

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

May 05, 2005

1934 Act Registration No. 1-14700

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

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

For the month of April 2005

**Taiwan Semiconductor Manufacturing Company Ltd.**

(Translation of Registrant's Name Into English)

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

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

**Taiwan Semiconductor Manufacturing  
Company, Ltd.**

**Financial Statements for the  
Three Months Ended March 31, 2005 and 2004 and  
Independent Accountants' Review Report**

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## 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 March 31, 2005 and 2004, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36 Review of Financial Statements issued by the Auditing 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 Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

April 13, 2005

### Notice to Readers

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

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

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****BALANCE SHEETS****MARCH 31, 2005 AND 2004****(In Thousands of New Taiwan Dollars, Except Par Value)****(Reviewed, Not Audited)**

	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 60,218,990	12	\$ 106,507,988	25
Short-term investments, net (Notes 2 and 4)	51,638,170	11	19,829,168	5
Receivables from related parties (Note 18)	14,079,482	3	16,201,278	4
Notes and accounts receivable	13,069,620	3	14,707,017	3
Allowance for doubtful receivables (Note 2)	(978,577)		(1,014,509)	
Allowance for sales returns and others (Note 2)	(3,741,534)	(1)	(2,893,814)	(1)
Other receivables from related parties (Note 18)	2,645,421		249,368	
Other financial assets (Notes 2 and 21)	1,007,196		1,447,852	
Inventories, net (Notes 2 and 5)	13,428,985	3	11,014,523	3
Deferred income taxes assets (Notes 2 and 12)	7,296,000	2	8,212,000	2
Prepaid expenses and other current assets	1,080,644		1,456,034	1
<b>Total current assets</b>	<b>159,744,397</b>	<b>33</b>	<b>175,716,905</b>	<b>42</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 20)</b>				
Equity method	49,157,468	10	37,275,028	9
Cost method	779,340		703,434	
Long-term bonds	16,503,809	3		
Other investments	10,436,600	3		
<b>Total long-term investments</b>	<b>76,877,217</b>	<b>16</b>	<b>37,978,462</b>	<b>9</b>
<b>PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 7 and 18)</b>				
<b>Cost</b>				
Buildings	87,452,818	18	71,772,658	17
Machinery and equipment	424,088,493	88	341,494,302	81
Office equipment	7,360,112	2	6,340,506	1
	518,901,423	108	419,607,466	99
Accumulated depreciation	(315,454,528)	(65)	(261,678,445)	(62)
Advance payments and construction in progress	26,406,814	5	38,003,417	9

Net property, plant, and equipment	229,853,709	48	195,932,438	46
GOODWILL (Note 2)	1,829,049		2,177,439	1
<b>OTHER ASSETS</b>				
Deferred charges, net (Notes 2, 8 and 20)	8,438,529	2	7,502,506	2
Deferred income taxes assets (Notes 2 and 12)	3,751,059	1	1,534,457	
Refundable deposits	85,542		26,229	
Assets leased to others, net (Note 2)	77,180		83,622	
Idle assets (Note 2)	17,130		85,463	
Total other assets	12,369,440	3	9,232,277	2
<b>TOTAL</b>	<b>\$ 480,673,812</b>	<b>100</b>	<b>\$ 421,037,521</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS EQUITY****CURRENT LIABILITIES**

Accounts payable	\$ 5,344,256	1	\$ 7,697,360	2
Payables to related parties (Note 18)	2,863,489	1	4,926,011	1
Payable to contractors and equipment suppliers	10,920,422	2	12,647,943	3
Accrued expenses and other current liabilities (Notes 2, 10, 20 and 21)	8,262,691	2	7,810,028	2
Current portion of bonds payable (Note 9)	10,500,000	2	5,000,000	1
Total current liabilities	37,890,858	8	38,081,342	9

**LONG-TERM LIABILITIES**

Bonds payable (Note 9)	19,500,000	4	30,000,000	7
Other long-term payables (Notes 10 and 20)	1,911,506	1	2,999,977	1
Other payables to related parties (Notes 18 and 20)	1,722,326			
Total long-term liabilities	23,133,832	5	32,999,977	8

**OTHER LIABILITIES**

Accrued pension cost (Notes 2 and 11)	3,240,343	1	2,714,032	1
Deferred gain on intercompany sale (Notes 2 and 18)	684,423			
Guarantee deposits (Note 20)	370,876		656,128	

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Total other liabilities	4,295,642	1	3,370,160	1
Total liabilities	65,320,332	14	74,451,479	18
SHAREHOLDERS' EQUITY (Notes 2, 14, 15 and 16)				
Capital stock \$10 par value Authorized: 24,600,000 thousand shares				
Issued: 23,252,863 thousand shares in 2005, 20,266,619 thousand shares in 2004	232,528,635	48	202,666,189	48
Capital surplus	56,574,377	12	56,860,879	13
Retained earnings				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve			68,945	
Unappropriated earnings	105,020,406	22	69,018,210	16
Cumulative translation adjustments	(2,725,918)	(1)	(728,208)	
Treasury stock (at cost) - 45,037 thousand shares in 2005 and 48,518 thousand shares in 2004	(1,572,027)		(2,102,110)	
Total shareholders' equity	415,353,480	86	346,586,042	82
TOTAL	\$ 480,673,812	100	\$ 421,037,521	100

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

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****STATEMENTS OF INCOME****FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)****(Reviewed, Not Audited)**

	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 18)	\$ 56,413,097		\$ 58,785,691	
SALES RETURNS AND ALLOWANCES (Note 2)	(759,880)		(1,272,486)	
NET SALES	55,653,217	100	57,513,205	100
COST OF SALES (Notes 13 and 18)	34,004,376	61	34,783,992	60
GROSS PROFIT	21,648,841	39	22,729,213	40
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	3,348,555	6	2,860,983	5
General and administrative	1,944,834	3	2,031,122	4
Marketing	278,876	1	296,459	
Total operating expenses	5,572,265	10	5,188,564	9
INCOME FROM OPERATIONS	16,076,576	29	17,540,649	31
NON-OPERATING INCOME AND GAINS				
Interest (Notes 2 and 21)	780,062	1	256,296	1
Settlement income (Note 20)	569,276	1		
Technical service income (Notes 18 and 20)	77,111		56,983	
Gain on disposal of property, plant, and equipment (Note 2)	60,707		59,087	
Investment income recognized by equity method, net (Notes 2 and 6)			802,676	1
Gain on sales of investments, net (Note 2)			94,477	
Other (Note 18)	68,272		92,135	
Total non-operating income and gains	1,555,428	2	1,361,654	2



NON-OPERATING EXPENSES AND LOSSES

Interest (Notes 7 and 21)	583,273	1	330,172	1
Unrealized valuation loss of short-term investments (Notes 2 and 4)	257,718	1		
Foreign exchange loss, net (Notes 2 and 21)	200,614		122,117	
Investment loss recognized by equity method, net (Notes 2 and 6)	198,178			
Loss on sales of investments, net (Note 2)	64,473			

(Continued)

	2005		2004	
	Amount	%	Amount	%
Loss on disposal of property, plant and equipment (Note 2)	\$ 37,922		\$ 6,749	
Other	24,485		7,832	
Total non-operating expenses and losses	1,366,663	2	466,870	1
INCOME BEFORE INCOME TAX	16,265,341	29	18,435,433	32
INCOME TAX BENEFIT (Notes 2 and 12)	553,056	1	353,769	1
NET INCOME	\$ 16,818,397	30	\$ 18,789,202	33

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 17)				
Basic earnings per share	\$ 0.70	\$ 0.72	\$ 0.79	\$ 0.81
Diluted earnings per share	\$ 0.70	\$ 0.72	\$ 0.79	\$ 0.80

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

	2005	2004
NET INCOME	\$ 16,821,282	\$ 18,790,578
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 0.72	\$ 0.80
Diluted earnings per share	\$ 0.72	\$ 0.80

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

(Concluded)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.****STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004****(In Thousands of New Taiwan Dollars)****(Reviewed, Not Audited)**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 16,818,397	\$ 18,789,202
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,668,655	15,088,680
Deferred income taxes	(553,056)	(353,861)
Investment loss (income) recognized by equity method, net	198,178	(802,676)
Amortization of premium/discount of long-term bond investments	28,956	
Gain on disposal of property, plant and equipment, net	(22,785)	(52,338)
Accrued pension cost	139,147	113,781
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	2,106,601	(1,333,616)
Notes and accounts receivable	2,257,261	(789,210)
Allowance for doubtful receivables	(1,884)	(1,513)
Allowance for sales returns and others	413,620	767,789
Other receivables from related parties	(931,365)	(116,405)
Other financial assets	1,337,974	(758,412)
Inventories, net	742,960	(107,365)
Prepaid expenses and other current assets	(173,855)	528,234
Increase (decrease) in:		
Accounts payable	(1,144,361)	1,613,484
Payables to related parties	(901,983)	425,871
Accrued expenses and other current liabilities	(1,026,377)	(310,038)
 Net cash provided by operating activities	 35,956,083	 32,701,607
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments	1,340,925	(7,270,149)
Acquisitions of:		
Long-term investments	(4,276,570)	(167,902)
Property, plant and equipment	(38,161,372)	(16,351,217)
Proceeds from disposal of property, plant and equipment	120,613	67,672
Increase in deferred charges	(285,727)	(326,944)
Decrease (increase) in refundable deposits	(129)	151,150
 Net cash used in investing activities	 (41,262,260)	 (23,897,390)

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in guarantee deposits	(41,517)	(107,361)
Proceeds from exercise of stock options	34,866	
Repurchase of treasury stock		(476,870)
Net cash used in financing activities	(6,651)	(584,231)

(Continued)

	<b>2005</b>	<b>2004</b>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (5,312,828)	\$ 8,219,986
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	65,531,818	98,288,002
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 60,218,990	\$ 106,507,988
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding the amounts capitalized of NT\$51,978 thousand for the three months ended March 31, 2004)	\$ 700,160	\$ 372,684
Income tax paid	\$ 22,522	\$ 92
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$ 10,500,000	\$ 5,000,000
Current portion of other payables to related parties (under payables to related parties)	\$ 949,841	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,487,738	\$ 1,826,065
The accompanying notes are an integral part of the financial statements.		(Concluded)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2005 AND 2004**

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

**(Reviewed, Not Audited)**

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**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. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The Company is engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices and the manufacturing of masks.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Use of Estimates**

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

**Classification of Current and 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 primarily consist of corporate bonds, asset-backed securities, agency bonds, bond funds, government bonds and others.

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

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

The market value of funds is determined using the net asset value of the funds at the end of the 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. The market value of other short-term investments are determined using the average of bid and ask prices as of the balance sheet date.

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

### **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful receivables 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 revenue when evidence of an arrangement exists, the shipment is made, price is fixed or determinable, and the collectibility is reasonably assured. Revenues from the design and manufacturing of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by our customers. We record a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances are generally made at a specific percentage based on historical experience, our management's judgment, and any known factors that would significantly affect the allowance.

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

### **Inventories**

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the period. Market value represents replacement cost for raw materials, supplies and spare parts and net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on a demand



forecast within a specific time horizon, which is generally 180 days or less. Estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

- 8 -

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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 in the investment income/loss recognized by equity method, net account. When equity investments are made, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's net equity is amortized using the straight-line method over five years and is also recorded in the investment income/loss recognized by equity method, net account. When an indication of significant impairment is identified, the impairment loss is charged to current income.

