | | | |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Shares/Units (Thousand) | Amount (US\$ in thousand) | Disposal | | Ending Balance | |
|--------------|-------------------------------------|-----------------------------|---------------|-------------------------|---------------------------|-----------------------------------|--|-------------------------|------------------------------------|
| | | | | | | Carrying Value (US\$ in Thousand) | Gain (Loss) on Disposal (US\$ in Thousand) | Shares/Units (Thousand) | Amount (US\$ in Thousand) (Note 1) |
| | Comm 2004 Htl1 | Short-term investment | | | \$ | \$ | \$ | | US\$4,0 |
| | Credit Suisse | Short-term investment | | | US\$232 | US\$232 | | | US\$4,7 |
| | First Boston Mtg | Short-term investment | | | US\$487 | US\$494 | US\$ (7) | | US\$2,6 |
| | CWMBS Inc. | Short-term investment | | | | | | | US\$4,8 |
| | Daimlerchrysler Auto Tr | Short-term investment | | | | | | | US\$4,9 |
| | Daimlerchrysler Auto Tr | Short-term investment | | | | | | | US\$4,9 |
| | Daimlerchrysler Auto Tr | Short-term investment | | | | | | | US\$4,9 |
| | First Union | Short-term investment | | | US\$295 | US\$317 | US\$ (22) | | US\$3,8 |
| | Lehman Bros Mtg Tr | Short-term investment | | | | | | | US\$5,0 |
| | First USA Credit Cr Master Tr | Short-term investment | | | | | | | US\$10,9 |
| | Ford Cr Auto Owner Tr | Short-term investment | | | | | | | US\$4,0 |
| | GE Cap Cr Card Master NT Tr | Short-term investment | | | | | | | US\$5,0 |
| | Granite Mtgs PLC | Short-term investment | | | | | | | US\$3,5 |
| | GS Mtg Secs Corp. | Short-term investment | | | US\$491 | US\$491 | | | US\$3,9 |
| | Harley Davidson Motorcycle Tr | Short-term investment | | | US\$99 | US\$99 | | | US\$5,9 |
| | Harley Davidson Motorcycle Tr | Short-term investment | | | | | | | US\$5,0 |
| | Holmes Fing No 8 PLC | Short-term investment | | | | | | | US\$5,0 |

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| | | | | |
|----------------------------------|-----------------------|---------|---------|---------|
| Honda Auto Receivables | Short-term investment | | | US\$5,0 |
| Hyundai Auto Receivables Tr | Short-term investment | | | US\$3,5 |
| Impac Secd Assets Corp. | Short-term investment | US\$34 | US\$34 | US\$3,9 |
| Monumentl Global Fdg II | Short-term investment | | | US\$3,5 |
| Navistar Finl 2003 A Owner Tr | Short-term investment | | | US\$4,9 |
| Nissan Auto Receivables | Short-term investment | | | US\$7,0 |
| Nissan Auto Receivables Owner Tr | Short-term investment | | | US\$4,9 |
| Nissan Auto Receivables Owner | Short-term investment | | | US\$4,8 |
| ONYX Accep Owner Tr | Short-term investment | | | US\$4,9 |
| Permanent Fing No 1 PLC | Short-term investment | | | US\$5,1 |
| Providian Gateway Owner Tr | Short-term investment | | | US\$4,2 |
| Reliant Energy Transition Bd | Short-term investment | | | US\$5,1 |
| Toyota Auto Receivables 2003 B | Short-term investment | | | US\$4,9 |
| Triad Auto Receivables Tr | Short-term investment | | | US\$5,0 |
| TXU Elec Delivery Transition | Short-term investment | | | US\$8,0 |
| USAA Auto Owner Tr | Short-term investment | | | US\$4,0 |
| Wachovia Auto Owner Tr | Short-term investment | | | US\$4,9 |
| Wachovia Auto Owner Tr | Short-term investment | | | US\$6,0 |
| WFS Financial Owner Trust | Short-term investment | | | US\$5,0 |
| WFS Finl 2002 4 Owner Tr | Short-term investment | US\$946 | US\$946 | US\$2,9 |
| WFS Finl 2004 2 Owner Tr | Short-term investment | | | US\$4,9 |
| Whole Auto Ln Tr | Short-term investment | | | US\$5,9 |
| | | | | US\$5,0 |

| | | | | | | | | | |
|----------|--|--------------------------|-------|-----------|-----------|-----------|-------|--|---------|
| | World Omni Auto Receivables | Short-term investment | | | | | | | |
| | World Omni Auto Receivables | Short-term investment | | | | | | | US\$5,9 |
| eStar | Common stock RichTek Technology Corp. | Short-term investment | 977 | US\$5,620 | US\$124 | US\$5,496 | 1,090 | | US\$ |
| | Atheros Communication, Inc. | Short-term investment | 1,205 | US\$8,972 | US\$3,593 | US\$5,379 | | | |
| eStar II | Common stock RichTek Technology Corp. | Short-term investment | 488 | US\$2,884 | US\$359 | US\$2,525 | 503 | | US\$2 |

