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tsmc

Taiwan Semiconductor Manufacturing Company, Ltd.

MAJOR FACILITIES

Corporate Headquarters & FAB 2, FAB 5

No.121, Park Ave. III,
Science-Based Industrial Park,
Hsinchu, Taiwan 300, R.O.C.
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FAB 1

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FAB 7

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TEL: 1-408-382-8000 FAX: 1-408-382-8008

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1077 XX Amsterdam, The Netherlands
TEL: 31-20-305-9900 FAX: 31-20-305-9911

TSMC Japan

21F, Queen's Tower C, 2-3-5
Minato, Mirai, Nishi-Ku, Yokohama,
Kanagawa 220-6221, Japan
TEL: 81-45-682-0670~2 FAX: 81-45-682-0649

TSMC SPOKESPERSON

Name: K. C. Chen
Title: Senior Vice President
TEL: 886-3-578-0221 FAX: 886-3-578-1545

AUDITORS

Company: T N SOONG & CO
Auditors: S. C. Huang, Edward Way
Address: 12Fl., No.156, Sec.3, Min-Sheng
E. Rd., Taipei, Taiwan 105, R.O.C.
TEL: 886-2-2545-9988 FAX: 886-2-2545-9966

STOCK TITLE TRANSFER

Company: China Trust Commercial Bank
Transfer Agency Department
Address: 5Fl., No.83, Sec.1, Chung-Ching
S. Rd., Taipei, Taiwan 100, R.O.C.
TEL: 886-2-2361-3033 FAX: 886-2-2311-6723

ADR DEPOSITARY BANK

Company: Citibank, N.A.
Depositary Services Department
Address: 20Fl., 111 Wall Street, New York,
NY 10005, U.S.A.
TEL: 1-212-657-2770 FAX: 1-212-825-5398

WEB SITE

<http://www.tsmc.com.tw>



300mm

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In 2000, TSMC delivered foundry's first 300mm customer wafers.

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Business Philosophy

TSMC is committed to:

Integrity

Focus on Our Core Business - IC Foundry

Globalization

Long-term Vision and Strategies

Treating Customers as Partners

Building Quality into all Aspects of Our Business

Unceasing Innovation

Fostering a Dynamic and Fun Work Environment

Keeping Communication Channels Open

Caring for Employees and Shareholders, and
Being a Good Corporate Citizen

LETTER TO OUR SHAREHOLDERS

LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

It has been, and is, TSMC's objective to be the most reputable, service-oriented and maximum-total-benefits silicon foundry in the world, thus earning the reward of also being the largest and most profitable. We are committed to developing long-term competitiveness by strengthening the bond between ourselves and our customers. To meet these goals, TSMC in the year 2000 focused on providing our customers with the most advanced technology, sufficient capacity, on-line and other services.

Technology Advancement

Throughout 2000, TSMC worked toward fulfilling its commitment to provide customers with the latest advancements in process technology, thereby enhancing our customers' competitiveness in the global market.

Our 0.13 μ m process technology release surpassed the ITRS (International Technology Roadmap for Semiconductors) roadmap the first time. Breakthroughs in processes have taken TSMC's technology to a broad spectrum. In addition to the mainstream logic process, TSMC now offers Mixed Signal, RF, SiGe, BiCMOS, embedded memories, high voltage devices and CMOS Image Sensor process technologies. Taking 0.13 μ m process technology as an example, by the end of 2000, TSMC had already delivered fully functional circuits to customer products using different versions of 0.13 μ m process technology in our portfolio, including core logic, high-speed, low-power, and CPU processes.

The value of this technology leadership not only benefits our customers, but also flows directly to TSMC's bottom line. By the fourth quarter of the year, shipments of wafers utilizing leading-edge 0.25 μ m, 0.18 μ m, 0.15 μ m and 0.13 μ m process technologies accounted for half of the company's total revenues and contributed to our substantial profit margins.

In 2000, TSMC delivered foundry's first 300mm customer wafers.



Morris Chang, Chairman

F. C. Tseng, President

Capacity Expansion

In June of 2000, we completed the mergers of TSMC-ACER and Worldwide Semiconductor Manufacturing Company, providing immediate additional capacity to our customers. In addition, TSMC invested nearly NT\$114 billion in capacity expansion to support our customers' growing needs. Several highlights are worth noting.

In March, TSMC officially opened Fab 6, the world's largest IC manufacturing facility, in the new Tainan Science-Based Industrial Park. Fab 6 also houses the foundry industry's first 300mm pilot line. By the end of the year, TSMC had delivered the industry's first customer products utilizing 300mm wafers. We are also constructing two dedicated 300mm production facilities - Fab 12 in Hsinchu and Fab 14 in Tainan.

At SSMC, our joint venture with Philips in Singapore, the first batch of test wafers made their way through production lines in September 2000, well ahead of schedule. In December, we increased our equity position in WaferTech, USA to almost 100 percent, thus increasing TSMC's flexibility to implement future strategic and capacity expansion plans.

By year end, TSMC's total wafer output reached 3.4 million 8-inch equivalent wafers, a 90 percent increase over the 1.8 million 8-inch equivalent wafers produced in 1999.

Upgraded On-line Service

To allow our customers to focus on their design requirements, and ultimately enable greater innovation at the system level, TSMC in year 2000 created the Design Service Alliance, an umbrella organization that includes collaborative alliances with best-of-class vendors in the electronic design automation (EDA), library, semiconductor intellectual property (IP), and design center industries. Through these alliances, TSMC is able to provide customers with access to a wide selection of third-party products and services proven in TSMC silicon.

Also, in 2000, we tailored TSMC Online to provide customers with a "personalized" environment. This created a transparent window into our manufacturing operations, which increased our customers' efficiency and optimized their supply chain capabilities. These services have significantly reduced our customers' time-to-volume and helped lower their product design cost.

Record Revenues & Net Profit

The year 2000 was one of remarkable growth for the global semiconductor industry in general, and for the foundry industry specifically. For the year, TSMC's efforts were rewarded by revenues of NT\$166.2 billion and net profits of NT\$65.1 billion, increasing 127.3 percent and 165.1 percent respectively, over 1999. As a result, earnings per share for 2000 reached NT\$5.71, a significant gain over the 1999 earnings per share.

Recognition and Awards

In addition to financial results, TSMC has been recognized in many areas of performance. Our commitment to quality, environment, health and safety earned us the honor of being the first

semiconductor company in Taiwan to receive OHSA's 18001 certification. TSMC's Fab 5 was also recognized by *Semiconductor International* magazine as one of the top two semiconductor fabs in the world.

In addition, *CommonWealth* magazine, in its annual corporate survey, ranked TSMC as Taiwan's number one company for the fourth consecutive year. The same magazine cited TSMC as the best corporate citizen in Taiwan for its devotion to public service. *Far Eastern Economic Review* also ranked TSMC first among the top 10 Taiwan businesses in its "Top Asia 200" corporation ranking. Finally, TSMC was named the most favored employer out of the top 100 private businesses in a survey of college students conducted by Taiwan's *Cheers* magazine.

Future Outlook

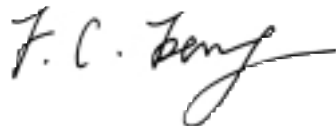
In retrospect, the semiconductor industry in year 2000 boomed to an overheated point. In 2001, an industry-wide return to a more normal growth pattern will most likely occur. In the long term, however, the foundry industry growth is still expected to surpass overall IC industry growth.

In addition to maintaining close collaboration with fabless semiconductor companies, IDMs and systems companies, we intend to play a role in facilitating important technology developments in the future. As part of this effort, we plan to continue increasing our R&D investment and aggressively invest in 300mm wafer fabrication capabilities to accommodate emerging market demand.

In closing, we would like to thank all our customers, shareholders and employees for their continued support and dedication that have made it possible for TSMC to achieve the outstanding results of this past year.



Morris Chang
Chairman



F. C. Tseng
President

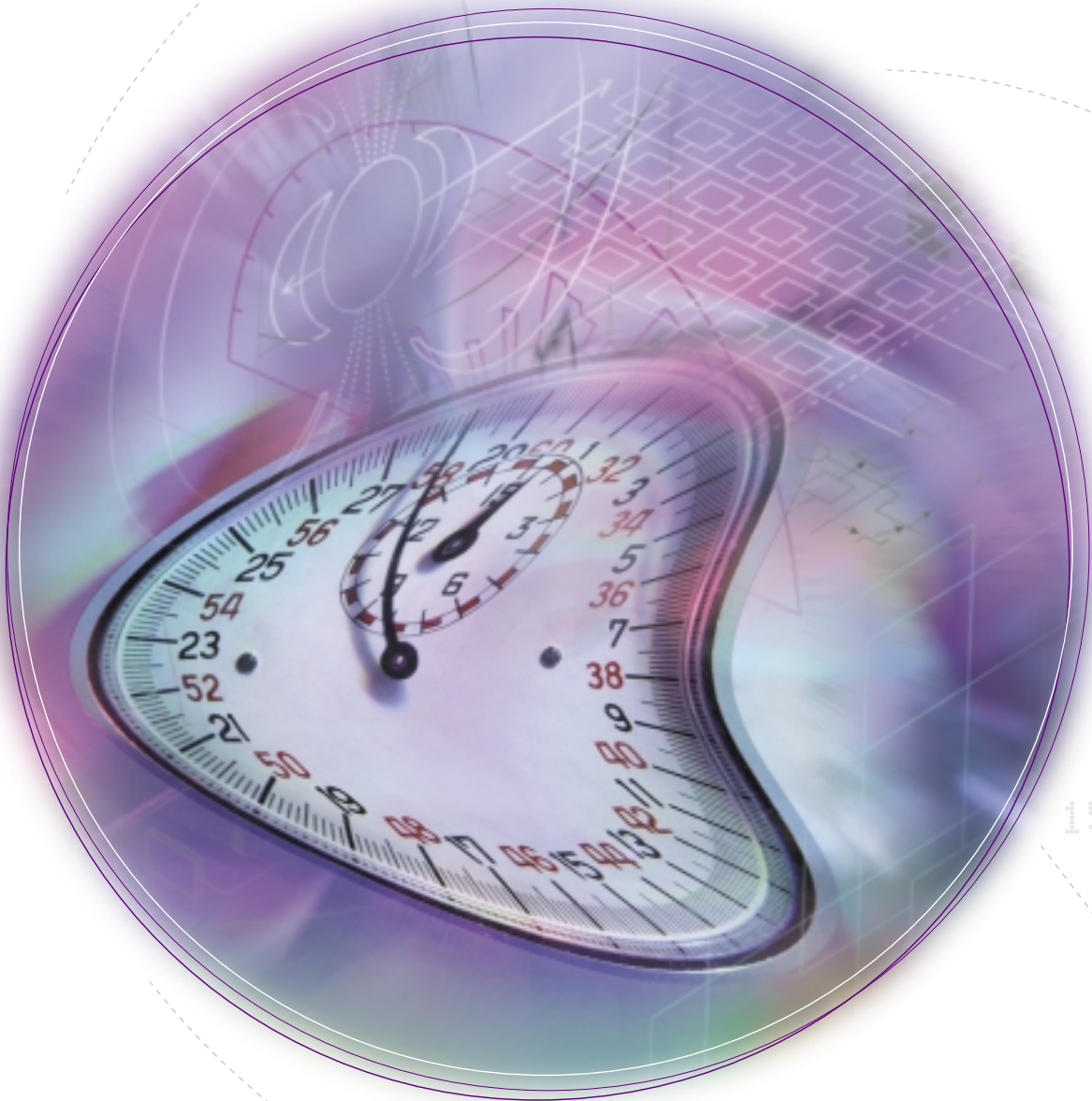
300mm

To be the most reputable, service-oriented, and maximum-total-benefits silicon foundry in the world, thus earn the reward of also being the largest and most profitable.

Trust

Trust

200mm



150mm

A Brief Introduction to TSMC

1. Company Profile

Founded in 1987, Taiwan Semiconductor Manufacturing Company (TSMC) is the world's largest dedicated semiconductor foundry. Based in Taiwan's "Silicon Valley," the Hsin-Chu Science-Based Industrial Park, TSMC is listed on both the Taiwan Stock Exchange (TSE) and the New York Stock Exchange (NYSE) under the symbol TSM.

TSMC was the first pure-play integrated circuit (IC) foundry in the world. Since the beginning, the Company has been dedicated to providing advanced IC manufacturing services to its customers. Our charter prevents us from designing or making our own brand-name IC products; TSMC therefore is a partner, not a competitor, to our customers. TSMC's success in the foundry industry has served as an inspiration for many companies, enabling a significant acceleration in technological innovation. With TSMC as the engine of change, the number of global fabless IC companies has grown substantially, and what was once only a concept - a "pure play" foundry industry - has generated more than US \$10 billion dollars in revenues in year 2000. As the semiconductor industry faces ongoing consolidation and spiraling IC fab construction costs, dedicated foundry companies like TSMC are now expected to become a primary source of IC manufacturing worldwide.

One of TSMC's business strategies is to expand our production capacity deliberately to ensure customers with sufficient capacity and maintain operation flexibility. At the end of 2000, we operated two 6-inch wafer fabs (Fab 1 & 2), six 8-inch fabs (Fab 3, 4, 5, 6, 7 and 8). The Company also has substantial capacity commitments at its affiliate, Vanguard International Semiconductor Corporation (VIS), its joint venture - Systems on Silicon Manufacturing Company (SSMC) in Singapore, and its subsidiary - WaferTech in the United States. TSMC's annual capacity in year 2000 totaled 3.4 million 8-inch equivalent wafers.

TSMC consistently produces the foundry industry's leading technologies, including 0.15 μ m and 0.13 μ m logic processes with copper interconnects. TSMC offers the foundry industry's most comprehensive set of technology processes, including CMOS logic, mixed-signal, volatile and non-volatile memory, embedded memory, and BiCMOS.

Also in 2000, TSMC delivered the first 300mm production wafers to its customers from our Fab 6 facility in the Tainan Science Park. TSMC is currently constructing two 300mm manufacturing facilities, Fab 12 in Hsinchu and Fab 14 in Tainan, which are expected to start production in the fourth quarter of 2001 and 2002, respectively. Proposals are on the drawing tables for several additional 300mm fabs, with construction timetables starting 2001.

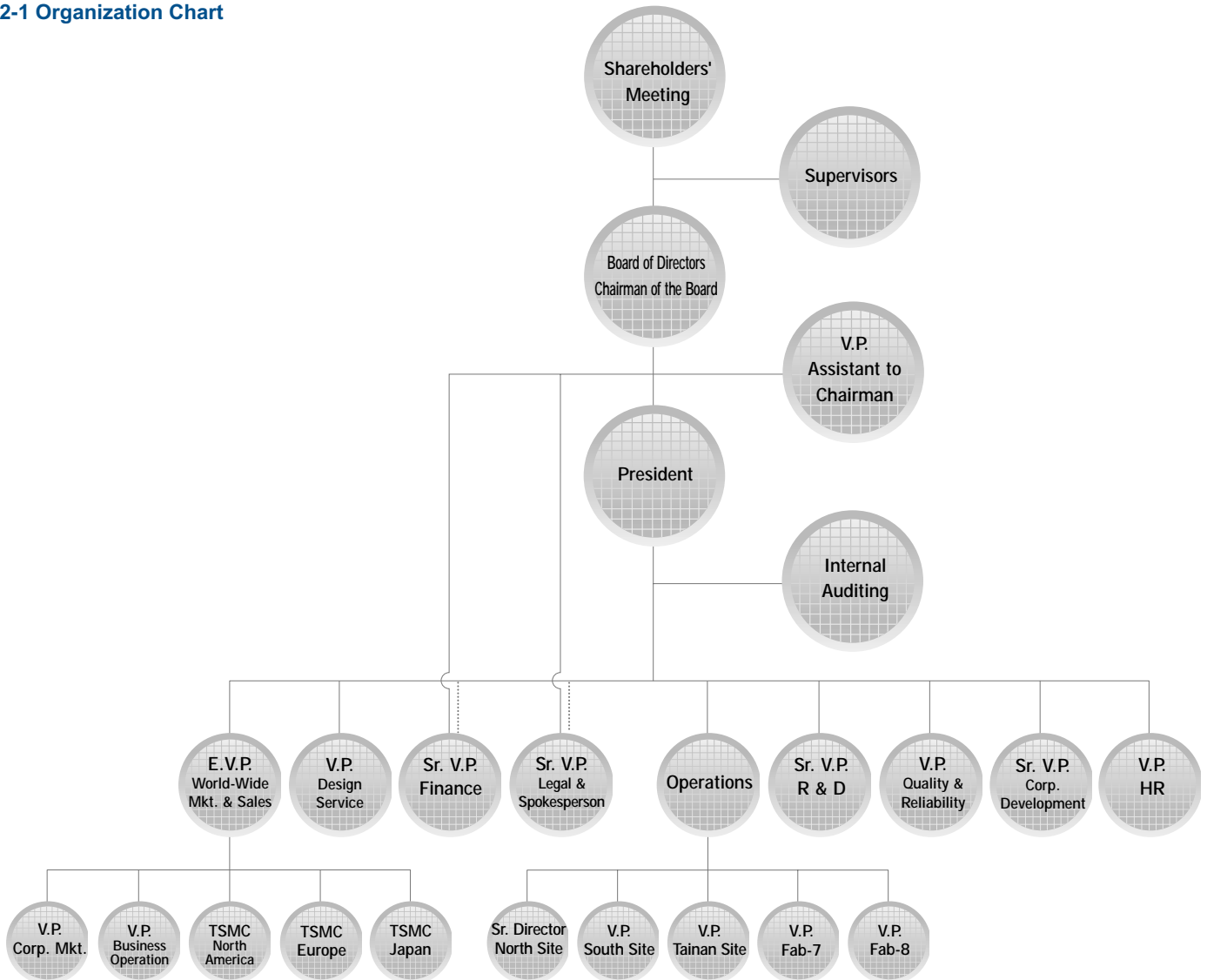
TSMC's objective is to be our customers' "Virtual Fab". That is, to provide customers with the benefits of an in-house fabrication plant without the associated expense or organizational complexity. Our intent is to make our foundry services as transparent to customers as possible. To that end, we launched the industry's first "e-foundry" service in year 2000, extending much of our customer service structure onto the Internet to provide our customers with a real-time and "personalized" view into our manufacturing operations.

As a good corporate citizen, TSMC takes community service and employee relations seriously. For example, TSMC's award-winning Culture and Education Foundation established in 1987 supports activities in Taiwan that promote education, social services, art and culture. The Foundation aims toward creating a better quality of life for our society through our long-term community development efforts. TSMC's efforts have been recognized by many distinguished entities, ranging from the Taiwan government to leading media in Taiwan and around the world.

TSMC's operating committee is comprised of many outstanding individuals, all of whom are committed to the success of the foundry industry in general and TSMC in particular. Our chairman, Dr. Morris Chang, has been at the forefront of this effort, receiving international acclaim for his achievements. In 2000, Dr. Chang received the Institute of Electrical and Electronics Engineers (IEEE) first-ever Robert N. Noyce Medal for his vision and leadership in pioneering the silicon integrated circuit foundry industry. In 1999, Dr. Chang was honored by the Fabless Semiconductor Association (FSA) with its first-ever Exemplary Leadership award, which is now permanently named The Dr. Morris Chang Award for Exemplary Leadership in recognition of his outstanding contribution to the fabless semiconductor industry.

2. Organization

2-1 Organization Chart



2-2 Directors, Supervisors, & Major Officers (As of December 31, 2000)

Title Name	Date Elected	Term (Year)	Shareholding*	Spouse & Minor Shareholding*	Education & Experience	Remarks
Chairman & CEO Morris Chang	2000.4.14	3	57,634,912	-	Ph.D., Electrical Engineering, Stanford University Chairman, Vanguard International Semiconductor Corp.	
Director A.P.M. van der Poel	2000.4.14	3	1,658,733,948	-	B.S., Electronic Engineering, Eindhoven Technical University Chairman & CEO, Philips Semiconductors International B.V.	Koninklijke Philips Electronics N.V. Representative of Legal Entity
Director J.C. Lobbezoo	2000.4.14	3	1,658,733,948	-	B.A., Business Economics, Erasmus University Chief Financial Officer, Philips Semiconductors International B.V.	Koninklijke Philips Electronics N.V. Representative of Legal Entity
Director L.P. Hsu	2000.4.14	3	1,658,733,948	-	B.S., Physics, National Cheng-Kung University Executive Advisor, Philips Taiwan	Koninklijke Philips Electronics N.V. Representative of Legal Entity
Director Stan Shih	2000.4.14	3	2,159,520	-	Master of Science of Electrical Engineering, National Chiao Tung University Chairman & CEO, The Acer Group	Chi Cherng Investment Co., Ltd. Representative of Legal Entity
Director Chintay Shih	2000.4.14	3	1,413,936,368	-	Ph.D., Electrical Engineering, Princeton University President, Industrial Technology Research Institute	Development Fund, Executive Yuan Representative of Legal Entity
Director & President F.C. Tseng	2000.4.14	3	16,942,109	49,828	Ph.D., Electrical Engineering, National Cheng-Kung University Director, Vanguard International Semiconductor Corp.	
Supervisor Jan Kees van Vliet	2000.4.14	3	1,658,733,948	-	MBA, Business School of Erasmus / Delft University of Technology Executive Vice President, Philips Taiwan	Koninklijke Philips Electronics N.V. Representative of Legal Entity
Supervisor George Shiu	2000.4.14	3	1,413,936,368	-	Ph.D. Candidate in Economics, John Hopkins University Deputy Executive Secretary, Development Fund, Executive Yuan	Development Fund, Executive Yuan Representative of Legal Entity
Supervisor S.J. Paul Chien	2000.4.14	3	1,005,120	-	M.S. and Engineer Degree in Chemical Engineering, Massachusetts Institute of Technology President, Vanguard International Semiconductor Corp.	Hsin Ruey Investment Co., Ltd. Representative of Legal Entity

*As per the actual reported number of shares on December 31, 2000

Information regarding the Juristic Person Shareholders as directors and supervisors of TSMC

As of December 31, 2000

Name of Juristic Person Shareholders	Shareholders who owned more than ten percent outstanding shares or top ten shareholders of the Juristic Person Shareholders
Koninklijke Philips Electronics N.V.	Shareholders who owned more than ten percent outstanding shares: None. Top ten shareholders: Unavailable in accordance to the regulations of the Netherlands
Development Fund, Executive Yuan	Development Fund
Chi Cherng Investment Co., Ltd.	TSMC and Kung Cherng, Chi Hsin, Po Cherng, Hsin Ruey, Cherng Huei Investment Co, Ltd.
Hsin Ruey Investment Co., Ltd.	TSMC and Kung Cherng, Chi Hsin, Po Cherng, Chi Cherng, Cherng Huei Investment Co, Ltd.

3. Capital & Shares, Corporate Bonds and ADR Issuance

3-1 Capital & Shares

Unit:Share

Type of Stock	Authorized Capital					Total
	Issued Shares			Un-issued Shares	Reserved Shares for Bond Conversion	
	Listed	Non-Listed	Total			
Common Stock	11,689,364,587	-	11,689,364,587	3,433,034,095	1,377,601,318	17,800,000,000
Preferred Stock	-	1,300,000,000	1,300,000,000	-	-	

3-2 Status of Preferred Stock Issuance

Issuance	Issuing Date	Tenor	Rate	Outstanding Shares	Use of Proceeds	Status Description
Preferred Stock	November 29, 2000	2.5 Years	3.5 %	1,300,000,000	Purchase equipment for Fab12	Proceeding

3-3 Status of Bond Issuance

Issuance	Issuing Date	Tenor	Coupon Rate (or YTM)	Outstanding	Use of Proceeds	Status Description
NT\$4 billion Corporate Bond	March 4, 1998	5 years	7.71% p.a.	NT\$4 billion	Repay long-term bank loan	Completed
NT\$6 billion Corporate Bond	November 18, 1998- December 1, 1998	5 years	7.12% p.a.	TSMC exercised the right to call back this bond two years after the respective issuance date		
NT\$10 billion Corporate Bond	October 21, 1999	Class A: 3 years Class B: 5 years	Class A: 5.67% p.a. Class B: 5.95% p.a.	Class A: NT\$5 billion Class B: NT\$5 billion	Procure equity securities of TSMC as long-term investment and Fab 5 equipment	Completed
NT\$15 billion Corporate Bond	December 4, 2000- December 15, 2000	Class A: 5 years Class B: 7 years	Class A: 5.28% p.a. Class B: 5.36% p.a.	Class A: NT\$10.5 billion Class B: NT\$4.5 billion	Procure manufacturing equipment for Fab 8	Completed

3-4 Status of American Depositary Shares (ADSs) Issuance

Issuance & Listing : New York Stock Exchange (NYSE)

Symbol:TSM

1 ADS = 5 TSMC common shares

Depository Bank : Citibank, N. A. - New York Branch

Custodian Bank : Citibank, N. A. - Taipei Branch

Date	Units Issued *	Total Amount (US\$)	Underlying Securities
October 8, 1997	24,000,000 ADSs	594,720,000	TSMC Common Shares from Selling Shareholders
November 20, 1998	12,094,000 ADSs	184,554,440	TSMC Common Shares from Selling Shareholders
January 12, 1999 - January 14, 1999	2,000,000 ADSs	35,500,000	TSMC Common Shares from Selling Shareholders
July 15, 1999	12,094,000 ADSs	296,499,641	TSMC Common Shares from Selling Shareholders
August 23, 1999 - September 9, 1999	5,486,000 ADSs	158,897,088.5	TSMC Common Shares from Selling Shareholders (Pursuant to ADR conversion sale program)
February 22, 2000 - March 8, 2000	6,560,000 ADSs	379,134,598.8	TSMC Common Shares from Selling Shareholders (Pursuant to ADR conversion sale program)
April 17, 2000	4,000,000 ADSs	224,640,000	TSMC Common Shares from Selling Shareholders
June 7, 2000	32,667,800 ADSs	1,167,873,850	Cash Offering TSMC Common Shares from Selling Shareholders

* 1. TSMC has in aggregate issued 98,901,800 ADSs since 1997, which, if taking into consideration of stock dividend distributed over the periods, would amount to 145,071,739 ADSs.

2. As of December 31, 2000, total number of outstanding ADSs is 144,608,739, of which 463,000 ADSs have been redeemed.

3. Stock dividend distributed in 1998, 1999 and 2000 was 45%, 23% and 28%, respectively.

300mm

▶▶ Focus

To be the most reputable, service-oriented, and maximum-total-benefits silicon foundry in the world, thus earn the reward of also being the largest and most profitable.

200mm



150mm

OPERATIONAL HIGHLIGHTS

In 2000, TSMC delivered foundry's first 300mm customer wafers.

1. Business Activities

(1) Business Scope

TSMC is dedicated to high integrity in business and has a single-minded focus on the foundry industry. The company provides advanced IC manufacturing services of the highest quality to the worldwide semiconductor industry. Building on our core competencies of excellent manufacturing and attentive customer support, we offer a full range of manufacturing services, including ULSI and VLSI wafer manufacturing, wafer probing, IC assembly and test, mask production, and design services. Wafer manufacturing accounted for approximately 90 percent of total revenue in 2000.

Over the past 13 years, customers have utilized TSMC's manufacturing services in virtually every product and end market segment across the entire semiconductor application spectrum. We estimate that in 2000 TSMC produced approximately six percent of the world's supply of ICs.

(2) Customer Applications

The advanced ICs produced by TSMC for customers are used in a diverse range of the end-product applications, including PCs, network servers, computer peripherals, Internet appliances, wired and wireless communication systems, consumer electronics, automotive and industrial equipment.

2. Marketing and Sales

The recovery in the worldwide IC market coupled with the exceptional growth of the fabless IC companies, pushed TSMC's 2000 sales up 127.3 percent to NT\$166.2 billion.

The company's superior performance can be attributed to three major factors. First, we maintained close relationships with a large customer base. TSMC has served over 400 customers in the past 13 years and over 50 percent have returned to use our services in 2000. Second, anticipating the steady long-term growth of the IC industry and responding to strong immediate demand from key customers, TSMC expanded advanced manufacturing capacity aggressively at nine internal or affiliated 8-inch fabs. The company also continued the construction of two of the industry's first production scale 12-inch facilities. Third, we have approached our business as a service business from day one. We continue to re-engineer this approach with a strong commitment to e-Commerce as a new tool in realizing TSMC's vision - to become our customers' "Virtual Fab" for semiconductor manufacturing.

These factors extended our leading market position, and when combined with our ability to produce the latest generation technologies, allowed the company to maintain superior results in a year of robust demand for the entire semiconductor industry.

Production over the Last Two Years

Year	Wafers		
	Capacity	Quantity	Amount
1999*	1,895,112	1,788,472	43,759,960
2000	3,263,236	3,467,270	76,545,082

Unit: Capacity/Quantity (8"wafer) / Amount(NT\$K)

* The numbers of 1999 capacity and quantity have been restated to conform to 2000 classification.

Net Sales over the Last Two Years

Year	Wafers		Package		Other		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
1999	1,686,433	64,428,905	67,832	5,131,796	-	3,570,505	1,754,265	73,131,206
2000	3,314,407	152,595,853	93,682	5,815,381	-	7,817,186	3,408,089	166,228,420

Unit: Quantity (8"wafer) / Amount(NT\$K)

3. Market Outlook

In 2000, the overheated semiconductor industry gradually returned to a more normal growth pattern since November. For the year 2001, predictions of the overall IC market growth over 2000 are divergent, ranging from negative to ten percent. Based upon the expectation of minor growth, the memory market is forecast to grow less than five percent in 2001, due to high inventory and soft PC demand in the first half of 2001. The growth rate for the logic component market is forecast to increase slightly higher than the overall industry, however the foundry-dependent fabless IC companies are expected to remain in double digit growth due to the higher value added applications that their chips address.

With the low visibility for semiconductor growth in 2001, TSMC will adopt strategic actions necessary to expand capacity in support of our customer base. The focus will be on capacity expansion of advanced technology and 12-inch fabs. Currently, TSMC is constructing its two pure 12-inch facilities (Fab 12 in Hsinchu and Fab 14 in Tainan). Fab 12 is expected to enter risk productions in the fourth quarter of 2001 and Fab 14 clean room construction will be finished at the end of the same year.

While supporting record breaking growth for the fabless IC companies, TSMC continues to diversify its customer base. Major long-term customer opportunities have begun to emerge from the ranks of the Integrated Device Manufacturers (IDMs). These companies, with their large established customer bases and comprehensive product portfolios, can give significant acceleration to the foundry industry as their outsourcing activities increase.

Over the years, TSMC has strategically managed its exposure to the memory market by limiting the commitment of our memory manufacturing services to a certain percentage of sales revenue. Considering the current shortage of logic production capability and the historically high volatility of memory markets, TSMC will maintain the same policy in 2001 even as we work to expand our share of the emerging market for embedded memory products.

In 2000, TSMC's customer base increased in the graphics, broadband communications, digital consumer electronics, and wireless communication markets. All of these markets are high growth segments and demand advanced manufacturing technologies. New customers in these markets utilized large volumes of wafers in 2000 and are expected to benefit TSMC increasingly over the next several years as these markets continue to grow. End market leaders such as Altera, Broadcom and Qualcomm drive TSMC's demand from the fabless segment while leading IDMs such as Philips and Motorola are also significant customers. Through 2001, TSMC will continue targeted marketing efforts, engaging customers in similar high growth segments of the logic component markets.

In the long run, we at TSMC believe that foundry services will play an increasingly important role in the manufacturing sector of the worldwide IC industry. Fabless companies already depend on foundries, and IDMs are expected to evolve stronger business connections with foundries for IC manufacturing. Industry forecasts predict that by the year 2001, more than 15 percent of world-wide IC production will come from foundries, increasing to more than 30 percent by the year 2010. As better design automation and IP integration tools emerge, product development risks will continue

to decrease and facilitate system companies ability to shift part of their IC needs directly to foundries. TSMC will continue to be a leader in reducing the barriers to entry to the IC business.

At the supply chain level, TSMC believes that it is in an ideal position to benefit from the current trend toward "dis-integration," whereby fabless and systems companies and IDMs focus on their core competencies, shifting manufacturing and other services to partners with expertise in those areas. The frictionless business processes enabled by the Internet will add to the speed at which this trend continues. As TSMC continues to grow, it will be able to positively influence other supply chain partners to expand support for the foundry model. Leading equipment and material suppliers such as Applied Material, ASML, Tokyo Electron, Taisil, Komatsu and Shinetsu continue to expand technology and service programs targeted at foundries.

At the technological level, consumer demand for lower cost and higher functionality of products is expected to compel our customers to increasingly integrated chip design, creating a need for the higher density of our advanced technologies. TSMC hopes to be able to maintain high average selling prices (ASPs) for wafers as the company's production capacity evolves through more and more advanced technologies.

TSMC fully understands that we will face serious competition in the future. Therefore, to ensure TSMC's continuing leadership and profitability in 2001 and beyond, we are determined to establish closer partnerships with customers and to provide the most advanced technologies and the most comprehensive services.

For primary technologies, TSMC will focus on the following offerings:

(1) Advanced CMOS Logic Process

TSMC began mass-production of 0.15 μ m high performance and ultra high speed CMOS Logic processes in the first half of 2000 and 0.18 μ m low power process in the second half of the same year. The company is expected to enter volume production of 0.13 μ m high performance and ultra high speed CMOS Logic processes in the second quarter of 2001. In addition, TSMC plans to introduce 0.13 μ m low power processes in the third quarter of 2001 for customers in the portable electronic device markets. The 0.10 μ m CMOS Logic process is expected to be available in late 2002. The move into those advanced technologies will help TSMC's customers develop higher-density and higher-performance chips that will be competitive in world markets.

(2) Advanced Mixed-Signal Process

In the mixed digital-and-analog market, TSMC has successfully developed the 0.18 μ m 1-layer-poly, 6-layer-metal mixed-signal and 0.25 μ m radio frequency (RF) CMOS processes to meet the demands of communication and consumer ICs in the first half of 2000. The 0.18 μ m 1-layer-poly, 6-layer-metal radio frequency (RF) CMOS processes were also ready in the second half of the same year. These processes make it easier for TSMC's customers to integrate digital-signal processors and/or data-compression chips with analog circuitry for the fast-growing communications and consumer markets. The 0.13 μ m mixed-signal and RF processes will be available in late 2001.

(3) Advanced SRAM/Embedded SRAM Processes

TSMC entered mass production of 0.18 μ m high-speed SRAM process in the beginning of 2000. The 0.18 μ m low-power SRAM process also began risk production in the first quarter of 2000. The 0.13 μ m high-speed and low-power processes are expected to be available in 2001. On the embedded SRAM front, the company completed the development of a 0.15 μ m 1-layer-poly, 7-layer-metal process in first quarter of 2000. The 0.13 μ m Embedded SRAM process entered risk production in the end of 2000 and should support mass production in the first half of 2001. These processes will enable TSMC customers to further reduce their costs and enhance performance.

(4) Advanced Flash/Embedded Flash Processes

In non-volatile memory, TSMC entered production of a 0.25 μ m logic based 2-layer-poly, 2-layer-metal, split-gate Flash process and a 0.25 μ m mixed-signal 2-layer-poly, 5-layer-metal, split-gate embedded Flash process in the beginning of 2000. The 0.22 μ m 1-layer-poly, 5-layer-metal EEPROM-PLD process was also available in mid-2000. The embedded Flash process will help customers integrate Flash with logic, especially in microcontroller, digital signal processor and other system-on-chip applications requiring a high degree of integration. The 0.18 μ m Flash/embedded Flash development is expected to be completed and available for volume production in the middle of 2001.