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

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as investment income in the year received but are accounted for as reductions in the carrying amount of the long-term investments if the dividends are received in the same year that the related investments are acquired. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income or the carrying amount of the investment. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

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

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

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

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

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

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

Gains and losses on sales by investee companies accounted for using the equity method are deferred in proportion to the Company's ownership percentages in the investee companies until realized through transactions with third parties.

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

- 9 -

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### **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 indication of significant impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in the future period, the subsequent reversal of the impairment loss would be recognized as a gain. However, the increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognized for the asset in prior years. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the period incurred. Interest expense incurred during the purchase and construction period is also capitalized.

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

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

### **Goodwill**

Goodwill represents the excess of the consideration paid for acquisition over the fair market value of identifiable net assets acquired and acquisition costs. Goodwill is amortized using the straight-line method over the estimated life of 10 years. If an event occurs or circumstances change that more likely than not reduce the fair value of goodwill below its carrying value, the impairment loss is charged to current income. Subsequent recovery in the fair value of the goodwill may not reverse the impairment loss previously recorded.

### **Deferred Charges**

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges 3 years. When an indication of significant impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in the future period, the subsequent reversal of the impairment loss would be recognized as a gain. However, the increased carrying amount of an asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of amortization), had no impairment loss been recognized for the asset in prior years.

### **Pension Costs**

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

### **Income Tax**

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related

asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

- 10 -

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

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

Income taxes on unappropriated earnings of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

### **Stock-based Compensation**

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

### **Treasury Stock**

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

### **Foreign-currency Transactions**

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

### **Derivative Financial Instruments**

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

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

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

### Reclassifications

Certain accounts in the financial statements as of and for the three months ended March 31, 2004 have been reclassified to conform to the financial statements as of and for the three months ended March 31, 2005.

### 3. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Cash and bank deposits	\$ 33,198,480	\$ 96,498,092
Government bonds acquired under repurchase agreements	26,670,303	10,009,896
Corporate issued notes	350,207	
	\$ 60,218,990	\$ 106,507,988

### 4. SHORT-TERM INVESTMENTS

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Government bonds	\$ 14,292,300	\$
Corporate issued asset-backed securities	12,192,028	
Agency bonds	10,564,068	
Bond funds	10,534,374	6,700,000
Government bonds	3,451,873	9,762,665
Money market funds	677,811	
Corporate issued notes	157,612	
Commercial papers	94,506	
Listed stocks	6,528	11,358
Government bonds acquired under repurchase agreements		3,355,145
	51,971,100	19,829,168

Allowance for valuation losses	(332,930)		
		\$ 51,638,170	\$ 19,829,168
Market value		\$ 51,638,170	\$ 19,905,368

- 12 -

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The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of March 31, 2005, the Company had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

## 5. INVENTORIES, NET

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Finished goods	\$ 2,844,581	\$ 1,842,560
Work in process	10,359,806	9,313,327
Raw materials	896,897	632,825
Supplies and spare parts	684,714	782,487
	14,785,998	12,571,199
Allowance for losses	(1,357,013)	(1,556,676)
	\$ 13,428,985	\$ 11,014,523

## 6. LONG-TERM INVESTMENTS

	<b>March 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
Equity method				
TSMC International Investment Ltd. (TSMC International)	\$ 23,184,094	100	\$ 22,383,406	100
TSMC (Shanghai) Company Limited (TSMC-Shanghai)	10,732,322	100	1,819,487	100
Vanguard International Semiconductor Corporation (VIS)	5,698,410	28	4,375,675	28
TSMC Partners, Ltd. (TSMC Partners)	3,871,369	100	4,011,311	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,364,490	32	2,824,776	32
Emerging Alliance Fund, L.P. (Emerging Alliance)	747,632	99	824,793	99
TSMC North America (TSMC-North America)	556,517	100	412,786	100
Global Unichip Corporation (GUC)	396,716	47	359,454	47
VentureTech Alliance Fund II, L.P. (VTAF II)	321,035	98		
TSMC Japan K. K. (TSMC-Japan)	97,787	100	104,186	100
VisEra Technologies Company, Ltd. (VisEra)	62,638	25	50,499	25
Chi Cherng Investment Co., Ltd. (Chi Cherng)	50,629	36	43,138	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	49,879	36	42,083	36
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe)	23,950	100	23,434	100

49,157,468

37,275,028

(Continued)

- 13 -

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	March 31		% of Owner- ship
	2005	2004	
	Carrying Amount	Owner- ship	Carrying Amount
Cost method			
Non-publicly traded stocks	\$ 482,500		\$ 432,500
Funds	296,840		270,934
	779,340		703,434
Long-term bonds			
Government bonds	11,819,517		
Corporate bonds			
China Steel Corporation	2,957,875		
Taiwan Power Company	911,967		
Nan Ya Plastics Corporation	406,072		
Formosa Plastics Corporation	272,336		
Formosa Petrochemical Corporation	136,042		
	16,503,809		
Other investments	10,436,600		
	\$ 76,877,217		\$ 37,978,462

The Company's investee, VIS, reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by the Company after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares.

For the three months ended March 31, 2005 and 2004, net investment loss and income recognized from the equity method investees was NT\$198,178 thousand and NT\$802,676 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment loss or income were determined based on the reviewed financial statements of the investees as of and for the same periods as the Company.

As of March 31, 2005, other investments consisted of the following:

	Principal Amount	Carrying Amount	Range of Interest Rates	Maturity Date
Step-up callable deposits				
Domestic bank	\$ 2,000,000	\$ 2,007,551	2.05%-2.20%	Jul. 2007 to Aug. 2007
Foreign bank	1,500,000	1,507,988	1.44%-2.47%	Jul. 2006 to Jul. 2007

Callable range accrual deposits

Foreign bank	6,936,600	7,028,330	(See below)	Sep. 2009 to Jan.2010
	\$ 10,436,600	\$ 10,543,869		

The interest rates of the structured time-deposits are determined as follows:

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

The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate between zero and 1.5%. Under the term of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

Deposits that reside in banks located in Hong Kong and Singapore amounted to NT\$2,522,400 thousand and NT\$630,600 thousand, respectively.

## 7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Buildings	\$ 37,351,006	\$ 30,913,778
Machinery and equipment	273,182,396	226,723,846
Office equipment	4,921,126	4,040,821
	<b>\$ 315,454,528</b>	<b>\$ 261,678,445</b>

There was no capitalized interest for the three months ended March 31, 2005. Interest expense for the three months ended March 31, 2004 was NT\$382,150 thousand (before deducting the amount capitalized of NT\$51,978 thousand for the three months ended March 31, 2004). The interest rate used for purposes of calculating the capitalized amount was 2.80% to 5.283% for the three months ended March 31, 2004.

## 8. DEFERRED CHARGES, NET

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Technology license fees	\$ 6,264,489	\$ 4,789,827
Software and system design costs	2,050,497	2,589,038
Other	123,543	123,641
	<b>\$ 8,438,529</b>	<b>\$ 7,502,506</b>

**9. BONDS PAYABLE**

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Domestic unsecured bonds:		
Issued in October 1999 and repayable in October 2004, 5.95% interest payable annually	\$	\$ 5,000,000
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	15,000,000	15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.60%, 2.75% and 3% interest payable annually, respectively	15,000,000	15,000,000
	<b>\$ 30,000,000</b>	<b>\$ 35,000,000</b>

As of March 31, 2005, future principal repayments for the Company's bonds were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2005 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	30,000,000
Current portion	(10,500,000)
	<b>\$ 19,500,000</b>

**10. OTHER LONG-TERM PAYABLES**

The Company entered into several license arrangements for certain semiconductor-related patents. Future payments under the agreements as of March 31, 2005 were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2005 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 1,384,330
2006	564,533
2007	441,420
2008	252,240
2009	252,240
2010 and thereafter	504,480
	3,399,243
Current portion (under accrued expenses and other current liabilities)	(1,487,737)

\$ 1,911,506

-16-

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**11. PENSION PLAN**

The Company has a defined benefit plan for all regular employees that provides benefits based on the employee's length of service and average monthly salary or wage for the six-month period prior to retirement.

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

For the three months ended March 31, 2005 and 2004, the changes in the Fund and accrued pension cost are summarized as follows:

	<b>Three Months Ended March 31</b>	
	<b>2005</b>	<b>2004</b>
Pension fund		
Balance, beginning of period	\$ 1,428,001	\$ 1,191,702
Contribution	76,474	68,041
Interest	15,629	15,562
Payment	(8,416)	
Balance, end of period	\$ 1,511,688	\$ 1,275,305
Accrued pension cost		
Balance, beginning of period	\$ 3,101,196	\$ 2,600,251
Accruals	139,147	113,781
Balance, end of period	\$ 3,240,343	\$ 2,714,032

The Labor Pension Act will be effective beginning July 1, 2005 and this pension mechanism is deemed a defined contribution plan. The employees who were subject to the Labor Standards Law prior to the enforcement of this Act may choose to be subject to the pension mechanism under this Act or may continue to be subject to the pension mechanism under the Labor Standards Law. For those employees who were subject to the Labor Standards Law prior to July 1, 2005 and still work for the same company after July 1, 2005 and choose to be subject to the pension mechanism under this Act, their seniority as of July 1, 2005 shall be maintained. The rate of contribution by an employer to the Labor Pension Fund per month shall not be less than 6% of each employee's monthly salary or wage.

**12. INCOME TAX**

- a. A reconciliation of income tax expense based on income before income tax at statutory rate and income tax credits was as follows:

**Three Months Ended  
March 31**



	<b>2005</b>	<b>2004</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ (4,066,335)	\$ (4,608,858)
Tax-exempt income	2,236,484	2,774,533
Temporary and permanent differences	(303,375)	(137,367)
Current income tax expense before income tax credits	\$ (2,133,226)	\$ (1,971,692)

-17-

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b. Income tax benefit consisted of the following:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Current income tax expense before income tax credits	\$ (2,133,226)	\$ (1,971,692)
Income tax credits	2,133,226	1,971,692
Other income tax		(92)
Net change in deferred income tax assets		
Investment tax credits	2,557,893	960,679
Temporary differences	799,837	807,088
Net change in valuation allowance of deferred income tax assets	(2,804,674)	(1,413,906)
Income tax benefit	\$ 553,056	\$ 353,769

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

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
Current deferred income tax assets		
Investment tax credits	\$ 7,296,000	\$ 8,212,000
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 21,146,477	\$ 18,398,573
Temporary differences	(1,650,698)	(2,678,363)
Valuation allowance	(15,744,720)	(14,185,753)
	\$ 3,751,059	\$ 1,534,457

d. Integrated income tax information:

The balance of the imputation credit account (ICA) as of March 31, 2005 and 2004 was zero and NT\$2,932 thousand, respectively.