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments, unrealized loss on long-term investments recognized in proportion to the Company's ownership percentage in investees and the bond premium or discount amortization amount.

TABLE 5

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004
 (Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Types of Property | Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationship | Prior Transaction of Related C | | |
|-------------------|------------------|--------------------|------------------------------|--|------------------------|--------------------------------|--------------|----------|
| | | | | | | Owner | Relationship | Transfer |
| ... | April 21, 2004 | \$1,484,370 | By the construction progress | IDC Taiwan, Inc., Taiwan Branch (U.S.A.) | | N/A | N/A | N/A |
| ... | April 21, 2004 | 420,168 | By the construction progress | CHRIST AG | | N/A | N/A | N/A |
| ... | April 22, 2004 | 224,800 | By the construction progress | Allis Electric Co., Ltd. | | N/A | N/A | N/A |
| ... | May 12, 2004 | 340,307 | By the construction progress | United Industry gas Corp., Ltd. | | N/A | N/A | N/A |
| ... | May 12, 2004 | 116,181 | By the construction progress | United Industry gas Corp., Ltd. | | N/A | N/A | N/A |
| ... | May 12, 2004 | 133,092 | By the construction progress | BOC EDWARDS, CMS | | N/A | N/A | N/A |
| ... | June 17, 2004 | 165,208 | By the construction progress | Organo Corporation | | N/A | N/A | N/A |
| ... | July 02, 2004 | 225,744 | By the construction progress | Marketch International Corp. | | N/A | N/A | N/A |
| ... | July 08, 2004 | 100,767 | By the construction progress | Kanto Chemical Co., Inc. | | N/A | N/A | N/A |
| ... | July 08, 2004 | 466,833 | By the construction progress | United Integrated Services Co., Ltd. | | N/A | N/A | N/A |
| ... | August 03, 2004 | 300,000 | By the construction progress | United Integrated Services Co., Ltd. | | N/A | N/A | N/A |
| ... | August 05, 2004 | 122,969 | By the construction progress | Marketch International Corp. | | N/A | N/A | N/A |
| ... | August 05, 2004 | 185,984 | By the construction progress | Marketch International | | N/A | N/A | N/A |

| | | | | | | | | |
|----|-----------------|---------|------------------------------|---|--|-----|-----|-----|
| 12 | August 05, 2004 | 182,060 | By the construction progress | Corp. Marketch International Corp. | | N/A | N/A | N/A |
|----|-----------------|---------|------------------------------|---|--|-----|-----|-----|

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Company Name | Types of Property | Transaction Date | Transaction Amount | Payment Term | Counter-party | Price Reference | Purpose of Acquisition | Other Terms |
|---------------------|--------------------------|-------------------------|---------------------------|------------------------------|--|------------------------|-------------------------------|--------------------|
| The Company | Fab. 12 | April 21, 2004 | \$1,484,370 | By the construction progress | IDC Taiwan, Inc., Taiwan Branch (U.S.A.) | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | April 21, 2004 | 420,168 | By the construction progress | CHRIST AG | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | April 22, 2004 | 224,800 | By the construction progress | Allis Electric Co., Ltd. | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | May 12, 2004 | 340,307 | By the construction progress | United Industry gas Corp., Ltd. | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | May 12, 2004 | 116,181 | By the construction progress | United Industry gas Corp., Ltd. | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | May 12, 2004 | 133,092 | By the construction progress | BOC EDWARDS, CMS | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | June 17, 2004 | 165,208 | By the construction progress | Organo Corporation | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | July 02, 2004 | 225,744 | By the construction progress | Marketch International Corp. | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | July 08, 2004 | 100,767 | By the construction progress | Kanto Chemical Co., Inc. | Public bidding | Manufacturing purpose | None |
| | Fab. 12 | July 08, 2004 | 466,833 | By the construction progress | United Integrated Services Co., Ltd. | Public bidding | Manufacturing purpose | None |
| | Fab. 14 | August 03, 2004 | 300,000 | By the construction progress | United Integrated Services Co., Ltd. | Public bidding | Manufacturing purpose | None |