(5) Special Logic Processes

In addition to these advanced processes, TSMC has developed special logic processes, including CMOS image sensor, color filter, and high voltage processes, for our customers to target niche markets. The 0.35 μ m CMOS image sensor process development was finished in the end of 1999 and entered volume production in the first quarter of 2000. The 0.25 μ m version development was finished in the end of 2000 and will enter mass production in the beginning of 2001. The 8-inch version of CMOS color filter processes was available in 2000. On high voltage technologies, the development of 0.5 μ m 2-layer-poly, 3-layer-metal CMOS and 0.5 μ m 2-layer-poly, 3-layer-metal LD MOS high voltage processes were completed in the end of 1999 and ready for production in the beginning of 2000. The 0.8 μ m BiCMOS high voltage process also entered mass production in the beginning of 2000. By the end of 2001, TSMC will complete the development of 0.35 μ m versions of high voltage technologies and then enter production.

(6) Design Services

2000 has been a prosperous year for TSMC in design services, which includes libraries, intellectual property cores (IP), electronic design automation (EDA), and design engineering services. TSMC rolled out 0.13 μ m libraries with both internal and third-party library partners, introduced a broad network of providers of key IP blocks, and expanded its network of engineering service partners to cover customers' design needs. In 2001, TSMC is expected to present the high-performance and broadest portfolio of VDSM SoC (Very deep sub-micron system-on-a-chip) libraries and key IP in the sub-100 nm area as well as a productized design reference flow - to further strengthen our design services capability. Greatly expanded use of the Internet will aid customer access to all levels of design service information.

4. Employee Relations

With over 14,000 employees worldwide, TSMC places priority on developing employees and gaining their commitment. We are focused on our commitment to our employees, and our guiding principles include caring for employees and shareholders (and being a good corporate citizen) as well as fostering a dynamic and fun work environment.

Our ability to attract, develop and retain a very high level of engineering and support talent worldwide has earned TSMC the honor of being the most reputable company from *Commonwealth* magazine for the past four years. In addition, TSMC was once again recognized by the Taiwan government as one of Taiwan's Best Organizations for its commitment to employee welfare, employee programs and employee benefits.

TSMC's employee relation record is one of outstanding harmony. For year 2000, our main areas of focus were on recruitment, development programs, compensation, and benefits.

(1) Recruitment

Being the largest IC foundry in the world, TSMC is a preferred employer within its industry. This reputation is clearly evident in Taiwan, where the company was recently voted "favorite enterprise/employer" in a recent university student poll.

TSMC prides itself in attracting and recruiting highly skilled and qualified talent from around the world. In year 2000, in addition to 3,100 people joined TSMC family from merging companies, we have also recruited around 6,000 new hires. After a stringent selection process, we had hired 2,500 engineers and professional employees out of 35,000 candidates and another 3,500 technicians out of 15,000 candidates.

(2) Development Programs

TSMC subscribes to a philosophy of continuous learning and professional growth. To this end, we have earned several industry accolades for our extensive and unique training programs. In 2000, over 1,500 training courses were offered, with total enrollment reaching 43,000. These programs included customized workshops that were delivered to a variety of TSMC organizations globally to enhance inter-team collaboration and synergy.

We launched several new programs in 2000, including an "e-learning" initiative for new engineers; an improved management development programs focusing on developing business and leadership skills for section managers and above; and two companywide performance management and development programs. These programs, known as "Directing Your Self Development", for all associates and "Developing Your Staff", for managers, are designed to develop employees and liberate talents. Besides, to help newly joined employees from merging companies integrate into TSMC family, a customized culture orientation was provided.

Also in year 2000, a new learning center was set up with a capacity of 500 participants.

(3) Compensation (Profit Sharing)

The Company has stock-based compensation plans, whereby every employee becomes a shareholder of TSMC. Through TSMC's profit sharing system, employee goals are aligned with those of TSMC; every employee is committed to and shares in the company's success.

(4) Benefits

In addition to competitive salaries, one of the ways TSMC compensates its employees is through its comprehensive benefits and welfare programs. In year 2000, we have added new services to enhance work life balance. Such services include on-site clinics, bookstores, coffee bars and art exhibition galleries.

In addition, to foster a warm TSMC community, TSMC sponsors social clubs and organizes various family activities throughout the year including Family Day, Sports Day, concerts and art performances.

5. Personnel Growth over the Last Two Years

Year	Number of Employees					Average Age	Average Years of Service	Percentage by Education						
	Direct Labor	Engineer	Admin.	Manager*	Total			Ph.D.	MS/MA	BS/BA	College	High School	Others	Total
1999	3,675	2,765	316	704	7,460	29	3.8	2.3%	23.1%	15.9%	22.5%	36.1%	0.1%	100.0%
2000	7,370	5,739	503	1,024	14,636	29	3.2	2.2%	23.7%	14.6%	26.3%	33.1%	0.1%	100.0%

* Starting from year 2000, employee category has been re-defined. "Manager" does not include employees without management responsibility. The number of employees of 1999 has been reclassified to conform to 2000 classification.

6. Environmental Protection Measures

TSMC is proud of its well-deserved reputation as a company with strong awareness for the environment in the IC industry. Our industry-leading environmental policies have received international recognition and our reporting and disclosure policies are regarded as a model for the industry.

TSMC Fab 1, 2, 3, 4 and 7 have been ISO14001 certified since 1996. Fab 5 received the certification in 2000. In addition to ISO14001, TSMC's Fab 1, 2, 3, 4 and 5 are also Occupational Health and Safety Assessment Series (OHSAS) 18001 certified. This is the first OHSAS certification ever given to a company in the semiconductor industry in Taiwan.

Based on the principles of TSMC's Environmental, Safety and Health (ESH) Policy, TSMC has devoted a significant amount of time and effort on ESH improvement programs in 2000. These efforts have not only led to recognition from the government but also earned TSMC the award of "Industrial Excellence" by the Ministry of Economic Affairs, and "Pollution Control Equipment Maintenance Outstanding Performance Plant" by the Industry Development Bureau.

TSMC's Environmental, Safety and Health improvement programs in year 2000 include:

(1) Perfluorocompound (PFC) emission reduction

To support the PFC reduction target set by Taiwan Semiconductor Industry Association (TSIA), TSMC has teamed up a PFC reduction work group to reduce the usage of CF₄ and NF₃, and to survey replacement chemicals and abatement technologies.

(2) Water pollution prevention

In addition to already meeting wastewater quality standards, TSMC continues to make efficiency improvements to our plants' wastewater treatment facilities above and beyond wastewater quality standards. For example, we set up a new wastewater recovery system and modified existing systems to improve the water recovery ratio.

(3) Air pollution prevention

TSMC not only installed air pollution prevention facilities to meet new environmental standards, but also plans to set up backup facilities in 2001 to reduce the environmental impact in case of equipment failure.

(4) Waste management

Recycling has been our ongoing goal. In 2000, TSMC received EPA approval to recycle IPA, N-Methyl-2-Pyrrolidinone and photo-resist, thereby reducing materials waste.

(5) Environmental Impact Assessment (EIA)

The completion in year 2000 of an Environmental Impact Assessment for TSMC's Tainan site (Fab 15~Fab 18), as well as for Fab 8 and Fab 12, was a major accomplishment. Taiwan EPA's approval of the EIA for these sites is essential for future expansion. A world-class ESH design will be built-in as we expand new fabs.

After very deliberate planning, the first edition of TSMC's Environmental Annual Report was published in April 2000. Corporate Environmental Reporting (CER) is becoming an important part of our corporation's social responsibility. TSMC's Environmental Annual Report, the first such report in Taiwan semiconductor industry, represents TSMC's proactive approach to environmental protection. We hope this report serves as a positive communication channel to all interested parties.

Other Disclosures The following disclosure is made in accordance with Taiwan SEC regulations:

In years 1999 and 2000, TSMC received three citations from local Taiwan Environmental Protection Administration (EPA). Conditions warranting the citations included (1) accidental discharge of effluent to storm water sewage system in the South Site; (2) lack of operating permit for chlorine in Fab 6; and (3) failure to post proper labeling of a toxic chemical bottle in the test lab in Fab 8. Since the responsibility for labeling of such bottles does not legally rest with TSMC, the Company has responded with a petition to EPA. The total fine for these citations was NT\$280,000 and the Company immediately corrected all deficiencies. TSMC expects to invest another NT\$1.839 billion on the improvement of pollution control equipment throughout our manufacturing facilities over the next three years.

7. Important Contracts

(1) Technology Cooperation Agreement

Term of Agreement: 7/9/1997 - 7/8/2007

Contracting Party: Philips Electronics N.V. (now renamed as Koninklijke Philips Electronics N.V.) ("Philips")

Summary: Under this agreement, TSMC is obliged to pay to Philips royalty at a fixed percentage of net sales for certain products.

(2) Submicron Technology Licensing Agreement

Term of Agreement: 11/20/1990 - 12/31/2000

Contracting Party: Industrial Technology Research Institute ("ITRI")

Summary: Under this agreement, TSMC is obliged to pay a licensing fee of NT\$129.4 million to ITRI over a five-year period, plus royalty fees at fixed percentages of net sales for certain products. The entire licensing fee had been paid by December 31, 1995.

(3) Building and Equipment Leasing Agreement (FAB 1)

Term of Agreement: 4/1/1997 - 3/31/2002

Contracting Party: Ministry of Economic Affairs

Summary: Under this agreement, TSMC leases certain buildings and equipment from the Ministry of Economic Affairs.

(4) Land and Public Facility Leasing Agreement (FAB 1)

Term of Agreement: 4/1/1997 - 3/31/2002

Contracting Party: Industrial Technology Research Institute ("ITRI")

Summary: Under this agreement, TSMC leases certain land and public facilities from ITRI.

(5) Foundry Related Agreements

Term of Agreement: 1995 - 2004

Contracting Parties: More than 10 companies in the U.S.A., Europe, and Asia.

Summary: Under these agreements, TSMC guarantees a pre-determined capacity for a set number of years to customers in the United States, Europe, and Asia. In return, customers deposit fees with TSMC. As of the end of 2000, more than ten companies had signed foundry related agreements with TSMC.

(6) Manufacturing Agreement

Term of Agreement: three years, upon commencement of production at WaferTech, LLC

Contracting Party: WaferTech, LLC

Summary: Under this agreement, TSMC is obliged for three years, upon commencement of production at WaferTech, LLC, to purchase a minimum of eighty-five percent of calculated installed capacity of WaferTech, LLC. TSMC has the option to purchase up to one hundred percent of the calculated installed capacity of WaferTech, LLC.

(7) Shareholders Agreement

Term of Agreement: May be terminated as provided in the Agreement

Contracting Party: Philips Electronics N. V. (now renamed as Koninklijke Philips Electronics N.V.) ("Philips") and EDB Investments Pte Ltd. ("EDBI")

Summary: Under this agreement, TSMC, Philips and EDBI agreed to form a joint venture "Systems on Silicon Manufacturing Company Pte Ltd." ("SSMC") to build an IC foundry in Singapore. TSMC holds 32% of the shares. Philips and TSMC committed to purchase a certain percentage of SSMC's capacity.

(8) Technology Cooperation Agreement

Term of Agreement: 3/30/1999 - 3/29/2009

Contracting Party: Systems on Silicon Manufacturing Company Pte Ltd. ("SSMC")

Summary: Under this agreement, TSMC shall transfer its process technologies to SSMC and SSMC shall pay TSMC remuneration at a certain percentage of net selling prices of its products.

(9) Technology Transfer Agreement

Term of Agreement: 6/27/2000 - 6/26/2010

Contracting Party: National Semiconductor Corporation ("NS")

Summary: Under this Agreement, TSMC shall transfer its process technologies to NS and NS shall pay license fees to TSMC.

(10) Manufacturing Agreement

Term of Agreement: 2/14/2000 - 2/13/2005

Contracting Party: Vanguard International Semiconductor Corporation ("VIS")

Summary: Under this Agreement, VIS shall reserve its certain capacity to manufacture for TSMC certain devices on logic or other technologies required by TSMC's customers, at discounted actual setting prices as agreed by the parties.

8. Litigation Proceedings**Antidumping Investigation Against SRAMs**

Micron Technology Inc. filed a petition for the antidumping investigation against SRAMs from Korea and Taiwan in February 1997. Following the U.S. International Trade Commission's final determination in April 1998 that U.S. industry is materially injured by imports from Taiwan, the U.S. Department of Commerce announced the antidumping duty order. Taiwan industry subsequently appealed U.S. International Trade Commission's final determination to the U.S. Court of International Trade. In June 2000, U.S. International Trade Commission, pursuant to U.S. Court of International Trade's second remand order, voted that SRAMs from Taiwan were not causing or threatening to cause injury to the U.S. industry, which decision was later affirmed by U.S. Court of International Trade. Micron has appealed to the U.S. Court of Appeals for the Federal Circuit. SRAMs account for a very small portion of TSMC's total sales and TSMC's direct sales to the U.S. is even less. Thus, the impact on TSMC's business is expected to be very limited.

300mm



200mm

150mm

Vision

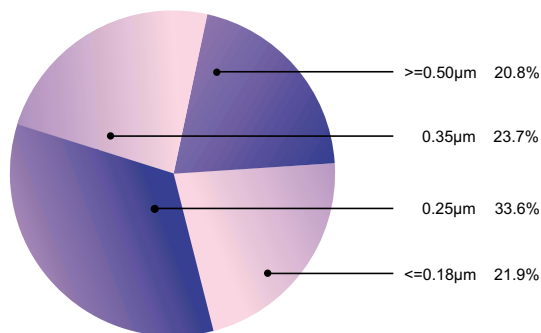
Vision

To be the most reputable, service-oriented, and maximum-total-benefits silicon foundry in the world, thus earn the reward of also being the largest and most profitable.

Business and Financial Plans

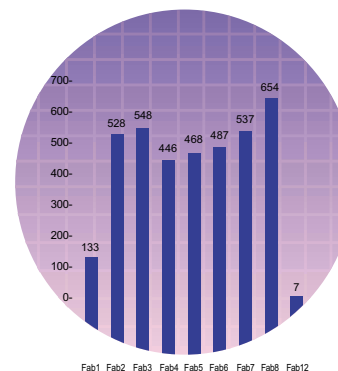
1. Production and Sales Plans for 2001

Sales Plan by Technology



Production Plan*

Quantity:(Thousand pcs 8" wafer)



*TSMC only: 3,808 thousand pcs 8" wafers; total TSMC managed capacity: 4,463 thousand pcs, including VIS, WaferTech, and SSMC

2. Year 2001 Plans for Disposition or Acquisition of Real Estate or Long-term Investment

Amount of disposing real estate/long-term investment up to NT\$300 million or 20% of paid in Capital

Name of Real Estate or Company	Nature	Quantity	Location	Dated	Price	Purpose
Taiwan Semiconductor Technology Corporation	Long-term Investment	Common Share: 50,000,000	Linkou	Q2 2001	N/A	Strategical Adjustment of Long-term Investment

Amount of acquiring real estate/long-term investment up to NT\$300 million or 20% of paid in Capital

Name of Real Estate or Company	Nature	Quantity	Location	Date	Price	Funding Source	Purpose
Buildings	Real estate	325,174M ²	Hsinchu & Tainan	Starting from Q1,2001	NT\$4,846 million	Retained earnings or Bank borrowing	Increase capacity to enhance competitiveness
System on Silicon Manufacturing Company Pte.Ltd.	Long-term investment	Common share: 292,352	Singapore	Starting from Q1,2001	US\$146 million	Retained earnings or Bank borrowing	Increase capacity to enhance competitiveness
Emerging Alliance L.P.	Long-term investment	99.5% of Interest	Cayman Island	Starting from Q1,2001	US\$29.85 million	Retained earnings	Diversify long-term investment and locate strategic technology partners

In 2000, TSMC delivered foundry's first 300mm customer wafers.

3. Research and Development Plans

(1) R&D mission and vision

TSMC's R&D mission is to provide the world's best and most competitive, cost-effective, and pervasive technology platforms for state-of-the-art integrated circuit (IC) applications. Through our innovative and aggressive R&D work, we strive not only to excel in semiconductor technology, but by extension, to contribute to the use of technology to expand human understanding and experience.

TSMC has an acclaimed reputation for delivering the industry's broadest spectrum of leading-edge processes, including logic, mixed-signal/RF, embedded memory, color image sensor, and high-voltage process technologies. These state-of-the-art processes are rapidly transferred to volume production, where they are used by our customers as platforms for the next generation of computing, communications (network and wireless), industrial and consumer electronics applications. The Company has established particularly effective leadership in CMOS logic processes, including CPU, high-performance, low-power, and core logic with embedded memory and other options for system-on-chip (SOC) design.

Significantly, in year 2000, TSMC became the first foundry to license its advanced logic processes to an integrated device manufacturer (IDM), an achievement that reverses many years of technology licensing by the foundry industry. Our research and development commitment is to continue to stay ahead of the ITRS (International Technology Roadmap for Semiconductors) roadmap in the new millenium. This in itself is a feat that is expected to be accomplished by only a handful of IC manufacturing companies worldwide.

(2) R&D organization and investment

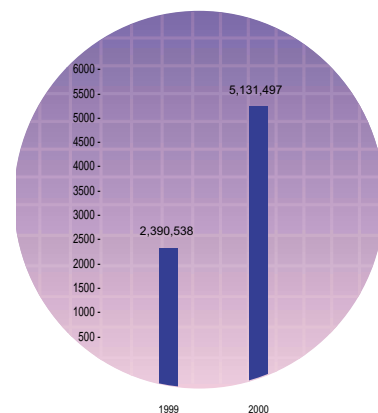
The success of TSMC's dedicated foundry model has attracted to it tremendous overseas and domestic talents and skills, thereby continuing to increase the relative strength of our R&D organization. To supplement that strength, our R&D expense in year 2000 was more than NT\$5.1 billion, an increase of approximately 115 percent over 1999. For 2001, our total R&D investment is expected to exceed NT\$9.7 billion.

TSMC's R&D organization has strong development partnerships with key equipment and materials vendors. These partnerships have proved invaluable in the development of new processes as well as the execution of new manufacturing techniques aimed at reducing production costs.

TSMC also maintains a vital presence in global semiconductor consortia, making significant contributions in the areas of equipment, material and silicon-based IC process development. For example,

R&D Expense

Amount: (NT\$K)



TSMC actively participates in both the NGL (Next Generation Lithography) organization and the 157nm Consortium, helping to secure a leading position in photolithography and related manufacturing techniques for the development of processes below the 0.10 μ m generation. Not insignificantly, TSMC is also the sole Taiwanese member of International Sematech - a feat that speaks directly for the value of TSMC's reputation as the foundry industry R&D leader.

(3) Year 2000 R&D accomplishments

"Unceasing Innovation" is one of our 10 corporate values at TSMC. In the IC process technology area, TSMC was awarded 523 US patents and 524 ROC patents in 2000, reflecting our commitment to that value. We also continued to rapidly accelerate the introduction of new technologies, maintaining our track record of releasing one technology generation per year.

TSMC's R&D organization posted many outstanding accomplishments in year 2000, the most significant of which was the release to production of our cutting-edge 0.13 μ m logic process, which features advanced copper interconnects and low-k dielectrics for superior quality and performance. This milestone was achieved fully one year ahead of the ITRS roadmap for production release of 0.13 μ m technology.

Our 0.13 μ m process portfolio covers the entire spectrum of SOC applications with a family of high-performance, low-power, and baseline processes. The high-performance, low-voltage technology is ideal for processor applications (e.g., microprocessors, network processors, media processors, etc.) The low-power technology is among the best available for battery/wireless applications (e.g., cell phones), while the core or standard ASIC-logic technology is a cost-effective option for many industrial and consumer electronics uses. The TSMC 0.13 μ m process also features the most aggressive design rules in the world, including low-voltage and high-performance transistors with gate lengths of less than 0.07 μ m. Combining these fast transistors with advanced eight-layer copper and low-k interconnects, this technology is capable of supporting greater than 1.5GHz microprocessors and other high performance applications.

In 2000, TSMC was clearly recognized as a world leader in the use of copper and CVD-based low-K materials for the 0.13 μ m technology node. These important technologies allow customers to realize fast chip speed and lower power consumption, while demonstrating much better mechanical and chemical properties for increased manufacturing yield, higher quality, and improved integration with wire bond packaging techniques. In the course of our 0.13 μ m development work, TSMC was also the first to demonstrate 193nm step-and-scan photolithographic tools and processes for 0.13 μ m production.

(4) Spectrum of Processes

It is worth noting that all of these developments were achieved shortly after releasing our industry-leading 0.15 μ m generation logic technology platform to production in early 2000. Concurrently, TSMC R&D was hard at work developing a number of additional processes for our customers. Among the processes introduced in year 2000 are:

- **High-voltage logic**

In the high voltage/low power area, TSMC enriched its existing portfolio of 1 μ m 16V and 40V processes by introducing 0.6 μ m and 0.5 μ m versions of these processes, as well as a 0.8 μ m 200V LDMOS version, in 2000. These processes are fully compatible with TSMC generic logic and mixedsignal processes for mixed 5V and high voltage system integration.

- **0.18 μ m mixed-signal/RF technology**

TSMC R&D released the industry's first 0.18 μ m mixed-signal/RF CMOS process in 2000, combining RF, analog, and base-band features in a single chip to provide a platform for developers of cutting-edge Bluetooth and other communication applications. It has a rich set of modular digital, analog devices and precision passive components, such as, high-Q metal-insulator-metal capacitors and inductors.

- **0.25 μ m CMOS image sensor process**

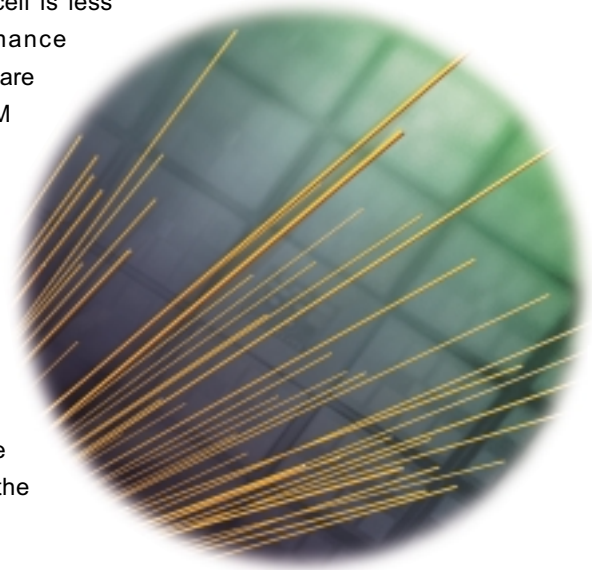
TSMC's new color image sensor process is the most advanced in the industry, capable of resolutions greater than 3.3M pixels for state-of-the-art camera-on-a-chip applications. The new image sensors enhance our existing portfolio of production 0.8 μ m, 0.6 μ m, 0.5 μ m, and 0.35 μ m color image sensor processes. These image sensors are further enhanced by color filters with micro-lenses to double the sensitivity.

- **Embedded memory technology**

During the past year, TSMC has aggressively scaled its embedded memory technologies for SOC integration. These value-added technologies are fully compatible with their respective corelogic technology platforms and are supported by compilers, design kits, and test structures for fast time-to-volume. Our embedded 6T SRAM cells are available in a variety of density, performance, and standby leakage variations. For example, the cell size for our 0.13 μ m 6T SRAM cell is less than 2.45 μ m², with compiler performance capable of greater than 1GHz. These cells are also available for stand-alone SRAM devices with high speed, high bit density or low power consumption.

- **Leading 0.25 μ m flash technology**

In 2000, our 0.25 μ m flash technology was released for both stand-alone and embedded applications. At the same time, our 0.22 μ m EEPLD technology was transferred to production, becoming the first true 2.5-volt EEPLD technology in the world.



TSMC, the leading foundry in Copper Interconnect technology.

- **The first 300mm production wafers**

In 2000, TSMC's R&D organization played a key role in the delivery of the foundry industry's first production 300mm wafers, from our 300mm pilot line in Fab 6. The organization is still actively involved in finalizing the equipment set for our first two dedicated 300mm facilities, Fab 12 in Hsinchu and Fab 14 in Tainan.

- **State-of-the-art mask production.**

TSMC has one of the largest in-house mask fabrication capabilities anywhere. Our mask shops are known for excellent quality and cycle time to support aggressive R&D, prototyping and production requirements. Our facilities all have state-of-the-art E-beam mask writers and inspection tools to support both R&D and production use, including advanced optical-proximity-correction (OPC) and phase-shift mask (PSM) technology for use in the 0.15 μ m, 0.13 μ m, and 0.1 μ m logic processes and future technology generations.

(5) Year 2001 plans

Going forward, we will continue to increase our R&D investment in personnel and capital while accelerating our R&D activities. The key focus of TSMC's R&D organization will include 0.10 μ m logic/mixed signal technology platforms and related embedded memory for SOC applications. In addition, we will continue development of our production 300mm equipment set. Other development projects will include new 0.13 μ m Mixed-Signal/RF, 0.13 μ m embedded memory, 0.18 μ m silicon germanium (SiGe) BiCMOS, 0.18 μ m color image sensors, and 0.35 μ m high-voltage process modules, as well as exploration of new transistors and process technologies.

TSMC R&D began its full-scale 0.10 μ m development work in 2000 and is today well down the development path. In addition, we are engaged in exploratory work on processes in support of the 0.07 μ m generation and beyond, including geometries as low as 0.05 μ m. Specific attention is being paid to the development of advanced high-k gate insulators, and extreme low-k ($k \leq 2$) interconnect insulator materials. When TSMC Fab 12 is ready for volume production in late 2001, it will feature an R&D facility capable of taking the company well beyond 0.10 μ m generation.

With its skilled and dedicated R&D team and an ongoing commitment to investment in the most advanced equipment and materials, TSMC is confident it will continue to deliver the world's best and most cost-effective system-on-a-chip processes for our customers.

4. Financing Plans

4-1 Capital Increase for Expansion Plans for 2001

Item	Amount(NT\$M)	Objectives
Fab 14 - Construction	5,724	Scheduled to produce 12" wafers
Fab 12 - Construction	33,507	Scheduled to produce 12" wafers
Fab 8	4,237	Increase 8" wafer output capacity to 57K pcs/month by the end of 2001
Fab 7	2,277	Increase 8" wafer output capacity to 45K pcs/month by the end of 2001
Fab 6	7,926	Increase 8" wafer output capacity to 42K pcs/month by the end of 2001
Fab 1 ~ Fab 5	4,334	Upgrade product mix
300MM pilot line	1,112	Exercise advanced module & integration
Replacement and Others	12,380	Maintain technology superiority and competitiveness
	71,497	

* Capital expenditures will be funded by internally generated cash flow or/and external funding activities

4-2 Previous Financing Plans and Implementation

Projects	Gross funds raised	Planned use of funds	Implementation status
June 7, 2000 23,000,000 ADRs	US\$822,250,000	Procurement of equipment for Fab 6	On schedule - 77.22% completed
November 29, 2000 1,300,000,000 preferred shares	NT\$13,000,000,000	Procurement of equipment for Fab 12	Will commence implementation in Q1, 2001
December 4, 2000 - December 15, 2000 NT\$15billion corporate bond	NT\$15,000,000,000	Procurement of equipment for Fab 8	Will commence implementation in Q1, 2001

5. TSMC Education and Culture Foundation

Fundamental to TSMC's business philosophy, TSMC is committed to its role as a corporate citizen and its care for Taiwan's social development through monetary grants as well as time and talents of its employees. To satisfy the rising diversity of societal needs through a formal vehicle, TSMC established the "TSMC Education and Culture Foundation" (TSMC Foundation) in 1998. TSMC Foundation's mission is guided by the following three principles:

Commitment to Education

To help develop the university students' talents in high technology, management and intellectual property rights, TSMC Foundation established three educational grant programs-"TSMC Undergraduate International Exchange Program Scholarship", "TSMC Intellectual Property Scholarship" and "TSMC Visiting Chair Professorship"- with Tsing-hua University, Chiao-tung University and Cheng-kung University. Furthermore, TSMC Foundation endowed Tsing-hua University toward the construction of Taiwan's first college of technology management to foster more talents for Taiwan's high-tech industry.

Contributions to Communities

TSMC Foundation supports community services in Hsinchu and Tainan, where TSMC has major facilities, with both funding and volunteers to build a sound environment for our employees and neighbors. TSMC Foundation directs its efforts at arts and cultural activities, environmental protection, health, athletics, and similar programs to enhance the quality of life in our communities.

In order to provide a safe learning environment, TSMC Foundation made a contribution to restore the Da-ping Elementary School in Hsinchu County after the devastating earthquake of September 21, 1999.

Sponsorship of National Arts and Cultural Activities

Without grants from industry or government, major national arts and cultural activities cannot take place. We hope to increase the national population that participate in national arts and cultural activities through TSMC Foundation's sponsorship. The sponsorships of 「"Leonardo da Vinci" Exhibition」 at the National Museum of History and 「"U Theatre - The Sound of Ocean" Tournament Performance in Taiwan」, are some of the highlights. Conservation of historic monuments in Taiwan was also an important mission in 2000. TSMC Foundation helped maintain the Sage pavilion in Lung-tan and supported the restoration of former U.S. Consulate in Taipei.





*All financial information discussed
in this Annual Report
is derived from the unconsolidated financial
statements included herein that were prepared
on the basis of generally accepted accounting principles in the
Republic of China ("ROC GAAP") which differs significantly,
in certain respects, from generally accepted accounting principles
in the United States ("US GAAP") and certain other countries.
Consolidated financial statements are also included herein.
TSMC will file an Annual Report on Form 20-F with the United States
Securities and Exchange Commission (the "US SEC") prior to June 30,
2001 which will include consolidated financial statements
that include a reconciliation of certain items to US GAAP,
as required by applicable US SEC
regulations and the listing requirements
of the New York Stock Exchange.*

1. Brief Balance Sheets

Financial analysis from 1996 to 2000

Item					Unit: NT\$K
	1996	1997	1998	1999	2000
Current assets	16,529,359	23,790,795	26,378,422	38,770,670	85,950,586
Long-term stock investments	12,608,506	19,220,371	17,537,765	28,208,643	33,422,010
Fixed assets	41,978,952	61,697,723	73,636,209	89,566,029	207,005,370
Other assets	2,018,827	3,804,923	6,554,817	4,877,392	14,594,492
Current liabilities					
Before distribution	5,357,895	10,088,672	8,138,796	14,469,329	41,188,662
After distribution	5,926,138	10,250,285	8,276,867	14,684,480	*
Long-term liabilities	5,720,000	20,009,357	25,025,206	20,000,000	29,000,000
Other liabilities	9,943,809	9,001,390	6,872,545	6,183,565	9,030,097
Capital stock	26,542,000	40,813,000	60,471,760	76,708,817	129,893,646
Capital surplus	59,086	62,082	164,219	11,831,411	55,285,821
Retained earnings					
Before distribution	25,523,456	28,641,292	24,162,113	33,320,615	76,924,173
After distribution	10,684,213	8,820,919	9,010,971	11,785,153	*
Total Assets	73,135,644	108,513,812	124,107,213	161,422,734	340,972,458
Total Liabilities					
Before distribution	21,021,704	39,099,419	40,036,547	40,652,894	79,218,759
After distribution	21,589,947	39,261,032	40,174,618	40,868,045	*
Total Equity					
Before distribution	52,113,940	69,414,393	84,070,666	120,769,840	261,753,699
After distribution	51,545,697	69,252,780	83,932,595	120,554,689	*

* Subject to change after shareholders' meeting resolution

2. Brief Statements of Income

Financial analysis from 1996 to 2000

Item					Unit: NT\$K(ExceptEPS: NT\$)
	1996	1997	1998	1999	2000
Net sales	39,400,179	43,935,627	50,233,008	73,131,206	166,228,420
Gross profit*	21,411,531	20,134,920	20,336,042	32,215,693	73,924,745
Income from operations	18,235,246	15,489,780	16,202,245	25,916,619	60,541,105
Interest revenue	653,462	501,434	566,020	808,616	1,575,460
Interest expense	277,161	546,490	981,388	1,415,527	1,858,197
Profit before tax	18,972,932	15,517,103	13,648,622	24,109,865	63,837,594
Net profit	19,400,689	17,960,075	15,344,203	24,559,884	65,106,194
Earnings per share	7.31**	4.40**	2.54**	3.24**	5.71**
	1.97***	1.83***	1.56***	2.49***	-
Capitalized interest	181,168	255,054	661,414	305,312	72,903

* Certain accounts of 1996 through 1999 have been reclassified to conform to 2000 classifications

** Based on weighted average shares outstanding in each year

*** Retroactive adjustment for capitalizations of unappropriated earnings and bonus to employees

3. Financial Analysis

Financial analysis from 1996 to 2000

Item	1996	1997	1998	1999	2000
Capital Structure Analysis					
Debts ratio (%)	28.74	36.03	32.26	25.18	23.23
Long-term fund to fixed assets (%)	137.77	144.94	148.16	157.17	140.46
Liquidity Analysis					
Current ratio (%)	308.50	235.82	324.11	267.95	208.68
Quick ratio (%)	247.77	185.78	273.86	233.95	178.13
Times interest earned (times)	42.40	20.04	8.91	14.83	34.02
Operating Performance Analysis					
Average collection turnover (times)	8.80	6.22	5.90	7.18	7.87
Average collection days	41.00	58.68	61.85	50.82	46.38
Average inventory turnover (times)*	7.24	6.12	6.82	9.96	11.01
Average inventory turnover days*	50.43	59.69	53.49	36.66	33.14
Fixed assets turnover (times)	0.94	0.71	0.68	0.82	0.80
Total assets turnover (times)	0.54	0.41	0.40	0.45	0.49
Profitability Analysis					
Return on total assets (%)	32.40	20.35	14.04	18.19	24.12
Return ratio on stockholders' equity (%)	45.28	29.56	19.99	23.98	31.43
Operating income to capital stock (%)	68.70	37.95	26.79	33.79	46.61
Profit before tax to capital stock (%)	71.48	38.02	22.57	31.43	49.15
Profit after tax to net sales (%)	49.24	40.88	30.55	33.58	39.17
Net worth per share (NTD)	19.63	17.01	13.90	15.74	21.28
Earnings per share (NTD)	1.97**	1.83**	1.56**	2.49**	5.71
Dividends per share (NTD)	8.00	5.00	4.50	2.30	2.80
Cash dividends (NTD)	-	-	-	-	***
Stock dividends (NTD)	8.00	5.00	4.50	2.30	2.80
Cash Flow					
Cash flow ratio (%)	452.74	201.55	417.00	273.50	213.74
Cash flow adequacy ratio (%)	113.70	97.96	102.04	106.00	106.15
Cash flow reinvestment ratio (%)	28.21	16.28	21.65	19.31	22.53
Leverage					
Operating leverage	1.79	2.15	2.69	2.47	2.34
Financial leverage	1.02	1.04	1.06	1.06	1.03

* Certain accounts of 1996 through 1999 have been reclassified to conform to 2000 classifications

** Retroactive adjustment for capitalizations of unappropriated earnings and bonus to employees

*** Subject to change after shareholders' meeting resolution

4. Net Worth, Earnings, Dividends and Market Price Per Share

	1998	1999	2000
Market price per share			
Highest market price	173.00	171.00	222.00
Lowest market price	56.50	68.00	74.50
Average market price	100.80	117.10	146.30
Net worth per share			
Before distribution	13.90	15.74	21.28
After distribution	11.12	12.07	-
Earnings per share			
Weighted average shares	6,047,176,000	7,572,598,000	11,400,882,000
Earnings per share	2.54	3.24	5.71
Earnings per share ¹	1.56	2.49	-
Dividends per share			
Cash dividends	-	-	*
Stock dividends			
Dividends from retained earnings	4.50	1.56	2.555
Dividends from capital surplus	-	-	0.245
Return on investment			
Price/Earning ratio ²	39.69	36.14	25.62
Price/Dividend ratio ³	-	-	*
Cash dividend yield rate ⁴	0	0	*

* Subject to change after shareholders' meeting resolution

Note 1. Retroactive adjustment for capitalizations of unappropriated earnings and bonus to employees

Note 2. Price/Earning ratio = Average market price/Earnings per share

Note 3. Price/Dividend ratio = Average market price/Cash dividends per share

Note 4. Cash dividend yield rate = Cash dividends per share/Average market price

5. Auditors' Opinion from 1996 to 2000

Year	CPA	Audit Opinion
1996	S.C. Huang, Edward Way	An Unqualified Opinion
1997	S.C. Huang, Edward Way	An Unqualified Opinion
1998	S.C. Huang, Edward Way	An Unqualified Opinion
1999	S.C. Huang, Edward Way	An Unqualified Opinion
2000	S.C. Huang, Edward Way	An Unqualified Opinion

12F, No.156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan, R.O.C.
Tel: 886-2-2545-9988

6. Supervisors' Report

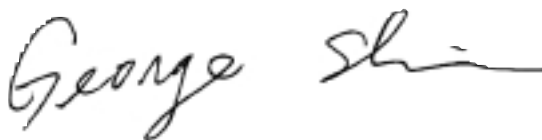
The Board of Directors have prepared and submitted to us the Company's 2000 business report, balance sheet, inventories of major assets, statement of profit and loss, statements of changes in shareholders' equity, statements of cash flows, and proposal for allocating profit. The CPAs of T. N. SOONG & CO. were retained to audit the balance sheet, inventories of major assets, statement of profit and loss, statements of changes in shareholders' equity and statements of cash flows and have submitted a report relating thereto. The above reports, statements and proposal have been further examined as being correct and accurate by the undersigned, the supervisors of Taiwan Semiconductor Manufacturing Company Limited. According to Article 219 of the Company Law, we hereby submit this report.