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

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

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



f. As of March 31, 2005, investment tax credits consisted of the following:

<b>Regulation</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 108,159	\$	2005
		4,886,439		2006
		4,101,455		2007
		10,404,632		2008
		164,686		2009
		\$ 19,665,371	\$ 19,557,212	
Statute for Upgrading Industries	Research and development expenditures	\$ 3,127,586	\$ 1,102,519	2005
		3,346,930	3,346,930	2006
		1,976,913	1,976,913	2007
		1,843,800	1,843,800	2008
		493,528	493,528	2009
		\$ 10,788,757	\$ 8,763,690	
Statute for Upgrading Industries	Personnel training	\$ 29,448	\$ 29,448	2005
		27,311	27,311	2006
		26,780	26,780	2007
		\$ 83,539	\$ 83,539	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$ 38,036	2005

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

	<b>Tax-Exemption Period</b>
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3 and 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 2001. 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.



**13. LABOR COST, DEPRECIATION AND AMORTIZATION**

	<b>Three Months Ended March 31, 2005</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost of</b>		
	<b>Sales</b>		
Labor cost			
Salary	\$ 2,029,905	\$ 836,497	\$ 2,866,402
Labor and health insurance	152,768	72,370	225,138
Pension	145,158	68,770	213,928
Meal	98,219	31,140	129,359
Welfare benefit	34,846	20,295	55,141
Other	26,925	5,825	32,750
	\$ 2,487,821	\$ 1,034,897	\$ 3,522,718
Depreciation	\$ 15,164,392	\$ 712,831	\$ 15,877,223
Amortization	\$ 328,014	\$ 448,626	\$ 776,640

	<b>Three Months Ended March 31, 2004</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost of</b>		
	<b>Sales</b>		
Labor cost			
Salary	\$ 2,017,088	\$ 918,282	\$ 2,935,370
Labor and health insurance	130,952	72,039	202,991
Pension	118,317	65,074	183,391
Meal	81,767	29,169	110,936
Welfare benefit	35,383	19,966	55,349
Other	30,015	4,009	34,024
	\$ 2,413,522	\$ 1,108,539	\$ 3,522,061
Depreciation	\$ 13,654,587	\$ 574,503	\$ 14,229,090
Amortization	\$ 287,314	\$ 571,552	\$ 858,866

#### **14. SHAREHOLDERS EQUITY**

The Company has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of March 31, 2005. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

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

As of March 31, 2005 and 2004, capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2005</b>	<b>2004</b>
From merger	\$ 24,003,546	\$ 24,132,297
Additional paid-in capital	23,077,544	23,172,550
From convertible bonds	9,360,424	9,410,632
From long-term investments	129,718	90,913
From treasury stock transactions	3,090	54,432
Donations	55	55
	<b>\$ 56,574,377</b>	<b>\$ 56,860,879</b>

The Company's Articles of Incorporation as revised on December 21, 2004, provide that when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

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

Profits of this Company may be distributed by way of cash dividend and/or stock dividend. Since the Company is in a capital-intensive industry at the steady growth stage of its business, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

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

The appropriation for legal capital reserve is made until the reserve equals the aggregate par value of the Company's outstanding 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 capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau (SFB), formerly known as the Securities and Futures Commission. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.





The appropriations of earnings for 2004 and 2003 were approved in the board of directors meeting and the shareholders meeting on February 22, 2005 and May 11, 2004, respectively. The appropriations and dividends per share are as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
			<b>(NT\$)</b>	
	<b>For Fiscal Year 2004</b>	<b>For Fiscal Year 2003</b>	<b>For Fiscal Year 2004</b>	<b>For Fiscal Year 2003</b>
Legal reserve	\$ 8,820,201	\$ 4,725,870		
Special reserve	2,226,427	(68,945)		
Employees profit sharing in cash	3,086,215	681,628		
Employees profit sharing in stock	3,086,215	2,726,514		
Cash dividends to preferred shareholders		184,493	\$	\$ 0.35
Cash dividends to common shareholders	46,504,097	12,159,971	2.0	0.60
Stock dividends to common shareholders	11,626,024	28,373,267	0.5	1.41
Bonus to directors and supervisors in cash	231,466	127,805		
	\$ 75,580,645	\$ 48,910,603		

The amount of the above appropriation of earnings for 2003 is consistent with the resolution of the meeting of the board of directors on February 17, 2004. However, the Company Law prescribes that TSMC, as a holder of 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. The appropriation of earnings for 2004 has not yet been resolved by the shareholders. If the above bonus to employee, directors and supervisors had been paid in cash and charged against income for 2004 and 2003, the after income tax basic earnings per share for the years ended December 31, 2004 and 2003 would have decreased from NT\$3.97 to NT\$3.70 and NT\$2.33 to NT\$2.15, respectively. The shares distributed as a bonus to employees represented 1.33% and 1.35% of the Company's total outstanding common shares as of December 31, 2004 and 2003, respectively.

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

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

## 15. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans under the 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB of the R.O.C. on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under the 2004 Plan, the 2003 Plan and the 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each unit eligible to subscribe to one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the

second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

Under the 2003 Plan and the 2002 Plan, units that had never been granted, or had been granted and subsequently cancelled were expired as of March 31, 2005.

Information about outstanding stock options for the three months ended March 31, 2005 and 2004 was as

follows:

	<b>Number of Outstanding Stock Options (In Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
Three months ended March 31, 2005		
Beginning outstanding balance	64,367	44.1
Options exercised	(899)	41.2
Options cancelled	(1,688)	44.7
Ending outstanding balance	61,780	44.1
Three months ended March 31, 2004		
Beginning outstanding balance	49,357	43.0
Options granted	16	55.2
Options exercised		
Options cancelled	(1,374)	44.3
Ending outstanding balance	47,999	42.9

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

As of March 31, 2005, information about outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Outstanding Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Exercisable Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
32.8-46.2	49,754	7.84	42.6	13,153	39.4
49.9-57.8	12,026	9.08	50.4		

61,780                      8.09                      44.1                      13,153                      39.4

No compensation cost was recognized for the three months ended March 31, 2005 and 2004 as all options were granted at the closing price on the date of grant. Had the Company used the fair value based method to evaluate the options granted after January 1, 2004, the method, assumptions and pro forma results of the Company would have been as follows:

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

Net income:	
Net income as reported	\$ 16,818,397
Pro forma net income	16,798,577

Earnings per share (EPS) after income tax (NT\$):	
Basic EPS as reported	0.72
Pro forma basic EPS	0.72
Diluted EPS as reported	0.72
Pro forma diluted EPS	0.72

No options were granted during the three months ended March 31, 2005. The estimated weighted average fair value for the options granted during the three months ended March 31, 2004 was NT\$24.49 per unit.

## 16. TREASURY STOCK

	Beginning Shares	Increase	Decrease	(Shares in Thousands) Ending Shares
Three months ended March 31, 2005				
Reclassification of parent company stock held by subsidiaries from long-term investments	45,521		484	45,037
Three months ended March 31, 2004				
Reclassification of parent company stock held by subsidiaries from long-term investments	40,597		146	40,451
Repurchase under share buyback plan		8,067		8,067
	40,597	8,067	146	48,518

Proceeds from the sales of treasury stock for the three months ended March 31, 2005 and 2004 were NT\$26,044 thousand and NT\$9,364 thousand, respectively. The Company's capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of March 31, 2005 and 2004, the book value of the treasury stock was NT\$1,572,027 thousand and NT\$1,625,240 thousand, respectively; the market value was NT\$2,336,080 thousand and NT\$2,512,417 thousand, respectively.

The Company held a special meeting of the board of directors and approved a share buyback plan to repurchase the Company's common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. The Company repurchased 124,720 thousand common shares for a total cost 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)		Number of Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Three months ended March 31, 2005					
Basic EPS					
Income available to common shareholders	\$ 16,265,341	\$ 16,818,397	23,206,939	\$ 0.70	\$ 0.72
Effect of dilutive potential common stock stock options			8,486		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 16,265,341	\$ 16,818,397	23,215,425	\$ 0.70	\$ 0.72
Three months ended March 31, 2004					
Basic EPS					
Income available to common shareholders	\$ 18,435,433	\$ 18,789,202	23,330,079	\$ 0.79	\$ 0.81
Effect of dilutive potential common stock stock options			12,034		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	\$ 18,435,433	\$ 18,789,202	23,342,113	\$ 0.79	\$ 0.80

**18. RELATED PARTY TRANSACTIONS**

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

- Industrial Technology Research Institute (ITRI), the chairman of the Company is one of its directors.
- Philips, a major shareholder of the Company.
- Subsidiaries

TSMC-Shanghai  
TSMC-North America

TSMC-Europe

TSMC-Japan

d. Investees

GUC (with controlling financial interest)

VisEra (with controlling financial interest)

VIS

SSMC

e. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

-25-

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

	2005		2004	
	Amount	%	Amount	%
For the three months ended March 31				
Sales				
TSMC-North America	\$ 31,759,070	56	\$ 31,648,127	54
Philips and its affiliates	469,031	1	1,344,714	2
Others	101,362		76,108	
	\$ 32,329,463	57	\$ 33,068,949	56
Purchases				
WaferTech	\$ 2,514,006	32	\$ 3,505,826	35
SSMC	1,053,623	13	1,390,078	14
VIS	1,013,490	13	1,873,410	19
Others	73,752	1		
	\$ 4,654,871	59	\$ 6,769,314	68
Manufacturing expenses technical assistance fees Philips (Note 20a)	\$ 11,391		\$ 796,251	3
Marketing expenses commission				
TSMC-Japan	\$ 55,692	20	\$ 57,523	19
TSMC-Europe	44,797	16	39,849	13
	\$ 100,489	36	\$ 97,372	32
General and administrative expenses rental expense GUC	\$ 3,976		\$	
Sales of property, plant and equipment				
TSMC-Shanghai	\$ 36,469	30	\$	
VIS			29,399	43
	\$ 36,469	30	\$ 29,399	43

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Non-operating income and gains						
SMMC (primarily technical service income, see Note 20f)	\$	62,342	4	\$	56,983	4
VIS (primarily technical service income, see Note 20k)		32,303	2		27,757	2
Others		5,411			409	
	\$	100,056	6	\$	85,149	6
At March 31						
Receivables						
TSMC-North America	\$	13,822,886	98	\$	15,131,221	93
Philips and its affiliates		179,348	1		1,021,009	6
Others		77,248	1		49,048	1
	\$	14,079,482	100	\$	16,201,278	100

(Continued)

	2005		2004	
	Amount	%	Amount	%
Other receivables				
TSMC-Shanghai	\$ 1,553,163	59	\$	
TSMC-Technology	570,601	22	2,418	1
TSMC-North America	377,009	14	64,100	26
VIS	34,850	1	180,829	73
Others	109,798	4	2,021	
	\$ 2,645,421	100	\$ 249,368	100
Payables				
Philips and its affiliates	\$ 1,032,341	36	\$ 1,892,900	39
WaferTech	735,306	26	1,154,689	24
VIS	636,782	22	1,294,952	26
SSMC	337,355	12	528,454	11
Others	121,705	4	55,016	
	\$ 2,863,489	100	\$ 4,926,011	100
Other long-term payables				
Philips and its affiliates	\$ 1,722,326	100	\$	
Deferred gain on intercompany sale				
TSMC-Shanghai (disposal of property, plant and equipment)	\$ 684,423	100	\$	

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

#### 19. SIGNIFICANT LONG-TERM LEASES

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

As of March 31, 2005, future remaining lease payments were as follows:

	Year	Amount
2005 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)		\$ 182,867
2006		243,823
2007		243,823
2008		225,658
2009		219,603
2010 and thereafter		1,231,777

\$ 2,347,551

-27-

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## 20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of March 31, 2005 are as follows:

- a. On June 20, 2004, the Company and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amounts mutually agreed-on, rather than under certain percentage of the Company's annual net sales. The Company and Philips agree to cross license the patents owned by each party. The Company also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA. The term of this agreement is for five years beginning January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992 and 1997 and on January 1, 2002.
- c. On October 28, 1992, the Company entered into a letter agreement with Philips under which Philips has an option on up to 30% of the Company's capacity as agreed in the agreement on most favored terms and conditions for similar orders, as long as Philips and its affiliates' shareholding in the Company remains at 24.8% or higher. As of March 12, 2005, Philips and its affiliates' shareholding in the Company is 18.98%.
- d. 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 March 31, 2005, the Company had a total of US\$11,645 thousand of guarantee deposits.
- e. 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 March 31, 2005, the Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. The Company and Philips are required, in the aggregate, to purchase up to 70% of SSMC's full capacity, but the Company alone is not required to purchase more than 28% of the annual installed capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- f. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- 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, Freescale Semiconductor, 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 Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated

with the joint development project.