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| | | | | | | | |
|---------|-----------------|---------|------------------------------|-------------------------------|----------------|-----------------------|------|
| Fab. 12 | August 05, 2004 | 122,969 | By the construction progress | Marketech International Corp. | Public bidding | Manufacturing purpose | None |
| Fab. 12 | August 05, 2004 | 185,984 | By the construction progress | Marketech International Corp. | Public bidding | Manufacturing purpose | None |
| Fab. 12 | August 05, 2004 | 182,060 | By the construction progress | Marketech International Corp. | Public bidding | Manufacturing purpose | None |

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TABLE 6

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| e | Related Party | Nature of Relationship | Transaction Details | | | Abnormal Transaction | | Notes/A | |
|---|----------------------------|------------------------|---------------------|----------------|--------------------------------|-----------------------------------|---------------|---|------------|
| | | | Purchase/ Sale | Amount | % to Total Payment Terms | Unit Price | Payment Terms | Payable Receivable Ending Balance | |
| | TSMC North America | Subsidiary | Sales | \$ 107,409,697 | 55 | Net 30 days after invoice date | None | None | \$ 19,481, |
| | Philips and its affiliates | Major shareholder | Sales | 3,980,051 | 2 | Net 30 days after monthly closing | None | None | 432, |
| | GUC | Investee | Sales | 274,482 | | Net 30 days after monthly closing | None | None | 50, |
| | WaferTech | Subsidiary | Purchases | 11,576,543 | 34 | Net 30 days after monthly closing | None | None | (1,104, |
| | VIS | Investee | Purchases | 6,912,218 | 21 | Net 30 days after monthly closing | None | None | (1,916, |
| | SSMC | Investee | Purchases | 4,604,370 | 14 | Net 30 days after monthly closing | None | None | (637, |

TABLE 7

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for De |
|--------------|----------------------------|------------------------|----------------|---------------|-------------|--|---------------------------------------|------------------|
| | | | | | Amount | Action Taken | | |
| Company | TSMC North America | Subsidiary | \$19,481,557 | 43days | \$6,128,700 | Accelerate demand on account receivables | \$2,805,117 | |
| | TSMC Shanghai | Subsidiary | 2,807,784 | (Note 1) | | | | |
| | Philips and its affiliates | Major shareholder | 432,040 | 46days | 75,009 | Accelerate demand on account receivables | 27,323 | |
| | VIS | Investee | 102,533 | (Note 2) | 2,876 | Accelerate demand on account receivables | | |

Note 1: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

Note 2: The ending balance is generated mainly from the royalty agreements, so it is not applicable for the calculation of the turnover rate.

TABLE 8

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

SEPTEMBER 30, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Parent Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2004 | | |
|----------------|--------------------|---------------------------------|--|----------------------------|-------------------|----------------------------------|----------------------|----------------------------|
| | | | | September 30, 2004 | December 31, 2003 | Shares (Thousands) | Percentage Ownership | Carrying Value (Thousands) |
| Company | TSMC North America | San Jose, California, U.S.A. | Marketing and engineering support | \$ 333,178 | \$ 333,178 | 11,000 | 100 | \$ 4,000 |
| | TSMC Europe | Amsterdam, the Netherlands | Marketing and engineering support | 15,749 | 15,749 | | 100 | |
| | TSMC Japan | Yokohama, Japan | Marketing and engineering support | 83,760 | 83,760 | 6 | 100 | 1,000 |
| | TSMC Shanghai | Shanghai, China | IC and other wafer equipment manufacturing and marketing | 6,275,202 | 1,890,952 | | 100 | 5,900,000 |
| | VIS | Hsin-Chu, Taiwan | IC design and manufacturing | 8,119,816 | 8,119,816 | 409,532 | 28 | 4,900,000 |
| | TSMC International | Tortola, British Virgin Islands | Investment | 31,445,780 | 31,445,780 | 987,968 | 100 | 24,900,000 |
| | Chi Cherng | Taipei, Taiwan | Investment | 300,000 | 300,000 | | 36 | |
| | Hsin Ruey | Taipei, Taiwan | Investment | 300,000 | 300,000 | | 36 | |
| | TSMC Partners | Tortola, British Virgin Islands | Investment | 10,350 | 10,350 | 300 | 100 | 4,100,000 |
| | SSMC | Singapore | Wafer manufacturing | 6,408,190 | 6,408,190 | 382 | 32 | 3,400,000 |
| | Emerging Alliance | Cayman Islands | Investment | 1,447,957 | 1,179,690 | | 99 | 800,000 |
| | GUC | Hsin-Chu, Taiwan | IC research, development, manufacturing, testing and marketing | 409,920 | 409,920 | 39,040 | 47 | 300,000 |
| | VisEra | | | 51,000 | 51,000 | 5,100 | 25 | |