Taiwan Semiconductor Manufacturing Company Limited

Supervisor Jan Kees van Vliet



Supervisor George C. Shiu



Supervisor S. J. Paul Chien



March 9, 2001

7. Review and Analysis of Financial Position and Operating Results

(1) Liquidity Analysis

Item	Dec. 31, 2000	Dec. 31, 1999	Change%
Current ratio	208.68%	267.95%	-22.12%
Quick ratio	178.13%	233.95%	-23.86%

(2) Analysis of Operating Result

Item	2000	1999	Chage Amount	Unit:NT\$K Change%
GROSS SALES	169,223,128	74,036,935	95,186,193	128.57%
SALES RETURNS AND ALLOWANCES	(2,994,708)	(905,729)	(2,088,979)	230.64%
NET SALES	166,228,420	73,131,206	93,097,214	127.30%
COST OF SALES	(92,303,675)	(40,915,513)	(51,388,162)	125.60%
GROSS PROFIT	73,924,745	32,215,693	41,709,052	129.47%
OPERATING EXPENSES	(13,383,640)	(6,299,074)	(7,084,566)	112.47%
INCOME FROM OPERATIONS	60,541,105	25,916,619	34,624,486	133.60%
NON-OPERRATING INCOME				
Insurance compensation	1,623,832	184,607	1,439,225	779.62%
Interest	1,575,460	808,616	766,844	94.83%
Foreign exchange gain-net	828,025	0	828,025	
Equity in earnings of investee companies-net	779,326	0	779,326	
Technology service income	138,514	0	138,514	
Premium income	116,248	63,809	52,439	82.18%
Gain on sales of short-term investments	104,643	29,041	75,602	260.33%
Gain on disposal of properties	62,921	4,310	58,611	1359.88%
Reversal of allowance for losses on short-term investment	688	120,766	(120,078)	-99.43%
Other	179,650	38,557	141,093	365.93%
Total Non-Operating Income	5,409,307	1,249,706	4,159,601	332.85%
NNO-OPERATING EXPENSES				
Interest	(1,858,197)	(1,415,527)	(442,670)	31.27%
Premium expenses	(108,133)	(86,746)	(21,387)	24.65%
Loss on disposal of properties	(99,220)	(35,810)	(63,410)	177.07%
Bond issue cost	(32,658)	(114,839)	82,181	-71.56%
Equity in net losses of investee companies-net		(1,191,891)	1,191,891	-100.00%
Loss on disposal of short-term investments		(75,366)	75,366	-100.00%
Foreign exchange loss-net		(81,436)	81,436	-100.00%
Other	(14,610)	(54,845)	40,235	-73.36%
Total Non-Operation Expenses	(2,112,818)	(3,056,460)	943,642	-30.87%
INCOME BEFORE INCOME TAX	63,837,594	24,109,865	39,727,729	164.78%
INCOME TAX BENEFIT	1,268,600	450,019	818,581	181.90%
NET INCOME	65,106,194	24,559,884	40,546,310	165.09%

8. Financial Statements & Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2000 and 1999, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.



T N SOONG & CO
Taiwan, ROC
A member firm of Andersen Worldwide S. C.

January 29, 2001

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 another jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

BALANCE SHEETS

December 31, 2000 and 1999

(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	2000		1999	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$35,664,440	11	\$16,650,017	10
Short-term investments (Note 2)	-	-	236,250	-
Receivable from related parties (Note 14)	994,815	-	468,903	-
Notes receivable	125,175	-	164,134	-
Accounts receivable	30,335,314	9	13,380,253	8
Allowance for doubtful receivables (Note 2)	(946,734)	-	(422,202)	-
Allowance for sales returns and others (Note 2)	(2,204,167)	(1)	(706,886)	-
Inventories (Notes 2 and 5)	10,967,935	3	4,529,714	3
Deferred income tax assets (Notes 2 and 13)	8,122,000	2	2,329,000	2
Prepaid expenses and other current assets (Notes 2, 14, 15 and 17)	2,891,808	1	2,141,487	1
Total Current Assets	85,950,586	25	38,770,670	24
LONG-TERM INVESTMENTS (Notes 2 and 6)	33,422,010	10	28,208,643	17
PROPERTY, PLANT AND EQUIPMENT(Notes 2, 7 and 14)				
Cost				
Buildings	46,307,643	14	21,337,655	13
Machinery and equipment	210,461,923	62	102,672,163	64
Office equipment	3,672,927	1	1,939,392	1
Total cost	260,442,493	77	125,949,210	78
Accumulated depreciation	(94,332,168)	(28)	(57,969,725)	(36)
Advance payments and construction in progress	40,895,045	12	21,586,544	14
Net Properties	207,005,370	61	89,566,029	56
GOODWILL (Note 2)	3,309,707	1	-	-
OTHER ASSETS				
Leased assets (Note 2)	625,647	-	-	-
Deferred charges - net (Notes 2 and 8)	3,122,610	1	578,544	-
Deferred income tax assets (Notes 2 and 13)	6,559,293	2	4,273,252	3
Refundable deposits	967,985	-	16,346	-
Miscellaneous	9,250	-	9,250	-
Total Other Assets	11,284,785	3	4,877,392	3
TOTAL ASSETS	\$340,972,458	100	\$161,422,734	100

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

LIABILITIES AND SHAREHOLDERS' EQUITY	2000		1999	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Payable to related parties (Note 14)	\$4,346,578	1	\$1,916,526	1
Accounts payable	7,989,953	3	2,525,086	2
Payables to contractors and equipment suppliers	24,392,400	7	6,958,098	4
Income tax payable (Notes 2 and 13)	-	-	146,300	-
Lease obligation payable (Notes 2 and 9)	50,000	-	-	-
Accrued expenses and other current liabilities (Note 17)	4,409,731	1	2,923,319	2
Total Current Liabilities	41,188,662	12	14,469,329	9
NONCURRENT LIABILITIES				
Long-term bonds (Note 10)	29,000,000	8	20,000,000	12
Guarantee deposits	7,086,379	2	5,185,362	3
Accrued pension cost (Notes 2 and 12)	1,509,535	1	998,203	1
Deferred gain on sale-lease back (Note 2)	434,183	-	-	-
Total Noncurrent Liabilities	38,030,097	11	26,183,565	16
Total Liabilities	79,218,759	23	40,652,894	25
SHAREHOLDERS' EQUITY (Note 2 and 11)				
Capital stock - \$10 par value				
Authorized: 17,800,000 thousand shares in 2000 and 9,100,000 thousand shares in 1999				
Issued:				
Common - 11,689,365 thousand shares in 2000 and 7,670,882 thousand shares in 1999	116,893,646	34	76,708,817	48
Preferred - 1,300,000 thousand shares	13,000,000	4	-	-
Capital surplus	55,285,821	16	11,831,411	7
Retained earnings:				
Appropriated as legal reserve	10,689,323	3	8,258,359	5
Appropriated as special reserve	1,091,003	1	-	-
Unappropriated earnings	65,143,847	19	25,062,256	16
Unrealized loss on long-term investment	(71,564)	-	-	-
Cumulative translation adjustments	(278,377)	-	(1,091,003)	(1)
Total Shareholders' Equity	261,753,699	77	120,769,840	75
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$340,972,458	100	\$161,422,734	100

English Translation of Financial Statements Originally Issued in Chinese

STATEMENTS OF INCOME

For the Years Ended December 31, 2000 and 1999

(In Thousand New Taiwan Dollars, Except Earnings Per Share)

	2000		1999	
	Amount	%	Amount	%
GROSS SALES (Notes 2, 14 and 18)	\$169,223,128		\$74,036,935	
SALES RETURNS AND ALLOWANCES	(2,994,708)		(905,729)	
NET SALES	166,228,420	100	73,131,206	100
COST OF SALES (Note 14)	92,303,675	56	40,915,513	56
GROSS PROFIT	73,924,745	44	32,215,693	44
OPERATING EXPENSES (Note 14)				
General and administrative	5,299,135	3	2,097,835	3
Marketing	2,953,008	2	1,810,701	2
Research and development	5,131,497	3	2,390,538	4
Total Operating Expenses	13,383,640	8	6,299,074	9
INCOME FROM OPERATIONS	60,541,105	36	25,916,619	35
NON-OPERATING INCOME				
Insurance compensation	1,623,832	1	184,607	1
Interest	1,575,460	1	808,616	1
Foreign exchange gain - net (Notes 2 and 17)	828,025	1	-	-
Equity in earnings of investee companies - net (Notes 2 and 6)	779,326	-	-	-
Technology service income (Note 14)	138,514	-	-	-
Premium income (Notes 2 and 17)	116,248	-	63,809	-
Gain on sales of short-term investments	104,643	-	29,041	-
Gain on disposal of properties	62,921	-	4,310	-
Reversal of allowance for losses on short-term investment	688	-	120,766	-
Other (Note 14)	179,650	-	38,557	-
Total Non-Operating Income	5,409,307	3	1,249,706	2
NON-OPERATING EXPENSES				
Interest (Notes 7 and 17)	1,858,197	1	1,415,527	2
Premium expenses (Notes 2 and 17)	108,133	-	86,746	-
Loss on disposal of properties	99,220	-	35,810	-
Bond issue cost	32,658	-	114,839	-
Equity in net losses of investee companies - net (Notes 2 and 6)	-	-	1,191,891	2
Loss on disposal of short-term investments	-	-	75,366	-
Foreign exchange loss - net (Notes 2 and 17)	-	-	81,436	-
Other	14,610	-	54,845	-
Total Non-Operating Expenses	2,112,818	1	3,056,460	4
INCOME BEFORE INCOME TAX	63,837,594	38	24,109,865	33
INCOME TAX BENEFIT (Notes 2 and 13)	1,268,600	1	450,019	1
NET INCOME	\$65,106,194	39	\$24,559,884	34
EARNINGS PER SHARE				
Based on common stock weighted-average number of shares outstanding - 11,400,882 thousand shares in 2000 and 7,572,598 thousand shares in 1999	\$5.71		\$3.24	
Based on 9,863,489 thousand shares			\$2.49	

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

English Translation of Financial Statements Originally Issued in Chinese

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2000 and 1999

(In Thousand New Taiwan Dollars)

	CAPITAL STOCK ISSUED				CAPITAL SURPLUS (Note 2)							RETAINED EARNINGS (Note 11)				UNREALIZED		CUMULATIVE TOTAL SHAREHOLDERS' EQUITY
	Common Stock		Preferred Stock		From Consolidation	Paid-In Capital	From Long-term Investment	Excess on Foreign Bond	Gain on Disposal of Properties	Donation	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	LOSS ON LONG-TERM INVESTMENT	UNREALIZED	
	Shares	Amount	Shares	Amount												INVESTMENT	ADJUSTMENTS	
	(Thousand)		(Thousand)													(NOTE 2)	(NOTE 2)	
BALANCE, JANUARY 1, 1999	6,047,176	\$60,471,760	-	\$-	\$-	\$99,128	\$-	\$65,036	\$55	\$164,219	\$6,724,240	\$-	\$17,437,873	\$24,162,113	\$-	(\$727,426)	\$84,070,666	
Appropriations of prior year's earnings																		
Legal reserve	-	-	-	-	-	-	-	-	-	-	1,534,119	-	(1,534,119)	-	-	-	-	
Bonus to employees - stock	110,457	1,104,566	-	-	-	-	-	-	-	-	-	-	(1,104,566)	(1,104,566)	-	-	-	
Stock dividends - 23%	1,390,860	13,908,505	-	-	-	-	-	-	-	-	-	-	(13,908,505)	(13,908,505)	-	-	-	
Bonus to directors & supervisors	-	-	-	-	-	-	-	-	-	-	-	-	(138,071)	(138,071)	-	-	(138,071)	
Net income in 1999	-	-	-	-	-	-	-	-	-	-	-	-	24,559,884	24,559,884	-	-	24,559,884	
Conversion of foreign bonds	122,399	1,223,986	-	-	-	-	11,289,998	-	-	11,289,998	-	-	-	-	-	-	12,513,984	
Gain on disposal of properties	-	-	-	-	-	-	-	4,022	-	4,022	-	-	(4,022)	(4,022)	-	-	-	
Gain on disposal of property from investees	-	-	-	-	-	-	246,218	-	-	246,218	-	-	(246,218)	(246,218)	-	-	-	
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	-	-	126,954	-	-	126,954	-	-	-	-	-	-	126,954	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(363,577)	
BALANCE, DECEMBER 31, 1999	7,670,882	76,708,817	-	-	-	472,300	11,289,998	69,058	55	11,831,411	8,258,359	-	25,062,256	33,320,615	-	(1,091,003)	120,769,840	
Appropriations of prior year's earnings																		
Legal reserve	-	-	-	-	-	-	-	-	-	-	2,430,964	-	(2,430,964)	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	1,091,003	(1,091,003)	-	-	-	-	
Bonus to employees - stock	172,121	1,721,208	-	-	-	-	-	-	-	-	-	-	(1,721,208)	(1,721,208)	-	-	-	
Stock dividends - 25.55%	1,959,910	19,599,103	-	-	-	-	-	-	-	-	-	-	(19,599,103)	(19,599,103)	-	-	-	
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	(215,151)	(215,151)	-	-	(215,151)	
Capital Transferred from capital surplus - 2.45%	187,937	1,879,366	-	-	-	-	(1,879,366)	-	-	(1,879,366)	-	-	-	-	-	-	-	
Issuance of shares on June 8, 2000	115,000	1,150,000	-	-	-	23,172,550	-	-	-	23,172,550	-	-	-	-	-	-	24,322,550	
Issuance of shares for the mergers on June 30, 2000	1,583,515	15,835,152	-	-	22,329,129	-	-	-	-	22,329,129	-	-	(135,077)	(135,077)	-	-	38,029,204	
Issuance of preferred stocks on November 29, 2000	-	-	1,300,000	13,000,000	-	-	-	-	-	-	-	-	-	-	-	-	13,000,000	
Net income in 2000	-	-	-	-	-	-	-	-	-	-	-	-	65,106,194	65,106,194	-	-	65,106,194	
Gain on disposal of properties	-	-	-	-	-	-	-	58,178	-	58,178	-	-	(58,178)	(58,178)	-	-	-	
Gain on disposal of property from investees	-	-	-	-	-	-	5,502	-	-	5,502	-	-	(5,502)	(5,502)	-	-	-	
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	-	-	(231,583)	-	-	(231,583)	-	-	231,583	231,583	-	-	-	
Unrealized loss on long-term investment from investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(71,564)	-	(71,564)	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	812,626	812,626	
BALANCE, DECEMBER 31, 2000	11,689,365	\$116,893,646	1,300,000	\$13,000,000	\$22,329,129	\$23,172,550	\$246,219	\$9,410,632	\$127,236	\$55	\$55,265,821	\$10,689,323	\$1,091,003	\$65,143,847	\$76,924,173	(\$71,564)	\$261,753,699	

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

English Translation of Financial Statements Originally Issued in Chinese

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000 and 1999

(In Thousand New Taiwan Dollars)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$65,106,194	\$24,559,884
Net income from the dissolved company before the merger	(135,077)	-
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,051,197	18,041,320
Deferred income taxes	(1,059,841)	(383,686)
Equity in net losses or earnings of investee companies - net	(779,326)	1,191,891
Gain on sale of long-term investments	-	(9,881)
Loss on disposal of properties - net	13,823	31,854
Accretion in redemption value of bonds	-	585,614
Accrued pension cost	360,673	249,483
Allowance for doubtful receivables	490,835	139,112
Allowance for sales returns and others	965,503	264,913
Changes of operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	236,250	5,425,077
Forward exchange contract receivable	7,108	(2,633)
Receivable from related parties	(538,201)	(234,396)
Notes receivable	96,364	(129,266)
Accounts receivable	(14,268,429)	(5,443,998)
Inventories	(2,985,133)	(840,937)
Prepaid expenses and other current assets	729,775	(1,289,994)
Increase (decrease) in:		
Payable to related parties	3,552,646	1,557,429
Accounts payable	2,379,105	477,215
Income tax payable	(146,300)	(629,208)
Forward exchange contract payable	76,168	102,784
Accrued expenses and other current liabilities	883,185	1,336,588
Net Cash Provided by Operating Activities	<u>88,036,519</u>	<u>44,999,165</u>

(Forward)

	2000	1999
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Properties	(\$79,270,461)	(\$29,842,159)
Long-term investments	(11,866,583)	(12,105,618)
Proceeds from sale of:		
Properties	219,233	36,824
Long-term investments	-	16,106
Decrease (increase) in refundable deposits	(770,733)	5,572
Increase in deferred charges	(1,089,730)	(433,187)
Cash of TASMC and WSMC as of July 1,2000	<u>1,412,404</u>	-
Net Cash Used in Investing Activities	<u>(91,365,870)</u>	<u>(42,322,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of :		
Long-term bonds	9,000,000	9,450,634
Capital stock	37,322,550	-
Payments on:		
Short-term bank loans	(12,635,000)	-
Commercial paper	(5,479,288)	-
Long-term bank loans	(7,550,000)	(2,692,938)
Increase (decrease) in guarantee deposits	1,900,663	(938,463)
Bonus paid to directors and supervisors	(215,151)	(138,071)
Net Cash Provided by Financing Activities	<u>22,343,774</u>	<u>5,681,162</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,014,423	8,357,865
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>16,650,017</u>	<u>8,292,152</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$35,664,440</u>	<u>\$16,650,017</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding capitalized amounts)	<u>\$2,366,026</u>	<u>\$1,300,591</u>
Income tax paid	<u>\$-</u>	<u>\$540,873</u>
Noncash investing and financing activities - effect of		
Exchange rate changes on cash and cash equivalents	<u>\$1,009,264</u>	<u>(\$66,376)</u>
Current portion of long-term debt	<u>\$50,000</u>	<u>\$-</u>
Cash paid for acquisitions of properties		
Total acquisitions	<u>\$89,963,658</u>	<u>\$33,619,158</u>
Payables to contractors and equipment suppliers	<u>(10,693,197)</u>	<u>(3,776,999)</u>
	<u>\$79,270,461</u>	<u>\$29,842,159</u>
Conversion of bonds into common stocks	<u>\$-</u>	<u>\$12,513,984</u>

SUPPLEMENTAL INFORMATION OF THE MERGERS:

The Company had merged with Worldwide Semiconductor Manufacturing Corp. (WSMC) and had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC) by issuing new shares. The balance sheets as of June 30, 2000 of WSMC and TASMC were as follows:

	TASMC (Fair Value)	WSMC (Book Value)	Total
Cash	\$736,594	\$675,810	\$1,412,404
Inventories	1,647,845	1,805,243	3,453,088
Other current assets	2,308,391	3,150,257	5,458,648
Properties - net	19,846,708	40,512,706	60,359,414
Other assets	7,335,526	5,101,000	12,436,526
Current liabilities	(16,699,147)	(12,454,686)	(29,153,833)
Long-term liabilities	(2,000,000)	(4,950,000)	(6,950,000)
Other liabilities	<u>(654,863)</u>	<u>(23,498)</u>	<u>(678,361)</u>
Net assets acquired	12,521,054	33,816,832	46,337,886
Cancellation of stocks of the dissolved companies	(8,173,605)	-	(8,173,605)
Issuance of stocks from the surviving company	<u>(4,335,152)</u>	<u>(11,500,000)</u>	<u>(15,835,152)</u>
Capital surplus	<u>\$12,297</u>	<u>\$22,316,832</u>	<u>\$22,329,129</u>

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

English Translation of Financial Statements Originally Issued in Chinese

NOTES TO FINANCIAL STATEMENTS

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

1. GENERAL

The Company is engaged mainly in the: (a) manufacture, sale, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices; and, (b) manufacture and design of masks.

The Company's shares are listed and traded on the Taiwan Stock Exchange.

On October 8, 1997, the Company sold shares of stock in the New York Stock Exchange in the form of American Depositary Receipts (ADRs).

TSMC had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC). It also merged with Worldwide Semiconductor Manufacturing Corporation (WSMC) with TSMC as the surviving company. TASMC and WSMC were subsequently dissolved. The acquisition of TASMC and the merger with WSMC took effect on June 30, 2000, and, on that date, the Company issued a total of 1,583,515 thousand common shares to the former shareholders of TASMC and WSMC. The additional shares issued were based on the agreed exchange ratio of three point nine TASMC shares and two WSMC shares for every share of TSMC. Also, the holders of the additional shares have the same rights and the obligation as the holders of the other issued common stock of the Company.

TASMC was incorporated on March 31, 1990, and commenced operations in January 1992. TASMC is engaged mainly in the research, development, design, manufacturing, packaging, testing and sale of dynamic random-access memory (DRAM) semiconductor devices, other memory integrated circuits and logic integrated circuits.

WSMC, was incorporated on March 6, 1996 and commenced operations from December 1, 1998. WSMC is engaged mainly in the manufacture of semiconductor products.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in conformity with regulations governing the preparation of financial statements of public companies, and generally accepted accounting principles in the Republic of China. The significant accounting principles adopted by the Company are as follows:

Cash equivalents

Government bonds acquired under repurchase agreements with original maturities of less than three months are classified as cash equivalents.

Short-term investments

Short-term investments are carried at the lower of cost or market value. The costs of investments sold are determined by the specific identification method.

Allowance for doubtful receivables

Allowance for doubtful receivables are provided based on a review of the collectibility of individual receivables.

Sales and allowance for sales returns and others

Sales are recognized when products are shipped to customers. Allowances and the related provision for sales returns and others are provided based on experience. Such provisions are accounted for as reduction from sales and the related costs are deducted from cost of sales.

Inventories

Inventories are stated at the lower of standard cost (adjusted to approximate weighted average cost) or market value. Market value represents net realizable value for finished goods and work in process, and replacement value for raw materials, supplies and spare parts.

Long-term investments

Investments in shares of stock of companies wherein the Company exercises significant influence on their operating and financial decisions are accounted for by equity method. The difference between the investment cost and the Company's proportionate share in the net assets of the investee on the date of acquisition is amortized on a straight - line method over five years. Such amortization and the Company's proportionate share in the earnings or losses of investee companies are recognized as part of "Equity in net earnings or losses in investee companies" account. The increase in the Company's proportionate share in the net assets of its investee company resulting from its subscription to additional shares of stock, issued by such investee company, at the rate not proportionate to its existing equity ownership in such investee companies, is credited to a capital surplus account while any decrease in the Company's proportionate share in the net asset of investee company is debited against the existing balance of the similar capital surplus account with the difference debited against unappropriated retained earnings.

If an investee company's losses are covered by additional paid-in capital that is sourced from an increase in the value of assets upon reappraisal after the long-term investment was made, then the Company shall calculate such amount in accordance with its ownership percentage and debit the "Additional paid-in capital" account and credit the "Retained earnings" account; no journal entries shall be made for other types of loss coverage increase in asset values upon reappraisal.

Other stock investments are accounted for by cost method. These investments are stated at cost less decline in market value of listed stocks or decline in value of unlisted stocks which is considered irrecoverable; such reductions are charged to shareholders' equity or current income, respectively. Cash dividends are recognized as income in the year received but are accounted for as reduction in the carrying value of the long-term investment if the dividends are received in the same year that the related investments are acquired.

Stock dividends received are recognized only as increase in the number of stocks held on the ex-dividend date.

Investments in foreign mutual funds are stated at the lower of cost or net asset value (NAV). Write-downs of cost and write-ups to original acquisition cost resulting from subsequent recovery of the NAV are debited or credited to shareholders' equity.

The costs of investments sold are determined by the weighted-average method.

The Company's proportionate share in the gains from disposal of properties, net of the applicable income tax, included as part of its share in the earnings or losses of investee companies accounted for under the equity method for the current year is transferred in to capital surplus from retained earnings. When the Company subsequently disposed such investment in shares of stock, such capital surplus shall be transferred back to retain earnings. Also, if an investee company has unrealized loss on long-term investment which is evaluated by lower-of-cost-or-market method, the Company shall recognize that unrealized loss in proportion to the Company's equity interest and recorded in an account as a component of shareholders' equity.

Gains or losses on transactions with investee companies wherein the Company owned at least 20% of the outstanding common stock but less than a controlling interest are deferred in proportion to ownership percentage until realized through a transaction with a third party. The entire amount of the gains or losses on sales to majority-owned subsidiaries are deferred until such gains or losses are realized through the subsequent sale of the related products to third parties. On the other hand, if the unrealized gains or losses arose from a sale by the investee companies or majority-owned subsidiaries to the Company, an adjustment should be made in accordance with ownership percentage.

Property, plant and equipment and rental assets

Property, plant and equipment and rental assets are stated at cost less accumulated depreciation. Major additions, renewals and betterment, and interest expense incurred during the construction period are capitalized. Maintenance and repairs are expensed currently.

Property, plant and equipment covered by agreements qualifying as capital leases are carried at the lower of the

present value of all minimum future rental payments, or the leased property's market value at the inception date of the lease. The lessee's periodic rental payment includes the purchase price of the leased property, and the interest expense.

Depreciation is provided on the straight-line method over these estimated service lives: Buildings - 10 to 20 years; machinery and equipment - 5 to 10 years; and office equipment - 3 to 5 years.

Upon sale or disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to income. Any such gain, less applicable income tax, is transferred to capital surplus at the-end of the year.

Goodwill

Goodwill arisen from the business merger is amortized by the straight-line method over 10 years.

Deferred charges

Deferred charges, consisting of technology, software and system design costs, technology know how, issuance costs of bonds, and short-term credit instruments, are amortized over three years, five years, the contract period of credit instruments, and the contract valid period or economic useful lives, respectively.

Pension costs

Net periodic pension costs are recorded on the basis of actuarial calculations. Unrecognized net transition obligation is amortized over 25 years.

Deferred gain on sale-leaseback

The gain resulting from the sale of leased property is deferred. Such deferred gain is then amortized as follows: (a) operating lease - adjustment of rental expenses over leasing period, and (b) capital lease - adjustment of depreciation over the estimate useful life or leasing period.

Income tax

The Company adopted inter-period tax allocation. Deferred income taxes are recognized for the tax effects of temporary differences, unused tax credits, and operating loss carry forwards. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or non-current based on the expected reversal date of temporary difference.

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

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 are recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

Derivative financial instruments

Foreign currency forward exchange contracts are recorded in New Taiwan dollars as assets or liabilities at spot rates on the inception dates of the contracts. The difference in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates are also recognized as premiums or discounts on the inception dates of the forward contracts. Premiums or discounts are amortized by the straight-line method over the terms of the forward contracts are either deferred or recognized as income. At the balance sheet dates, the receivables or payables arising from forward contracts are restated at the prevailing spot rates, and the resulting differences are recognized in income. Also, the receivables and payable related to the forward contracts are netted out, and the resulting net amount is presented as either an asset or liability.

Under interest rate swap contracts, the Company pays an amount equal to the interest rates based on notional principal amount and receives a specified variable-rate of interest also based on the same notional principal amount; with the notional amounts of the contracts are not exchanged. The net amounts paid or received under the contracts are reported as adjustments to interest income or expense.

The notional amounts of the foreign currency option contracts entered into for hedging purposes are not

recognized as either assets or liabilities on the contract dates. However, amounts received on call options written are recognized as assets and amounts paid on put options bought are recognized as liabilities. Such amounts are amortized using the straight-line method over the period of the contracts and charged to current income. Gains or losses on the exercise of the options are also recognized in current income.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollar, or when foreign-currency receivables and payables are settled, are credited or charged to income in the year of conversion or settlement. At period-end, the balances of foreign-currency assets and liabilities are restated at prevailing exchange rates, and the resulting differences are recorded as exchange gain or loss in current income.

Reclassifications

Certain accounts in 1999 have been reclassified to conform to 2000 classifications.

Mergers

The acquisition of TASMIC effective on July 1, 2000 was accounted under the Statement of Financial Accounting Standards No. 25 "Business Combination - Purchase Method". On the other hand, the merger with WSMC was accounted for as pooling of interest with the results of operations of WSMC included in the statement of income for the year ended December 31, 2000.

Pro forma net sales, net income and earnings per share of the Company on the assumption that the acquisition of TASMIC and the merger with WSMC were completed as of January 1, 1999 are as follows:

	2000	1999
Net sales	\$170,163,166	\$87,015,703
Net income	65,050,836	17,714,691
Earnings per share		
Based on weighted-average number of shares outstanding -		
11,616,455 and 11,029,303 thousand shares in 2000 and 1999	<u>\$5.60</u>	<u>\$1.61</u>

The individual operating results of the three companies before the mergers on June 30, 2000 are as follows:

	The Company	TASMIC	WSMC
For the six months ended June 30, 2000			
Net sales	\$60,089,632	\$3,934,746	\$4,844,501
Net income (loss)	23,458,253	(55,358)	135,077
For the year ended December 31, 1999			
Net sales	73,131,206	10,655,995	3,228,502
Net income (loss)	24,559,884	(6,127,604)	(1,032,890)

3. The restated financial information of the Company on the assumption that the merger with WSMC occurred as of December 31, 1999 is as follows:

BALANCE SHEETS**December 31, 1999**

ASSETS	Amount
CURRENT ASSETS	
Cash and cash equivalents	\$28,505,434
Short-term investments	266,890
Receivables-net	13,940,578
Inventories	5,791,791
Deferred income tax assets	2,498,455
Pledged time deposits	3,161,000
Prepaid expenses and other current assets	2,578,883
Total Current Assets	<u>56,743,031</u>
LONG-TERM INVESTMENTS	<u>28,240,267</u>
PROPERTY, PLANT AND EQUIPMENT-NET	<u>118,942,185</u>
OTHER ASSETS	
Deferred income tax assets	\$6,794,609
Deferred charges - net	2,317,245
Refundable deposits	54,903
Miscellaneous	105,137
Total Other Assets	<u>9,271,894</u>
TOTAL ASSETS	<u><u>\$213,197,377</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	
Short-term bank loan	\$5,026,631
Commercial paper	94,797
Payable to related parties	1,922,911
Accounts payable	2,871,065
Payable to contractors and equipment suppliers	6,958,098
Income tax payable	146,300
Accrued expenses and other current liabilities	7,596,561
Total Current Liabilities	<u>24,616,363</u>
NONCURRENT LIABILITIES	
Long-term bank loan	9,791,000
Long-term bonds	20,000,000
Total Noncurrent Liabilities	<u>29,791,000</u>
OTHER LIABILITIES	
Accrued pension cost	1,012,045
Guarantee deposits and other liabilities	5,207,781
Total Other Liabilities	<u>6,219,826</u>
Total Liabilities	<u>60,627,189</u>
SHAREHOLDERS' EQUITY	
Capital stock	85,208,817
Subscribed capital	13,118,025
Capital surplus	22,013,734
Legal reserve	8,258,359
Unappropriated earning	25,062,256
Cumulative translation adjustments	(1,091,003)
Total Shareholders' Equity	<u>152,570,188</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$213,197,377</u></u>

STATEMENTS OF INCOME
For the Year Ended December 31, 1999

NET SALES	\$76,359,708
COST OF SALES	<u>45,640,417</u>
GROSS PROFIT	<u>30,719,291</u>
OPERATING EXPENSES	
General and administrative	2,326,662
Marketing	1,976,623
Research and development	<u>3,090,790</u>
Total Operating Expenses	<u>7,394,075</u>
INCOME FROM OPERATIONS	<u>23,325,216</u>
NON-OPERATING INCOME	
Interest	1,026,003
Insurance compensation	184,607
Reversal of allowance for losses on short-term investment	120,766
Premium income	63,809
Gain on disposal of investments	29,041
Rental income	3,667
Other	<u>111,272</u>
Total Non-Operating Income	<u>1,539,165</u>
NON-OPERATING EXPENSES	
Interest	1,954,366
Equity in net losses of investee companies - net	1,191,891
Loss on disposal of properties	164,351
Foreign exchange loss - net	119,141
Bond issue cost	114,839
Premium expenses	86,746
Loss on disposal of short-term investments	75,366
Other	<u>80,706</u>
Total Non-Operating expenses	<u>3,787,406</u>
INCOME BEFORE INCOME TAX	21,076,975
INCOME TAX BENEFIT	<u>2,450,019</u>
NET INCOME	<u><u>\$23,526,994</u></u>

4. CASH AND CASH EQUIVALENTS

	2000	1999
Cash and bank deposits	\$35,053,733	\$16,575,032
Government bonds acquired under repurchase agreements	<u>610,707</u>	<u>74,985</u>
	<u>\$35,664,440</u>	<u>\$16,650,017</u>

5. INVENTORIES

	2000	1999
Finished goods	\$1,606,368	\$653,347
Work in process	8,422,401	3,618,693
Raw materials	423,444	320,685
Supplies and spare parts	1,083,348	718,344
	11,535,561	5,311,069
Allowance for losses	(567,626)	(781,355)
	<u>\$10,967,935</u>	<u>\$4,529,714</u>

6. LONG-TERM INVESTMENTS

	2000		1999	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Shares of stock</u>				
Equity method				
TSMC International Investment	\$23,678,522	100	\$10,078,880	100
Vanguard International Semiconductor	5,615,075	25	5,010,897	25
TSMC - North America	666,924	100	255,025	100
TSMC - Europe	9,594	100	25,956	100
TSMC - Japan	37,803	100	10,168	100
TASMC	-	-	3,630,193	32
Systems on Silicon Manufacturing				
Company Pte. Ltd. (SSMC)	935,870	32	360,177	32
Po Cherng Investment	136,984	25	103,017	25
Chi Hsin Investment	139,000	25	103,012	25
Kung Cherng Investment	158,752	25	102,773	25
Chi Cherng Investment	130,794	25	102,770	25
Hsin Ruey Investment	128,100	25	103,003	25
Cherng Huei Investment	138,200	25	103,005	25
TSMC Partners	535,162	100	9,968	100
	<u>32,310,780</u>		<u>19,998,844</u>	
Cost method				
Listed				
Taiwan Mask	32,129	2	32,129	2
Non-listed				
TASMC-preferred stocks	-	-	4,854,742	28
Taiwan Semiconductor Technology	500,000	19	500,000	19
United Industrial Gases Co., Ltd.	146,250	10	146,250	11
Shin-Etsu Handotai Taiwan Company Ltd.	105,000	7	105,000	7
W.K. Technology Fund IV	50,000	4	50,000	4
Hon Tung Venture Capital	120,000	10	80,000	10
	<u>953,379</u>		<u>5,768,121</u>	

(Forward)

<u>Funds</u>			
Crimson Asia Capital	64,547	-	34,534
Horizon Ventures	93,304	-	31,744
	157,851		66,278
Subscription to shares of stock of TSMC International Investment	-	-	2,375,400
	\$33,422,010		\$28,208,643

Equity in net earnings or losses of investee companies in 2000 and 1999 were as follows:

	2000	1999
TSMC International Investment	\$138,589	(\$1,007,218)
Vanguard International Semiconductor	597,812	(527,823)
Others	42,925	343,150
	\$779,326	(\$1,191,891)

The carrying values of investments accounted for by equity method and the related investment income and losses for the years ended December 31, 2000 were based on audited financial statements of the investees in the same period except for TSMC - Japan in 1999.