- k. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prior as agreed by the parties.
- l. Amounts available under unused letters of credit as of March 31, 2005 were NT\$6,480 thousand and US\$204 thousand.
- m. The Company provided guarantees on loans amounting to US\$60,000 thousand and US\$40,000 thousand for TSMC Development, Inc. (TSMC Development) and TSMC-North America, respectively.
- n. TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation ( SMIC ), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the settlement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

## 21. ADDITIONAL DISCLOSURES

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



- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired 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;

-29-

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- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 7 attached;
- j. Financial instrument transactions:

1) Derivative financial instruments

The Company entered into derivative financial instrument transactions during the three months ended March 31, 2005 and 2004 to manage exposures related to foreign-exchange rate and interest rate fluctuations. Certain information on these contracts was as follows:

a) Outstanding forward exchange contracts as of March 31, 2005 and 2004

	<b>Financial Instruments</b>	<b>Currency</b>	<b>Maturity</b>	<b>Contract Amount (In Thousands)</b>
March 31, 2005				
Sell		US\$/NT\$	Apr. 2005 to Jun. 2005	US\$ 708,000
Buy		US\$/NT\$	Apr. 2005	US\$ 40,000
March 31, 2004				
Sell		US\$/NT\$	Apr. 2004 to Sep. 2004	US\$ 1,755,000
Buy		EUR/US\$	Apr. 2004	EUR 16,000
Buy		JPY/US\$	Apr. 2004	JPY 528,225

As of March 31, 2005 and 2004, receivables from forward exchange contracts (included in the other financial assets account) aggregated approximately NT\$4,661 thousand and NT\$906,882 thousand, respectively; payables from forward exchange contracts (included in the other current liabilities account) aggregated approximately NT\$280,637 thousand and zero, respectively.

b) Cross currency swap contracts

Outstanding cross currency swap contracts as of March 31, 2005 were as follows:

<b>Contract Amount</b>	<b>Range of</b>	<b>Range of</b>
----------------------------	-----------------	-----------------

<b>Maturity Date</b>	<b>(In Thousands)</b>	<b>Interest Rate Paid</b>	<b>Interest Rate Received</b>
Apr. 2005 to Jun. 2005	US\$ 1,395,000	1.28%-3.07%	0.49%-1.15%

There were no cross currency swap contracts during the three months ended March 31, 2004.

-30-

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As of March 31, 2005, receivables and payables from the cross currency swap contracts (included in the other financial assets and other current liabilities account, respectively) was approximately NT\$174,470 thousand and NT\$468,220 thousand, respectively.

The net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts for the three months ended March 31, 2005 and 2004 was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

c) Interest rate swap contracts

The contracts, which would have remained outstanding as of March 31, 2005, had been rescinded during the three months ended March 31, 2005. The rescission loss of NT\$28,295 thousand was recognized in the interest expense account. There was no outstanding contract as of March 31, 2005.

Outstanding contracts as of March 31, 2004 were as follows:

<b>Contract Date</b>	<b>Period</b>	<b>Contract Amount (In Thousands)</b>
Jul. 1999	Jul. 1999 to Jun. 2004	US\$ 2,857
Sep. 2003	Sep. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Oct. 2003	Oct. 2003 to Dec. 2005	NT\$500,000
Nov. 2003	Nov. 2003 to Dec. 2005	NT\$500,000

d) Transaction risk

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

As of March 31, 2005, the Company's future cash needs for outstanding forward exchange contracts and cross currency swap contracts were as follows:

<b>Term</b>	<b>Inflow (In Thousands)</b>	<b>Outflow (In Thousands)</b>
-------------	--------------------------------------	---------------------------------------

Within one year

NT\$65,770,604	NT\$1,261,940
US\$ 40,000	US\$ 2,103,000

-31-

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

2) Fair values of financial instruments were as follows:

	March 31, 2005		March 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Short-term investments	\$ 51,638,170	\$ 51,638,170	\$ 19,829,168	\$ 19,905,368
Long-term investments (securities with market price)	32,746,088	36,480,721	4,375,675	10,963,129
Liabilities				
Bonds payable (including current portion)	30,000,000	30,522,754	35,000,000	35,758,784
<u>Derivative financial instruments</u>				
Forward exchange contracts (sell)	(243,945)	(205,815)	900,111	961,743
Forward exchange contracts (buy)	(1,188)	(1,541)	6,771	318
Cross currency swap contracts	(306,246)	(331,511)		
Interest rate swap contracts			13,954	36,038

The above financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payable to contractors and equipment suppliers. The carrying amounts of the aforementioned financial instruments reported in the balance sheet approximate their fair values.

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

Fair values of financial instruments were determined as follows:

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

The fair values of some financial and non-financial instruments were 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 8 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.

-33-

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**TABLE 1****TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES****FINANCING PROVIDED****FOR THE THREE MONTHS ENDED MARCH 31, 2005****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Counter-party	Financial Statement Account	Maximum	Ending	Interest	Type of	Reasons for	Collateral
		Balance for the Period	Balance				
		(US\$ in Thousand)	(US\$ in Thousand)	Rate	Transaction	Short-term	Allowance for Bad Debt
MC Development	Other receivables	\$ 1,891,800	\$ 1,891,800	1.50%	2	\$ Operating capital	\$
		( US\$60,000 )	( US\$60,000 )				
MC Development	Other receivables	2,522,400	2,522,400	1.50%	2	Operating capital	
		( US\$80,000 )	( US\$80,000 )				

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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 THREE MONTHS ENDED MARCH 31, 2005  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Counter-party  Name	Nature of Relationship (Note 2)	Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Period (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Value of Collateral to Net Equity of the	Ratio of Accumulated Amount of Collateral
					Plant and Equipment	Latest Financial Statement
TSMC Development	3	Not exceed 10% of the net worth of the Company, and	\$ 1,891,800 (US\$60,000 )	\$ 1,891,800 (US\$60,000 )	\$	0.46%
TSMC-North America	2	also limiting to the total capital issued of the  endorsement/guarantee company, unless otherwise approved by Board of Directors.	1,261,200 (US\$40,000 )	1,261,200 (US\$40,000 )		0.30%

Note 1: 25% of the net worth of the Company as of March 31, 2005.

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.

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES

## MARKETABLE SECURITIES HELD

MARCH 31, 2005

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

						March 31, 2005
Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	
<u>Government bonds</u>						
United States Treas NTS		Short-term investment		US\$ 109,478	N/A	US
02 Government Bond Series B		Long-term investment		360,050	N/A	
03 Government Bond Series I		Long-term investment		3,394,786	N/A	
04 Government Bond Series A		Long-term investment		2,349,664	N/A	
04 Government Bond Series E		Long-term investment		3,895,017	N/A	
04 Kaohsiung Municipal Bond Series		Long-term investment		620,000	N/A	
05 Government Bond Series A		Long-term investment		1,200,000	N/A	
<u>Bond funds</u>						
Taiwan First Bond Fund		Short-term investment	84,886	1,151,462	N/A	
N AMRO Bond Fund		Short-term investment	134,906	1,956,175	N/A	
Taiwan Bond Fund		Short-term investment	78,698	1,153,209	N/A	
VESCO R.O.C. Bond A Fund		Short-term investment	76,705	1,101,911	N/A	
esdner Bond DAM Fund		Short-term investment	69,303	771,617	N/A	
rits Bond Fund		Short-term investment	76,640	900,000	N/A	
nkong Chi Shin Bond Fund		Short-term investment	151,594	2,100,000	N/A	
TC Bond Fund		Short-term investment	3,764	600,000	N/A	

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N AMRO Select Bond Fund		Short-term investment	18,235	200,000	N/A
BC NTD Money Management Fund		Short-term investment	41,568	600,000	N/A
ck					
wan Mask Corp.		Short-term investment	1,787	6,528	
MC International	Subsidiary	Long-term investment	987,968	23,184,094	100
S	Investee	Long-term investment	409,532	5,698,410	28
MC Partners	Subsidiary	Long-term investment	300	3,871,369	100
MC	Investee	Long-term investment	382	3,364,490	32
MC-North America	Subsidiary	Long-term investment	11,000	556,517	100
TC	Investee	Long-term investment	39,040	396,716	47
MC-Japan	Subsidiary	Long-term investment	6	97,787	100
Era	Investee	Long-term investment	5,100	62,638	25
MC-Europe	Subsidiary	Long-term investment		23,950	100
ited Industrial Gases Co., Ltd.		Long-term investment	16,783	193,584	10
n-Etsu Handotai Taiwan Co., Ltd.		Long-term investment	10,500	105,000	7

(Continued)

March 31, 2005

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership
W.K. Technology Fund IV		Long-term investment	5,000	\$ 50,000	2
Hontung Venture Capital Co., Ltd.		Long-term investment	8,392	83,916	10
Globaltop Partner I Venture Capital Corp.		Long-term investment	5,000	50,000	1
Corporate bonds					
Taiwan Power Company		Short-term investment		2,754,222	N/A
Formosa Petrochemical Corporation		Short-term investment		310,868	N/A
AIG Sunamerica Global Fing IX		Short-term investment		US\$ 1,032	N/A
Anz Cap Tr I		Short-term investment		US\$ 1,012	N/A
Abbott Labs		Short-term investment		US\$ 2,732	N/A
Abbott Labs		Short-term investment		US\$ 1,581	N/A
Ace Ltd		Short-term investment		US\$ 1,046	N/A
Alltel Corp.		Short-term investment		US\$ 609	N/A
Allstate Life Global Fdg Secd		Short-term investment		US\$ 2,998	N/A
American Express Co.		Short-term investment		US\$ 3,550	N/A
American Gen Fin Corp.		Short-term investment		US\$ 1,768	N/A
American Gen Fin Corp. Mtn		Short-term investment		US\$ 3,130	N/A
American Gen Fin Corp. Mtn		Short-term investment		US\$ 1,058	N/A
American Honda Fin Corp. Mtn		Short-term investment		US\$ 3,800	N/A
American Intl Group Inc Mtnf		Short-term investment		US\$ 3,795	N/A
Amgen Inc.		Short-term investment		US\$ 3,005	N/A