| | | | | | |
|---------|---------------------|--|---------|----|---|
| | Hsin-Chu, Taiwan | Electronic spare parts manufacturing, material wholesaling and retailing | | | |
| VTAF II | Cayman Islands | Investment | 332,412 | 98 | 3 |

[Additional columns below]

[Continued from above table, first column(s) repeated]

| Investor Company | Investee Company | Location | Main Businesses and Products | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note 2) | Note |
|-------------------------|---------------------------|--|--|--|--|------------------------|
| The Company | TSMC North America | San Jose, California, U.S.A. | Marketing and engineering support | \$ 38,572 | \$ 30,732 | Subsidiary |
| | TSMC Europe | Amsterdam, the Netherlands | Marketing and engineering support | 243 | 243 | Subsidiary |
| | TSMC Japan | Yokohama, Japan | Marketing and engineering support | 2,662 | 2,662 | Subsidiary |
| | TSMC Shanghai | Shanghai, China | IC and other wafer equipment manufacturing and marketing | (367,566) | (367,566) | Subsidiary |
| | VIS | Hsin-Chu, Taiwan | IC design and manufacturing | 3,190,817 | 906,826 | Investee |
| | TSMC International | Tortola, British Virgin Islands | Investment | 2,217,762 | 2,217,762 | Subsidiary |
| | Chi Cherng | Taipei, Taiwan | Investment | 23,444 | 5,411 | Investee |
| | Hsin Ruey | Taipei, Taiwan | Investment | 25,181 | 6,026 | Investee |
| | TSMC Partners | Tortola, British Virgin Islands | Investment | 32,197 | 32,197 | Subsidiary |
| | SSMC Emerging Alliance | Singapore Cayman Islands | Wafer manufacturing Investment | 2,191,069 (108,752) | 701,142 (108,208) | Investee Subsidiary |
| | GUC | Hsin-Chu, Taiwan | IC research, development, manufacturing, testing and marketing | 725 | 7,005 | Investee |
| | VisEra | Hsin-Chu, Taiwan | Electronic spare parts manufacturing, material wholesaling and retailing | 23,925 | 5,981 | Investee |

| | | | | | |
|---------|-------------------|------------|---------|---------|------------|
| VTAF II | Cayman Islands | Investment | (5,213) | (8,466) | Subsidiary |
|---------|-------------------|------------|---------|---------|------------|

Note 1: The treasury stock is deducted from the carrying value.

Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

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TABLE 9

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

INFORMATION OF INVESTMENT IN MAINLAND CHINA

SEPTEMBER 30, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Businesses and Products | Total Amount of Paid-in Capital | | Accumulated Outflow of Investment from Taiwan as of January 1, 2004 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2004 | Percentage of Investment Ownership | Investment Gain (Loss) | Investment |
|---|---------------------------------|-----------------|--|-------------------------------|---|--|------------------------------------|------------------------|-------------|
| | (RMB in Thousand) | Investment Type | (US\$ in Thousand) | Outflow | Inflow | (US\$ in Thousand) | in Investment | (Note 2) | Gain (Loss) |
| and other wafer pment ufacturing and keting | \$6,275,202 RMB(1,539,470) | (Note 1) | \$1,890,952 US\$(56,000) | \$4,384,250 US\$(130,000) | \$ | \$6,275,202 US\$(186,000) | 100% | (\$367,566) | \$5, |
| Accumulated Investment in Mainland China as of September 30, 2004 (US\$ in Thousand) | | | Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand) | | Upper Limit on Investment (US\$ in Thousand) | | | | |
| | | | \$6,275,202 US\$(186,000) | \$12,608,064 US\$(371,000) | \$12,608,064 US\$(371,000) | | | | |

Note 1: Direct investment in TSMC (Shanghai) US\$186,000 thousand.

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

SIGNATURES

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

Taiwan Semiconductor Manufacturing Company Ltd.

Date: October 29, 2004

By /s/ Lora Ho

Lora Ho

Vice President & Chief Financial Officer