Information on the long-term investments is as follows:

	2000	1999
Market value of listed stocks	\$8,729,639	\$19,753,642
Equity in the net assets of unlisted stocks	27,597,593	20,177,278
Net asset value of funds	157,851	66,278

7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2000	1999
Buildings	\$9,816,698	\$7,441,342
Machinery and equipment	82,775,965	49,369,894
Office equipment	1,739,505	1,158,489
	\$94,332,168	\$57,969,725

Information on the status of the construction of the Company's manufacturing facilities as of December 31, 2000 is as follows:

Manufacturing Plant	Estimated Cost	Accumulated Expenditures	Expected or Actual Date of Starting Operations
Fab 6	\$76,889,000	\$67,565,100	March 2000
Fab 7	22,540,400	11,121,100	March 2001
Fab 8	28,314,300	15,217,800	March 2001
Fab 12 - 1 st stage	38,280,800	21,372,000	November 2001
Fab 14 - 1 st stage	9,711,000	7,946,600	May 2002

Interest expense capitalized for the years ended December 31, 2000 and 1999 were \$72,903 and \$305,312, respectively.

As of December 31, 2000, properties with an aggregate net book value of about \$7,171,081 were mortgaged as collateral for long-term bank loans.

8. DEFERRED CHARGES - NET

	2000	1999
Technology	\$1,442,292	\$-
Software and system design costs	1,420,528	541,306
Technology know how	157,500	-
Bond issue costs	45,595	37,238
Others	56,695	-
	<u>\$3,122,610</u>	<u>\$578,544</u>

9. LEASE OBLIGATION PAYABLE

	2000
Lease payable - repayable by June 30, 2001	\$50,000
Current portion	<u>(50,000)</u>
	<u>\$-</u>

10. LONG-TERM BONDS

	2000	1999
Domestic unsecured bonds:		
Repayable in March 2003, 7.71% annual interest payable semi-annually	\$4,000,000	\$4,000,000
Repayable in November 2003, 7.12% annual interest payable annually, prepaid in November 2000	-	6,000,000
Repayable in October 2002 and 2004, 5.67% and 5.95% annual interest payable annually, respectively	10,000,000	10,000,000
Repayable in December 2005 and 2007, 5.25% and 5.36% annual interest payable annually, respectively	15,000,000	-
	<u>\$29,000,000</u>	<u>\$20,000,000</u>

11. SHAREHOLDERS' EQUITY

According to Company Law, capital surplus can only be used to offset a deficit or transferred to capital.

The Company's Articles of Incorporation provide that the following shall be appropriated from the annual net income (less any deficit):

- a. 10% legal reserve;
- b. Special reserve according to the relevant laws or the regulating authorities;
- c. Bonuses to directors and supervisors and to employees equal to 1% and at least 1% of the remainder, respectively.
- d. Dividends to shareholders of preferred stock equal to 3.5% annual rate, based on outstanding period.

These appropriations and the disposition of the remaining net income shall be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

The aforementioned appropriation for legal reserve shall be made until the reserve equals aggregate par value of

the Company's outstanding capital stock. The reserve can only be used to offset a deficit; or, when it has reached 50% of the aggregate par value of the Company's outstanding capital stock, up to 50% thereof can be distributed as stock dividend.

Pursuant to existing regulations promulgated by the Securities and Futures Commission, a special reserve equivalent to the debit balance of any account shown in the shareholder equity section of the balance sheets, other than the deficit, shall be made from unappropriated retained earnings. The special reserve shall be adjusted accordingly based on the debit balance of such accounts as at year-end.

Under the Integrated Income Tax System that became effective on January 1, 1998, non-corporate and ROC-resident shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated starting January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

The company issued nonpublic 1,300,000 thousand preferred stock - Series A to certain investors. The following are the rights of the holders of the preferred shares and other terms and conditions.

- a. Entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Not be entitled participating any additional shares of stock upon transfer of unappropriated earnings and capital surplus to stock.
- c. Have priority over the holders of common shares to the assets of the Corporation available for distribution to stockholders upon liquidation or dissolution of the Corporation; however, the preemptive rights to the assets shall not exceed the issue value of the shares.
- d. Have voting rights similar to that of the holders of common stock.
- e. No right to convert their shares into common stock. The preferred shares will be redeemed within thirty months from its issuance. The holders will have the foregoing rights and the Company's related obligations will remain the same until the preferred shares are actually redeemed by the Company.

12. PENSION PLAN

The Company has a pension plan for all regular employees, which provides benefits based on length of service and average monthly salary for the final six months of employment.

The Company makes monthly contributions, equal to 2% of salaries, to a pension fund that is administered by a pension fund monitoring committee and deposited in the committee's name in the Central Trust of China.

The changes in the fund and accrued pension cost are summarized as follows:

	2000	1999
a. Components of pension cost		
Service cost	\$376,689	\$248,378
Interest cost	91,234	78,961
Projected return on plan assets	(26,675)	(22,317)
Amortization	8,300	8,300
	<u>\$449,548</u>	<u>\$313,322</u>

(Forward)

b. Reconciliation of the fund status of the plan and accrued pension cost		
Benefit obligation		
Vested benefit obligation	\$-	\$-
Nonvested benefit obligation	<u>763,879</u>	<u>428,257</u>
Accumulated benefit obligation	763,879	428,257
Additional benefits based on future salaries	<u>1,550,009</u>	<u>975,345</u>
Projected benefit obligation	2,313,888	1,403,602
Fair value of plan assets	<u>(661,099)</u>	<u>(364,994)</u>
Funded status	1,652,789	1,038,608
Unrecognized prior service cost	-	-
Unrecognized net transitional obligation	<u>(165,991)</u>	<u>(174,291)</u>
Unrecognized net gain	22,737	135,448
Additional liability	-	-
Accrued pension cost	<u>\$1,509,535</u>	<u>\$999,765</u>
c. Actuarial assumptions		
Discount rated used in determining present values	6.0%	6.5%
Future salary increase rate	6.0%	6.0%
Expected rate of return plan on assets	6.0%	6.5%
d. Contributions to pension fund	<u>\$95,932</u>	<u>\$67,227</u>
e. Funds transferred from TASMCM and WSMC	<u>\$173,339</u>	<u>\$-</u>
f. Payments from pension fund	<u>\$1,458</u>	<u>\$3,591</u>

13. INCOME TAX BENEFIT

a. A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax at statutory rate is shown below:

	2000	1999
Income tax expense on "income before income tax" at statutory rate (20%)	<u>(\$12,760,503)</u>	(\$4,821,973)
Tax-exempt income	7,770,000	3,434,802
Temporary difference	<u>(49,497)</u>	(221,129)
Assess additional income tax on the unappropriated earning	<u>(88,024)</u>	-
Income tax expense - current	<u>(\$5,128,024)</u>	<u>(\$1,608,300)</u>

b. Income tax credits as of December 31, 2000 and 1999 consist of:

	2000	1999
Income tax expense - current before tax credits	<u>(\$5,128,024)</u>	(\$1,608,300)
Tax credits	<u>5,128,024</u>	<u>1,587,000</u>
	-	(21,300)
Net change in deferred income tax assets (liabilities) for the period		
Investment tax credits	3,146,369	1,798,325
Temporary differences	<u>(388,671)</u>	(111,139)
Valuation allowance	<u>(1,678,791)</u>	(1,303,500)
Adjustment of prior years' taxes	<u>189,693</u>	87,633
	<u>\$1,268,600</u>	<u>\$450,019</u>

c. Deferred income tax assets and liabilities as of December 31, 2000 and 1999 consisted of:

	2000	1999
Current		
Investment tax credits	\$8,422,000	\$2,329,000
Valuation allowance	(300,000)	-
	<u>\$8,122,000</u>	<u>\$2,329,000</u>
Noncurrent		
Investment tax credits	\$15,490,536	\$5,806,891
Valuation allowance	(8,312,433)	(1,303,500)
Temporary differences	238,879	197,268
Depreciation	(857,689)	(427,407)
	<u>\$6,559,293</u>	<u>\$4,273,252</u>

d. Integrated income tax information:

The balances of the imputation credit account (ICA) as of December 31, 2000 and 1999 were \$5,888 and \$1,497, respectively.

The expected and actual creditable ratio for 2000 and 1999 is 0.009%.

The imputation credit allocated to each shareholder shall be based on the balance in the ICA on the date of distribution of dividends; thus the expected creditable ratio for 2000 may be adjusted according to the difference between the expected and actual imputation credit allowed under the regulation.

e. The unappropriated retained earnings as of December 31, 2000 and 1999 included the earnings generated up to December 31, 1997 of \$4,827 and \$752,612, respectively.

The effective tax rates for deferred income tax as of December 31, 2000 and 1999 were 7.54% and 5.9%, respectively.

Unused investment tax credits arising from investments in machinery and equipment, and research and development expenditures as of December 31, 2000 will expire as follows:

Year of Expiry	Amount
2000	\$2,899,245
2001	4,015,461
2002	4,800,268
2003	5,738,563
2004	6,458,999
	<u>\$23,912,536</u>

The income from the following projects and services are exempt from income tax:

	Tax-Exemption Period
Expansion of second manufacturing plant and computer-aided design services, and construction of third manufacturing plant	1996 to 1999
Expansion of first and second manufacturing plants - modules A and B, third manufacturing plant, and construction of fourth manufacturing plant	1997 to 2000
Expansion of first and second manufacturing plants-modules A and B, third manufacturing plant and fourth manufacturing plant, and construction of fifth manufacturing plant	1999 to 2002

Income tax returns through 1996 have been examined and cleared by the tax authorities.

14. RELATED PARTY TRANSACTIONS

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

- a. Industrial Technology Research Institute (ITRI); the Company's chairman is one of its director
- b. Philips Electronics N.V., a major shareholder
- c. Subsidiaries
 - TSMC International Investment (TSMC - BVI)
 - TSMC - North America
 - TSMC - Europe
 - TSMC - Japan
- d. Investees
 - Vanguard International Semiconductor Corporation (VIS)
 - Systems on Silicon Manufacturing Company Pte.Ltd. (SSMC)
- e. TSMC-ACER Semiconductor Manufacturing Corp. (TASMC), a merged company
- f. WaferTech, LLC, an indirect subsidiary of TSMC-BVI
- g. TSMC Technology, a subsidiary of TSMC-BVI

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

	2000		1999	
	Amount	%	Amount	%
<u>For the period</u>				
Sales				
ITRI	\$198,146	-	\$132,507	-
Philips and its affiliates	5,289,927	3	2,864,149	4
VIS	17,012	-	48,473	-
TASMC	-	-	22,246	-
WaferTech	30,816	-	59,438	-
	<u>\$5,535,901</u>	<u>3</u>	<u>\$3,126,813</u>	<u>4</u>
Purchase				
WaferTech	\$13,296,633	37	\$4,636,780	40
TASMC	-	-	808,926	7
VIS	6,572,110	19	381,989	3
	<u>\$19,868,743</u>	<u>56</u>	<u>\$5,827,695</u>	<u>50</u>
Rental expense - ITRI	<u>\$161,575</u>	<u>14</u>	<u>\$161,488</u>	<u>54</u>
Manufacturing expenses Technical assistance fee - Philips	<u>\$2,137,175</u>	<u>86</u>	<u>\$862,398</u>	<u>100</u>
General and administrative expenses Consulting fee - VIS	<u>\$-</u>	<u>-</u>	<u>\$20,400</u>	<u>-</u>
(Forward)				

Marketing expenses				
Commission -				
TSMC - North America	\$994,686	34	\$692,927	38
TSMC - Europe	143,461	5	87,414	5
TSMC - Japan	165,087	5	81,951	4
Service Charge -				
TSMC - North America	118,852	4	99,087	5
	<u>\$1,422,086</u>	<u>48</u>	<u>\$961,379</u>	<u>52</u>
Sale of Properties				
WaferTech	\$-	-	\$350,969	100
VIS	87,189	37	-	-
	<u>\$87,189</u>	<u>37</u>	<u>\$350,969</u>	<u>100</u>
Non-operating income				
SSMC (mainly technical service income)	\$152,347	3	\$-	-
VIS	5,604	-	-	-
Others	1,787	-	-	-
	<u>\$159,738</u>	<u>3</u>	<u>\$-</u>	<u>-</u>
<u>At end of period</u>				
Receivable				
ITRI	\$56,078	6	\$18,458	4
Philips and its affiliates	643,604	65	133,245	28
TSMC - Japan	-	-	17,550	4
VIS	159,890	16	25,674	6
WaferTech	20,361	2	198,163	42
TSMC Technology	25,728	2	47,343	10
SSMC	89,154	9	5,353	1
TASMC	-	-	23,117	5
	<u>\$994,815</u>	<u>100</u>	<u>\$468,903</u>	<u>100</u>
Rental prepayment - ITRI	<u>\$42,664</u>	<u>6</u>	<u>\$42,541</u>	<u>2</u>
Payable				
Philips and its affiliates	\$797,375	18	\$305,756	16
TSMC - North America	166,063	4	125,637	6
TSMC - Europe	66,343	2	13,422	1
TSMC - Japan	16,165	-	13,189	1
VIS	1,808,964	42	184,741	10
WaferTech	1,487,181	34	730,483	38
TSMC Technology	4,487	-	3,832	-
TASMC	-	-	539,466	28
	<u>\$4,346,578</u>	<u>100</u>	<u>\$1,916,526</u>	<u>100</u>

Sales to related parties are based on regular selling prices and collection terms, except for disposal of properties and technical service, which were in accordance with the underlying contracts.

Payable to WaferTech includes those arising from purchases of finished goods and compensation for violation of manufacturing agreement. As there were no comparable sales of properties and purchases, they were in accordance with contracts.

15. LONG-TERM OPERATING LEASES

The Company leases from ITRI the land, building and certain machinery and equipment of its first manufacturing facility under agreements that will expire in March 2002. The annual rent and other related charges under such agreement amount to \$170,656. The agreements can be renewed upon their expiration.

The Company leases the land where its second through fourteen manufacturing facilities are located from the Science-Based Industrial Park Administration. These agreements will expire on various dates from March 2008 to November 2019 and have annual rentals aggregating \$172,000. The agreements can also be renewable upon their expiration.

Future annual minimum rentals under the aforementioned leases are as follows:

Year	Amount
2001	\$342,657
2002	214,664
2003	172,000
2004	172,000
2005	172,000
2006-2019	<u>1,488,431</u>
	<u>\$2,561,752</u>

16. COMMITMENTS AS OF DECEMBER 31, 2000

The Company's commitments as of December 31, 2000 are as follows:

- a. Under a Technical Cooperation Agreement with Philips, as amended on May 12, 1997, the Company shall pay technical assistance fee at a percentage of net sales, as defined in the agreement, of certain products. The agreement shall remain in force up to July 9, 2007 and thereafter be automatically renewed for successive periods of three years. Under the amended agreement, the fee is subject to deduction by the amounts the Company pays to any third party for settling any licensing/infringement issue after the first five-year period of the amended agreement, provided that the fee after reduction will not be below a certain percentage of the net selling price.
- b. Subject to certain equity ownership and notification requirements, Philips and its affiliates can avail themselves each year up to 30% of the Company's production capacity.
- c. Under a Submicron Technology License Agreement with ITRI, the Company shall pay license fees of \$129,400 (including 5% value-added tax) to ITRI plus royalty fee at an agreed percentage of net sales of certain products through December 31, 2000 as amended. In addition, under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- d. Under a manufacturing agreement, the Company shall buy at least 85% of the calculated installed capacity of the wafer-fabrication plant ("WaferTech, LLC") constructed by TSMC Development, Inc. for three years from start of production. If the Company is unable or unwilling to buy the minimum purchase allocation, it shall compensate TSMC Development, Inc. at the full price of the products less certain costs. Later, TSMC Development, Inc. transferred its rights under the agreement to WaferTech, LLC.
- e. Under several foundry agreements, the Company shall allocate a portion of its production output for sale to certain major customers from whom guarantee deposits of US\$213,865 thousand had been received as of December 31, 2000.
- f. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte. Ltd. dated March 30, 1999, the parties agreed to: (a) form a joint venture company to be named Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) for the purpose of constructing an integrated circuit foundry in Singapore, (b) set SSMC's total authorized capital at about US\$1.2 billion, and, (c) allow the Company to invest 32% of SSMC's

- capital. The Company and Philips committed to buy a certain percentage of the production capacity of SSMC. If any party defaults on the agreement and the capacity utilization of SSMC falls below a certain percentage of its total capacity, the defaulting party should compensate SSMC for all related unavoidable costs.
- g. Under a Technical Cooperation Agreement with SSMC entered into on May 12, 1999, SSMC shall compensate TSMC for technology service provided to SSMC. The compensation shall be a certain percentage of net selling prices of certain products sold by SSMC. The agreement will remain in force for ten years and be automatically renewed for successive periods of five years unless predetermined by either party under certain conditions.
 - h. The Company provides guarantee for loans of US\$268,000 thousand and US\$40,000 thousand obtained by TSMC Development, Inc. and TSMC - North America.
 - i. Under a Technical Transfer Agreement with National Semiconductor Corporation ("National") entered into on June 27, 2000, TSMC shall receive payments for the technology transferred to National. The agreement will remain in force for ten years. After expiration, this agreement will be automatically renewed for successive periods of two years unless pre-terminated by either party under certain conditions.
 - j. The Company entered into a Manufacturing Agreement with Vanguard International Semiconductor Corp. ("VIS"). VIS agrees to reserve certain capacity to manufacture for the Company certain devices on logic or other technologies required by the Company's customers, at discounted actual setting prices as agreed by the parties. The Company shall pay NT\$1,200,000 thousands to VIS as Security Bond (which was paid on July 7, 2000). VIS shall return certain amount of the Bond without any interest to the Company for some wafers ordered by the Company. The contract will remain in force for five years.
 - k. Unused credit lines as of December 31, 2000 are approximately \$ 250,338.

17. ADDITIONAL DISCLOSURES

The following are the additional disclosure requirements for TSMC and affiliates pursuant to SFC requirements:

- a. Financing provided to other parties: Please see table 1 attached.
- b. Collateral provided to other parties: Please see table 2 attached.
- c. Marketable Securities held: Please see table 3 attached.
- d. Balance of marketable securities acquired and disposed of, exceeding NTD 100 million or 20% of the issued capital: Please see table 4 attached.
- e. Acquisition of properties exceeding NTD 100 million or 20% of issued capital: Please see table 5 attached.
- f. Disposal of properties exceeding NTD 100 million or 20% of issued capital: None.
- g. Transaction of purchase or sales with related parties amounting to more than NTD 100 million or 20% of the issued capital: Please see table 6 attached.
- h. Receivable from related parties amounting to more than NTD 100 million or 20% of the issued capital: Please see table 7 attached.
- i. Information regarding names and locations etc. of investees on which the Company exercises significant influences: Please see table 8 attached.
- j. Transactions of derivative financial instruments:
The relevant information on the derivative financial instruments entered into by the Company is as follows:
 - 1) Outstanding forward exchange contracts as of December 31, 2000 and 1999:

	Currency	Contract Amount (Thousands)	Fair Value (Thousands)	Settlement Date	Maturity Amount
<u>2000</u>					
Buy	US\$	US\$ 60,000	NTD 1,978,998	Jan. 2001	NTD 1,989,006
Sell	US\$	US\$ 106,993	NTD 3,582,959	Jan. to Feb. 2001	NTD 3,553,080
Sell	US\$	US\$ 156,875	NTD 5,100,386	Jan. 2001	NTD 5,091,560
Sell	US\$	US\$ 365,000	NTD 12,105,459	Jan. to Dec. 2001	NTD 12,032,465
<u>1999</u>					
Buy	US\$	US\$ 25,000	JPY 2,472,080	Jul. 2000	NTD 879,154
Sell	US\$	US\$ 81,367	JPY 8,303,350	Jan. to Jul. 2000	NTD 2,564,297
Sell	US\$	US\$ 16,000	NLG 34,926	Jan. 2000	NTD 497,159
Sell	US\$	US\$ 30,000	NTD 941,847	Jan. 2000	NTD 947,880

Receivables from forward exchange contracts (shown in the balance sheet as part of "Other current assets" account) as of December 31, 2000 and 1999 aggregated to \$49,480 and \$19,144 respectively, and payables from forward exchange contracts (shown in the balance sheet as part of "Other current liabilities" account) aggregated to \$178,952 and \$102,784 as of December 31, 2000 and 1999. Net exchange losses and gains for the years ended December 31, 2000 and 1999 were \$266,393 and \$105,859, respectively.

The net assets or liabilities that have been hedged by the above forward exchange contracts are as follows:

	Amount(Thousand)	
	2000	1999
Accounts receivable	US\$ 813,685	US\$ 375,749
Payable to contractors and equipment suppliers	US\$ 571,332	US\$ 151,392
	JPY 21,237,708	
	EUR 62,480	
Guarantee deposits	-	US\$ 764,765

2) Interest rate swaps

The Company has entered into interest rate swap transactions to hedge exposure to rising interest rates on its floating rate long-term bank loans. These significant transactions are summarized as follows:

Contract Date	Period	Amount
April 28, 1998	May 21, 1998 to May 21, 2003	\$2,000,000
April 29, 1998	May 21, 1998 to May 21, 2003	1,000,000
June 26, 1998	June 26, 1998 to June 26, 2003	1,000,000
June 26, 1998	July 6, 1998 to July 6, 2003	1,000,000

Interest expenses on these transactions for the years ended December 31, 2000 and 1999 were \$113,683 and \$112,213, respectively.

3) Option contracts

Outstanding option contracts as of December 31, 2000 and 1999 were as follows:

Contract	Currency	Contract Amount (Thousands)	Carrying Value	Fair Value	Strike Price	Maturity
<u>2000</u>						
Put option sell	EUR	EUR 525,537	\$-	(\$189,735)	0.8870~0.9680 (US\$/EUR)	May 2001
Call option sell	US\$	US\$ 203,500	-	(264,885)	107.77~110.5 (US\$/JPY)	Mar 2001
Call option sell	US\$	US\$ 20,000	-	(1,485)	32.42 (US\$/NTD)	Jan. 2001
Put option buy	US\$	US\$ 15,000	-	37	110~110.5 (US\$/JPY)	Feb. 2001
<u>1999</u>						
Call option sell	US\$	US\$ 100,000	3,911	3,911	0.9785~0.9940 (US\$/EUR)	Jan. 2000
Call option sell	US\$	US\$ 60,000	3,035	3,035	106.6 (US\$/JPY)	Jan. 2000

For the years ended December 31, 2000 and 1999, the Company realized premium income of \$116,248 and \$63,809 on foreign currency options written and incurred premium expenses of \$108,133 and \$86,746 on foreign currency options bought.

4) Transaction risk

- a) Credit risk. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposures related to the potential default by those counter parties are low.
- b) Market price risk. The Company is exposed to market risks arising from changes in currency exchange rates due to U.S. dollar-denominated accounts receivable, Yen-dominated accounts payable, Euro-denominated accounts payables, and U.S. dollar-denominated debt related to its importation of materials and machinery and equipment and long-term bank loans. The Company enters into forward contracts and option contracts to manage its exposures. The Company uses interest rate swap contracts with banks to principally manage the risks arising from the changes in interest rates of its obligations. It enters into financial derivative contracts based on analysis of specific and known economic exposures and by policy prohibits entering into such contracts for trading purposes. Its hedging strategy is to use financial instruments having negative correlation to fair value of the hedged items as hedging instruments and periodically evaluates the effectiveness of these instruments' as hedges of its interest rate exposures.
- c) Liquidity and cash flow requirements. The cash flow requirements with respect to the Company's derivative financial instruments are as follows: (i) forward contracts - the net differences between the spot rates and contracted forward rates, (ii) options - the exercise price but the options may not have to be exercised at all in cases where the strike price is higher than the related market price at exercise dates, and (iii) interest rate swap agreements - equal to the net difference between the interest receivable and payables under the agreements.

5) Fair value of financial instruments

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$35,664,440	\$35,664,440	\$16,650,017	\$16,650,017
Short-term investments	-	-	236,250	241,850
Receivable from related parties	994,815	994,815	468,903	468,903
Accounts and notes receivable	30,460,489	30,460,489	13,544,387	13,544,387
Long-term investments	33,422,010	36,485,083	28,208,643	39,997,198

(Forward)

Pledge time deposit	46,856	46,856	8,710	8,710
Refundable deposits	967,985	967,985	16,346	16,346
Liabilities				
Payable to related parties	4,346,578	4,346,578	1,916,526	1,916,526
Accounts payable	7,989,953	7,989,953	2,525,086	2,525,086
Payable to contractors and equipment suppliers	24,392,400	24,392,400	6,958,098	6,958,098
Long-term bonds	29,000,000	29,035,803	20,000,000	20,013,774
Guarantee deposits	7,086,379	7,086,379	5,185,362	5,185,362
Derivative financial instruments				
Forward exchange contracts (buy)	1,984,740	1,978,998	784,875	760,906
Forward exchange contracts (sell)	20,802,311	20,788,804	3,998,698	3,998,108
Interest rate swaps	1,601	234,017	7,488	7,488
Option	-	(456,068)	6,946	6,946

Fair values of financial instruments were determined as follows:

- Short-term financial instruments — carrying values.
- Short-term investments — market values.
- Long-term investments — market value for listed companies and net equity value for the others.
- Refundable deposits and guarantees deposits — carrying values.
- Long-term bank loans — based on forecasted cash flows discounted at interest rates of similar long-term liabilities. Long-term bonds payable is discounted at present value. Fair values of other long-term liabilities are also their carrying values as they use floating interest rates.
- Derivative financial instruments — based on outright forward rates and interest rate in each contract.

The fair values of 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 are not equal the fair value of the company.

18. SEGMENT FINANCIAL INFORMATION

a. Export sales

Area	2000	1999
America	\$81,686,803	\$38,084,870
Asia	42,906,968	16,493,721
Europe	11,360,517	4,778,646
	<u>\$135,954,288</u>	<u>\$59,357,237</u>

The export sales information is presented by billed regions.

- The Company has no single customer that accounts for at least 10% of its total sales.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

FINANCING PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 1

No.	Financing Provider Company Name	Transaction Entity	Accounts	Limitation on Financing	Maximum Balance for the Period	Ending Balance (Thousand)	Interest Rate	Financing Reasons	Allowance for Bad Debt	Mortgage Item Value	Transaction Amount	Amount Limited on Financing
1	TSMC-BVI	TSMC Technology	Other receivables	-	USD13,887	USD13,887	7.75%	Operating capital	\$-	-	\$-	\$- USD779,788 (Note 1)
2	VIS	VIS America	Prepaid expenses	(Note 2)	\$6,122	\$1,232	-	Prepayments for product development	-	-	-	5,706 \$4,400,000 (Note 3)

Note 1: Not exceeding the issued capital of the Company

Note 2: Not exceeding 10% of the issued capital of VIS for each transaction entity, and also limiting to 30% of the issued capital of each transaction entity.

Note 3: Not exceeding 20% of the issued capital of VIS.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

COLLATERAL PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 2

No.	Collateral Provider Name	Transaction Entity Name	Nature of the Relationship (Note 3)	Limitation on Collateral	Maximum Balance for the Period (US in Thousand)	Ending Balance (US in Thousand)	Amount of Properties Guaranteed by Collateral	% of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement	Amount Limited on Collateral (Note 1)
0	TSMC	TSMC Development Inc.	3	(Note 2)	\$8,865,172 (USD268,000)	\$8,865,172 (USD268,000)	\$8,865,172	3.39%	\$38,968,094
		TSMC - North America	2		1,323,160 (USD40,000)	1,323,160 (USD40,000)	1,323,160	0.51%	

Note 1: 30% of the issued capital of the Company.

Note 2: Not exceeding 10% of the issued capital of the Company, and also limiting to the issued capital of the transaction entity with the exception of approval from BOD.

Note 3: The number 2 represent subsidiary that directly holds exceeding 50% of the issued.

The number 3 represents the investee that has over 50% of the common stocks holds by the parent company and subsidiary.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

MARKETABLE SECURITIES HELD

December 31, 2000

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

Table 3

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: TSMC							
TSMC-North America - Stock	Subsidiary	Long-term investment	11,000	\$666,924	100	\$666,924	
TSMC-Europe - Stock	Subsidiary	Long-term investment	-	9,594	100	9,594	
TSMC-Japan - Stock	Subsidiary	Long-term investment	2	37,803	100	37,803	
VIS - Stock	Investee	Long-term investment	556,133	5,615,075	25	8,642,314	
TSMC-BVI - Stock	Subsidiary	Long-term investment	779,788	23,678,522	100	23,678,522	
Po Cherng Investment - Certificate	Investee	Long-term investment	-	136,984	25	136,984	
Chi Hsin Investment - Certificate	Investee	Long-term investment	-	139,000	25	139,000	
Kung Cherng Investment - Certificate	Investee	Long-term investment	-	158,752	25	158,752	
Chi Cherng Investment - Certificate	Investee	Long-term investment	-	130,794	25	130,794	
Hsin Ruey Investment - Certificate	Investee	Long-term investment	-	128,100	25	128,100	
Cherng Huei Investment - Certificate	Investee	Long-term investment	-	138,200	25	138,200	
TSMC Partners, Ltd. - Stock	Subsidiary	Long-term investment	300	535,162	100	535,162	
SSMC - Stock	Investee	Long-term investment	90	935,870	32	935,870	
Taiwan Mask Corp. - Stock	-	Long-term investment	6,887	32,129	2	87,325	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	10,058	146,250	10	155,041	
Shin-Etsu Handotai Taiwan Co., Ltd. - Stock	-	Long-term investment	10,500	105,000	7	105,476	
W.K. Technology Fund IV - Stock	-	Long-term investment	5,000	50,000	4	81,059	
Taiwan Semiconductor Technology Corp. - Stock	-	Long-term investment	50,000	500,000	19	434,385	
Hon Tung Ventures Capital - Stock	-	Long-term investment	12,000	120,000	10	125,927	
Crimson Asia Capital Fund - Equity	-	Long-term investment	-	64,547	N/A	64,547	
Horizon Ventures Fund - Equity	-	Long-term investment	-	93,304	N/A	93,304	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: Chi Cherng Investmen							
TSMC - Stock	Major shareholder	Short-term investment	2,160	98,282	-	184,451	
Po Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	82,191	15	82,191	
Chi Hsin Investment - Certificate	Major shareholder	Long-term investment	6,000	83,400	15	83,400	
Hsin Ruey Investment - Certificate	Major shareholder	Long-term investment	6,000	76,860	15	76,860	
Kung Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	95,251	15	95,251	
Cherng Huei Investment - Certificate	Major shareholder	Long-term investment	6,000	82,920	15	82,920	
Held Company Name: Kung Cherng Investment							
TSMC - Stock	Major shareholder	Short-term investment	4,827	226,819	-	412,317	4,827 thousands shares-pledged
Po Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	82,191	15	82,191	
Chi Hsin Investment - Certificate	Major shareholder	Long-term investment	6,000	83,400	15	83,400	
Chi Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	78,476	15	78,476	
Hsin Ruey Investment - Certificate	Major shareholder	Long-term investment	6,000	76,860	15	76,860	
Cherng Huei Investment - Certificate	Major shareholder	Long-term investment	6,000	82,920	15	82,920	
Held Company Name: Po Cherng Investment							
TSMC - Stock	Major shareholder	Short-term investment	3,814	\$236,150	-	\$325,790	2,814 thousands shares-pledged
Chi Hsin Investment - Certificate	Major shareholder	Long-term investment	6,000	83,400	15	83,400	
Chi Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	78,476	15	78,476	
Hsin Ruey Investment - Certificate	Major shareholder	Long-term investment	6,000	76,861	15	76,861	
Kung Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	95,251	15	95,251	
Cherng Huei Investment - Certificate	Major shareholder	Long-term investment	6,000	82,920	15	82,920	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	

Held Company Name: Cherng Huei Investment

TSMC - Stock	Major shareholder	Short-term investment	4,298	243,391	-	367,074	3,297 thousands shares-pledged
Po Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	82,191	15	82,191	
Chi Hsin Investment - Certificate	Major shareholder	Long-term investment	6,000	83,400	15	83,400	
Chi Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	78,476	15	78,476	
Hsin Ruey Investment - Certificate	Major shareholder	Long-term investment	6,000	76,860	15	76,860	
Kung Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	95,251	15	95,251	

Held Company Name: Chi Hsin Investment

TSMC - Stock	Major shareholder	Short-term investment	2,544	138,747	-	217,270	2,543 thousands shares-pledged
Po Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	82,191	15	82,191	
Chi Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	78,476	15	78,476	
Hsin Ruey Investment - Certificate	Major shareholder	Long-term investment	6,000	76,860	15	76,860	
Kung Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	95,251	15	95,251	
Cherng Huei Investment - Certificate	Major shareholder	Long-term investment	6,000	82,920	15	82,920	