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Amsouth Bk Birmingham Ala	Short-term investment	US\$	1,972	N/A
Associates Corp. North Amer	Short-term investment	US\$	2,700	N/A
Bank New York Inc.	Short-term investment	US\$	1,525	N/A
Bank New York Inc.	Short-term investment	US\$	1,972	N/A
Bank Scotland Treas Svcs Plc	Short-term investment	US\$	2,715	N/A
Bank Utd Houston Tx Mtn	Short-term investment	US\$	580	N/A
Bear Stearns Cos Inc.	Short-term investment	US\$	3,518	N/A
Bear Stearns Cos Inc. Medium Te	Short-term investment	US\$	3,105	N/A
Beneficial Corp. Mtn Bk Entry	Short-term investment	US\$	2,434	N/A
Berkshire Hathaway Fin Corp.	Short-term investment	US\$	1,498	N/A
British Telecommunications Plc	Short-term investment	US\$	2,104	N/A
Cit Group Hldgs Inc.	Short-term investment	US\$	3,203	N/A
Cit Group Inc.	Short-term investment	US\$	2,000	N/A
Cargill Inc.	Short-term investment	US\$	2,120	N/A
Chase Manhattan Corp. New	Short-term investment	US\$	2,246	N/A
Chase Manhattan Corp. New	Short-term investment	US\$	1,628	N/A
Citicorp.	Short-term investment	US\$	1,473	N/A
Cogentrix Energy Inc.	Short-term investment	US\$	2,885	N/A
Colonial Pipeline Co.	Short-term investment	US\$	1,625	N/A
Compaq Computer Corp.	Short-term investment	US\$	3,719	N/A
Consolidated Edison Co. Ny Inc.	Short-term investment	US\$	3,688	N/A
Corestates Cap Corp.	Short-term investment	US\$	1,062	N/A
Countrywide Fdg Corp. Mtn	Short-term investment	US\$	2,158	N/A
Countrywide Home Lns Inc.	Short-term investment	US\$	5,210	N/A
Countrywide Fdg Corp. Mtn	Short-term investment	US\$	3,500	N/A
Countrywide Finl Corp.	Short-term investment	US\$	3,000	N/A

Short-term  
investment

(Continued)

- 37 -

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							March 31, 2005
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value	Percentage of Ownership	Market Value (US\$)
					(US\$ in Thousand)		
	Credit Suisse Fb USA Inc.		Short-term investment		US\$ 4,141	N/A	US\$ 4,141
	Credit Suisse First Boston USA		Short-term investment		US\$ 2,249	N/A	US\$ 2,249
	Credit Suisse First Boston		Short-term investment		US\$ 786	N/A	US\$ 786
	Daimlerchrysler North Amer		Short-term investment		US\$ 997	N/A	US\$ 997
	Daimlerchrysler North Amer Hld		Short-term investment		US\$ 749	N/A	US\$ 749
	Dell Computer Corp.		Short-term investment		US\$ 3,054	N/A	US\$ 3,054
	Den Danske Bk Aktieselskab		Short-term investment		US\$ 2,192	N/A	US\$ 2,192
	Deutsche Telekom Intl Fin Bv		Short-term investment		US\$ 1,852	N/A	US\$ 1,852
	Diageo Plc		Short-term investment		US\$ 3,459	N/A	US\$ 3,459
	Dow Chem Co.		Short-term investment		US\$ 921	N/A	US\$ 921
	European Invt Bk		Short-term investment		US\$ 8,315	N/A	US\$ 8,315
	Fpl Group Cap Inc.		Short-term investment		US\$ 1,001	N/A	US\$ 1,001
	Fpl Group Cap Inc.		Short-term investment		US\$ 860	N/A	US\$ 860
	Shell Finance (U K ) Plc		Short-term investment		US\$ 3,604	N/A	US\$ 3,604
	Fifth Third Bk Cincinnati OH		Short-term investment		US\$ 2,419	N/A	US\$ 2,419
	First Data Corp.		Short-term investment		US\$ 3,013	N/A	US\$ 3,013
	First Un Corp.		Short-term investment		US\$ 970	N/A	US\$ 970
	Fleet Finl Group Inc New		Short-term investment		US\$ 494	N/A	US\$ 494
	Fleet Finl Group Inc New		Short-term investment		US\$ 975	N/A	US\$ 975
	Fleet Boston Corp.				US\$ 2,850	N/A	US\$ 2,850

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	Short-term investment			
Ford Mtr Cr Co.	Short-term investment	US\$ 153	N/A	US
Ford Mtr Cr Co.	Short-term investment	US\$ 1,542	N/A	US
Ford Mtr Cr Co.	Short-term investment	US\$ 616	N/A	US
Gte Corp.	Short-term investment	US\$ 2,134	N/A	US
General Elec Cap Corp. Mtn	Short-term investment	US\$ 3,315	N/A	US
General Elec Cap Corp. Mtn	Short-term investment	US\$ 1,040	N/A	US
General Re Corp.	Short-term investment	US\$ 3,500	N/A	US
Genworth Finl Inc.	Short-term investment	US\$ 3,412	N/A	US
Goldman Sachs Group LP	Short-term investment	US\$ 1,637	N/A	US
Greenpoint Finl Corp.	Short-term investment	US\$ 974	N/A	US
HSBC USA Inc. New	Short-term investment	US\$ 1,154	N/A	US
Hancock John Global Fdg Mtn	Short-term investment	US\$ 1,003	N/A	US
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 1,435	N/A	US
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 296	N/A	US
Heller Finl Inc.	Short-term investment	US\$ 1,171	N/A	US
Hershey Foods Corp.	Short-term investment	US\$ 1,627	N/A	US
Hewlett Packard Co.	Short-term investment	US\$ 3,373	N/A	US
Honeywell Inc.	Short-term investment	US\$ 3,284	N/A	US
Household Fin Corp.	Short-term investment	US\$ 532	N/A	US
Household Fin Corp.	Short-term investment	US\$ 2,993	N/A	US
Household Fin Corp. Mtn Bk Ent	Short-term investment	US\$ 3,542	N/A	US
Huntington Natl Bk Columbus OH	Short-term investment	US\$ 2,954	N/A	US
Huntington Natl Bk	Short-term investment	US\$ 3,003	N/A	US
ING Sec Life Instl Fdg	Short-term investment	US\$ 2,544	N/A	US





							March 31, 2005
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 (US\$)
	Intl Bk For Recon + Dev		Short-term investment		US\$ 5,232	N/A	US\$ 5,232
	International Business Machs		Short-term investment		US\$ 2,249	N/A	US\$ 2,249
	Intl Lease Fin Corp. Mtn		Short-term investment		US\$ 3,028	N/A	US\$ 3,028
	JP Morgan Chase + Co		Short-term investment		US\$ 3,663	N/A	US\$ 3,663
	Jackson Natl Life Global Fdg		Short-term investment		US\$ 1,036	N/A	US\$ 1,036
	Jackson Natl Life Global Fdg S		Short-term investment		US\$ 2,998	N/A	US\$ 2,998
	KFW Intl Fin Inc.		Short-term investment		US\$ 3,062	N/A	US\$ 3,062
	Key Bk Na Med Term Nts Bk Entr		Short-term investment		US\$ 4,450	N/A	US\$ 4,450
	Keycorp Mtn Book Entry		Short-term investment		US\$ 3,500	N/A	US\$ 3,500
	Kraft Foods Inc.		Short-term investment		US\$ 773	N/A	US\$ 773
	Kraft Foods Inc.		Short-term investment		US\$ 1,037	N/A	US\$ 1,037
	ING Bank		Short-term investment		US\$ 2,114	N/A	US\$ 2,114
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 1,163	N/A	US\$ 1,163
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 3,705	N/A	US\$ 3,705
	Lehman Brothers Hldgs Inc.		Short-term investment		US\$ 2,166	N/A	US\$ 2,166
	Lilly Eli + Co.		Short-term investment		US\$ 3,750	N/A	US\$ 3,750
	Lincoln Natl Corp. In		Short-term investment		US\$ 519	N/A	US\$ 519
	Ameritech Capital Funding Co.		Short-term investment		US\$ 510	N/A	US\$ 510
	Merita Bk Ltd NY Brh		Short-term investment		US\$ 538	N/A	US\$ 538
	Merrill Lynch + Co. Inc.		Short-term investment		US\$ 3,486	N/A	US\$ 3,486

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	Short-term investment			
Metropolitan Life Global Mtn	Short-term investment	US\$ 1,907	N/A	US
Monumental Global Fdg II	Short-term investment	US\$ 1,534	N/A	US
Monumental Global Fdg II 2002A	Short-term investment	US\$ 1,045	N/A	US
Morgan Stanley Group Inc.	Short-term investment	US\$ 3,638	N/A	US
Morgan Stanley Group Inc.	Short-term investment	US\$ 1,050	N/A	US
Morgan Stanley	Short-term investment	US\$ 2,136	N/A	US
National City Corp.	Short-term investment	US\$ 3,426	N/A	US
National Westminster Bk Plc	Short-term investment	US\$ 1,433	N/A	US
Nationwide Bldg Soc	Short-term investment	US\$ 3,457	N/A	US
Nationwide Bldg Soc Mtn	Short-term investment	US\$ 3,000	N/A	US
Nationwide Life Global Mtn	Short-term investment	US\$ 1,463	N/A	US
Northern Rock Plc Medium Term	Short-term investment	US\$ 2,002	N/A	US
Pnc Fdg Corp.	Short-term investment	US\$ 1,080	N/A	US
Ppg Inds Inc.	Short-term investment	US\$ 3,571	N/A	US
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$ 3,818	N/A	US
Popular North Amer Inc. Mtn	Short-term investment	US\$ 3,042	N/A	US
Premark Intl Inc.	Short-term investment	US\$ 2,954	N/A	US
Pricoa Global Fdg I Mtn	Short-term investment	US\$ 3,050	N/A	US
Pricoa Global Fdg 1 Mtn	Short-term investment	US\$ 3,500	N/A	US
Principal Life Global Fdg I Gl	Short-term investment	US\$ 3,168	N/A	US
Protective Life Secd Trs	Short-term investment	US\$ 2,920	N/A	US
Prudential Ins Co. Amer	Short-term investment	US\$ 2,648	N/A	US
Reinsurance Group Amer Inc.	Short-term investment	US\$ 2,091	N/A	US
Royal Bk Scotland Group Plc	Short-term investment	US\$ 1,563	N/A	US
Royal Bk Scotland Group Plc	Short-term investment	US\$ 369	N/A	US

Sbc Communications Inc.	Short-term investment			
	Short-term investment	US\$ 3,681	N/A	US
Sbc Communications Inc.	Short-term investment	US\$ 1,776	N/A	US

(Continued)