Held Company Name: Hsin Ruey Investment

TSMC - Stock	Major shareholder	Short-term investment	1,006	85,850	-	85,936	
Po Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	82,191	15	82,191	
Chi Hsin Investment - Certificate	Major shareholder	Long-term investment	6,000	83,400	15	83,400	
Chi Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	78,476	15	78,476	
Kung Cherng Investment - Certificate	Major shareholder	Long-term investment	6,000	95,251	15	95,251	
Cherng Huei Investment - Certificate	Major shareholder	Long-term investment	6,000	82,920	15	82,920	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: TSMC-BVI							
InveStar Semiconductor Development Fund Inc. - Stock	Subsidiary of TSMC-BVI	Long-term investment	45,000	USD53,602	97	USD53,995	
InveStar Semiconductor Development Fund (II) Inc.- Stock	Subsidiary of TSMC-BVI	Long-term investment	13,950	USD14,046	97	USD14,046	
TSMC Development Inc.- Stock	Subsidiary of TSMC-BVI and its chairman is also TSMC's chairman	Long-term investment	1	USD648,332	100	USD648,332	
TSMC Technology Inc.- Stock	Subsidiary of TSMC-BVI and its chairman is also TSMC's chairman	Long-term investment	1	(USD5,285)	100	(USD5,285)	
3DFX. Interactive Inc. - Stock	-	Long-term investment	68	USD297	-	USD84	
Held Company Name: VIS							
VIS Associates Inc. - Stock	Subsidiary	Long-term investment	23,570	\$464,077	100	\$464,077	
PowerChip Semiconductor Inc.- Stock	Investee	Long-term investment	168,488	2,651,216	9	3,315,837	
Etron Technology Inc. - Stock	-	Long-term investment	5,590	310,132	3	278,118	
Walsin Technology Inc. - Stock	Investee	Long-term investment	31,410	414,481	10	414,481	
MEGIC Corporation - Stock	-	Long-term investment	16,500	177,000	15	177,000	
Form Factor Inc. - Stock	-	Long-term investment	267	64,360	1	64,360	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	2,313	29,250	2	29,250	
Held Company Name: VIS Associates Inc.							
VIS Investment Holding, Inc. - Stock	Subsidiary of VIS Associates Inc.	Long-term investment	67,500	USD871	100	USD871	
Silicon Valley Equity Fund - Equity	-	Long-term investment	-	USD9,448	35	USD9,448	
Silicon Valley Equity Fund II - Equity	-	Long-term investment	-	USD3,326	16	USD3,326	
Grand Palace Trust Fund - Equity	-	Long-term investment	-	-	100	-	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: VIS Investment Holding, Inc.							
VIS Micro Inc. - Stock	Investee	Long-term investment	200	USD237	100	USD237	
VIS America. - Stock	Investee	Long-term investment	6,500	USD627	100	USD627	
Held Company Name: TSMC Development							
WaferTech, LLC- Equity	Investee of TSMC Development and its chairman is also chairman of TSMC	Long-term investment	-	USD623,957	97	USD623,957	
Held Company Name: TSMC Partners							
TSMC - ADR	Parent Company	Short-term investment	495	USD7,357	-	USD8,916	
Held Company Name: InveStar Semiconductor Development Fund Inc.							
Silicon Image, Inc. - Stock	-	Short-term investment	411	USD720	-	USD2,237	
Sage, Inc. - Stock	-	Short-term investment	140	USD506	-	USD2,065	
Centillum Tec. Corp. - Stock	-	Short-term investment	165	USD650	-	USD3,671	
Marvell Technology Group Ltd. - Stock	-	Short-term investment	4,665	USD4,579	-	USD102,347	
Silicon Labo Ratories - Stock	-	Short-term investment	15	USD482	-	USD219	
Chang Yi Technology - Stock	-	Long-term investment	1,113	USD1,500	-	USD1,500	
Capella Microsystems, Inc. - Stock	-	Long-term investment	42	USD10	-	USD10	
Equator Technologies, Inc. - Stock	-	Long-term investment	133	USD90	-	USD260	
Scenix Semiconductor Inc. - Stock	-	Long-term investment	861	USD172	-	USD172	
Global Test Corp. - Stock	-	Long-term investment	11,292	USD5,559	-	USD9,242	
Chip strate - Stock	-	Long-term investment	6,660	USD2,142	-	USD2,190	
Ritch Tech - Stock	-	Long-term investment	790	USD313	-	USD302	
APE Fu Ding Technology - Stock	-	Long-term investment	2,750	USD1,518	-	USD1,411	
Integrated Memory Logic, Inc. - Preferred Stock	-	Long-term investment	1,831	USD1,809	-	USD2,559	
Divio (Next wave) - Preferred Stock	-	Long-term investment	667	USD500	-	USD2,233	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: InveStar Semiconductor Development Fund Inc.							
SiRF Technology Inc. - Preferred Stock	-	Long-term investment	306	USD1,333	-	USD1,771	
Rise - preferred Stock	-	Long-term investment	600	USD1,500	-	USD1,500	
Capella Microsystems, Inc. - Preferred Stock	-	Long-term investment	1,383	USD1,298	-	USD1,383	
Sensory, Inc. - Preferred Stock	-	Long-term investment	1,404	USD1,250	-	USD1,250	
Equator Technologies, Inc. -Preferred Stock	-	Long-term investment	443	USD1,338	-	USD864	
Light Speed Semiconductor Corporation - Preferred Stock	-	Long-term investment	2,252	USD3,064	-	USD5,639	
Empower Tel Networks, Inc. - Preferred Stock	-	Long-term investment	3,840	USD5,128	-	USD14,980	
Lara Technology, Inc. - Preferred Stock	-	Long-term investment	1,544	USD772	-	USD10,034	
Scenix Semiconductor Inc. - Preferred Stock	-	Long-term investment	1,056	USD1,361	-	USD2,919	
RapidSteam - Preferred Stock	-	Long-term investment	2,056	USD1,050	-	USD7,286	
Tropian, Inc (Premier R.F., Inc.) - Preferred Stock	-	Long-term investment	1,758	USD2,334	-	USD7,498	
Sonics, Inc. - Preferred Stock	-	Long-term investment	2,686	USD3,530	-	USD4,110	
Pico Turbo, Inc - Preferred Stock	-	Long-term investment	1,050	USD1,250	-	USD1,250	
T-Span Systems Corporation - Preferred Stock	-	Long-term investment	1,266	USD1,385	-	USD3,653	
NanoAmp Solutions, Inc. - Preferred Stock	-	Long-term investment	541	USD853	-	USD1,900	
Formfactor, Inc. - Preferred Stock	-	Long-term investment	267	USD2,000	-	USD2,747	
Monolithic Power Systems, Inc - Preferred Stock	-	Long-term investment	2,521	USD2,000	-	USD2,000	
Memsic, Inc - Preferred Stock	-	Long-term investment	3	USD1,500	-	USD1,500	
Reflectivity, Inc. - Preferred Stock	-	Long-term investment	1,064	USD2,000	-	USD2,000	
Signia - Preferred Stock	-	Long-term investment	3,000	USD1,500	-	USD1,500	
Match Lab, Inc. - Preferred Stock	-	Long-term investment	1,875	USD1,500	-	USD1,500	
HINT Corporation - Preferred Stock	-	Long-term investment	1,000	USD1,000	-	USD1,000	
Creosys, Inc. - Preferred Stock	-	Long-term investment	1,500	USD1,500	-	USD1,500	
(Forward)							

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: InveStar Semiconductor Development Fund (II) Inc.							
Incentia Design Systems, Inc. - Preferred Stock	-	Long-term investment	286	USD500	-	USD500	
Rise - Bond	-	Long-term investment	N/A	USD300	-	USD300	
Lara Networks, Inc. - Preferred Stock	-	Long-term investment	188	USD1,500	-	USD1,500	
Seagull Semiconductor, Inc. - Preferred Stock	-	Long-term investment	1,389	USD1,250	-	USD1,250	
Memsic, Inc. - Preferred Stock	-	Long-term investment	1,818	USD1,000	-	USD1,000	
OEpic - Preferred Stock	-	Long-term investment	600	USD750	-	USD750	
FabCentric, Inc. - Preferred Stock	-	Long-term investment	500	USD250	-	USD250	
Equator Technologies, Inc. - Preferred Stock	-	Long-term investment	770	USD1,501	-	USD1,501	
NanAmp Solutions, Inc. - Preferred Stock	-	Long-term investment	250	USD1,000	-	USD1,000	
RapidStream, Inc. - Preferred Stock	-	Long-term investment	246	USD1,057	-	USD1,057	
FabCentric, Inc. - Bond	-	Long-term investment	N/A	USD250	-	USD250	
Signia Technologies, Inc. - Bond	-	Long-term investment	N/A	USD500	-	USD500	
Advanced Analogic Technology, Inc. - Bond	-	Long-term investment	N/A	USD1,250	-	USD1,250	

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

**BALANCE OF MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF
EXCEEDING NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL
For the Year Ended December 31, 2000**

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

Table 4

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
				Shares (Thousand)	Amount	Shares (Thousand)	Amount	Share (Thousand)	Amount	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount
Company Name: TSMC													
Taipei Bank Stock	Short-term investment	-	-	8,750	\$236,250	-	\$-	8,750	\$288,719	\$236,250	\$52,469	-	\$-
The Wan Pao Securities Investment Trust Fund	Short-term investment	-	-	-	-	18,207	230,000	18,207	231,644	230,000	1,644	-	-
Kwang Hua Bond Fund	Short-term investment	-	-	-	-	25,495	323,000	25,495	326,273	323,000	3,273	-	-
Jin-sun Bond Fund	Short-term investment	-	-	-	-	26,382	300,000	26,382	302,604	300,000	2,604	-	-
Capital Safe Income Securities Investment Trust Fund	Short-term investment	-	-	-	-	24,468	300,000	24,468	302,748	300,000	2,748	-	-
First Global Investment Trust Wan Tai Bond Fund	Short-term investment	-	-	-	-	25,484	300,000	25,484	302,523	300,000	2,523	-	-
President Home Run Bond Fund	Short-term investment	-	-	-	-	28,222	332,000	28,222	333,627	332,000	1,627	-	-
Grand Cathay Bond Fund	Short-term investment	-	-	-	-	57,900	630,000	57,900	633,522	630,000	3,522	-	-
The GP ROC Bond Fund	Short-term investment	-	-	-	-	26,842	340,000	26,842	341,476	340,000	1,476	-	-
Flemings Taiwan Bond Fund	Short-term investment	-	-	-	-	25,593	330,000	25,593	332,564	330,000	2,564	-	-
National Investment Taiwan Bond Fund	Short-term investment	-	-	-	-	25,556	300,000	25,556	301,955	300,000	1,955	-	-
National Investment Bond Fund	Short-term investment	-	-	-	-	2,956	410,000	2,956	411,752	410,000	1,752	-	-
United Bond Fund	Short-term investment	-	-	-	-	30,054	330,000	30,054	331,605	300,000	1,605	-	-
President Investment Bond Fund	Short-term investment	-	-	-	-	46,405	600,000	46,405	603,210	600,000	3,210	-	-
VIS Stock	Long-term investment	VIS	Investee	556,133	5,010,897	-	-	-	-	-	-	556,133	5,615,075
TSMC-BVI Stock	Long-term investment	TSMC-BVI	Subsidiary	464,788	12,454,280	315,000	10,409,490	-	-	-	-	779,788 (Note 1)	23,678,522
SSMC Stock	Long-term investment	SSMC	Investee	26	360,177	64	989,690	-	-	-	-	90	935,870

(Forward)

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
				Shares (Thousand)	Amount	Shares (Thousand)	Amount	Share (Thousand)	Amount	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount
TSMC-North America Stock	Long-term investment	TSMC-North America	Subsidiary	1,000	255,025	10,000	308,130	-	-	-	-	11,000	666,924
Company Name: Kung Cherng Investment													
TSMC Stock	Short-term investment	-	-	984	50,509	4,682	219,376	839	172,270	43,066	129,204	4,827	226,819
Company Name: Po Cherng Investment													
TSMC Stock	Short-term investment	-	-	642	88,519	3,603	206,936	430	88,166	59,306	28,860	3,814	236,150
Company Name: Cherng Huei Investment													
TSMC Stock	Short-term investment	-	-	642	88,732	4,288	239,512	632	119,571	84,853	34,718	4,298	243,391
Company Name: Chi Hsin Investment													
TSMC Stock	Short-term investment	-	-	642	87,157	2,439	124,547	537	110,211	72,957	37,254	2,544	138,747
Company Name: TSMC-BVI													
TSMC Development Inc. Stock	Long-term investment	TSMC Development	Subsidiary	1	USD42,018	-	USD315,000	-	-	-	-	1	USD648,332
InveStar Semiconductor Development Fund (II) Inc. Stock	Long-term investment	InveStar Semiconductor Development Fund (II) Inc.	Subsidiary	-	-	13,950	USD13,995	-	-	-	-	13,950	USD14,046
Company Name: TSMC Development													
WAFERTECH, LLC Stock	Long-term investment	WAFERTECH, LLC	Subsidiary	-	USD401,464	-	USD226,105	-	-	-	-	-	USD623,957
Company Name: TSMC Partners													
TSMC ADR	Short-term investment	-	-	302	USD3,703	193	USD3,654	-	-	-	-	495	USD7,357
Company Name: InveStar Semiconductor Development Fund Inc.													
Empower Tel Networks, Inc. Stock	Long-term investment	Empower Tel Networks, Inc.	Investee	3,087	USD1,878	752	USD3,250	-	-	-	-	3,840	USD5,128
Global Test Corp. Stock	Long-term investment	Global Test Corp.	Investee	7,500	USD2,281	3,792	USD3,278	-	-	-	-	11,292	USD5,559

(Forward)

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
				Shares (Thousand)	Amount	Shares (Thousand)	Amount	Share (Thousand)	Amount	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount
Company Name: VIS													
The GP Bond Fund	-	-	-	-	-	58,761	\$750,000	58,761	\$761,731	\$750,000	\$11,731	-	-
Kwang Hua Bond Fund	-	-	-	-	-	42,671	550,000	42,671	558,584	550,000	8,584	-	-
Ta Chong Investment Bond Fund	-	-	-	-	-	16,199	180,000	16,199	182,393	180,000	2,393	-	-
National Investment Bond Fund	-	-	-	-	-	3,921	550,000	3,921	558,516	550,000	8,516	-	-
First Global Investment Trust Wan Tai Bond Fund	-	-	-	-	-	45,921	550,000	45,921	558,212	550,000	8,212	-	-
Money Mgmt Fund	-	-	-	-	-	31,415	400,000	31,415	404,997	400,000	4,997	-	-
Grand Cathay Bond Fund	-	-	-	-	-	21,446	240,000	21,446	242,656	240,000	2,656	-	-
Company Name: VIS Associates Inc.													
Silicon Valley Equity Fund II Stock	Long-term investment	Asia Tech Management LLC.	-	-	-	-	USD3,400	-	-	-	-	-	USD3,326 (Note 3)

Note 1: Acquire 75,000 thousands shares of stocks and including the beginning balance of prepayment for stocks.

Note 2: The ending balance included the recognition of the investment income (loss) by the equity method and the accumulated translation adjustment.

Note 3: The ending balance included the movement of net asset value of trust fund.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES
ACQUISITION OF PROPERTIES EXCEEDING NTD 100 MILLION OR 20% OF ISSUED CAPITAL
For the Year Ended December 31, 2000
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)**

Table 5

Company Name: TSMC

Properties	Transaction Date	Transaction Amount	Payment Term	Transaction Entity	Nature of the Relationship	Former Transaction Detail when Transacting with Related Parties				Reference of Price Determined	Purpose of Acquisition	Other Commitments
						Owner Relationship	Transfer Date	Amount	Amount			
Fab 6 and office	Feb. 16, 2000 ~ Dec. 31, 2000	\$3,254,412	Depend on the progress of the construction	Fu Tsu Construction Co. Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

TRANSACTION OF PURCHASE OR SALES WITH RELATED PARTIES AMOUNTING TO MORE THAN NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL

For the Year Ended December 31, 2000

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

Table 6

Company Name: TSMC

Transaction Entity	Nature of the Relationship	Transaction Detail				Abnormal Transaction		Notes,Accounts Payable or Receivables		Note
		Purchase or Sales	Amount	%	Collection Terms	Unit Price	Collection Terms	Ending Balance	%	
ITRI	It's director is TSMC's chairman	Sales	\$198,146	-	Net 45 days from monthly closing date	None	None	\$56,078	6	
Phillips and its affiliates	Major shareholder	Sales	5,289,927	3	Net 30 days from invoice date	None	None	643,604	65	
WAFERTECH, LLC	Indirect Investee of the subsidiary (TSMC-BVI)	Purchase	13,296,633	37	Net 30 days from monthly closing date	None	None	(1,487,181)	(34)	
VIS	Investee	Purchase	6,572,110	19	Net 45 days from monthly closing date	None	None	(1,808,964)	(42)	

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO MORE THAN NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL

December 31, 2000

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

Table 7

Company Name: TSMC

Transaction Entity	Nature of the Relationship	Ending Balance	Turnover	Overdue		Amounts Received from Dec. 31, 2000 Up-to-Date	Allowance for Bad Debts
				Amount	Management		
Phillips and its affiliates	Major shareholder	\$643,604	27days	\$175,828	Accelerate demand on account receivables	\$193,403	\$-
VIS	Investee	159,890	N/A	10,080	Accelerate demand on account receivables	-	-

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEEES

**INFORMATION REGARDING NAMES, LOCATIONS AND OTHERS OF INVESTEE
ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES**

December 31, 2000

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

Table 8

Investee	Location	Businesses Activity	Original Investment Amount		Balance as of Dec. 31, 2000			Net Income (Loss) of the Investee	Recognized Gain (Loss) on Recognized	Note
			Dec. 31, 2000	Dec. 31, 1999	Shares (Thousand)	%	Carrying Value			
Company Name: TSMC										
TSMC-North America	San Jose, California, U.S.A	Marketing and engineering support	\$333,718	\$25,588	11,000	100	\$666,924	\$131,107	\$131,107	Subsidiary
TSMC-Europe	Amsterdam, The Netherlands	Marketing and engineering support	2,960	2,960	-	100	9,594	(14,668)	(14,668)	Subsidiary
TSMC-Japan	Yokohama, Japan	Marketing and engineering support	35,142	7,440	2	100	37,803	2,261	2,261	Subsidiary
VIS	Hsin-Chu, Taiwan	IC Design and manufacturing	6,503,640	6,503,640	556,133	25	5,615,075	2,573,745	597,812	Investee
TSMC-BVI	Tortola, British Virgin Islands	Investment	24,159,958	13,750,468	779,788	100	23,678,522	138,589	138,589	Subsidiary
Po Cherng Investment	Taipei, Taiwan	Investment	100,000	100,000	-	25	136,984	135,869	33,967	Investee
Chi Hsin Investment	Taipei, Taiwan	Investment	100,000	100,000	-	25	139,000	143,951	35,988	Investee
Kung Cherng Investment	Taipei, Taiwan	Investment	100,000	100,000	-	25	158,752	223,915	55,979	Investee
Chi Cherng Investment	Taipei, Taiwan	Investment	100,000	100,000	-	25	130,794	112,094	28,023	Investee
Hsin Ruey Investment	Taipei, Taiwan	Investment	100,000	100,000	-	25	128,100	100,391	25,098	Investee
Cherng Huei Investment	Taipei, Taiwan	Investment	100,000	100,000	-	25	138,200	140,781	35,195	Investee
TSMC Partners	Tortola, British Virgin Islands	Investment	10,350	10,350	300	100	535,162	494,966	494,966	Subsidiary
SSMC	Singapore	Manufacture of wafer	1,432,482	442,792	90	32	935,870	(1,480,190)	(473,661)	Investee

9. Consolidated Financial Statements

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries as of December 31, 2000, and 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

As stated in Note 2, to the consolidated financial statements, the merger with TSMC and Worldwide Semiconductor Manufacturing Corp. effective on June 30, 2000 resulted in a change in reporting entity. The consolidated financial statements of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries for the year then ended December 31, 1999, have been restated to make reporting entity consistently.



T N SOONG & CO
Taiwan, ROC
A member firm of Andersen Worldwide S. C.

January 29, 2001

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 another jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	2000		1999	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$38,840,217	11	\$29,517,682	13
Pledged time deposits (Note 20)	-	-	3,161,000	1
Short-term investments (Notes 2, 5 and 20)	2,351,560	1	965,397	-
Receivable from related parties (Note 18)	948,726	-	340,938	-
Notes receivable	125,175	-	210,980	-
Accounts receivable	30,335,314	8	14,240,095	6
Allowance for doubtful receivables (Note 2)	(946,734)	-	(422,202)	-
Allowance for sales returns and others (Note 2)	(2,458,323)	(1)	(706,886)	-
Inventories (Notes 2 and 6)	12,785,723	3	7,104,042	3
Deferred income tax assets (Notes 2 and 17)	8,178,016	2	2,616,618	1
Prepaid expenses and other current assets (Notes 18, 19 and 22)	3,034,624	1	2,629,973	1
Total Current Assets	93,194,298	25	59,657,637	25
LONG-TERM INVESTMENTS (Notes 2, 7 and 23)	9,814,342	3	16,164,676	7
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 17, 18 and 20)				
Cost				
Land and land improvements	829,239	-	783,809	-
Buildings	53,874,708	15	33,929,572	14
Machinery and equipment	241,995,862	65	148,580,088	63
Office equipment	4,865,610	1	3,637,083	2
Total cost	301,565,419	81	186,930,552	79
Accumulated depreciation	(103,884,879)	(28)	(65,409,688)	(28)
Advance payments and construction in progress	47,067,352	13	28,539,044	13
Net Property, plant and equipment	244,747,892	66	150,059,908	64
CONSOLIDATED DEBITS (Note 2)	11,530,973	3	-	-
OTHER ASSETS				
Rental assets (Note 2)	625,647	-	-	-
Deferred charges - net (Notes 2 and 9)	3,335,665	1	2,380,792	1
Deferred income tax assets (Notes 2 and 17)	6,629,805	2	7,006,697	3
Refundable deposits	979,067	-	59,371	-
Pledged time deposits (Note 20)	-	-	693	-
Miscellaneous	28,290	-	105,740	-
Total Other Assets	11,598,474	3	9,553,293	4
TOTAL ASSETS	\$370,885,979	100	\$235,435,514	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2000		1999	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 10 and 20)	\$3,833,841	1	\$5,026,631	2
Commercial paper payable (Note 11)	-	-	94,797	-
Payable to related parties (Note 18)	2,606,339	1	1,036,348	1
Accounts payable	8,507,827	2	3,273,894	1
Payables to contractors and equipment suppliers	25,550,273	7	12,593,712	5
Income tax payable (Notes 2 and 17)	3,298	-	155,127	-
Current portion of long term liabilities (Notes 12 and 20)	51,055	-	1,001	-
Accrued expenses and other current liabilities (Note 22)	6,872,359	2	4,208,917	2
Total Current Liabilities	<u>47,424,992</u>	<u>13</u>	<u>26,390,427</u>	<u>11</u>
LONG-TERM LIABILITIES				
Long-term bank loans (Notes 13, and 20)	23,339,367	6	22,743,462	10
Long-term bonds (Notes 2 and 14)	29,000,000	8	20,000,000	8
Total Long-term Liabilities	<u>52,339,367</u>	<u>14</u>	<u>42,743,462</u>	<u>18</u>
OTHER LIABILITIES				
Guarantee deposits	7,086,379	2	5,185,362	2
Accrued pension cost (Notes 2 and 16)	1,511,277	-	1,013,840	1
Deferred gain on sale lease-back (Note 2)	434,183	-	-	-
Obligation under capital lease (Note 12)	3,316	-	4,368	-
Other noncurrent liabilities	11,040	-	3,370	-
Total Other Liabilities	<u>9,046,195</u>	<u>2</u>	<u>6,206,940</u>	<u>3</u>
MINORITY INTEREST IN SUBSIDIARIES (Notes 2)	<u>321,726</u>	<u>-</u>	<u>7,524,168</u>	<u>3</u>
Total Liabilities	<u>109,132,280</u>	<u>29</u>	<u>82,864,997</u>	<u>35</u>
SHAREHOLDERS' EQUITY (Notes 2 and 15)				
Capital stock - \$10 par value				
Authorized : 17,800,000 thousand shares in 2000 and 9,100,000 thousand shares in 1999				
Issued: Common - 11,689,365 thousand shares in 2000 and 8,520,882 thousand shares in 1999	116,893,646	32	85,208,817	36
Preferred - 1,300,000 thousand shares	13,000,000	3	-	-
Subscribed capital	-	-	13,118,025	5
Capital surplus	55,285,821	15	23,951,411	10
Retained earnings:				
Appropriated as legal reserve	10,689,323	3	8,258,359	4
Appropriated as special reserve	1,091,003	-	-	-
Unappropriated earnings	65,143,847	18	23,124,011	10
Unrealized loss on long-term investment	(71,564)	-	-	-
Cumulative translation adjustments	(278,377)	-	(1,090,106)	-
Total Shareholders' Equity	<u>261,753,699</u>	<u>71</u>	<u>152,570,517</u>	<u>65</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$370,885,979</u>	<u>100</u>	<u>\$235,435,514</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the issued auditor's report by Andersen on January 29, 2001)

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2000		1999	
	Amount	%	Amount	%
GROSS SALES (Notes 2, 17 and 23)	\$169,192,312		\$77,298,726	
SALES RETURNS AND ALLOWANCES	(2,994,708)		(993,624)	
NET SALES	166,197,604	100	76,305,102	100
COST OF SALES (Note 18)	89,681,764	54	46,237,403	61
GROSS PROFIT	76,515,840	46	30,067,699	39
OPERATING EXPENSES (Note 23)				
General and administrative (Note 18)	8,807,156	5	2,845,299	4
Marketing	1,282,499	1	1,861,621	2
Research and development	5,131,497	3	3,090,790	4
Total Operating Expenses	15,221,152	9	7,797,710	10
INCOME FROM OPERATIONS	61,294,688	37	22,269,989	29
NON-OPERATING INCOME (Note 23)				
Interest	1,679,736	1	1,114,530	2
Insurance compensation	1,623,832	1	184,607	-
Gain on sale of short-term investments - net	1,060,919	1	48,575	-
Foreign exchange gain - net (Notes 2 and 22)	828,025	-	-	-
Premium income (Notes 2 and 22)	640,442	-	63,809	-
Technology service income (Note 18)	138,514	-	-	-
Gain on disposal of property, plant and equipment	62,921	-	4,310	-
Gain on sales of long-term investments	15,144	-	67,772	-
Reversal of allowance for losses on short-term investments	688	-	140,137	-
Other	177,715	-	58,587	-
Total Non-Operating Income	6,227,936	3	1,682,327	2
NON-OPERATING EXPENSES (Note 23)				
Interest (Notes 2, 8, 18 and 22)	2,717,035	2	2,417,021	3
Equity in net losses of investee companies - net (Notes 2 and 7)	187,179	-	288,500	1
Premium expenses (Notes 2 and 22)	108,133	-	86,746	-
Loss on disposal of property, plant and equipment	114,768	-	164,384	-
Bond issue cost	32,658	-	114,839	-
Permanent loss on long-term investments	-	-	31,568	-
Foreign exchange loss - net (Note 2)	-	-	119,141	-
Other	461,327	-	101,803	-
Total Non-Operating Expenses	3,621,100	2	3,324,002	4
INCOME BEFORE INCOME TAX (Note 23)	63,901,524	38	20,628,314	27
INCOME TAX BENEFIT (Notes 2 and 17)	1,167,884	1	2,382,782	3
INCOME BEFORE MINORITY INTEREST	65,069,408	39	23,011,096	30
MINORITY INTEREST IN LOSS OF SUBSIDIARIES (Notes 2 & 23)	36,786	-	515,898	1
NET INCOME	\$65,106,194	39	\$23,526,994	31
EARNINGS PER SHARE				
Based on common stock weighted-average number of shares outstanding - 11,400,882 thousand shares in 2000 and 8,349,682 Thousand shares in 1999	\$5.71		\$2.82	
Based on 10,656,033 thousand shares			\$2.21	

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the issued auditor's report by Andersen on January 29, 2001)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND SUBSIDIARIES

For the Years Ended December 31, 2000 and 1999 (Note 2)

(In Thousand New Taiwan Dollars)

	CAPITAL STOCK ISSUED				CAPITAL SURPLUS (Note 2)							RETAINED EARNINGS (Note 15)				UNREALIZED		CUMULATIVE TRANSLATION TOTAL SHAREHOLDERS' EQUITY	
	Common Stock		Preferred Stock		From Consolidation	Additional Paid-In Capital	From Long-term Investment	Excess on Foreign Bond Investment	Gain on Disposal of Properties	Donation	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	LOSS ON	ADJUSTMENTS		
	Shares	Amount	Shares	Subscribe Capital												LONG-TERM INVESTMENT (Note 2)			ADJUSTMENTS (Note 2)
	(Thousand)	Amount	(Thousand)	Amount	(Note 2)	(Note 2)													
BALANCE, JANUARY 1, 1999	6,647,176	\$66,471,760	-	\$-	\$7,120,000	\$-	\$99,128	\$-	\$65,036	\$55	\$7,284,219	\$6,724,240	\$-	\$16,532,518	\$23,256,758	\$-	(\$727,426)	\$96,285,311	
Appropriations of prior year's earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	1,534,119	-	(1,534,119)	-	-	-	-	
Bonus to employees - stock	110,457	1,104,566	-	-	-	-	-	-	-	-	-	-	-	(1,104,566)	(1,104,566)	-	-	-	
Stock dividends - 23%	1,390,850	13,908,505	-	-	-	-	-	-	-	-	-	-	-	(13,908,505)	(13,908,505)	-	-	-	
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	-	(138,071)	(138,071)	-	-	(138,071)	
Issuance of shares on April 15, 1999	250,000	2,500,000	-	-	5,000,000	-	-	-	-	-	5,000,000	-	-	-	-	-	-	7,500,000	
Subscribed Capital	-	-	-	13,118,025	-	-	-	-	-	-	-	-	-	-	-	-	-	13,118,025	
Net income in 1999	-	-	-	-	-	-	-	-	-	-	-	-	-	23,526,994	23,526,994	-	-	23,526,994	
Conversion of foreign bonds	122,399	1,223,986	-	-	-	-	-	11,289,998	-	-	11,289,998	-	-	-	-	-	-	12,513,984	
Gain on disposal of properties	-	-	-	-	-	-	-	-	4,022	-	4,022	-	-	(4,022)	(4,022)	-	-	-	
Gain on disposal of property from investees	-	-	-	-	-	-	246,218	-	-	-	246,218	-	-	(246,218)	(246,218)	-	-	-	
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	-	-	126,954	-	-	-	126,954	-	-	-	-	-	-	126,954	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(362,680)	(362,680)	
BALANCE, DECEMBER 31, 1999	8,520,882	85,208,817	-	13,118,025	12,120,000	-	472,300	11,289,998	69,058	55	23,951,411	8,258,359	-	23,124,011	31,382,370	-	(1,090,106)	152,570,517	
Appropriations of prior year's earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	2,430,964	-	(2,430,964)	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	1,091,003	-	(1,091,003)	-	-	-	-	
Bonus to employees - stock	172,121	1,721,208	-	-	-	-	-	-	-	-	-	-	-	(1,721,208)	(1,721,208)	-	-	-	
Stock dividends - 25.55%	1,959,910	19,599,103	-	-	-	-	-	-	-	-	-	-	-	(19,599,103)	(19,599,103)	-	-	-	
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	-	(215,151)	(215,151)	-	-	(215,151)	
Capital Transferred from capital surplus - 2.45%	187,937	1,879,366	-	-	-	-	-	(1,879,366)	-	-	(1,879,366)	-	-	-	-	-	-	-	
Issuance of shares on January 28, 2000	300,000	3,000,000	-	(13,118,025)	12,000,000	-	-	-	-	-	12,000,000	-	-	-	-	-	-	1,881,975	
Issuance of shares on June 8, 2000	115,000	1,150,000	-	-	-	23,172,550	-	-	-	-	23,172,550	-	-	-	-	-	-	24,322,550	
Issuance of shares for the mergers on June 30, 2000 (Note 1)	433,515	4,335,152	-	-	(1,790,871)	-	-	-	-	-	(1,790,871)	-	-	1,803,168	1,803,168	-	(897)	4,346,552	
Issuance of preferred stocks on November 29, 2000	-	-	1,300,000	13,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	13,000,000	
Net income in 2000	-	-	-	-	-	-	-	-	-	-	-	-	-	65,106,194	65,106,194	-	-	65,106,194	
Gain on disposal of properties	-	-	-	-	-	-	-	-	58,178	-	58,178	-	-	(58,178)	(58,178)	-	-	-	
Gain on disposal of property from investees	-	-	-	-	-	-	5,502	-	-	-	5,502	-	-	(5,502)	(5,502)	-	-	-	
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	-	-	(231,583)	-	-	-	(231,583)	-	-	231,583	231,583	-	-	-	
Unrealized loss on long-term investment from investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(71,564)	-	(71,564)	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	812,626	812,626	
BALANCE, DECEMBER 31, 2000	11,689,365	\$116,893,646	1,300,000	\$13,000,000	\$-	\$22,329,129	\$23,172,550	\$246,219	\$9,410,632	\$127,236	\$55	\$55,285,821	\$10,689,323	\$1,091,003	\$65,143,847	\$76,924,173	(\$71,564)	(\$278,377)	\$261,753,689

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

(Please refer to the issued auditor's report by Andersen on January 29, 2001)

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$65,106,194	\$23,526,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,446,137	25,197,866
Deferred income taxes	(956,118)	(2,481,758)
Equity in net losses of investee companies - net	187,179	288,500
Gain on sales of long-term investments	(15,144)	(67,772)
Loss on disposal of property, plant and equipment - net	51,847	160,427
Accretion in redemption value of bonds	-	585,614
Permanent loss of long-term investments	-	31,568
Accrued pension cost	370,276	260,425
Allowance for doubtful receivables	524,532	148,603
Allowance for sales returns and others	1,679,309	402,068
Transfer property into expense	-	39,130
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	(1,373,616)	5,049,694
Forward exchange contract receivable	(113,730)	-
Receivable from related parties	(737,105)	(273,194)
Notes receivable	38,959	(176,112)
Accounts receivable	(15,467,155)	(6,215,651)
Inventories	(4,033,836)	(2,765,251)
Prepaid expenses and other current assets	351,988	(1,278,128)
Increase (decrease) in :		
Payable to related parties	2,334,247	878,411
Notes payable	(4,303)	-
Accounts payable	3,174,958	985,875
Income tax payable	(151,828)	(622,297)
Forward exchange contract payable	(987,604)	6,108
Accrued expenses and other current liabilities	2,024,180	2,137,160
Minority interest in subsidiaries	(36,786)	(515,898)
Net Cash Provided by Operating Activities	<u>93,412,581</u>	<u>45,302,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Pledge time deposits	3,161,693	(2,290,000)
Decrease in restricted cash	-	7,255
Acquisitions of:		
Property, plant and equipment	(103,761,905)	(51,459,113)
Long-term investments	(2,107,296)	(10,057,902)
Proceeds from sales of:		
Property, plant, and equipment	364,875	413,096
Long-term investments	49,376	150,015
Increase in deferred charges	(1,793,209)	(1,179,300)
Decrease (increase) in refundable deposits	(915,559)	61,416
Decrease in other assets	77,451	13,470
Decrease in minority interest in subsidiaries	(15,386,922)	(1,660,815)

(Forward)

	2000	1999
Cash of TASMCO and WSMCO as of July 1, 2000	736,594	-
Net Cash Used in Investing Activities	<u>(119,574,902)</u>	<u>(66,001,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of :		
Short-term bank loans	-	2,917,409
Long-term bonds	9,000,000	9,450,634
Long-term bank loans	-	7,997,586
Capital stock	39,204,525	20,618,025
Payments on:		
Short-term bank loans	(8,592,790)	-
Commercial paper	(4,241,048)	-
Short-term marketable security	-	(253,445)
Long-term bank loans	(2,648,853)	-
Increase(decrease) in guarantee deposits	2,978,984	(938,463)
Decrease in obligations under capital lease	(1,052)	-
Bonus paid to directors and supervisors	(215,151)	(138,071)
Issuance cost of financing	(118,335)	(63,275)
Decrease in other liabilities	-	(71,951)
Net Cash Provided by Financing Activities	<u>35,366,280</u>	<u>39,518,449</u>
NET INCREASE CASH AND CASH EQUIVALENTS	9,203,959	18,818,953
EFFECT OF EXCHANGE RATE CHANGES	118,576	(173,144)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>29,517,682</u>	<u>10,871,873</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$38,840,217</u>	<u>\$29,517,682</u>
SUPPLEMENTAL INFORMATION		
Interest paid (excluding amounts capitalized)	<u>\$4,036,210</u>	<u>\$2,441,840</u>
Income tax paid	<u>\$96,523</u>	<u>\$594,098</u>
Noncash investing and financing activities -		
Effect of exchange rate changes on cash and cash equivalents	<u>\$1,009,264</u>	<u>(\$66,376)</u>
Current portion of long-term debt	<u>\$51,055</u>	<u>\$1,001</u>
Cash paid for acquisition of property, plant and equipment:		
Total acquisitions	<u>\$113,996,068</u>	<u>\$56,857,625</u>
Payable to contractors and equipment suppliers	<u>(10,234,163)</u>	<u>(5,398,512)</u>
	<u>\$103,761,905</u>	<u>\$51,459,113</u>
Conversion of bonds into common stocks and capital surplus	<u>\$-</u>	<u>\$12,513,984</u>

(Forward)

SUPPLEMENTAL INFORMATION OF THE MERGERS:

TSMC had merged with Worldwide Semiconductor Manufacturing Corp. (WSMC) and had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC) by issuing new shares. The balance sheets as of June 30, 2000 of WSMC and TASMC were as follows:

	TASMC (Fair Value)	WSMC (Book Value)	Total
Cash	\$736,594	\$675,810	\$1,412,404
Inventories	1,647,845	1,805,243	3,453,088
Other current assets	2,308,391	3,150,257	5,458,648
Property, plant and equipment - net	19,846,708	40,512,706	60,359,414
Other assets	7,335,526	5,101,000	12,436,526
Current liabilities	(16,699,147)	(12,454,686)	(29,153,833)
Long-term liabilities	(2,000,000)	(4,950,000)	(6,950,000)
Other liabilities	(654,863)	(23,498)	(678,361)
Net assets acquired	12,521,054	33,816,832	46,337,886
Cancellation of stocks of the dissolved companies	(8,173,605)	-	(8,173,605)
Issuance of stocks from the surviving company	(4,335,152)	(11,500,000)	(15,835,152)
Capital surplus	<u>\$12,297</u>	<u>\$22,316,832</u>	<u>\$22,329,129</u>

*The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the issued financial report by Andersen on January 29, 2001)*

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousand New Taiwan Dollars, Except Per Share Amounts and Unless Specified Otherwise)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Ltd. (TSMC) is engaged mainly in the: (a) manufacture, sale, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices; and, (b) manufacture and design of masks.

TSMC's shares are listed and traded on the Taiwan Stock Exchange.

On October 8, 1997, TSMC sold shares of stock in the New York Stock Exchange in the form of American Depositary Receipts (ADRs).

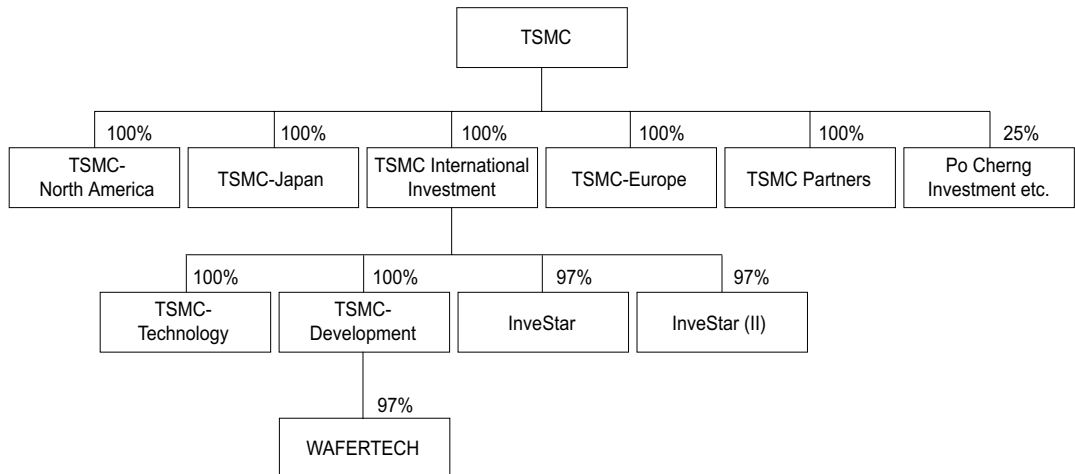
TSMC had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC). It also merged with Worldwide Semiconductor Manufacturing Corporation (WSMC) with TSMC as the surviving company. TASMC and WSMC were subsequently dissolved. The acquisition of TASMC and the merger with WSMC took effect on June 30, 2000, and, on that date, TSMC issued a total of 1,583,515 thousand common shares to the former shareholders of TASMC and WSMC. The additional shares issued were based on the agreed exchange ratio of three point nine TASMC shares and two WSMC shares for every share of TSMC. Also, the holders of the additional shares issued have the same rights and the obligation as the holders of the previously issued common stock of TSMC.

TASMC was incorporated on March 31, 1990, and commenced operations in January 1992. TASMC was engaged mainly in the research, development, design, manufacturing, packaging, testing and sale of dynamic random-access memory (DRAM) semiconductor devices, other memory integrated circuits and logic integrated circuits.

WSMC, was incorporated on March 6, 1996 and commenced operations on December 1, 1998. WSMC was engaged mainly in the manufacture of the semiconductor products.

TSMC has eleven wholly-owned subsidiaries, namely, TSMC-North America, Taiwan Semiconductor Manufacturing Company Europe B.V (TSMC-Europe), TSMC-Japan, TSMC international Investment, TSMC Partners, and 25% owned affiliated - Po Cherng Investment, Chi Hsin Investment, Kung Cherng Investment, Chi Cherng Investment, Hsin Ruey Investment, and Cherng Huei Investment. As of December 31, 2000, TSMC International Investment has two wholly owned subsidiaries-TSMC Development, Inc. and TSMC Technology Inc., and two 97%-owned subsidiaries-InveStar Semiconductor Development Fund, Inc. and, InveStar Semiconductor Development Fund (II), Inc. (new investee in the year of 2000). TSMC Development Inc. in turn has 97%-owned subsidiary, WaferTech, LLC.

The following diagram presents information of relations and percentage of holding shares among TSMC, and its subsidiaries as of December 31, 2000:



TSMC-North America, TSMC-Europe and TSMC-Japan are engaged mainly in marketing and engineering support activities. TSMC Partners and Kung Cherng Investment etc. are engaged in investments. TSMC International Investment and its subsidiaries are engaged in investing in affairs focused on the design, manufacture, and other related business of semiconductors. WaferTech, LLC. is a foundry.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies, which conform to generally accepted accounting principles in the Republic of China, are summarized as follows:

Consolidation

The consolidated financial statements include the accounts of TSMC and its eleven subsidiaries identified in Note 1 above (hereinafter, referred to individually or collectively as "Company"). All significant inter-company accounts and transactions have been eliminated.

The reporting entities for the consolidated financial statements as of and for the year ended December 31, 2000 included TSMC, TSMC-North America, TSMC-Europe, TSMC-Japan, TSMC Partners, Po Cherng Investment, Chi Hsin Investment, Kung Cherng Investment, Chi Cherng Investment, Hsin Ruey Investment, Cherng Huei Investment, TSMC International Investment and its subsidiaries, InveStar Semiconductor Development Fund, Inc and InveStar Semiconductor Development Fund, (II) Inc. (Incremental investment in 2000), TSMC Development Inc. (including WAFERTECH, LLC) and TSMC Technology Inc.

As stated in Note 1, TSMC had acquired TSMC and merged with WSMC on June 30, 2000. In view of the changes in reporting entities, the consolidated financial statements of the year ended December 31, 1999 have been restated. The restatement of consolidated balance sheets, income statements, statements of changes in shareholders' equity and statements of cash flows was carried out by including all assets and liabilities of WSMC. All minority interests have been eliminated. Also, the income statements was restated by including the income and expense of WSMC. The minority interest in loss is added to the consolidated net income.

Minority interests in InveStar I, InveStar II and WaferTech are presented separately in consolidated financial statements.

Cash equivalents

Government bonds acquired under repurchase agreements with original maturity of less than three months and commercial paper are classified as cash equivalents.

Short-term investments

Short-term investments are carried at the lower of cost or market value. The costs of investments sold are determined by the specific identification method.

Allowance for doubtful receivables

Allowance for doubtful receivables are provided based on a review of the collectibility of individual receivables.

Sales and allowance for sales returns and others

Sales are recognized when products are shipped to customers. Allowance and the related provision for sales returns and others are provided based on experience. Such provisions are accounted for as reduction from sales and the related costs are deducted from cost of sales.

Inventories

Inventories are stated at the lower of standard cost (adjusted to approximate weighted average cost) or market value. Market value represents net realizable value for finished goods and work in process, and replacement value for raw materials, supplies and spare parts.

Long-term investments

Investments in shares of stock of companies wherein the Company exercises significant influence on their operating and financial decisions are accounted for using equity method. The increase in the Company's proportionate share in the net assets of its investee companies resulting from its subscription to additional shares of stock, issued by such investee companies, at the rate not proportionate to its existing equity ownership in such investee companies, is credited to a capital surplus account while any decrease in the Company's proportionate share in the net asset of investee company is debited against the existing balance of the similar capital surplus account with the difference debited against unappropriated retained earnings.

If an investee company's losses are covered by additional paid-in capital that is sourced from an increase in the value of assets upon reappraisal after the long-term investment was made, then the Company shall calculate such amount in accordance with its ownership percentage and debit the "Additional paid-in capital" account and credit the "Retained earnings" account; no journal entries shall be made for other types of loss coverage increase in asset values upon reappraisal.

Other stock investments are accounted by the cost method. These investments are stated at cost less decline in market value of listed stocks or decline in value of unlisted stocks which is considered irrecoverable; such reductions are charged to shareholders' equity or current income, respectively. Cash dividends are recognized as income in the year received but are accounted for as reduction in the carrying value of the long-term investment if the dividends are received in the same year that the related investments are acquired.

Stock dividends are recognized only as increase in the number of stocks held on the ex-dividend date.

Investments in foreign mutual funds are stated at the lower of cost or net asset value (NAV). Write-downs of cost and write-ups to original acquisition cost resulting from subsequent recovery of the NAV are debited or credited to shareholders' equity.

Convertible notes and stock warrants are carried at cost.

The costs of investments sold are determined by the weighted-average method.

The Company's proportionate share in the gains from disposal of property, plant and equipment, net of the applicable income tax, included as part of its share in the earnings or losses of investee companies accounted for using the equity method for the current year is transferred in to capital surplus from retained earnings. When the Company subsequently disposed such investment in shares of stock, such capital surplus shall be transferred back to retain earnings. Also, if an investee company has unrealized loss on long-term investment which is evaluated by lower-of-cost-or-market method, the Company shall recognize that unrealized loss in proportion to the Company's equity interest and recorded in an account as a component of shareholders' equity.

Gains or losses on transactions with investee companies wherein the Company owned at least 20% of the

outstanding common stock but less than a controlling interest are deferred in proportion to ownership percentage until realized through a transaction with a third party. The entire amount of the gains or losses on sales to majority-owned subsidiaries are deferred until such gains or losses are realized through the subsequent sale of the related products to third parties. On the other hand, if the unrealized gains or losses arose from a sale by the investee companies or majority-owned subsidiaries to the Company, an adjustment should be made in accordance with ownership percentage.

Property, plant and equipment and rental assets

Property, plant and equipment and rental assets are stated at cost less accumulated depreciation. Major additions, renewals and betterment, and interest expense incurred during the construction period are capitalized. Maintenance and repairs are expensed currently.

Property, plant and equipment covered by agreements qualifying as capital leases are carried at the lower of the present value of all minimum future rental payments, or the leased property's market value at the inception date of the lease, whichever is lower. The periodic rental payment made by the Company includes the purchase price of the leased property, and the interest expense.

Depreciation is provided on the straight-line method over these estimated service lives: buildings - 10 to 50 years; machinery and equipment - 5 to 10 years; and office equipment - 3 to 7 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to income. Any such gain, less applicable income tax, is transferred to capital surplus at the-end of the year.

Consolidated Debits

Consolidated debits arose from the business merger and the difference between the investment cost and the Company's proportionate share in the net asset of the investee companies at the date of acquisition. Consolidated debits are amortized by the straight-line method over 5 to 15 years.

Deferred charges

Deferred charges, consisting of technology, software and system design costs, bond issuance costs, credit instruments and technology know how, are amortized over three years, five years, the term of credit instruments, and the term of the contract valid period or economic useful lives, respectively.

Pension costs

Net periodic pension costs are recorded on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gain are amortized over 25 years, respectively.

Deferred gain on sale-leaseback

The gain resulting from the sale of leased property is deferred. Such deferred gain is then amortized as follows: (a) operating lease - adjustment of rental expenses over leasing period, and (b) capital lease - adjustment of depreciation over the estimate useful life or leasing period.

Income tax

The Company adopted inter-period tax allocation. Deferred income taxes are recognized for the tax effects of temporary differences, unused tax credits, and operating loss carry forwards. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or non-current based on the expected reversal date of temporary difference.

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

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 are recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

Derivative financial instruments

Foreign currency forward exchange contracts are recorded in New Taiwan dollars as assets or liabilities at spot rates on the inception dates of the contracts. The difference in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates are also recognized as premiums or discounts on the inception dates of the forward contracts. Premiums or discounts are amortized by the straight-line method over the terms of the forward contracts are either deferred or recognized as income. At the balance sheet dates, the receivables or payables arising from forward contracts are restated at the prevailing spot rates, and the resulting differences are recognized in income. Also, the receivables and payable related to the forward contracts are netted out, and the resulting net amount is presented as either an asset or liability.

Under interest rate swap contracts, the Company pays an amount equal to the interest rates based on notional principal amount and receives a specified variable-rate of interest also based on the same notional principal amount; with the notional amounts of the contracts are not exchanged. The net amounts paid or received under the contracts are reported as adjustments to interest income or expense.

The notional amounts of the foreign currency option contracts entered into for hedging purposes are not recognized as either assets or liabilities on the contract dates. However, amounts paid on options bought are recognized as assets and amounts received on options written are recognized as liabilities. Such amounts are amortized using the straight-line method over the period of the contracts and charged to current income. Gains or losses on the exercise of the options are also recognized in current income.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollar, or when foreign-currency receivables and payables are settled, are credited or charged to income in the year of conversion or settlement. At period-end, the balances of foreign-currency assets and liabilities are restated at prevailing exchange rates, and the resulted differences are recorded as exchange gain or loss in current income.

Translation of foreign-currency financial statements

The financial statements of the foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: assets and liabilities-current rate; shareholders' equity-historical rates; income and expenses-weighted average rate during the year. The resulting translation adjustments recorded as a separate component of shareholders' equity

Reclassifications

Certain accounts in 1999 have been reclassified to conform to 2000 classifications.

Mergers

The acquisition of TASMIC was accounted for under the Statement of Financial Accounting Standards No. 25 "Business Combination - Purchase Method". On the other hand, the merger with WSMC was accounted for as pooling of interest with the results of operations of WSMC included in the statement of income for the year ended December 31, 2000.

Pro forma net sales, net income and earnings per share of TSMC on the assumption that the acquisition of TASMIC was completed as of January 1, 1999 are as follows:

	2000	1999
Net sales	\$170,132,350	\$86,130,100
Net income	65,050,836	17,084,089
Earnings per share		
Based on weighted-average number of shares		
outstanding - 11,616,455 and 11,089,548		
thousand shares in 2000 and 1999	\$5.60	\$1.54

The individual operating results of TSMC before the mergers on June 30, 2000 are as follows:

	Six Months Ended June 30, 2000	Year Ended December 31, 2000
Net sales	\$3,934,746	10,655,995
Net loss	(55,358)	(6,127,604)

3. SIGNIFICANT ELIMINATING ENTRIES

The details of transactions with companies included in the consolidated financial statements are as follows:

Company	Account	Amount	Transaction Entity
TSMC	Payable to related parties	\$166,063	TSMC-North America
		66,343	TSMC-Europe
		16,165	TSMC-Japan
		1,487,181	WAFERTECH, LLC
		4,487	TSMC-Technology
	Receivable from related parties	25,728	TSMC-Technology
		20,361	WAFERTECH, LLC
		370,762	WSMC
	Sales	30,816	WAFERTECH, LLC
		13,296,633	WAFERTECH, LLC
	Purchase	14,095	TSMC-Technology
	General administration expenses	994,686	TSMC-North America
		143,461	TSMC-Europe
	Marketing expenses - Commissions	165,087	TSMC-Japan
		118,852	TSMC-North America
Marketing expenses -service charges	5,837	WAFERTECH, LLC	
Deferred revenue	1,670	TASMC	
	768,677	TASMC	
TSMC International Investment	Interest receivable	128,594	TSMC-Technology
		330,790	TSMC-Technology
		24,181	TSMC-Technology
TSMC Partners	Deferred revenue	10,791,704	TSMC International Investment
	Royalty income	491,733	TSMC International Investment
TSMC - Technology	Notes receivable	11,313,018	TSMC International Investment
	Deferred revenue	40,962	WAFERTECH, LLC
	Licensing fee	13,323	WAFERTECH, LLC
	Sales	63,727	WAFERTECH, LLC
	Other receivable	17,669	WAFERTECH, LLC

4. CASH AND CASH EQUIVALENTS

	2000	1999
Cash and bank deposits	\$38,229,510	\$29,442,697
Government bonds acquired under repurchase agreements	610,707	-
Commercial paper	-	74,985
	<u>\$38,840,217</u>	<u>\$29,517,682</u>

5. SHORT-TERM INVESTMENTS

	2000	1999
Listed stocks	\$1,502,098	\$927,856
Mutual funds	959,561	37,541
	<u>2,461,659</u>	<u>965,397</u>
Less - allowance for losses	(110,099)	-
	<u>\$2,351,560</u>	<u>\$965,397</u>

6. INVENTORIES

	2000	1999
Finished goods	\$1,762,287	\$905,626
Work in process	9,455,492	5,924,555
Raw materials	770,884	632,732
Supplies and spare parts	1,364,686	969,797
	<u>13,353,349</u>	<u>8,432,710</u>
Less - allowance for losses	(567,626)	(1,328,668)
	<u>\$12,785,723</u>	<u>\$7,104,042</u>

7. LONG-TERM INVESTMENTS

	2000		1999	
	Carrying Value	% of Owner-Ship	Carrying Value	% of Owner-Ship
<u>Common Stocks</u>				
Equity method				
Vanguard International Semiconductor	\$5,615,075	25	\$5,010,897	25
TASMC	-	-	3,630,193	32
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	935,870	32	360,177	32
	<u>6,550,945</u>		<u>9,001,267</u>	

(Forward)

Cost Method

Listed

Taiwan Mask	32,129	2	32,129	2
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Non-listed

Taiwan Semiconductor Technology	500,000	19	500,000	19
United Industrial Gases Co.,Ltd	146,250	10	146,250	11
Shin-Etsu Handotai Taiwan	105,000	7	105,000	7
W.K. Technology Fund IV	50,000	4	50,000	4
Hong Tung Venture Capital	120,000	10	80,000	10
3Dfx Interactive	9,826	-	-	-
Programmable Microelectronics	49,619	4	-	-
Capella Microsystems	345	-	-	-
Equator Technologies	2,978	-	-	-
Global Test	183,896	10	71,613	5
ChipStrate Technology	70,854	9	32,927	2
Ritch Technology	10,338	9	7,407	1
Scenix Semiconductor	5,697	2	5,407	-
APE	50,222	6	-	-
	<u>1,337,154</u>		<u>1,030,733</u>	

Preferred stocks

TASMC	-	-	4,854,742	28
Programmable Microelectronics	-	-	47,092	3
Lara Technology	-	-	83,197	6
Marvell Technology	-	-	139,055	10
Integrated Memory Logic	59,845	10	23,546	2
Divio	16,540	4	15,698	1
Integrated Micromachines	-	-	4,709	-
SiRF Technology	44,105	1	41,860	3
Rise Technology	49,619	2	47,092	3
Capella Microsystems	42,949	8	12,040	1
Sensory	41,349	6	39,244	3
Flow Wise Networks	-	-	15,697	1
Equator Technologies	93,908	2	42,011	3
LightSpeed Semiconductor	101,368	6	68,562	5
Centillium Technology	-	-	23,546	2
Scenix Semiconductor	45,023	2	66,277	5
Lara Networks Inc.	75,151	7	-	-
RapidStream	69,708	6	32,965	2
Tropian, Inc. (Premier R. F.)	77,209	5	31,395	2
Krypton Isolation	-	-	39,244	3
Pico Turbo	41,349	9	39,244	3
Sonics	116,752	7	31,395	2
3Dfx Interactive	-	-	9,326	-
NanoAmp Solutions	61,281	3	26,537	2
T-Span System	45,829	3	15,698	1
Memsic	82,689	24	47,088	3
Monolithic Power System	66,158	17	62,790	4

(Forward)

Formfactor	66,158	1	62,790	4
Reflectivity	66,158	6	62,790	4
Signia	49,619	22	47,090	3
Empower Tel Networks	169,634	7	-	-
Match Lab	49,619	11	-	-
HINT Corporation	33,079	5	-	-
Creosys	49,619	8	-	-
Incentia Design Systems	16,539	2	-	-
Seagull Semiconductor	41,349	14	-	-
Oepic	24,809	-	-	-
FabCentric	8,270	-	-	-
	<u>1,705,685</u>		<u>6,032,720</u>	
<u>Convertible note</u>				
Integrated Memory Logic	-	-	31,395	2
Sonics	-	-	23,546	2
Rise	9,924	-	9,419	1
FabCentric	8,270	-	-	-
Signia Technologies	16,540	-	-	-
Advanced Analogic Technology	41,349	-	-	-
	<u>76,083</u>		<u>64,360</u>	
<u>Funds</u>				
Crimson Asia Capital	64,547	-	34,534	-
Horizon Ventures	93,304	-	31,744	-
	<u>157,851</u>		<u>66,278</u>	
<u>Warrant</u>				
Flow Wise Networks	-	-	6	-
	<u>9,827,718</u>		<u>16,195,364</u>	
Cumulative translation adjustments	(13,376)	-	-	-
Allowance for losses	-	-	(30,688)	-
	<u>\$9,814,342</u>		<u>\$16,164,676</u>	

The carrying values of investments accounted for using the equity method and the related investment income and losses for the years ended December 31, 2000 and 1999 were based on audited financial statements of the investee for the same period.

Equity in losses of investee companies in 2000 and 1999 were as follows:

	2000	1999
VIS	\$597,812	(\$527,823)
SSMC	(473,661)	(75,978)
TASMC	(311,330)	315,301
	<u>(\$187,179)</u>	<u>(\$288,500)</u>

Information on the long-term investments is as follows:

	2000	1999
Market value of listed stocks	\$8,729,639	\$19,762,968
Equity in the net assets of unlisted stocks	5,466,227	8,351,897
Net asset value of funds	157,851	66,278

As of December 31, 2000, the unexercised stock warrants for purchase of shares are as follows:

Stock	Shares (Maximum)	Exercise Price Per Share (US\$)	Exercise Period
Common Stocks			
Empower Tel Networks, Inc	317,307	1.625	01/29/1999-01/29/2009
Uicom, Inc	90,980	0.20	03/22/1999-12/23/2003
Capella Microsystems, Inc.	500,000	0.25	-
HINT Corporation	15,000	0.25	03/17/2000-03/17/2005
Preferred Stocks			
SiRF Technology, Inc	5,556	6.00	01/16/1998-01/16/2003
Sonics, Inc	450,000	1.00	09/25/1998-09/27/2001
Sonics, Inc	30,000	1.50	11/30/1999-11/29/2002
Sonics, Inc	30,000	1.50	03/14/2000-03/14/2002
Uicom, Inc	45,490	2.00	12/23/1998-12/23/2003
Formfactor, Inc	66,666	7.50	07/30/1999-07/30/2004
Integrated Memory Logics, Inc	746,268	0.67	12/20/1999-12/20/2004
Integrated Memory Logics, Inc	333,333	1.50	12/20/1999-12/20/2004
Match Lab, Inc	625,000	0.80	01/14/2000-01/14/2005

8. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2000	1999
Land improvements	\$64,006	\$33,691
Buildings	10,692,112	8,131,392
Machinery and equipment	90,956,200	55,576,499
Office equipment	2,172,561	1,668,106
	<u>\$103,884,879</u>	<u>\$65,409,688</u>

Information on the status of the construction of TSMC's manufacturing facilities as of December 31, 2000 is as follows:

Manufacturing Plant	Estimated Cost	Accumulated Expenditures	Expected or Actual Date of the Starting of Operations
Fab 6	\$76,889,000	\$67,565,100	March 2000
Fab 7	22,540,400	11,121,100	March 2001
Fab 8	28,314,300	15,217,800	March 2001
Fab 12 - 1st stage	38,280,800	21,372,000	November 2001
Fab 14 - 1st stage	9,711,000	7,946,600	May 2002

Interest expense capitalized for the years ended December 31, 2000 and 1999 were \$541,078 and \$845,246 respectively.

9. DEFERRED CHARGES - NET

	2000	1999
Technology	\$1,442,292	\$1,636,596
Software and system design costs	1,420,635	625,306
Technology know how	157,500	-
Bond issue costs	142,881	37,238
Patent	-	18,105
Others	172,357	63,547
	<u>\$3,335,665</u>	<u>\$2,380,792</u>

10. SHORT-TERM BANK LOANS

	2000	1999
Loan in NT Dollars:		
Secured loan, repayable by October 2001 and June 2000, annual interest of 5.8% and 0.75%~7.39% in the years of 2000 and 1999, respectively	\$329,375	\$2,037,629
Unsecured loan, repayable by June 2000, annual interest of 0.75%~7.93%	-	2,989,002
Loan in US Dollars:		
Unsecured and loan secured by mortgage, US\$105,942 thousand, repayable by December 2001, annual interest of 7.53% ~ 9.25%	3,504,466	-
	<u>\$3,833,841</u>	<u>\$5,026,631</u>

Unused credit lines as of December 31, 2000 aggregated about NT\$470,625 and US\$41,000 thousand.

11. COMMERCIAL PAPERS PAYABLE

	1999
Repayable by March 2000, annual interest of 4.40%~5.51%	\$95,000
Less - unamortized discount	(203)
	<u>\$94,797</u>

12. OBLIGATION UNDER CAPITAL LEASE

	2000	1999
Repayable through between June 30, 2001 and 2003	\$54,371	\$5,369
Current portion	(51,055)	(1,001)
	<u>\$3,316</u>	<u>\$4,368</u>

13. LONG-TERM BANK LOANS

	2000	1999
Bank loans in US Dollars:		
Unsecured and loan mortgage, US\$705,564 thousand in 2000 and US\$192,500 thousand in 1999, repayable by March 2005, annual interest of 6.91% ~ 7.663% and 6.76% ~ 6.83% in 2000 and 1999, respectively.	\$23,339,367	\$12,952,462
Bank loans in NT Dollars:		
Repayable by March 2001, interest, 6.68%~7.21%, paid in 2000.	-	9,791,000
	<u>\$23,339,367</u>	<u>\$22,743,462</u>

Unused credit lines for long-term bank loans as of December 31, 2000 aggregated to US \$62,436 thousand.

14. LONG-TERM BONDS

	2000	1999
Domestic unsecured bonds:		
Repayable in March 2003, 7.71% annual interest payable semi-annually	\$4,000,000	\$4,000,000
Repayable in November 2003, 7.12% annual interest payable annually, redeemed in November 2000	-	6,000,000
Repayable in October 2002 and 2004, 5.67% and 5.95% annual interest payable annually, respectively	10,000,000	10,000,000
Repayable in December 2005 and 2007, 5.25% and 5.36% annual interest payable annually, respectively	15,000,000	-
	<u>\$29,000,000</u>	<u>\$20,000,000</u>

15. SHAREHOLDERS' EQUITY

According to ROC Company Law, capital surplus can only be used to offset a deficit or transferred to capital.

TSMC's Articles of Incorporation provide that the following shall be appropriated from the annual net income (less any deficit):

- a. 10% legal reserve;
- b. Special reserve according to the relevant laws or the regulating authorities;
- c. Bonus to directors and supervisors and to employees equal to 1% and at least 1% of the remainder, respectively;
- d. Dividends to shareholders of preferred stock equal to 3.5% annual rate, based on outstanding period;
- e. These appropriations and the disposition of the remaining net income should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

TSMC issued nonpublic 1,300,000 thousand preferred stock - Series A to certain investors. The following are the rights of the holders of the preferred stock and other terms and conditions:

- a. Entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Not be entitled to participate in any additional shares of stock upon transfer of unappropriated earnings and capital surplus to stock.
- c. Have priority over the holders of common shares to the assets of the Company available for distribution to stockholders upon liquidation or dissolution of the Company; however, the preemptive rights to the assets shall not exceed the issue value of the shares.
- d. Have voting rights similar to that of the holders of common stock.

- e. No right to convert their shares into common stock. The preferred shares will be redeemed within thirty months from its issuance. The holders will have the foregoing rights and TSMC's related obligations will remain the same until the preferred shares are actually redeemed by TSMC.

The aforementioned appropriation for legal reserve shall be made until the reserve equals aggregate par value of TSMC's outstanding capital stock. The reserve can only be used to offset a deficit; or, when it has reached 50% of the aggregate par value of TSMC's outstanding capital stock, up to 50% thereof can be distributed as stock dividend.

The Company shall record a special reserve of \$1,091,003 from unappropriated retained earnings equivalent to the net debit balance of any item, other than a deficit, in the shareholders' equity as of December 31, 1999. The special reserve will be adjusted in proportion to the change in the net debit balance of any item in the shareholders' equity.

Under the Integrated Income Tax System that became effective on January 1, 1998, resident shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated starting January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

16. PENSION PLAN

TSMC and its subsidiaries have pension plans for all regular employees, which provides benefits based on length of service and average monthly salary for the final six months of employment.

TSMC and its subsidiaries makes monthly contributions, equal to 2% of salaries to a pension fund that is administered by a pension fund monitoring committee and deposited in the committee's name in the Central Trust of China.

The changes in the fund and accrued pension cost of TSMC and its subsidiaries are summarized as follows:

	2000	1999
a. Components of pension cost		
Service cost	\$376,689	\$272,228
Interest cost	91,234	80,694
Projected return on plan assets	(26,675)	(22,931)
Amortization	8,300	9,114
	<u>\$449,548</u>	<u>\$339,105</u>
b. Reconciliation of the fund status of the plan and accrued pension cost		
Benefit obligation		
Vested benefit obligation	\$-	\$128
Non-vested benefit obligation	763,879	447,148
Accumulated benefit obligation	763,879	447,276
Additional benefits based on future salaries	1,550,009	1,008,650
Projected benefit obligation	2,313,888	1,455,926
Fair value of plan assets	(661,099)	(390,655)
Funded status	1,652,789	1,065,271
Unrecognized prior service cost	-	-
Unrecognized net transitional obligation	(165,991)	(179,348)
Unrecognized net gain	22,737	127,684
Additional liability	-	-
Accrued pension cost	<u>\$1,509,535</u>	<u>\$1,013,607</u>

(Forward)

	2000	1999
c. Actuarial assumptions		
Discount rated used in determining present values	6.0%	6.5%
Future salary increase rate	6.0%	6.0%
Expected rate of return plan on assets	6.0%	6.5%
d. Contributions to pension fund	<u>\$95,932</u>	<u>\$83,053</u>
e. Funds transferred from TASM and WSMC	<u>\$173,339</u>	<u>\$-</u>
f. Payments from pension fund	<u>\$1,458</u>	<u>\$3,591</u>

17. INCOME TAX

a. A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax at statutory rate is shown below:

	2000	1999
Income tax expense on "income before income tax" at statutory rate	(\$12,787,660)	(\$4,889,210)
Tax-exempt income	7,770,000	3,434,802
Temporary difference	(49,497)	(221,129)
Assessed additional income tax on the unappropriated earning	(88,024)	-
Income tax expense - current	<u>(\$5,155,181)</u>	<u>(\$1,675,537)</u>

b. Income tax credits as of December 31, 2000 and 1999 consisted of:

	2000	1999
Income tax expense - current before tax credits	(\$5,155,181)	(\$1,675,537)
Tax credits	<u>5,128,024</u>	<u>1,587,000</u>
	(27,157)	(88,537)
Net change in deferred income tax assets (liabilities) for the period		
Investment tax credits	3,146,369	3,798,325
Temporary differences	(388,671)	(111,139)
Others	(73,559)	-
Valuation allowance	(1,678,791)	(1,303,500)
Adjustment of prior years' taxes	<u>189,693</u>	<u>87,633</u>
	<u>\$1,167,884</u>	<u>\$2,382,782</u>

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

	2000	1999
Current		
Investment tax credit	\$8,422,000	\$2,329,000
Accrued liabilities and others	56,016	287,618
Valuation allowance	(300,000)	-
	<u>\$8,178,016</u>	<u>\$2,616,618</u>

(Forward)

Noncurrent		
Investment tax credit	\$12,591,291	\$8,769,605
Loss carried forward	-	981,149
Interest expense	45,008	201,798
Deferred revenue	46,077	43,753
Organization cost	-	65,006
Depreciation	(857,689)	(305,358)
Others	267,831	(205,699)
	12,092,518	9,550,254
Valuation allowance	(5,462,713)	(2,543,557)
	<u>\$6,629,805</u>	<u>\$7,006,697</u>

d. Integrated income tax information:

	2000	1999
<hr/>		
Balances of the imputation credit account		
TSMC	<u>\$5,888</u>	<u>\$1,497</u>
WSMC	<u>\$-</u>	<u>\$2,116</u>
Expected and actual creditable ratio		
	2000	1999
	(Expect)	(Actual)
<hr/>		
TSMC	0.009%	0.006%
WSMC	-	-

The imputation credit allocated to each shareholder shall be based on the balance in the ICA on the date of distribution of dividends; thus the expected creditable ratio for 2000 may be adjusted according to the difference between the expected and actual imputation credit allowed under the regulation.

- e. The unappropriated retained earnings as of December 31, 2000 and 1999 included the earnings generated up to December 31, 1997 of \$4,827 and \$799,298, respectively.

The effective tax rates for deferred income tax of TSMC as of December 31, 2000 and 1999 were 7.54% and 5.9%, respectively. Its subsidiaries were 32~54% and 32%~40%, respectively. WSMC was 20% for the year ended 1999.