March 31, 2005

Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Percentage of Ownership
				Shares/Units (In Thousand)	(US\$ in Thousand)	
	Slm Corp Medium Term Nts		Short-term investment	US\$	2,950	N/A
	Slm Corp.		Short-term investment	US\$	500	N/A
	Sp Powerassests Ltd Global		Short-term investment	US\$	991	N/A
	Safeco Corp.		Short-term investment	US\$	765	N/A
	St Paul Cos Inc Mtn Bk Ent		Short-term investment	US\$	2,661	N/A
	Salomon Smith Barney Hldgs Inc.		Short-term investment	US\$	3,160	N/A
	Sara Lee Corp.		Short-term investment	US\$	1,596	N/A
	Scotland Intl Fin B V 144A		Short-term investment	US\$	1,533	N/A
	Suntrust Bks Inc.		Short-term investment	US\$	1,062	N/A
	Swedbank Sparbanken Svenge AB		Short-term investment	US\$	1,084	N/A
	Tiaa Global Mkts Inc.		Short-term investment	US\$	519	N/A
	Tribune Co. Med Trm Nts		Short-term investment	US\$	2,943	N/A
	US Bk Natl Assn Cincinnati OH		Short-term investment	US\$	2,669	N/A
	Unitedhealth Group Inc.		Short-term investment	US\$	3,119	N/A
	Virginia Elec + Pwr Co.		Short-term investment	US\$	2,884	N/A
	Vodafone Group Plc New		Short-term investment	US\$	2,559	N/A
	Wps Resources Corp.		Short-term investment	US\$	1,107	N/A
	Wal Mart Cda Venture Corp.		Short-term investment	US\$	3,670	N/A
	Washington Mut Inc.		Short-term investment	US\$	4,735	N/A
	Washington Mut Fin Corp.		Short-term investment	US\$	4,768	N/A
	Washington Post Co.		Short-term investment	US\$	3,182	N/A
	Wells Fargo+Co. New		Short-term investment	US\$	3,697	N/A
	Westfield Cap Corp. Ltd		Short-term investment	US\$	1,999	N/A
	China Steel Corporation		Long-term investment		2,957,874	N/A
	Taiwan Power Company		Long-term investment		911,967	N/A
	Nan Ya Plastics Corporation		Long-term investment		406,072	N/A
	Formosa Plastics Corporation		Long-term investment		272,336	N/A
	Formosa Petrochemical Corporation		Long-term investment		136,042	N/A
	Agency bonds					
	Fed Hm Ln Pc Pool G11295		Short-term investment	US\$	2,146	N/A
	Fed Hm Ln Pc Pool E89857		Short-term investment	US\$	2,467	N/A
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	6,096	N/A
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	4,227	N/A
	Federal Home Ln Mtg Corp		Short-term investment	US\$	3,558	N/A
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	3,155	N/A
	Federal Natl Mtg Assn Gtd		Short-term investment	US\$	2,595	N/A
	Federal Natl Mtg Assn		Short-term investment	US\$	3,624	N/A
	Federal Natl Mtg Assn		Short-term investment	US\$	1,609	N/A

Federal Natl Mtg Assn	Short-term investment	US\$	4,165	N/A	US
Fnma Pool 685116	Short-term investment	US\$	946	N/A	US
Fnma Pool 725095	Short-term investment	US\$	1,904	N/A	US
Fnma Pool 790828	Short-term investment	US\$	4,500	N/A	US

(Continued)

							March 31, 2005	
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	Th
	Fnma Pool 793932		Short-term investment	US\$	983		N/A	US
	Fnma Pool 794040		Short-term investment	US\$	976		N/A	US
	Fnma Pool 795548		Short-term investment	US\$	938		N/A	US
	Fnma Pool 806642		Short-term investment	US\$	1,944		N/A	US
	Government Natl Mtg Assn		Short-term investment	US\$	1,007		N/A	US
	Gnma II Pool 081150		Short-term investment	US\$	978		N/A	US
	Gnma II Pool 081153		Short-term investment	US\$	3,692		N/A	US
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	6,978		N/A	US
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	3,388		N/A	US
	Federal Home Ln Mtg Corp. Mtn		Short-term investment	US\$	4,930		N/A	US
	Federal Home Loan Mtg Assn		Short-term investment	US\$	4,847		N/A	US
	Federal Home Loan Mtg Corp.		Short-term investment	US\$	4,903		N/A	US
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	6,925		N/A	US
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	4,953		N/A	US
	Federal Home Ln Mtg Corp.		Short-term investment	US\$	9,997		N/A	US
	Federal Home Ln Bks		Short-term investment	US\$	2,532		N/A	US
	Federal Home Ln Bks		Short-term investment	US\$	1,042		N/A	US
	Federal Home Ln Bks		Short-term investment	US\$	7,887		N/A	US
	Federal Home Ln Bks		Short-term investment	US\$	3,379		N/A	US
	Federal Home Ln Bks		Short-term investment	US\$	9,134		N/A	US

	Short-term investment			
Federal Home Ln Bks	Short-term investment	US\$ 4,927	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 7,961	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 7,014	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 4,936	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 2,454	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 7,018	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 4,997	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 7,042	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 6,098	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 3,976	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 13,953	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 4,939	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 13,983	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 13,981	N/A	US
Federal Home Ln Bks	Short-term investment	US\$ 4,136	N/A	US
Federal Home Ln Mtg Corp.	Short-term investment	US\$ 999	N/A	US
Federal Home Ln Mtg Corp.	Short-term investment	US\$ 4,933	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 5,270	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 4,430	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 4,921	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 6,940	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 6,903	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 4,981	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 6,997	N/A	US
Federal Natl Mtg Assn	Short-term investment	US\$ 7,892	N/A	US



Federal Natl Mtg Assn	Short-term investment	US\$ 14,952	N/A	US
Federal Natl Mtg Assn Mtn	Short-term investment	US\$ 15,787	N/A	US

(Continued)

							March 31, 2005
Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	Carrying Value	Percentage of Ownership	Th
					(US\$ in Thousand)		
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 9,758	N/A	US
	Fed Hm Ln Pc		Short-term investment		US\$ 3,466	N/A	US
	Federal Natl Mtg Assn Mtn		Short-term investment		US\$ 7,000	N/A	US
	<u>Corporate issued asset-backed securities</u>						
	Americredit Automobile Rec Tr		Short-term investment		US\$ 1,055	N/A	US
	Americredit Automobile Receiv		Short-term investment		US\$ 1,221	N/A	US
	Americredit Automobile Receivb		Short-term investment		US\$ 4,949	N/A	US
	Americredit Automobile Rec Tr		Short-term investment		US\$ 2,000	N/A	US
	Bmw Veh Owner Tr		Short-term investment		US\$ 4,978	N/A	US
	Capital Auto Receivables Asset		Short-term investment		US\$ 3,273	N/A	US
	Capital One Auto Fin Tr		Short-term investment		US\$ 781	N/A	US
	Capital One Auto Fin Tr		Short-term investment		US\$ 3,000	N/A	US
	Daimlerchrysler Auto Tr		Short-term investment		US\$ 4,991	N/A	US
	Daimlerchrysler Auto Tr		Short-term investment		US\$ 2,989	N/A	US
	Daimlerchrysler Auto Tr		Short-term investment		US\$ 4,897	N/A	US
	Fifth Third Auto Tr		Short-term investment		US\$ 3,000	N/A	US
	Ford Cr Auto Owner Tr		Short-term investment		US\$ 10,999	N/A	US
	Gs Auto Ln Tr		Short-term investment		US\$ 2,948	N/A	US
	Household Automotive Tr		Short-term investment		US\$ 238	N/A	US
	Hyundai Auto Receivables Tr				US\$ 3,500	N/A	US

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	Short-term investment			
Long Beach Accep Auto Receivab	Short-term investment	US\$ 2,526	N/A	US
National City Auto Receivables	Short-term investment	US\$ 1,206	N/A	US
Navistar Finl 2003 A Owner Tr	Short-term investment	US\$ 4,928	N/A	US
Nissan Auto Receivables	Short-term investment	US\$ 7,000	N/A	US
Onyx Accep Owner Tr	Short-term investment	US\$ 416	N/A	US
Onyx Accep Owner Tr	Short-term investment	US\$ 4,913	N/A	US
Toyota Auto Receivables 2003 B	Short-term investment	US\$ 4,970	N/A	US
Triad Auto Receivables Tr	Short-term investment	US\$ 5,042	N/A	US
Wfs Financial Owner Trust	Short-term investment	US\$ 5,008	N/A	US
Wfs Finl 2004 2 Owner Tr	Short-term investment	US\$ 4,994	N/A	US
Wfs Finl 2004 4 Owner Tr	Short-term investment	US\$ 5,399	N/A	US
Wfs Finl 2005 2 Oner Tr	Short-term investment	US\$ 2,250	N/A	US
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,801	N/A	US
Wachovia Auto Owner Tr	Short-term investment	US\$ 4,999	N/A	US
Whole Auto Ln Tr	Short-term investment	US\$ 5,967	N/A	US
Whole Auto Ln Tr	Short-term investment	US\$ 4,000	N/A	US
Whole Auto Ln Tr	Short-term investment	US\$ 3,000	N/A	US
World Omni Auto Receivables Tr	Short-term investment	US\$ 5,963	N/A	US
American Home Mtg Invt Tr	Short-term investment	US\$ 833	N/A	US
Banc Amer Coml Mtg Inc.	Short-term investment	US\$ 5,133	N/A	US
Banc Amer Mtg Secs Inc.	Short-term investment	US\$ 4,030	N/A	US
Bear Stearns Alt A Tr	Short-term investment	US\$ 1,373	N/A	US
Cwalt Inc.	Short-term investment	US\$ 3,673	N/A	US

(Continued)



Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousands)	March 31, 2005		Market Value Net Asset Value (US\$ Thousands)
					Carrying Value (US\$ in Thousands)	Percentage of Ownership	
Cwmbs Inc.			Short-term investment		US\$ 1,956	N/A	US\$ 1,956
Cwmbs Inc.			Short-term investment		US\$ 3,927	N/A	US\$ 3,927
Cwmbs Inc.			Short-term investment		US\$ 4,014	N/A	US\$ 4,014
Citicorp Mtg Secs			Short-term investment		US\$ 2,128	N/A	US\$ 2,128
Comm			Short-term investment		US\$ 4,600	N/A	US\$ 4,600
First Franklin Mtg Ln Tr			Short-term investment		US\$ 2,002	N/A	US\$ 2,002
First Union Lehman Bros Mtg Tr			Short-term investment		US\$ 3,348	N/A	US\$ 3,348
Gs Mtg Secs Corp.			Short-term investment		US\$ 2,414	N/A	US\$ 2,414
Granite Mtgs Plc			Short-term investment		US\$ 5,000	N/A	US\$ 5,000
Holmes Fing No 8 Plc			Short-term investment		US\$ 5,001	N/A	US\$ 5,001
Impac Cmb Tr			Short-term investment		US\$ 1,250	N/A	US\$ 1,250
Impac Secd Assets Corp.			Short-term investment		US\$ 3,120	N/A	US\$ 3,120
Merrill Lynch Mtg Invs Inc.			Short-term investment		US\$ 1,344	N/A	US\$ 1,344
Merrill Lynch Mtg Invs Inc.			Short-term investment		US\$ 962	N/A	US\$ 962
Residential Asset Mtg Prods			Short-term investment		US\$ 3,617	N/A	US\$ 3,617
Residential Fdg Mtg Secs I Inc.			Short-term investment		US\$ 3,377	N/A	US\$ 3,377
Sequoia Mtg Tr			Short-term investment		US\$ 2,407	N/A	US\$ 2,407
Sequoia Mtg Tr			Short-term investment		US\$ 4,289	N/A	US\$ 4,289
Sequoia Mtg Tr			Short-term investment		US\$ 1,822	N/A	US\$ 1,822