Unused investment tax credits arising from investments in machinery and equipment, and research and development expenditures as of December 31, 2000 will expire as follows:

Year of Expiry	Tax credits
<hr/>	
2001	4,015,461
2002	4,800,268
2003	5,738,563
2004	6,458,999
	<u>\$21,013,291</u>

The income from the following projects and services are exempt from income tax:

	Tax-Exemption Period
Expansion of second manufacturing plant and computer-aided design services, and construction of third manufacturing plant	1996 to 1999
Expansion of first and second manufacturing plants-modules A and B, third manufacturing plant, and construction of fourth manufacturing plant	1997 to 2000
Expansion of first and second manufacturing plants-modules A and B, third manufacturing plant and fourth manufacturing plant, and construction of fifth manufacturing plant	1999 to 2002

TASMC is entitled to an income tax exemption for a period of four years for the income generated. TASMC decided to commence such tax exemption from January 1, 1998 to December 31, 2000.

Income tax returns for TSMC through 1996, TASMC and WSMC through 1997, have been examined and cleared by the tax authorities. However, TASMC is contesting the assessment of tax authority for 1995, 1996, and 1997.

18. RELATED PARTY TRANSACTIONS

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

- Industrial Technology Research Institute (ITRI); the Company's chairman is one of its director.
- Philips Electronics N.V., (Philips), a major shareholder.
- Vanguard International Semiconductor Corporation (VIS), an investee.
- Systems on Silicon Manufacturing Company Pte Ltd. (SSMC), an investee.
- Winbond Electronics Corporation (Winbond); a director.
- Taisil Electronic Materials Corporation (Taisil); a director before March 6, 1999.
- Syntek Design Technology Corporation (Syntek Design); a director.

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

	2000		1999	
	Amount	%	Amount	%
<u>For the period</u>				
Sales				
ITRI	\$198,146	-	\$132,507	-
Philips and its affiliates	5,289,927	3	2,864,149	4
VIS	17,012	-	48,473	-
Winbond	-	-	625,246	1
Taisil	-	-	58,877	-
	<u>\$5,505,085</u>	<u>3</u>	<u>\$3,729,252</u>	<u>5</u>
Purchase				
VIS	\$6,572,110	19	\$381,989	3
Syntek Design	-	-	30,820	-
	<u>\$6,572,110</u>	<u>19</u>	<u>\$412,809</u>	<u>3</u>
Rental expense - ITRI	<u>\$161,575</u>	<u>14</u>	<u>\$161,488</u>	<u>54</u>
Manufacturing expenses				
Technical assistance fee - Philips	\$2,137,175	3	\$862,398	2
Technology - Winbond	-	-	300,000	1
	<u>\$2,137,175</u>	<u>3</u>	<u>\$1,162,398</u>	<u>3</u>
(Forward)				

General and administrative expenses				
Consulting fee - VIS	<u>\$-</u>	<u>-</u>	<u>\$20,400</u>	<u>-</u>
Disposal of properties - VIS	<u>\$87,189</u>	<u>37</u>	<u>\$-</u>	<u>-</u>
Non-operating income				
SSMC(mainly technical service income)	<u>\$152,347</u>	<u>3</u>	<u>\$-</u>	<u>-</u>
VIS	<u>5,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Others	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$157,989</u>	<u>3</u>	<u>\$-</u>	<u>-</u>

Under a technology development and transfer contract with Winbond in January 1997, Winbond agreed to transfer technology and provide related information and other consultant services to WSMC. WSMC agreed to pay compensation for technology development and transfer amounting to NT\$800 thousand in accordance with the progress of the construction of buildings and technology development and transfer. As of December 31, 1999, WSMC has paid the entire license fee.

Research and development expenses				
Winbond	<u>\$-</u>	<u>-</u>	<u>\$3,531</u>	<u>-</u>
<u>At end of period</u>				
Receivable				
ITRI	<u>\$56,078</u>	<u>6</u>	<u>\$18,458</u>	<u>5</u>
Philips and its affiliates	<u>643,604</u>	<u>68</u>	<u>133,245</u>	<u>39</u>
VIS	<u>159,890</u>	<u>17</u>	<u>25,674</u>	<u>8</u>
SSMC	<u>89,154</u>	<u>9</u>	<u>5,353</u>	<u>1</u>
TASMC	<u>-</u>	<u>-</u>	<u>23,117</u>	<u>7</u>
Winbond	<u>-</u>	<u>-</u>	<u>131,927</u>	<u>39</u>
Other	<u>-</u>	<u>-</u>	<u>3,164</u>	<u>1</u>
	<u>\$948,726</u>	<u>100</u>	<u>\$340,938</u>	<u>100</u>
Rental Prepayment - ITRI	<u>\$42,664</u>	<u>6</u>	<u>\$42,541</u>	<u>2</u>
Payable				
Philips and its affiliates	<u>\$797,375</u>	<u>31</u>	<u>\$305,757</u>	<u>29</u>
VIS	<u>1,808,964</u>	<u>69</u>	<u>184,741</u>	<u>18</u>
TASMC	<u>-</u>	<u>-</u>	<u>539,466</u>	<u>52</u>
Syntek Design	<u>-</u>	<u>-</u>	<u>6,385</u>	<u>1</u>
	<u>\$2,606,339</u>	<u>100</u>	<u>\$1,036,349</u>	<u>100</u>

Sales to related parties are based on regular selling prices and collection terms, except for disposal of properties and technical service, which were in accordance with the underlying contracts.

19. LONG-TERM LEASES

TSMC leases from ITRI the land, building and certain machinery and equipment of its first manufacturing facility under agreements that will expire in March 2002. The annual rent and other related charges under such agreement amount to \$170,656. The agreements can be renewed upon their expiration.

TSMC leases the lands where its second through fourteen manufacturing facilities are located from the Science-Based Industrial Park Administration. These agreements will expire on various dates from March 2008 to November 2019 and have annual rentals aggregating \$172,000. The agreements can also be renewable upon their expiration.

TSMC-North America leases its office premises and certain equipment under a non-cancelable operating agreement, which will expire in September 2020. TSMC Europe entered into an office lease agreement premise, which will expire in 2004; annual rental is \$57,379.

Future annual minimum rentals under the aforementioned leases are as follows:

Year	Amount
2001	\$433,792
2002	308,386
2003	268,387
2004	271,116
2005	269,068
2006-2020	<u>1,990,581</u>
	<u>\$3,541,330</u>

20. PLEDGED OR MORTGAGED ASSETS

Certain assets had been pledged or mortgaged as collateral for short and long-term loan, derivative financial instruments, letter of credit, customs duties, and guarantee deposits for foreign workers are as follows:

	2000	1999
Cash - for revolving credit agreement	\$-	\$3,161,693
Short-term investments	<u>937,428</u>	-
Properties (net) - for bank loans	<u>7,171,081</u>	<u>46,343,950</u>
	<u>\$8,108,509</u>	<u>\$49,505,643</u>

Other than the collateral stated above, all of WaferTech LLC,'s assets (in US\$1,243,996 thousand) is secured for the long-term bank loans under the credit facility.

21. COMMITMENTS AS OF DECEMBER 31, 2000

The commitments as of December 31,2000 are as follows:

- a. Under a Technical Cooperation Agreement with Philips, as amended on May 12, 1997, TSMC shall pay technical assistance fee at a percentage of net sales, as defined in the agreement, of certain products. The agreement shall remain in force up to July 9, 2007 and thereafter be automatically renewed for successive periods of three years. Under the amended agreement, the fee is subject to deduction by the amounts TSMC pays to any third party for settling any licensing/infringement issue after the first five-year period of the amended agreement, provided that the fee after reduction will not be below a certain percentage of the net selling price.
- b. Subject to certain equity ownership and notification requirements, Philips and its affiliates can avail themselves each year up to 30% of TSMC's production capacity.
- c. Under a Submicron Technology License Agreement with ITRI, TSMC shall pay license fees of \$129,400 (including 5% value-added tax) to ITRI plus royalty fee at an agreed percentage of net sales of certain products through December 31, 2000 as amended. In addition, under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- d. Under several foundry agreements, TSMC shall allocate a portion of its production output for sale to certain major customers from whom guarantee deposits of US\$213,865 thousand had been received as of December 31, 2000.
- e. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. dated March 30, 1999, the parties agreed to: (a) form a joint venture company to be named Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) for the purpose of constructing an integrated circuit foundry in Singapore, (b) set SSMC's total authorized capital at about US\$1.2 billion, and, (c) allow TSMC to invest 32% of SSMC's capital.

TSMC and Philips committed to buy a certain percentage of the production capacity of SSMC. If any party defaults on the agreement and the capacity utilization of SSMC falls below a certain percentage of its total capacity, the defaulting party should compensate SSMC for all related unavoidable costs.

- f. Under a Technical Cooperation Agreement with SSMC entered into on May 12, 1999, SSMC shall compensate TSMC for technology service provided to SSMC. The compensation shall be a certain percentage of net selling prices of certain products sold by SSMC. The agreement will remain in force for ten years and be automatically renewed for successive periods of five years unless predetermined by either party under certain conditions.
- g. Under a Technical Transfer Agreement with National Semiconductor Corporation ("National") entered into on June 27, 2000, TSMC shall receive payments for the technology transferred to National. The agreement will remain in force for ten years. After expiration, this agreement will be automatically renewed for successive periods of two years unless pre-terminated by either party under certain conditions.
- h. TSMC entered into a Manufacturing Agreement with Vanguard International Semiconductor Corp. ("VIS"). VIS agrees to reserve certain capacity to manufacture for TSMC certain devices on logic or other technologies required by TSMC's customers, at discounted actual setting prices as agreed by the parties. VIS shall return certain amount of the Bond without any interest to TSMC for some wafers ordered by TSMC. The contract will remain in force for five years.
- i. Under a management agreement, InveStar capital Inc. and InveStar capital Inc. II., (ISC) of the Cayman Islands provides investment and administrative services to TSMC. ISC should receive quarterly, starting from October 1, 1996, a management fee of 2% each year of total weighted average paid-in capital and capital surplus of TSMC, excluding retained earnings and losses.
- j. WaferTech had recorded a reserve of US\$16,000 thousand for a litigation arising from a charge by certain contractors that Wafertech caused the contractors to incur additional labor and material costs outside the contracts. The reserve is reflected in accrued construction and equipment payable with the offset to construction in progress. On January 19, 2000, WaferTech entered into a settlement agreement with one of the construction contractors in the amount of US\$10,750 thousand. Payment of the settlement amount will be made in four installments throughout fiscal year 2000. The remaining accrued reserve of US\$5,250 thousand is sufficient for payments to the other construction contractors.
- k. In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. Under the 1997 amendment, the Board of Directors approved the Senior Executive Incentive Plan and the Employee Incentive Plan ("Plan") under which officers, key employees and nonemployee directors may be granted option rights. However, WaferTech is a limited liability company and does not have shares of stock. Thus, each option right granted under the Plan provides grantees rights to buy ownership interests in WaferTech. The Plans also provides for approximately 6% of the total ownership interests to be available for grant, represented by 15.15 million-option rights. For option rights granted to date, the option purchase price exceeded fair value as of the date of the grant. While WaferTech may grant employees option rights that are exercisable at different times or within different periods, it has generally granted option rights which are exercisable on a cumulative basis in annual installments of 25% each on the first, second, third, and fourth anniversaries of the date of grant.

The following table summarizes information about the Plans:

	Option Rights Available for Grant	Outstanding Option Rights	
		Number of Option Rights	Exercise price (US\$)
Balance, December 31, 1998	6,400,252	7,099,748	\$0.74
Options granted			
Option price > fair market value	(3,084,305)	3,084,305	0.86
Options exercised	-	(1,119,323)	0.74
Options cancelled	<u>838,650</u>	<u>(838,650)</u>	0.74
Balance, December 31, 1999	4,154,597	8,226,080	0.78
Additional option rights authorized	1,650,000	-	-
Options granted			
Option price > fair market value	(3,203,302)	3,203,302	1.86
Options exercised	-	(3,411,867)	0.74
Options cancelled	<u>1,180,871</u>	<u>(1,180,871)</u>	1.09
Balance, December 31, 2000	<u>3,782,166</u>	<u>6,836,644</u>	1.23

These options will expire if not exercised at specific dates between May 2006 to December 2010.

- l. WaferTech, LLC was assessed by the Department of Revenue of the State of Washington deficiency excise taxes of approximately US\$8,800 thousand. WaferTech, LLC intends to appeal the assessment. As of December 31, 2000, WaferTech, has recorded a reserve that management believes is sufficient to address any exposure related to this tax assessment.
- m. TSMC-North America started a stock appreciation right program whereby the employees received cash bonuses based on the appreciation of the quoted market price of the shares of stock of TSMC. Compensation expenses are recorded based on the difference between the grant price and market price at the end of each period. This expense is recognized ratably over the vesting period and adjusted based on period fluctuations in the stock. In view of depreciation of the stock from December 1 to December 31, 2000, TSMC-North America did not have any compensation expense or liability related to this program.
- n. As of TSMC provided a guarantee for loans of US\$268,000 thousand and US\$40,000 thousand obtained by TSMC Development, Inc. and TSMC-North America.
- o. Unused credit lines for TSMC as of December 31, 2000 were approximately \$250,338.

22. ADDITIONAL DISCLOSURES

The followings are the additional disclosure requirements for TSMC and affiliates pursuant to SFC requirements:

- a. Financing provided to other parties: Please see table 1 attached.
- b. Collateral provided to other parties: Please see table 2 attached.
- c. Marketable Securities held: Please see table 3 attached.
- d. Balance of marketable securities acquired and disposed of, exceeding 100 million or 20% of the issued capital: Please see table 4 attached.
- e. Acquisition of properties exceeding 100 million or 20% of the issued capital: Please see table 5 attached.
- f. Disposal of properties exceeding 100 million or 20% of the issued capital: None.
- g. Transaction of purchase or sales with related parties amounting to more than 100 million or 20% of the issued capital: Please see table 6 attached.
- h. Receivables from related parties amounting to more than 100 million or 20% of the issued capital: Please see table 7 attached.

i. Information regarding names, locations and others of investee on which the Company exercises significant influences: Please see table 8 attached.

j. Transactions of derivative financial instruments:

The relevant information on the derivative financial instruments entered into by the Company and subsidiaries are as follows:

1) Outstanding forward exchange contracts as of December 31, 2000:

	Currency	Contract Amount (Thousand)	Fair Value (Thousand)	Settlement Date	Maturity Amount (Thousand)
Buy	US\$	US\$ 60,000	NTD 1,978,998	Jan. 2001	NTD 1,989,006
Buy	EUR	EUR 28,968	US\$ 27,080	Jan. to Sep. 2001	US\$ 26,823
Buy	JPY	JPY 42,772	US\$ 374	Jan. 2001	US\$ 374
Sell	US\$	US\$ 106,993	NTD 3,582,959	Jan. to Feb. 2001	NTD 3,553,080
Sell	US\$	US\$ 156,875	NTD 5,100,386	Jan. 2001	NTD 5,091,560
Sell	US\$	US\$ 365,000	NTD 12,105,459	Jan. to Dec. 2001	NTD 12,032,465

Receivables from forward exchange contracts (shown in the balance sheet as part of "Other current assets" account) as of December 31, 2000 aggregated to \$119,227 and payables from forward exchange contracts (shown in the balance sheet as part of "Other current liabilities" account) aggregated to \$180,256 as of December 31, 2000. Net exchange gains for the year ended December 31, 2000 was \$266,393 .

The net assets or liabilities that have been hedged by the above forward exchange contracts are as follows:

	Amount (Thousand)	
	2000	
Accounts receivable	US\$	813,685
Payable to contractors and equipment suppliers	US\$	571,332
	JPY	21,237,708
	EUR	62,480

2) Interest rate swaps

TSMC has entered into interest rate swap transactions to hedge exposure to rising interest rates on its floating rate long-term bank loans. These significant transactions are summarized as follows:

Contract Date	Period	Amount
April 28, 1998	May 21, 1998 to May 21, 2003	\$2,000,000
April 29, 1998	May 21, 1998 to May 21, 2003	1,000,000
June 26, 1998	June 26, 1998 to June 26, 2003	1,000,000
June 26, 1998	July 6, 1998 to July 6, 2003	1,000,000

Interest expenses on these transactions for the years ended December 31, 2000 was \$113,683.

3) Option contracts

Outstanding option contracts as of December 31, 2000 were as follows:

Contract	Currency	Contract Amount (Thousands)	Carrying Value	Fair Value	Strike Price	Maturity
Put option sell	EUR	EUR 525,537	\$-	(\$189,735)	0.8870~0.9680(US\$/EUR)	May 2001
Call option sell	US\$	US\$ 203,500	-	(264,885)	107.77~110.5(US\$/JPY)	Mar. 2001
Call option sell	US\$	US\$ 20,000	-	(1,485)	32.42(US\$/NTD)	Jan. 2001
Put option buy	US\$	US\$ 15,000	-	37	110~110.5(US\$/JPY)	Feb.2001

For the year ended December 31, 2000, TSMC realized premium income of \$116,248 on foreign currency options written and incurred premium expenses of \$108,133 on foreign currency options bought.

4) Transaction risk

a) Credit risk. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposures related to the potential default by those counter parties are low.

b) Market price risk. The Company is exposed to market risks arising from changes in currency exchange rates due to U.S. dollar-denominated accounts receivable, Yen-dominated accounts payable, Euro-denominated accounts payables, and U.S. dollar-denominated debt related to its importation of materials and machinery and equipment and long-term bank loans. The Company enters into forward contracts and option contracts to manage its exposures. The Company uses interest rate swap contracts with banks to principally manage the risks arising from the changes in interest rates of its obligations. It enters into financial derivative contracts based on analysis of specific and known economic exposures and by policy prohibits entering into such contracts for trading purposes. Its hedging strategy is to use financial instruments having negative correlation to fair value of the hedged items as hedging instruments and periodically evaluates the effectiveness of these instruments as hedges of its interest rate exposures.

c) Liquidity and cash flow requirements. The cash flow requirements with respect to the Company's derivative financial instruments are as follows: (i) forward contracts - the net differences between the spot rates and contracted forward rates, (ii) options - the exercise price but the options may not have to be exercised at all in cases where the strike price is higher than the related market price at exercise dates, and (iii) interest rate swap agreements - equal to the net difference between the interest receivables and payables under the agreements.

5) Fair value of financial instruments

	December 31, 2000		December 31, 1999	
	Carrying/ Notional Amount	Fair Value	Carrying/ Notional Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$38,840,217	\$38,840,217	\$29,517,682	\$29,517,682
Short-term investments	2,351,560	2,351,560	965,397	965,397
Receivables from related parties	948,726	948,726	340,938	340,938
Accounts and notes receivable	27,055,432	27,055,432	13,321,987	13,321,987
Long-term investments	9,814,342	14,353,717	16,164,676	28,181,143
Refundable deposits	979,067	979,067	59,371	59,371
Pledge time deposits	-	-	3,161,693	3,161,693
<u>Liabilities</u>				
Short-term bank loan	3,833,841	3,833,841	5,026,631	5,026,631
Commercial paper payable	-	-	94,797	94,797
Payable to related parties	2,606,339	2,606,339	1,036,349	1,036,349
Accounts payable	8,507,827	8,507,827	3,273,894	3,273,894
Payable to contractor and equipment suppliers	25,550,273	25,550,273	12,593,712	12,593,712
Long-term liabilities (including current portion)	23,390,422	23,390,422	23,390,422	22,748,831
Long-term bonds	29,000,000	29,035,803	20,000,000	20,222,611
Guarantee deposits	7,086,379	7,086,379	5,185,362	5,185,362

(Forward)

Derivative financial instruments

Forward exchange contracts (buy)	2,820,220	2,887,126	2,372,219	2,306,638
Forward exchange contracts (sell)	20,802,311	20,788,804	3,998,698	3,998,108
Interest rate swaps	1,601	234,017	7,488	7,488
Option	-	(456,068)	6,946	6,946

Fair values of financial instruments were determined as follows:

- Short-term financial instruments - carrying values.
- Short-term investments - market values.
- Long-term investments - market value for listed companies and net equity value for the others.
- Refundable deposits and guarantees deposits - carrying values.
- Long-term liabilities - based on forecasted cash flows discounted at interest rates of similar long-term liabilities. Long-term bonds payable is discounted at present value. Fair values of other long-term liabilities are also their carrying values as they use floating interest rates.
- Derivative financial instruments - based on outright forward rates and interest rate in each contract.

The fair values of 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 are not equal the fair value of the Company.

23. SEGMENT FINANCIAL INFORMATION

- Geographic information:

	Overseas	Domestic	Adjustments and Elimination	Consolidated
<u>2000</u>				
Sales to unaffiliated customers	\$-	\$166,197,604	\$-	\$166,197,604
Transfers between geographic areas	14,451,231	30,816	(14,482,047)	-
Total sales	<u>\$14,451,231</u>	<u>\$166,228,420</u>	<u>(\$14,482,047)</u>	<u>\$166,197,604</u>
Gross profit	<u>\$3,970,099</u>	<u>\$73,924,745</u>	<u>(\$1,379,004)</u>	<u>\$76,515,840</u>
Operating expenses				(15,221,152)
Non-operating income				6,227,936
Non-operating expenses				(3,621,100)
Income before income tax				<u>\$63,901,524</u>
Minority interest loss				<u>\$36,786</u>
Identifiable assets	<u>\$64,659,712</u>	<u>\$320,273,323</u>	<u>(\$23,861,398)</u>	<u>\$361,071,637</u>
Long-term investments				9,814,342
Total assets				<u>\$370,885,979</u>

(Forward)

<u>1999</u>				
Sales to unaffiliated customers	\$5,193,000	\$71,112,102	\$-	\$76,305,102
Transfers between geographic areas	<u>975,431</u>	<u>4,696,218</u>	<u>(5,671,649)</u>	<u>-</u>
Total sales	<u>\$6,168,431</u>	<u>\$75,808,320</u>	<u>(\$5,671,649)</u>	<u>\$76,305,102</u>
Gross profit	<u>\$5,670,076</u>	<u>\$30,069,272</u>	<u>(\$5,671,649)</u>	<u>\$30,067,699</u>
Operating expenses				(7,797,710)
Non-operating income				1,682,327
Non-operating expenses				<u>(3,324,002)</u>
Income before income tax				<u>\$20,628,314</u>
Minority interest				<u>\$515,898</u>
Identifiable assets	<u>\$34,807,935</u>	<u>\$185,054,075</u>	<u>(\$591,172)</u>	<u>\$219,270,838</u>
Long-term investments				<u>16,164,676</u>
Total assets				<u>\$235,435,514</u>

b. Gross export sales

Area	2000	1999
America	\$81,655,987	\$38,418,426
Asia	42,906,968	16,744,842
Europe	11,360,517	4,778,646
	<u>\$135,923,472</u>	<u>\$59,941,914</u>

The export sales information is presented by billed regions.

c. TSMC and subsidiaries has no single customer that accounts for at least 10% of its total sales.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 1

No.	Financing Provider Company Name	Transaction Entry	Accounts	Limitation Entry on Financing	Maximum Balance for the Period	Ending Balance (Thousand)	Interest Rate	Financing Reasons	Allowance for Bad Debt	Mortgage Item Value	Transaction Amount	Amount Limited on Financing
2	VIS	VIS America	Prepaid expenses	(Note 1)	\$6,122	\$1,232	-	Prepayments for product development	-	-	\$5,706	\$4,400,000 (Note 2)

Note 1: Not exceeding 10% of the issued capital of VIS for each transaction entity, and also limiting to 30% of the issued capital of each transaction entity.

Note 2: Not exceeding 20% of the issued capital of VIS.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

COLLATERAL PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 2

No.	Collateral Provider Name	Transaction Entity Name	Nature of the Relationship (Note 3)	Limitation on Collateral	Maximum Balance for the Period (US in Thousand)	Ending Balance (US in Thousand)	Amount of Properties Guaranteed by Collateral	% of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement	Amount Limited on Collateral (Note 1)
0	TSMC	TSMC Development Inc.	3	(Note 2)	\$8,865,172 (USD268,000)	\$8,865,172 (USD268,000)	\$8,865,172	3.39%	\$38,968,094
		TSMC - North America	2		1,323,160 (USD40,000)	1,323,160 (USD40,000)	1,323,160	0.51%	

Note 1: 30% of the issued capital of TSMC.

Note 2: Not exceeding 10% of the issued capital of the Company, and also limiting to the issued capital of the transaction entity with the exception of approval from BOD.

Note 3: The number 2 represent subsidiary that directly holds exceeding 50% of the issued.

The number 3 represents the investee that has over 50% of the common stocks holds by the parent company and subsidiary.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

December 31, 2000

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

Table 3

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: TSMC							
VIS - Stock	Investee	Long-term investment	556,133	\$5,615,075	25	\$8,642,314	
SSMC - Stock	Investee	Long-term investment	90	935,870	32	935,870	
Taiwan Mask Corp. - Stock	-	Long-term investment	6,887	32,129	2	87,325	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	10,058	146,250	10	155,041	
Shin-Etsu Handotai Taiwan Co., Ltd. - Stock	-	Long-term investment	10,500	105,000	7	105,476	
W.K. Technology Fund IV - Stock	-	Long-term investment	5,000	50,000	4	81,059	
Taiwan Semiconductor Technology Corp. - Stock	-	Long-term investment	50,000	500,000	19	434,385	
Hon Tung Ventures Capital - Stock	-	Long-term investment	12,000	120,000	10	125,927	
Crimson Asia Capital Fund - Equity	-	Long-term investment	-	64,547	N/A	64,547	
Horizon Ventures Fund - Equity	-	Long-term investment	-	93,304	N/A	93,304	
Held Company Name: Chi Cherng Investment							
TSMC - Stock	Major shareholder	Short-term investment	2,160	98,282	-	184,451	
Held Company Name: Kung Cherng Investment							
TSMC - Stock	Major shareholder	Short-term investment	4,827	226,819	-	412,317	4,827 thousands shares-pledged
Held Company Name: Po Cherng Investment							
TSMC - Stock	Major shareholder	Short-term investment	3,814	236,150	-	325,790	2,814 thousands shares-pledged
Held Company Name: Cherng Huei Investment							
TSMC - Stock	Major shareholder	Short-term investment	4,298	243,391	-	367,074	3,297 thousands shares-pledged

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: Chi Hsin Investment							
TSMC - Stock	Major shareholder	Short-term investment	2,544	138,747	-	217,270	2,543 thousands shares-pledged
Held Company Name: Hsin Ruey Investment							
TSMC - Stock	Major shareholder	Short-term investment	1,006	85,850	-	85,936	
Held Company Name: TSMC-BVI							
3DFX. Interactive Inc. - Stock	-	Long-term investment	68	USD297	-	USD84	
Held Company Name: VIS							
VIS Associates Inc. - Stock	Subsidiary	Long-term investment	23,570	\$464,077	100	\$464,077	
PowerChip Semiconductor Inc.- Stock	Investee	Long-term investment	168,488	2,651,216	9	3,315,837	
Etron Technology Inc. - Stock	-	Long-term investment	5,590	310,132	3	278,118	
Walsin Technology Inc. - Stock	Investee	Long-term investment	31,410	414,481	10	414,481	
MEGIC Corporation - Stock	-	Long-term investment	16,500	177,000	15	177,000	
Form Factor Inc. - Stock	-	Long-term investment	267	64,360	1	64,360	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	2,313	29,250	2	29,250	
Held Company Name: TSMC Partners							
TSMC - ADR	Parent Company	Short-term investment	495	USD7,357	-	USD8,916	
Held Company Name: InveStar Semiconductor Development Fund Inc.							
Silicon Image, Inc. - Stock	-	Short-term investment	411	USD720	-	USD2,237	
Sage, Inc. - Stock	-	Short-term investment	140	USD506	-	USD2,065	
Centillum Tec. Corp. - Stock	-	Short-term investment	165	USD650	-	USD3,671	
Marvell Technology Group Ltd. - Stock	-	Short-term investment	4,665	USD4,579	-	USD102,347	
Silicon Labo Ratories - Stock	-	Short-term investment	15	USD482	-	USD219	
Programmable Microelectronics - Stock	-	Long-term investment	1,113	USD1,500	-	USD1,500	
Capella Microsystems, Inc. - Stock	-	Long-term investment	42	USD10	-	USD10	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Equator Technologies, Inc. - Stock	-	Long-term investment	133	USD90	-	USD260	
Scenix Semiconductor Inc. - Stock	-	Long-term investment	861	USD172	-	USD172	
Global Test Corp. - Stock	-	Long-term investment	11,292	USD5,559	-	USD9,242	
Chip strate - Stock	-	Long-term investment	6,660	USD2,142	-	USD2,190	
Ritch Tech - Stock	-	Long-term investment	790	USD313	-	USD302	
APE Fu Ding Technology - Stock	-	Long-term investment	2,750	USD1,518	-	USD1,411	
Integrated Memory Logic, Inc. - Preferred Stock	-	Long-term investment	1,831	USD1,809	-	USD2,559	
Divio (Next wave) - Preferred Stock	-	Long-term investment	667	USD500	-	USD2,233	
SiRF Technology Inc. - Preferred Stock	-	Long-term investment	306	USD1,333	-	USD1,771	
Rise - preferred Stock	-	Long-term investment	600	USD1,500	-	USD1,500	
Capella Microsystems, Inc. - Preferred Stock	-	Long-term investment	1,383	USD1,298	-	USD1,383	
Sensory, Inc. - Preferred Stock	-	Long-term investment	1,404	USD1,250	-	USD1,250	
Equator Technologies, Inc. - Preferred Stock	-	Long-term investment	443	USD1,338	-	USD864	
Light Speed Semiconductor Corporation - Preferred Stock	-	Long-term investment	2,252	USD3,064	-	USD5,639	
Empower Tel Networks, Inc. - Preferred Stock	-	Long-term investment	3,840	USD5,128	-	USD14,980	
Lara Technology, Inc. - Preferred Stock	-	Long-term investment	1,544	USD772	-	USD10,034	
Scenix Semiconductor Inc. - Preferred Stock	-	Long-term investment	1,056	USD1,361	-	USD2,919	
RapidSteam - Preferred Stock	-	Long-term investment	2,056	USD1,050	-	USD7,286	
Tropian, Inc (Premier R.F., Inc.) - Preferred Stock	-	Long-term investment	1,758	USD2,334	-	USD7,498	
Sonics, Inc. - Preferred Stock	-	Long-term investment	2,686	USD3,530	-	USD4,110	
Pico Turbo, Inc - Preferred Stock	-	Long-term investment	1,050	USD1,250	-	USD1,250	
T-Span Systems Corporation - Preferred Stock	-	Long-term investment	1,266	USD1,385	-	USD3,653	
NanoAmp Solutions, Inc. - Preferred Stock	-	Long-term investment	541	USD853	-	USD1,900	
Formfactor, Inc. - Preferred Stock	-	Long-term investment	267	USD2,000	-	USD2,747	
Monolithic Power Systems, Inc - Preferred Stock	-	Long-term investment	2,521	USD2,000	-	USD2,000	

(Forward)

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship	Market Value or Net Asset Value (US in Thousand)	
Memsic, Inc - Preferred Stock	-	Long-term investment	3	USD1,500	-	USD1,500	
Reflectivity, Inc. - Preferred Stock	-	Long-term investment	1,064	USD2,000	-	USD2,000	
Signia - Preferred Stock	-	Long-term investment	3,000	USD1,500	-	USD1,500	
Match Lab, Inc. - Preferred Stock	-	Long-term investment	1,875	USD1,500	-	USD1,500	
HINT Corporation - Preferred Stock	-	Long-term investment	1,000	USD1,000	-	USD1,000	
Creosys, Inc. - Preferred Stock	-	Long-term investment	1,500	USD1,500	-	USD1,500	
Incentia Design Systems, Inc. - Preferred Stock	-	Long-term investment	286	USD500	-	USD500	
Rise - Bond	-	Long-term investment	N/A	USD300	-	USD300	

Held Company Name: InveStar Semiconductor Development Fund (II) Inc.