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	Short-term investment			
Sequoia Mtg Tr	Short-term investment	US\$ 1,425	N/A	US\$ 1
Sequoia Mtg Tr	Short-term investment	US\$ 1,861	N/A	US\$ 1
Sequoia Mtg Tr	Short-term investment	US\$ 3,240	N/A	US\$ 3
Sequoia Mtg Tr	Short-term investment	US\$ 2,460	N/A	US\$ 2
Sequoia Mtg Tr	Short-term investment	US\$ 3,485	N/A	US\$ 3
Structured Adj Rate Mtg Ln Tr	Short-term investment	US\$ 2,894	N/A	US\$ 2
Structured Asset Secs Corp.	Short-term investment	US\$ 1,218	N/A	US\$ 1
Thornburg Mtg Secs Tr	Short-term investment	US\$ 1,801	N/A	US\$ 1
American Express Cr Account Ma	Short-term investment	US\$ 3,445	N/A	US\$ 3
Capital One Multi Asset Execut	Short-term investment	US\$ 4,957	N/A	US\$ 4
Citibank Cr Card Issuance Tr	Short-term investment	US\$ 4,959	N/A	US\$ 4
Mbna Cr Card Master Nt Tr	Short-term investment	US\$ 5,018	N/A	US\$ 5
Prime Cr Card Master Tr	Short-term investment	US\$ 4,080	N/A	US\$ 4
Providian Gateway Owner Tr	Short-term investment	US\$ 4,204	N/A	US\$ 4
Providian Gateway Owner Tr	Short-term investment	US\$ 3,992	N/A	US\$ 3
Aesop Fdg II Llc	Short-term investment	US\$ 765	N/A	US\$
Aesop Fdg II Llc	Short-term investment	US\$ 4,955	N/A	US\$ 4
Aegis Asset Backed Secs Tr	Short-term investment	US\$ 2,000	N/A	US\$ 2
Atlantic City Elc Trns Fdglc	Short-term investment	US\$ 867	N/A	US\$
Bank Of Amer Lease Equip Tr	Short-term investment	US\$ 4,023	N/A	US\$ 3
Bear Stearns Asset Backed Secs	Short-term investment	US\$ 2,000	N/A	US\$ 2
Cit Equip Coll Tr	Short-term investment	US\$ 4,999	N/A	US\$ 4
Cnh Equip Tr	Short-term investment	US\$ 5,000	N/A	US\$ 4
Cwabs Inc.	Short-term investment	US\$ 1,323	N/A	US\$ 1
Cwabs Inc.	Short-term investment	US\$ 3,564	N/A	US\$ 3

Short-term  
investment

(Continued)

-43-

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		March 31, 2005				
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Value		Percentage of Ownership
				Shares/Units (In Thousand)	(US\$ in Thousand)	
	Cwabs Inc.		Short-term investment	US\$	1,751	N/A
	Cwabs Inc.		Short-term investment	US\$	2,000	N/A
	Cwabs Inc.		Short-term investment	US\$	5,000	N/A
	Cwabs Inc.		Short-term investment	US\$	3,229	N/A
	California Infrastructure Dev		Short-term investment	US\$	4,282	N/A
	California Infr + Economic Dev		Short-term investment	US\$	4,298	N/A
	California Infr + Economic		Short-term investment	US\$	5,228	N/A
	Caterpillar Finl Asset Tr		Short-term investment	US\$	10,008	N/A
	Cendant Rent Car Fdg Aesop Llc		Short-term investment	US\$	7,649	N/A
	Centex Home Equity Ln Tr		Short-term investment	US\$	3,500	N/A
	Credit Suisse First Boston Mtg		Short-term investment	US\$	3,560	N/A
	First Horizon Abs Tr		Short-term investment	US\$	1,808	N/A
	Harley Davidson Motorcycle Tr		Short-term investment	US\$	2,958	N/A
	Harley Davidson Motorcycle Tr		Short-term investment	US\$	5,999	N/A
	Impac Cmb Tr		Short-term investment	US\$	947	N/A
	Massachusetts Rrb Spl Purp Tr		Short-term investment	US\$	3,900	N/A
	Mastr Asset Backed Secs Tr		Short-term investment	US\$	3,565	N/A
	Merrill Lynch Mtg Invs Inc.		Short-term investment	US\$	1,500	N/A
	Merrill Lynch Mtg Invs Inc.		Short-term investment	US\$	2,491	N/A



Monumentl Global Fdg II		Short-term investment			
Pg+E Energy Recovery Fdg Llc		Short-term investment	US\$	1,000	N/A US
Reliant Energy Transition Bd		Short-term investment	US\$	4,749	N/A US
Residential Asset Sec Mtg Pass		Short-term investment	US\$	5,185	N/A US
Revolving Home Equity Ln Tr		Short-term investment	US\$	3,000	N/A US
Structured Asset Invt Ln Tr		Short-term investment	US\$	5,000	N/A US
Txu Elec Delivery Transition		Short-term investment	US\$	2,007	N/A US
Washington Mut Mtg Secs Corp.		Short-term investment	US\$	7,736	N/A US
<u>Commercial papers</u>		Short-term investment	US\$	1,979	N/A US
<u>Corporate issued notes</u>		Short-term investment	US\$	2,997	N/A US
<u>Money market funds</u>		Short-term investment	US\$	4,999	N/A US
<u>Equity</u>				US\$ 21,497	N/A US
Horizon Venture Fund I, L.P.		Long-term investment		246,485	N/A
Crimson Asia Capital Ltd., L.P.		Long-term investment		50,355	N/A
TSMC stock	Parent company	Short-term investment	13,667	653,951	
TSMC stock	Parent company	Short-term investment	15,670	458,564	
TSMC stock	Parent company	Short-term investment	15,700	459,512	

(Continued)

		March 31, 2005						
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		
Financial	<u>Money market fund</u> BOA Fund		Short-term investment	30,300	US\$ 30,300	N/A	US	
	<u>Stock</u> TSMC Development	Subsidiary	Long-term investment	1	US\$ 591,770	100	US	
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,576	100	US	
	InveStar	Subsidiary	Long-term investment	24,320	US\$ 34,586	97	US	
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 34,428	97	US	
Investment	WaferTech stock	Subsidiary	Long-term investment		US\$ 489,714	99	US	
	<u>Common stock</u> RichTek Technology Corp.		Short-term investment	679	US\$ 67	1	US	
	Advanced Power Electronics Corp.		Short-term investment	662	US\$ 300	1	US	
	Broadtek Electronics Corp.		Short-term investment	145	US\$ 46		US	
	Monolithic Power Systems, Inc.		Short-term investment	1,975	US\$ 1,567	7	US	
	SiRF Technology Holdings, Inc.		Short-term investment	90	US\$ 393		US	
	Programmable Microelectronics (Taiwan), Corp.		Long-term investment	575	US\$ 208	1	US	
	Capella Microsystems (Taiwan), Inc.		Long-term investment	530	US\$ 154	3	US	
	Global Testing Corp.		Long-term investment	13,268	US\$ 5,670	9	US	
	Signia Technologies, Inc.		Long-term investment	701	US\$ 202	3	US	
	Advanced Power Electronics Corp.			1,123	US\$ 508	2	US	

	Long-term investment					
Incentia Design Systems, Inc.	Long-term investment	365	US\$	92	1	US
Broadtek Electronics Corp.	Long-term investment	145	US\$	46		US
RichTek Technology Corp.	Long-term investment	842	US\$	83	1	US
Preferred stock						
Integrated Memory Logic, Inc.	Long-term investment	1,831	US\$	1,221	9	US
Sensory, Inc.	Long-term investment	1,404	US\$	125	6	US
IP Unity, Inc.	Long-term investment	1,008	US\$	494	2	US
Tropian, Inc.	Long-term investment	1,758	US\$	471	3	US
Sonics, Inc.	Long-term investment	2,686	US\$	3,530	4	US
NanoAmp Solutions, Inc.	Long-term investment	541	US\$	853	2	US
Memsic, Inc.	Long-term investment	2,727	US\$	1,500	10	US
Reflectivity, Inc.	Long-term investment	1,064	US\$	741	2	US
Common stock						
RichTek Technology Corp.	Short-term investment	319	US\$	182		US
Monolithic Power Systems, Inc.	Short-term investment	864	US\$	2,081	3	US
GeoVision, Inc.	Short-term investment	401	US\$	108	1	US
Signia Technologies, Inc.	Long-term investment	351	US\$	101	1	US
Ralink Technology (Taiwan), Inc.	Long-term investment	1,833	US\$	791	3	US
Silicon Data International Co., Inc.	Long-term investment	2,000	US\$	204	3	US
Procoat Technology, Inc.	Long-term investment	5,123	US\$	1,940	10	US

(Continued)

		March 31, 2005					
				Carrying Value		Percentage	
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	(US\$ in Thousand)	of Ownership	(%)
	Capella Microsystems (Taiwan), Inc.		Long-term investment	419	US\$ 122	2	US
	Programmable Microelectronics (Taiwan), Inc.		Long-term investment	177	US\$ 50		US
	Auden Technology MFG. Co., Ltd.		Long-term investment	953	US\$ 738	4	US
	EoNEX Technologies, Inc.		Long-term investment	55	US\$ 3,048	5	US
	Conwise Technology Corporation, Ltd.		Long-term investment	2,800	US\$ 490	14	US
	Goyatek Technology, Corp.		Long-term investment	2,088	US\$ 545	7	US
	Trendchip Technologies Corp.		Long-term investment	2,000	US\$ 861	5	US
	EON Technology, Corp.		Long-term investment	3,276	US\$ 1,175	8	US
	eChannelOpen Holding, Inc.		Long-term investment	358	US\$ 251	4	US
	eLCOS Microdisplay Technology, Ltd.		Long-term investment	270	US\$ 27	1	US
	GeoVision, Inc.		Long-term investment	15	US\$ 4		US
	RichTek Technology Corp.		Long-term investment	395	US\$ 226	1	US
	Epic, Inc.		Long-term investment	302	US\$ 37		US
	<u>Preferred stock</u>						
	Memsic, Inc.		Long-term investment	2,289	US\$ 1,560	8	US
	NanoAmp Solutions, Inc.		Long-term investment	375	US\$ 1,500	1	US
	Advanced Analogic Technology, Inc.		Long-term investment	948	US\$ 1,261	2	US
	Sonics, Inc.		Long-term investment	3,082	US\$ 3,082	5	US
	Tropian, Inc.			1,464	US\$ 393	2	US

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	Long-term investment					
Reflectivity, Inc.	Long-term investment	4,255	US\$	2,205	5	US
Kilopass Technologies, Inc.	Long-term investment	3,887	US\$	2,000	18	US
FangTek, Inc.	Long-term investment	6,806	US\$	3,250	32	US
eLCOS Microdisplay Technology, Ltd.	Long-term investment	2,667	US\$	3,500	15	US
Alchip Technologies Limited	Long-term investment	2,579	US\$	2,950	18	US
Common stock						
Global Investment Holding, Inc.	Long-term investment	10,000		100,000	6	
RichWave Technology Corp.	Long-term investment	3,380	US\$	1,247	13	US
NetLogic Microsystems, Inc.	Long-term investment	113	US\$	1,388	1	US
Preferred stock						
Quake Technologies, Inc.	Long-term investment	601	US\$	450	1	US
Pixim, Inc.	Long-term investment	1,721	US\$	512	3	US
Ikanos Communication, Inc.	Long-term investment	7,446	US\$	3,125	3	US
Quicksilver Technology, Inc.	Long-term investment	1,049	US\$		4	US
Mosaic Systems, Inc.	Long-term investment	2,481	US\$	12	6	US
Zenesis Technologies, Inc.	Long-term investment	1,204	US\$	699	4	US
Reflectivity, Inc.	Long-term investment	4,848	US\$	2,479	4	US
Miradia, Inc.	Long-term investment	3,040	US\$	1,000	4	US
Axiom Microdevices, Inc.	Long-term investment	1,000	US\$	1,000	3	US
Optichron, Inc.	Long-term investment	714	US\$	1,000	4	US
NuCORE Technology Inc.	Long-term investment	2,254	US\$	1,455	2	US
Next IO, Inc.	Long-term investment	800	US\$	500	2	US

(Continued)

		March 31, 2005					
		Carrying Value					
		Percentage					
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (In Thousand)	(US\$ in Thousand)	of Ownership	(%)
	Audience, Inc.		Long-term investment	1,654	US\$ 250	2	US
	Centrality Communications, Inc.		Long-term investment	809	US\$ 1,000	2	US
	Layer N Networks, Inc.		Long-term investment	1,905	US\$ 1,000	2	US
	Teknovus, Inc.		Long-term investment	5,556	US\$ 1,000	3	US
	Optimal Corporation		Long-term investment	485	US\$ 500	6	US
	<u>Common stock</u>						
	Yobon Technologies, Inc.		Long-term investment	1,675	US\$ 787	17	US
	Sentelic, Corp.		Long-term investment	600	US\$ 1,022	15	US
	Ultramedia Inc. (formerly Ivyon Technology, Inc.)		Long-term investment	200	US\$ 775	10	US
	<u>Preferred stock</u>						
	Powerprecise Solutions, Inc.		Long-term investment	258	US\$ 250	3	US
	Tzero Technologies, Inc.		Long-term investment	244	US\$ 500	2	US
	Miradia, Inc.		Long-term investment	1,809	US\$ 1,600	2	US
	Axiom Microdevices, Inc.		Long-term investment	761	US\$ 776	2	US
	Next IO, Inc.		Long-term investment	216	US\$ 182		US
	Ageia Technologies, Inc.		Long-term investment	1,149	US\$ 1,000	2	US
	Audience, Inc.		Long-term investment	531	US\$ 102	1	US
	GemFire Corporation		Long-term investment	600	US\$ 600	1	US

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Optichron, Inc.		Long-term investment	353	US\$	869	2	US
<u>Open-ended funds</u>							
UPAMC Global Select Fund of Funds		Short-term investment	336		3,364		N/A
Polaris De Li		Short-term investment	1,550		22,800		N/A
E. Sun New Era		Short-term investment	1,920		20,313		N/A
EnTrust Kirin		Short-term investment	2,106		22,697		N/A
TIIM		Short-term investment	703		9,698		N/A
Transcend Fortune		Short-term investment	1,936		22,947		N/A
Grand Cathay		Short-term investment	2,422		30,575		N/A
Jih Sun		Short-term investment	772		10,262		N/A
Sheng Hua 1699 Bond		Short-term investment	249		3,014		N/A
TIIM Da Li		Short-term investment	296		5,000		N/A
<u>Stock</u>							
Global Unichip Corporation - NA	Subsidiary	Long-term investment	100		3,604		100

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES

TABLE 4

**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 THREE MONTHS ENDED MARCH 31, 2005**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Financial Statement Account	Counter-party	Nature of Shares/Units Relationship(Thousand)	Beginning Balance		Acquisition		Amount (US\$ in Thousand)	
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.		80,833	\$ 900,000		\$	11,530	\$ 130,000
term investment	Chung Shing Bills Finance Corp. and several financial institutions			249,449				251,700
term investment	BNP and several financial institutions			1,207,409				1,216,500
term investment				US\$ 46,816				US\$ 37,900
term investment	China Bills Finance Corp. and several financial institutions						360,050	
term investment	China Bills Finance Corp.						1,200,000	



and several  
financial  
institutions

term investment	Chung Shing Bills Finance Corp.			310,868		
term investment		US\$	3,171		US\$	3,0
term investment		US\$	3,819		US\$	3,7
term investment		US\$	3,583		US\$	3,5
term investment				US\$	3,500	
term investment				US\$	3,000	
term investment				US\$	4,141	
term investment				US\$	3,832	US\$
term investment		US\$	3,467		US\$	3,4
term investment				US\$	3,315	
term investment		US\$	3,886		US\$	3,8
term investment				US\$	3,500	
term investment		US\$	3,505		US\$	3,5
term investment		US\$	3,012		US\$	3,0
term investment				US\$	7,247	US\$
term investment				US\$	3,028	
term investment				US\$	4,450	
term investment				US\$	3,426	
term investment		US\$	3,644		US\$	3,5
term investment				US\$	3,000	
term investment				US\$	3,571	
term investment				US\$	3,500	
term investment		US\$	3,507		US\$	3,5
term investment		US\$	3,720		US\$	3,5

(Continued)

Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Shares/Units (Thousand)	Amount (US\$ in Thousand)
			Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)		
Short-term investment	-	-	-	\$ -	-	US\$ 7,887	-	\$ -
Short-term investment	-	-	-	-	-	US\$ 3,379	-	-
Short-term investment	-	-	-	-	-	US\$ 9,134	-	-
Short-term investment	-	-	-	US\$4,948	-	-	-	US\$4,948
Short-term investment	-	-	-	-	-	US\$ 4,939	-	-
Short-term investment	-	-	-	-	-	US\$ 4,136	-	-
Short-term investment	-	-	-	-	-	US\$ 6,925	-	-
Short-term investment	-	-	-	US\$4,903	-	US\$ 9,819	-	US\$9,819
Short-term investment	-	-	-	-	-	US\$ 4,430	-	-
Short-term investment	-	-	-	-	-	US\$ 4,921	-	-
Short-term investment	-	-	-	-	-	US\$ 7,892	-	-
Short-term investment	-	-	-	-	-	US\$14,952	-	-
Short-term investment	-	-	-	-	-	US\$ 9,758	-	-
Short-term investment	-	-	-	US\$4,929	-	-	-	US\$4,929
Short-term investment	-	-	-	-	-	US\$ 7,649	-	-
Short-term investment	-	-	-	-	-	US\$ 4,040	-	-
Short-term investment	-	-	-	US\$5,011	-	-	-	US\$5,011
Short-term investment	-	-	-	US\$5,000	-	-	-	US\$4,999
Short-term investment	-	-	-	-	-	US\$ 3,900	-	-
Short-term investment	-	-	-	-	-	US\$ 3,825	-	-
Short-term investment	-	-	-	-	-	US\$ 5,018	-	-
Short-term investment	-	-	-	US\$4,999	-	-	-	US\$4,999
Short-term investment	-	-	-	US\$4,853	-	-	-	US\$4,853
Short-term investment	-	-	-	-	-	US\$ 4,749	-	-
Short-term investment	-	-	-	-	-	US\$ 4,080	-	-
Short-term investment	-	-	-	-	-	US\$ 5,000	-	-
Short-term investment	-	-	-	-	-	US\$ 4,560	-	-
Short-term investment	-	-	-	-	-	US\$ 3,500	-	-
Short-term investment	-	-	-	US\$4,000	-	-	-	US\$3,999

Note: The ending balance included the bond premium or discount amortization amount.

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES

TABLE 5

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2005**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Party	Nature of Relationship	Purchase/ Sale	Amount	Transaction Details		Abnormal Transaction	
				% to	Payment Terms	Unit Price	Payment Terms
America	Subsidiary	Sales	\$31,759,070	56	Net 30 days after invoice date	None	None
	Major shareholder	Sales			Net 30 days after monthly closing		
				469,031	1		None
	Subsidiary	Purchases	2,514,006	31	Net 30 days after monthly closing	None	None
	Investee	Purchases	1,053,623	13	Net 30 days after monthly closing	None	None
Investee	Purchases	1,013,490	13	Net 30 days after monthly closing	None	None	

- 50 -

TABLE 6

## 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

MARCH 31, 2005

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

Company Name	Related Party	Nature of Relationship	Ending Turnover		Amount	Overdue	Action Taken	Period	Amounts Received in Subsequent Period	Allowance for Bad Debts
			Balance	Rate						
The Company	TSMC-North America	Subsidiary		43						
	Philips and its affiliates	Major shareholder	\$ 14,199,895	74	\$ 4,046,283			\$ 4,430,274	\$	
	TSMC-Shanghai	Subsidiary	179,348		14,262			98,054		
	TSMC Technology	Indirect subsidiaries	1,558,051	Note 1	1,493,937		Accelerate demand on account receivables			
			570,601	Note 1						

Note 1: The ending balance included other receivables; therefore, it is not applicable for the calculation of the turnover rate.

TABLE 7

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES

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

MARCH 31, 2005

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

Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2005			Net Income (Loss) of the Investee
			March 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value (Note 1)	
North	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 556,517	\$ 45
Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	23,950	
Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	97,787	
Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	9,187,962		100	10,732,322	(280)
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	409,532	28	5,698,410	1,054
International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	23,184,094	(306)
ng	Taipei, Taiwan	Investment activities	300,000	300,000		36	50,629	
y	Taipei, Taiwan	Investment activities	300,000	300,000		36	49,879	
partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,871,369	10

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	Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,364,490	325
g Alliance	Cayman Islands	Investing in new start-up technology companies	1,447,957	1,447,957		99	747,632	(65
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	39,040	47	396,716	6
	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	62,638	14
	Cayman Islands	Investing in new start-up technology companies	332,412	332,412		98	321,035	(5

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

Note 2: The gains on disposal of the stocks held by subsidiaries (treated as treasury stocks) are excluded.

-52-

TABLE 8

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES

## INFORMATION OF INVESTMENT IN MAINLAND CHINA

MARCH 31, 2005

(Amounts in Thousands of 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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2005	Percentage of Investment Ownership in	Investment Gain (Loss)
	(RMB in Thousand)	Investment Type	(US\$ in Thousand)	Outflow (US\$ in Thousand)	Inflow	(US\$ in Thousand)	Investment (Note 2)	
Manufacturing and integrated circuits in the order of design requested by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$9,187,962 (US\$276,000)	\$2,992,405 (US\$95,000)	\$ -	\$12,180,367 (US\$371,000)	100%	\$(280,078)
<b>Accumulated Investment in Mainland China as of March 31, 2005 (US\$ in Thousand)</b>			<b>Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)</b>		<b>Upper Limit on Investment (US\$ in Thousand)</b>			
\$12,180,367 (US\$371,000)			\$12,180,367 (US\$371,000)		\$12,180,367 (US\$371,000)			

Note 1: Direct investment in TSMC-Shanghai US\$371,000 thousand.

Note 2: Amount was recognized based on the reviewed 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: April 29, 2005

By /s/ Lora Ho  
Lora Ho  
Vice President & Chief Financial  
Officer