Lara Networks, Inc. - Preferred Stock	-	Long-term investment	188	USD1,500	-	USD1,500
Seagull Semiconductor, Inc. - Preferred Stock	-	Long-term investment	1,389	USD1,250	-	USD1,250
Memsic, Inc. - Preferred Stock	-	Long-term investment	1,818	USD1,000	-	USD1,000
OEpic - Preferred Stock	-	Long-term investment	600	USD750	-	USD750
FabCentric, Inc. - Preferred Stock	-	Long-term investment	500	USD250	-	USD250
Equator Technologies, Inc. - Preferred Stock	-	Long-term investment	770	USD1,501	-	USD1,501
NanAmp Solutions, Inc. - Preferred Stock	-	Long-term investment	250	USD1,000	-	USD1,000
RapidStream, Inc. - Preferred Stock	-	Long-term investment	246	USD1,057	-	USD1,057
FabCentric, Inc. - Bond	-	Long-term investment	N/A	USD250	-	USD250
Signia Technologies, Inc. - Bond	-	Long-term investment	N/A	USD500	-	USD500
Advanced Analogic Technology, Inc. - Bond	-	Long-term investment	N/A	USD1,250	-	USD1,250

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

BALANCE OF MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF EXCEEDING 100 MILLION OR 20% OF THE ISSUED CAPITAL

For the Year Ended December 31, 2000

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

Table 4

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
				Shares (Thousand)	Amount	Shares (Thousand)	Amount (US in Thousand)	Share (Thousand)	Amount (US in Thousand)	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount (US in Thousand)
Company Name: TSMC													
Taipei Bank Stock	Short-term investment	-	-	8,750	\$236,250	-	\$-	8,750	\$288,719	\$236,250	\$52,469	-	\$-
The Wan Pao Securities Investment Trust Fund	Short-term investment	-	-	-	-	18,207	230,000	18,207	231,644	230,000	1,644	-	-
Kwang Hua Bond Fund	Short-term investment	-	-	-	-	25,495	323,000	25,495	326,273	323,000	3,273	-	-
Jin-sun Bond Fund	Short-term investment	-	-	-	-	26,382	300,000	26,382	302,604	300,000	2,604	-	-
Capital Safe Income Securities Investment Trust Fund	Short-term investment	-	-	-	-	24,468	300,000	24,468	302,748	300,000	2,748	-	-
First Global Investment Trust Wan Tai Bond Fund	Short-term investment	-	-	-	-	25,484	300,000	25,484	302,523	300,000	2,523	-	-
President Home Run Bond Fund	Short-term investment	-	-	-	-	28,222	332,000	28,222	333,627	332,000	1,627	-	-
Grand Cathay Bond Fund	Short-term investment	-	-	-	-	57,900	630,000	57,900	633,522	630,000	3,522	-	-
The GP ROC Bond Fund	Short-term investment	-	-	-	-	26,842	340,000	26,842	341,476	340,000	1,476	-	-
Flemings Taiwan Bond Fund	Short-term investment	-	-	-	-	25,593	330,000	25,593	332,564	330,000	2,564	-	-
National Investment Taiwan Bond Fund	Short-term investment	-	-	-	-	25,556	300,000	25,556	301,955	300,000	1,955	-	-
National Investment Bond Fund	Short-term investment	-	-	-	-	2,956	410,000	2,956	411,752	410,000	1,752	-	-
United Bond Fund	Short-term investment	-	-	-	-	30,054	330,000	30,054	331,605	300,000	1,605	-	-
President Investment Bond Fund	Short-term investment	-	-	-	-	46,405	600,000	46,405	603,210	600,000	3,210	-	-
VIS Stock	Long-term investment	VIS	Investee	556,133	5,010,897	-	-	-	-	-	-	556,133	5,615,075
SSMC Stock	Long-term investment	SSMC	Investee	26	360,177	64	989,690	-	-	-	-	90	935,870

(Forward)

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
				Shares (Thousand)	Amount	Shares (Thousand)	Amount (US in Thousand)	Share (Thousand)	Amount (US in Thousand)	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount (US in Thousand)
Company Name: Kung Cherng Investment													
TSMC Stock	Short-term investment	-	-	984	\$50,509	4,682	\$219,376	839	\$172,270	\$43,066	\$129,204	4,827	\$226,819
Company Name: Po Cherng Investment													
TSMC Stock	Short-term investment	-	-	642	88,519	3,603	206,936	430	88,166	59,306	28,860	3,814	236,150
Company Name: Cherng Huei Investment													
TSMC Stock	Short-term investment	-	-	642	88,732	4,288	239,512	632	119,571	84,853	34,718	4,298	243,391
Company Name: Chi Hsin Investment													
TSMC Stock	Short-term investment	-	-	642	87,157	2,439	124,547	537	110,211	72,957	37,254	2,544	138,747
Company Name: TSMC Partners													
TSMC ADR	Short-term investment	-	-	302	USD3,703	193	USD3,654	-	-	-	-	495	USD7,357
Company Name: InveStar Semiconductor Development Fund Inc.													
Empower Tel Networks, Inc. Stock	Long-term investment	Empower Tel Networks, Inc.	Investee	3,087	USD1,878	752	USD3,250	-	-	-	-	3,840	USD5,128
Global Test Corp. Stock	Long-term investment	Global Test Corp.	Investee	7,500	USD2,281	3,792	USD3,278	-	-	-	-	11,292	USD5,559
Company Name: VIS													
The GP Bond Fund	-	-	-	-	-	58,761	750,000	58,761	761,731	750,000	11,731	-	-
Kwang Hua Bond Fund	-	-	-	-	-	42,671	550,000	42,671	558,584	550,000	8,584	-	-
Ta Chong Investment Bond Fund	-	-	-	-	-	16,199	180,000	16,199	182,393	180,000	2,393	-	-
National Investment Bond Fund	-	-	-	-	-	3,921	550,000	3,921	558,516	550,000	8,516	-	-
First Global Investment Trust Wan Tai Bond Fund	-	-	-	-	-	45,921	550,000	45,921	558,212	550,000	8,212	-	-
Money Mgmt Fund	-	-	-	-	-	31,415	400,000	31,415	404,997	400,000	4,997	-	-
Grand Cathay Bond Fund	-	-	-	-	-	21,446	240,000	21,446	242,656	240,000	2,656	-	-

Note 1: The ending balance included the recognition of the investment income (loss) by the equity method and the accumulated translation adjustment.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

ACQUISITION OF PROPERTIES EXCEEDING 100 MILLION OR 20% OF ISSUED CAPITAL

For the Year Ended December 31, 2000

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

Table 5

Company Name: TSMC												
Properties	Transaction Date	Transaction Amount	Payment Term	Transaction Entity	Nature of the Relationship	Former Transaction Detail when Transacting with Related Parties				Reference of Price Determined	Purpose of Acquisition	Other Commitments
						Owner	Relationship	Transfer Date	Amount			
Fab 6 and office	Feb. 16, 2000 ~ Dec. 31, 2000	\$3,254,412	Depend on the progress of the construction	Fu Tsu Construction Co. Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

TRANSACTION OF PURCHASE OR SALES WITH RELATED PARTIES AMOUNTING TO MORE THAN 100 MILLION OR 20% OF THE ISSUED CAPITAL

For the Year Ended December 31, 2000

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

Table 6

Company Name: TSMC										
Transaction Entity	Nature of the Relationship	Purchase or Sales	Transaction Detail			Abnormal Transaction		Notes, Accounts Payable or Receivables		Note
			Amount	%	Collection Terms	Unit Price	Collection Terms	Ending Balance	%	
ITRI	It's director is TSMC's chairman	Sales	\$198,146	-	Net 45 days from monthly closing date	None	None	\$56,078	6	
Phillips and its affiliates	Major shareholder	Sales	5,289,927	3	Net 30 days from invoice date	None	None	643,604	68	
VIS	Investee	Purchase	6,572,110	19	Net 45 days from monthly closing date	None	None	(1,808,964)	(69)	

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO MORE THAN 100 MILLION OR 20% OF THE ISSUED CAPITAL

December 31, 2000

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

Table 7

Company Name: TSMC

Transaction Entity	Nature of the Relationship	Ending Balance	Turnover	Overdue Amount	Overdue Management	Amounts Received from Dec. 31, 2000 Up-to-Date	Allowance for Bad Debts
Phillips and its affiliates	Major shareholder	\$643,604	27days	\$175,828	Accelerate demand on account receivables	\$193,403	\$-
VIS	Investee	159,890	N/A	10,080	Accelerate demand on account receivables	-	-

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

INFORMATION REGARDING NAMES, LOCATIONS AND OTHERS OF INVESTEE ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES

December 31, 2000

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

Table 8

Company Name: TSMC

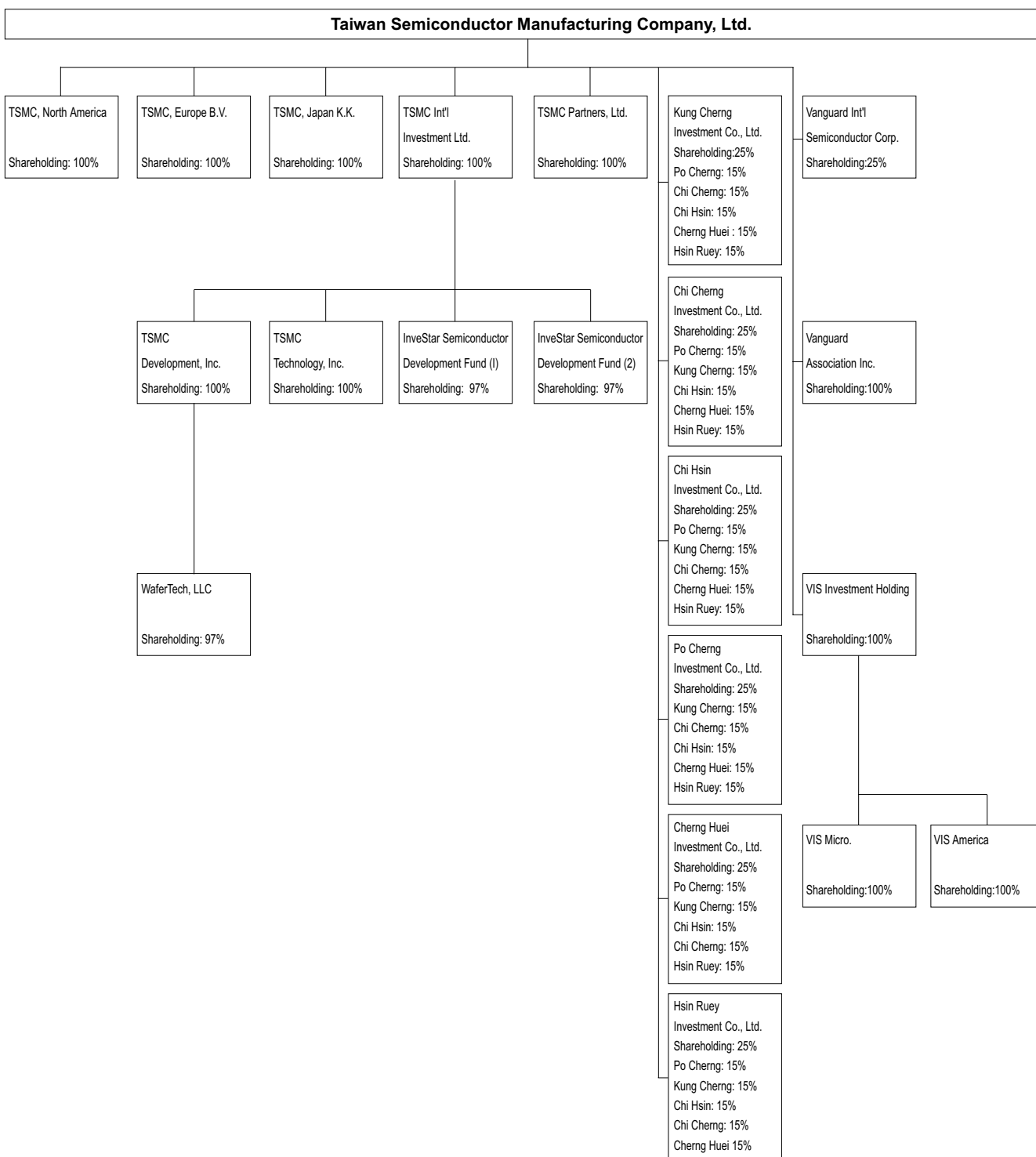
Investee	Location	Businesses Activity	Original Investment Amount		Balance as of Dec. 31, 2000			Net income (Loss) of the Investee	Investment Gain (Loss)	Note
			Dec. 31, 2000	Dec. 31, 1999	Shares (Thousand)	%	Carrying Value			
VIS	Hsin-Chu, Taiwan	IC Design and manufacturing	\$6,503,640	\$6,503,640	556,133	25	\$5,615,075	\$2,573,745	\$597,812	Investee
SSMC	Singapore	Manufacture of wafer	1,432,482	442,792	90	32	935,870	(1,480,190)	(473,661)	Investee

Special Notes

1. Affiliates Information

(1) TSMC Affiliated Companies Chart

Unit: Shares, %



(2) TSMC Affiliated Companies
December 31, 2000

Unit: NT(US, NLG, JPY) \$K

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
TSMC, North America	Jan. 18, 1988	San Jose, California, USA	US\$ 11,000	Marketing & Engineering support
TSMC, Europe B.V.	Mar. 4, 1994	Amsterdam, The Netherlands	NLG 200	Marketing & Engineering support
TSMC, Japan K.K.	Sep. 10, 1997	Yokohama, Japan	JPY 120,000	Marketing & Engineering support
TSMC Int'l Investment Ltd.	Apr. 9, 1996	Tortola, British Virgin Islands	US\$ 779,788	Investment
TSMC Partners, Ltd.	Mar. 26, 1998	Tortola, British Virgin Islands	US\$ 300	Investment
TSMC Development, Inc.	Feb. 16, 1996	Delaware, USA	US\$ 734,403	Investment
TSMC Technology, Inc.	Feb. 20, 1996	Delaware, USA	US\$ 0.001	Investment
InveStar Semiconductor Development Fund Inc.	Sep. 10, 1996	Cayman Island	US\$ 46,350	Investment
InveStar Semiconductor Development Fund(II) Inc.	Aug. 25, 2000	Cayman Island	US\$ 14,369	Investment
Wafertech, LLC	Jun. 3, 1996	Washington, USA	US\$ 769,927	Wafer Manufacturing
Po Cherng Investment Co., Ltd.	Jul. 6, 1998	Taipei, Taiwan	NT\$ 400,000	Investment
Chi Hsin Investment Co., Ltd.	Jul. 6, 1998	Taipei, Taiwan	NT\$ 400,000	Investment
Cherng Huei Investment Co., Ltd.	Jul. 10, 1998	Taipei, Taiwan	NT\$ 400,000	Investment
Hsin Ruey Investment Co., Ltd.	Jul. 13, 1998	Taipei, Taiwan	NT\$ 400,000	Investment
Kung Cherng Investment Co., Ltd.	Jul. 14, 1998	Taipei, Taiwan	NT\$ 400,000	Investment
Chi Cherng Investment Co., Ltd.	Jul. 15, 1998	Taipei, Taiwan	NT\$ 400,000	Investment
Vanguard Int'l Semiconductor Corp.	Dec. 5, 1994	Hsin-Chu, Taiwan	NT\$ 22,000,000	IC Design & Manufacturing
VIS Associates Inc.	Sep. 24, 1996	Tortola, British Virgin Islands	US\$ 23,570	IC Related Investment
VIS Investment Holding, Inc.	Nov. 16, 1996	Delaware, USA	US\$ 6,750	IC Related Investment
VIS Micro, Inc.	Nov. 21, 1996	San Jose, California, USA	US\$ 200	Marketing & Engineering support
Vanguard International Semiconductor- America	Apr. 24, 1996	San Jose, California, USA	US\$ 6,500	IC Design & Manufacturing

NOTE: Foreign exchange rate on the reporting date is shown below:

US\$1 = NT\$33.079

NLG1 = NT\$13.9

JPY1 = NT\$0.2892

(3) Business Scope of TSMC and its Affiliated Companies

TSMC and its affiliates work together to provide dedicated foundry services to our customers around the world. In addition, few of TSMC's affiliate companies are focused on conducting investment businesses. In general, TSMC and its affiliates give each other support in technology, capacity, marketing and services with an aim to create the maximum synergy, enabling TSMC to provide our worldwide customers with the best dedicated foundry services worldwide. The ultimate goal of this strategy is to ensure TSMC's leading position in the global IC market.

(4) TSMC Shareholders Representing Both Holding Companies and Subordinates December 31, 2000

Unit: NT\$K, except Shareholding

Reasoning	Name (Note 1)	Shareholding (Note 2)		Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
		Shares	Holding %				
				None			

The presumed interested parties representing both holding companies and subordinates include the company's Director, the shareholders conducting business on behavior of the company, and the shareholders holding more than 50% shares of the company.

Note 1 The same legal and natural persons apply a company name and a personal name, respectively.

Note 2 It shows the shareholdings to the holding company (excluding the holdings to the subordinates).

**(5) Rosters of Directors, Supervisors, and Presidents of TSMC's Affiliated Companies
December 31, 2000**

Unit: NT\$, except Shareholding

Company	Title	Name	Shareholding	
			Amount	%
TSMC, North America	Director	F.C.Tseng	-	-
	Director	Rick Tsai	-	-
	President	Edward C. Ross	(TSMC holds 11,000,000 shares)	(100%)
TSMC, Europe B. V.	Director	Morris Chang	-	-
	Director	Rick Tsai	-	-
	Director	Quincy Lin	-	-
	Director	Hans Richard Rohrer	-	-
	President	Hans Richard Rohrer	(TSMC holds 200 shares)	(100%)
TSMC, Japan K. K.	Chairman	Sachiaki Nagae	-	-
	Director	Morris Chang	-	-
	Director	F.C.Tseng	-	-
	Director	Rick Tsai	-	-
	Director	Makoto Onodera	-	-
	Supervisor	Harvey Chang	(TSMC holds 2,400 shares)	(100%)
TSMC International Investment Ltd.	Director	Morris Chang	-	-
	President	F.C.Tseng	(TSMC holds 779,968,244 shares)	(100%)
TSMC Partners, Ltd.	Director	F.C.Tseng	-	-
	Director	Rick Tsai	-	-
	Director	Quincy Lin	-	-
	Director	Steve Tso	-	-
	Director	K.C. Chen	-	-
	Director	Harvey Chang	(TSMC holds 300,000 shares)	(100%)
TSMC Development, Inc.	Chairman	Morris Chang	-	-
	President	Morris Chang	(TSMC International Investment Ltd. holds 734,403,200,000 shares)	(100%)
TSMC Technology, Inc.	Chairman	Morris Chang	-	-
	President	Morris Chang	(TSMC International Investment Ltd. holds 1,000 shares)	(100%)

(Forward)

Unit: NT\$, except Shareholding

Company	Title	Name	Shareholding	
			Amount	%
InveStar Semiconductor Development Fund Inc.	Director	Kenneth Tai	-	-
			(TSMC International Investment Ltd. holds 45,000,000 shares)	(97%)
InveStar Semiconductor Development Fund Inc. (II) LDC	Director	Kenneth Tai	-	-
			(TSMC International Investment Ltd. holds 13,950,000 shares)	(97%)
WaferTech, LLC	Director	Morris Chang	Common Share 590,625	0.23%
	Director	Jerald Fishman	Common share 33,334	0.01%
	Director	Rodney Smith	Common share 75,000	0.03%
	Director	Jimmy Lee	Common share 75,000	0.03%
	Director	Rick Tsai	-	-
	Director	Ronald C. Norris	-	-
	Director	Steve Tso	-	-
	President	Steve Tso	-	-
			(TSMC Development, Inc. holds 250,646,584 Preferred Shares)	(97.98%)
Po Cherng Investment Co., Ltd.	Director	K.C. Chen (Representative of Chi Hsin Investment Co., Ltd.)	(Chi Hsin's investment NT\$60,000,000)	(15%)
			(TSMC's investment NT\$99,999,960)	(25%)
Chi Hsin Investment Co., Ltd.	Director	Harvey Chang (Representative of Po Cherng Investment Co., Ltd.)	(Po Cherng's investment NT\$60,000,040)	(15%)
			(TSMC's investment NT\$99,999,960)	(25%)
Cherng Huei Investment Co., Ltd.	Director	Rick Tsai (Representative of Hsin Ruey Investment Co., Ltd.)	(Hsin Ruey's investment NT\$60,000,040)	(15%)
			(TSMC's investment NT\$99,999,960)	(25%)
Hsin Ruey Investment Co., Ltd.	Director	Rick Tsai (Representative of Cherng Huei Investment Co., Ltd.)	(Cherng Huei's investment NT\$60,000,000)	(15%)
			(TSMC's investment NT\$99,999,960)	(25%)
Kung Cherng Investment Co., Ltd.	Director	F.C. Tseng (Representative of Chi Cherng Investment Co., Ltd.)	(Chi Cherng's investment NT\$60,000,040)	(15%)
			(TSMC's investment NT\$99,999,960)	(25%)
Chi Cherng Investment Co., Ltd.	Director	F.C. Tseng (Representative of Kung Cherng Investment Co., Ltd.)	(Kung Cherng's investment NT\$60,000,000)	(15%)
			(TSMC's investment NT\$99,999,960)	(25%)
Vanguard International Semiconductor Corporation	Chairman	Morris Chang	3,240,448 shares	0.15%
	Director	Liu, Bor-Hong (Representative of The Development Fund, Executive Yuan, R.O.C.)	(The Development Fund holds 639,713,750 shares)	(29.08%)
	Director	Liou, Ming-Jong (Representative of The Development Fund, Executive Yuan, R.O.C.)		
	Director	Shih, Chin-Tay (Representative of The Development Fund, Executive Yuan, R.O.C.)		

(Forward)

Unit: NT\$, except Shareholding

Company	Title	Name	Shareholding	
			Amount	%
Vanguard International Semiconductor Corporation	Director	Rick Tsai (Representative of TSMC)	(TSMC holds 556,133,496 shares)	(25.28%)
	Director	F.C.Tseng (Representative of TSMC)		
	Director	Paul Chien (Representative of TSMC)		
	Director	Robert Hsieh (Representative of TSMC)		
	Director	Wu, Quintin Y.G. (Representative of USI Far East Corp.)	(USI Far East Corp. holds 155,978,533 shares)	(7.09%)
	Director	Chiao, Yu-Heng (Representative of Walsin Lihwa Corp.)	(Walsin Lihwa Corp. holds 58,827,741 shares)	(2.67%)
	Supervisor	Yeh, Huey-Ching (Representative of The Development Fund, Executive Yuan, R.O.C.)		
	Supervisor	K. C. Chen (Representative of TSMC)		
	Supervisor	Chow, Sidney H.(Representative of Maw Chong Investment Co.,Ltd.)	(Maw Chong Investment Co.,Ltd. holds 42,992,356 shares)	(1.95%)
	President	Paul Chien	2,478,229 shares	0.00%
VIS Associates Inc.	Director	Morris Chang (Representative of VIS)		
	Director	Robert Hsieh (Representative of VIS)		
	Director	Paul Chien (Representative of VIS)	(VIS holds 23,570,000 shares)	(100%)
VIS Investment Holding, Inc.	Director	Morris Chang (Representative of VIS Associates Inc.)		
	Director	Robert Hsieh (Representative of VIS Associates Inc.)		
	Director	Paul Chien (Representative of VIS Associates Inc.)	(VIS Associates Inc. holds 6,750,000 shares)	(100%)
VIS Micro, Inc.	Director	Robert Hsieh (Representative of VIS Investment Holding, Inc.)		
	Director	Paul Chien (Representative of VIS Investment Holding, Inc.)		
	Director	Stephen Pletcher (Representative of VIS Investment Holding, Inc.)	(VIS Investment Holding, Inc. holds 200,000 shares)	(100%)
Vanguard International Semiconductor- America	Director	Rick Tsai (Representative of VIS Investment Holding, Inc.)		
	Director	Paul Chien (Representative of VIS Investment Holding, Inc.)		
	Director	Nun-Sian Tsai (Representative of VIS Investment Holding, Inc.)		
	Director	Stephen Pletcher (Representative of VIS Investment Holding, Inc.)	(VIS investment Holding, Inc. holds 6,500,000 shares)	(100%)

(6) Operational Highlights for TSMC Affiliated Companies
December 31, 2000

Unit: NT\$K, except EPS(\$)

Company	Paid-in Capital	Assets	Liabilities	Net Worth	Net Sales*	Income from Operation*	Net Income* (net of tax)	EPS* (net of tax)
TSMC, North America	363,869	1,794,126	1,127,202	666,924	1,104,857	197,564	131,107	11.92
TSMC, Europe B.V.	2,780	47,214	37,620	9,594	96,409	8,764	(14,668)	N.A.
TSMC, Japan K.K.	34,704	68,394	30,591	37,803	164,001	8,389	2,261	942.23
TSMC Int'l Investment Ltd.	25,794,615	34,992,260	11,313,738	23,678,522	240,424	240,079	138,589	0.30
TSMC Partners, Ltd.	9,923	11,559,563	11,024,401	535,162	2,559	2,532	494,966	1,649.89
TSMC Development, Inc.	24,293,323	30,319,876	8,873,708	21,446,168	0	(879)	(258,770)	N.A.
TSMC Technology, Inc.	0.033	210,091	693,187	(483,097)	615,401	51,896	(121,520)	N.A.
InveStar Semiconductor Development Fund Inc.	1,533,212	2,101,401	275,106	1,826,295	861,148	621,341	615,978	13.29
InveStar Semiconductor Development Fund(II) Inc.	475,296	478,798	215	478,583	-	-	3,101	0.22
Wafertech, LLC	25,468,409	41,150,153	20,255,685	20,894,467	13,071,741	568,893	(168,294)	N.A.
Po Cherng Investment Co., Ltd.	400,000	699,483	151,546	547,936	137,030	136,749	135,869	3.40
Chi Hsin Investment Co., Ltd.	400,000	557,084	1,083	556,001	144,212	143,971	143,951	3.60
Cherng Huei Investment Co., Ltd.	400,000	730,345	177,545	552,800	142,152	141,910	140,781	3.52
Hsin Ruey Investment Co., Ltd.	400,000	512,485	83	512,402	113,509	113,271	100,391	2.51
Kung Cherng Investment Co., Ltd.	400,000	636,089	1,083	635,006	224,167	223,649	223,915	5.60
Chi Cherng Investment Co., Ltd.	400,000	523,317	142	523,175	111,736	111,493	112,094	2.80
Vanguard Int'l Semiconductor Corp.	22,000,000	39,696,661	17,645,880	22,050,781	19,345,762	2,939,078	2,573,745	1.17
VIS Associates Inc.	737,741	785,117	19,588	765,530	364,497	9,763	7,091	0.30
VIS Investment Holding, Inc.	211,275	244,491	19,588	224,903	371,617	17,446	14,773	2.19
VIS Micro, Inc.	6,260	11,542	3,798	7,744	29,307	1,396	863	4.32
Vanguard International Semiconductor- America	203,450	232,206	15,674	216,532	342,309	16,300	14,087	2.17

* For the year ended December 31, 2000

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD., AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

COMBINED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000

Representation Letter

The combined financial statements of Taiwan Semiconductor Manufacturing Company Ltd., and Vanguard International Semiconductor Corporation for the period January 1, 2000 to December 31, 2000 were prepared in conformity with "Regulations Governing the Preparation of Affiliates' Combined Operating Report, Combined Financial Statements and Relationship Report" in the Republic of China, the ROC regulations governing the preparation of financial statements of public companies and accounting standards generally accepted in the Republic of China.

The accounting records underlying the combined balance sheet and the combined statement of income accurately and fairly reflect, in reasonable detail, the transactions of the Taiwan Semiconductors Manufacturing Company, Ltd., its consolidated subsidiaries and Vanguard International Semiconductor Corporation. There are no plans or intentions that may materially affect the carrying values or classifications of assets and liabilities.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

By

MORRIS CHANG
Chairman

English Translation of a Report Originally Issued in Chinese

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

We have reviewed combined balance sheets as of December 31, 2000 and the related combined statement of income for the year then ended of Taiwan Semiconductor Manufacturing Company Ltd. and Vanguard International Semiconductor Corporation. Our reviews was made in accordance with the Guidelines for the Review of Combined Financial Statements of Affiliates. It is substantially less in scope than an examination in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the combined balance sheet and the combined statement of income taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the combined balance sheet and the combined statement of income referred to above in order for them to be in conformity with "Regulations Governing the Preparation of Affiliates' Combined Operating Report, Combined Financial Statements and Relationship Report" in the Republic of China, and the ROC regulation governing the preparation of financial statements of public company and the ROC generally accepted accounting principles.



T N Soong & Co
Taiwan, ROC
A Member Firm of Andersen Worldwide S.C.
January, 29 2001

Notice to Readers

The combined financial statements were not prepared with a view to complying with the published guidelines of the United States Securities and Exchange Commission or the American Institute of Certified Public Accountants ("AICPA") and have not been examined or otherwise reported upon under AICPA guidelines. They are not presented in accordance with generally accepted accounting principles in the United States of America for consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

COMBINED BALANCE SHEET

December 31, 2000

(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 and 4)	\$44,718,006	11
Pledged time deposits (Note 19)	10,000	-
Short-term investments (Notes 2, 5 and 19)	2,351,560	1
Receivables from related parties (Note 17)	788,836	-
Notes receivable	158,502	-
Accounts receivable	32,086,793	8
Allowance for doubtful receivables (Note 2)	(1,030,286)	-
Allowance for sales returns and others (Note 2)	(2,628,901)	(1)
Inventories (Notes 2 and 6)	15,541,195	4
Deferred income tax assets (Notes 2 and 16)	8,677,463	2
Prepaid expenses and other current assets (Notes 17 and 21)	3,497,394	1
Total Current Assets	<u>104,170,562</u>	<u>26</u>
LONG-TERM INVESTMENTS (Notes 2 and 22)	<u>8,309,783</u>	<u>2</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 17 and 19)		
Cost		
Land and land improvements	829,239	-
Buildings	61,572,769	15
Machinery and equipment	274,176,958	68
Office and other equipment	5,581,180	1
Total cost	342,160,146	84
Accumulated depreciation	(126,277,454)	(31)
Advance payments and construction in progress	47,895,602	12
Net property, plant and equipment	<u>263,778,294</u>	<u>65</u>
COMBINED DEBIT (Note 2)	<u>11,571,460</u>	<u>3</u>
OTHER ASSETS		
Leased assets	625,647	1
Deferred charges - net (Notes 2 and 9)	4,878,588	1
Deferred income taxes assets (Notes 2 and 16)	8,627,357	2
Refundable deposits	41,410	-
Miscellaneous	40,654	-
Total Other Assets	<u>14,213,656</u>	<u>4</u>
TOTAL ASSETS	<u>\$402,043,755</u>	<u>100</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term bank loans (Notes 10 and 19)	\$4,630,978	1
Payable to related parties (Note 17)	958,105	-
Accounts payable	9,528,743	2
Payable to contractors and equipment suppliers	26,107,865	7
Income tax payable (Notes 2 and 16)	3,298	-
Current portion of long-term debt (Notes 11, 12 and 13)	3,369,055	1
Accrued expenses and other current liabilities (Note 21)	7,967,651	2
Total Current Liabilities	<u>52,565,695</u>	<u>13</u>
LONG-TERM LIABILITIES		
Long-term bank loans (Notes 12 and 19)	31,117,367	7
Long-term bonds (Notes 2 and 13)	30,500,000	8
Total Long-term Liabilities	<u>61,617,367</u>	<u>15</u>
OTHER LIABILITIES		
Guarantee deposits (Note 21)	7,086,429	3
Accrued pension costs (Notes 2 and 15)	1,774,107	-
Deferred gain on sale-leaseback (Note 2)	434,183	-
Obligation under capital lease (Note 11)	3,316	-
Other noncurrent liabilities	11,040	-
Total Other Liabilities	<u>9,309,075</u>	<u>3</u>
MINORITY INTEREST IN AFFILIATES (Note 2)	<u>16,797,919</u>	<u>4</u>
Total Liabilities	<u>140,290,056</u>	<u>35</u>
SHAREHOLDER'S EQUITY (Notes 2 and 14)		
Capital stock - \$10 par value		
Authorized: 17,800,000 thousand shares		
Issued: Common - 11,689,365 thousand shares	116,893,646	29
Preferred - 1,300,000 thousand shares	13,000,000	3
Capital surplus	55,285,821	14
Retained earnings:		
Appropriated as legal reserve	10,689,323	3
Appropriated as special reserve	1,091,003	-
Unappropriated earnings	65,143,847	16
Unrealized loss on long-term investments	(71,564)	-
Cumulative translation adjustments	(278,377)	-
Total Shareholder's Equity	<u>261,753,699</u>	<u>65</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$402,043,755</u>	<u>100</u>

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

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

COMBINED STATEMENTS OF INCOME

For the Year Ended December 31, 2000

(In Thousand New Taiwan Dollars, Except combined Earnings Per Share)

	Amount	%
GROSS SALES	\$182,260,420	
SALES RETURNS AND ALLOWANCES	<u>(3,347,516)</u>	
NET SALES (Notes 2, 17 and 22)	178,912,904	100
COST OF SALES (Note 17)	<u>97,826,450</u>	55
GROSS PROFIT	<u>81,086,454</u>	45
OPERATING EXPENSES (Notes 17 and 22)		
General and administrative	9,415,130	5
Marketing	1,506,380	1
Research and development	<u>5,771,904</u>	3
Total Operating Expenses	<u>16,693,414</u>	9
INCOME FROM OPERATIONS	<u>64,393,040</u>	36
NON-OPERATING INCOME (Note 22)		
Insurance compensation	1,981,554	1
Interest	1,872,028	1
Gain on sale of short-term investments - net	1,108,008	1
Foreign exchange gain - net (Notes 2 and 21)	844,281	1
Premium income (Notes 2 and 21)	640,442	-
Technology service income	132,910	-
Gain on sale of long-term investments	121,969	-
Gain on disposal of property, plant and equipment	89,426	-
Other	<u>209,270</u>	-
Total Non-Operating Income	<u>6,999,888</u>	4
NON-OPERATING EXPENSES (Note 22)		
Interest (Notes 2, 8, 17 and 21)	3,653,435	2
Equity in net losses of investee companies - net (Notes 2 and 7)	1,110,218	1
Loss on disposal of property, plant and equipment	119,102	-
Premium expense	108,133	-
Employee separation benefits	85,776	-
Bond issue cost	32,658	-
Other	<u>\$661,974</u>	1
Total Non-Operating Expenses	<u>5,771,296</u>	4
INCOME BEFORE INCOME TAX (Note 22)	65,621,632	36
INCOME TAX BENEFIT (Notes 2 and 16)	<u>1,370,909</u>	1
INCOME BEFORE MINORITY INTEREST	66,992,541	37
MINORITY INTEREST IN LOSS OF AFFILIATES (Note 22)	<u>(1,886,347)</u>	(1)
COMBINED NET INCOME	<u>\$65,106,194</u>	36
COMBINED EARNINGS PER SHARE		
Based on weighted-average shares outstanding of 11,400,882 thousand shares in 2000	<u>\$5.71</u>	

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

English Translation of Financial Statements Originally Issued in Chinese
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.
AND VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousand New Taiwan Dollars, Except Per Share and Unless Specified Otherwise)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Ltd. (TSMC), corporation incorporated in the Republic of China, and Vanguard International Semiconductor Corporation (VIS), TSMC's 25% owned affiliated are engaged mainly in the: (a) manufacture, sale, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices; and, (b) manufacture and design of masks.

Notice to Readers:

The combined financial statements include the consolidated accounts of TSMC plus the accounts of VIS, not a consolidated subsidiaries of TSMC. TSMC's consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles, would not include the assets, liabilities, revenues or expenses of VIS.

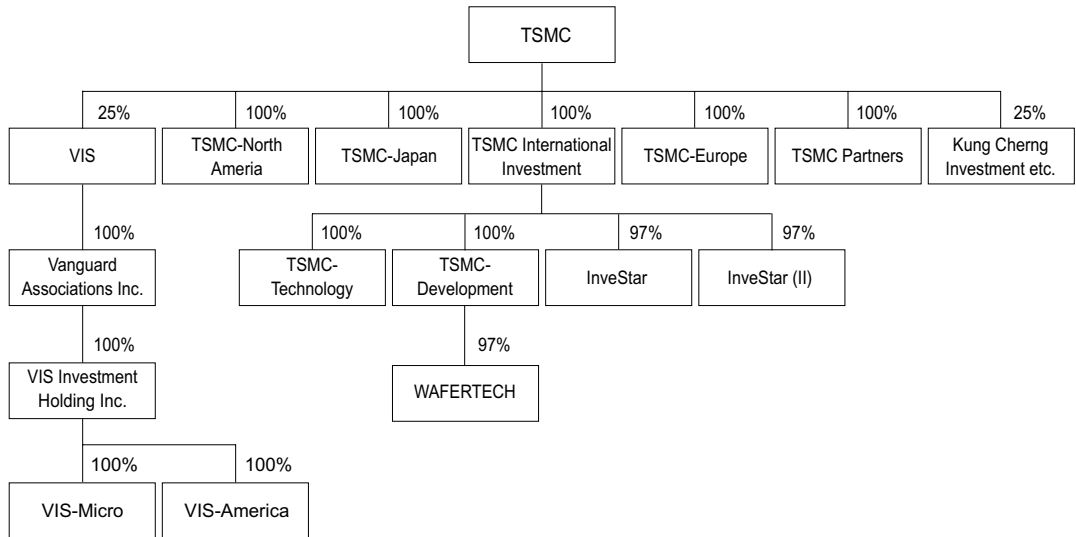
TSMC's shares are listed and traded on the Taiwan Stock Exchange. On October 8, 1997, TSMC sold shares of stock in the New York Stock Exchange in the form of American Depositary Receipts (ADRs). VIS's shares are traded on the Republic of China (ROC) Over-the-Counter Securities Exchange starting March 25, 1998.

TSMC had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC). It also merged with Worldwide Semiconductor Manufacturing Corporation (WSMC) with TSMC as the surviving company. TASMC and WSMC were subsequently dissolved. The acquisition of TASMC and the merger with WSMC took effect on June 30, 2000, and, on that date, TSMC issued a total of 1,583,515 thousand common shares to the former shareholders of TASMC and WSMC. The additional shares issued were based on the agreed exchange ratio of three point nine TASMC shares and two WSMC shares for every share of TSMC. Also, the holders of the additional shares issued have the same rights and the obligation as the holders of the previously issued common stock of TSMC.

TSMC has eleven wholly-owned subsidiaries, namely, TSMC-North America, Taiwan Semiconductor Manufacturing Company Europe B.V (TSMC-Europe), TSMC-Japan, TSMC international Investment, TSMC Partners, and has 25% indirectly wholly-owned subsidiaries Po Cherng Investment, Chi Hsin Investment, Kung Cherng Investment, Chi Cherng Investment, Hsin Ruey Investment, and Cherng Huei Investment (Collectively referred to as the "investment companies").

TSMC-North America, TSMC-Europe and TSMC-Japan are engaged mainly in marketing and engineering support activities. TSMC Partners and the investment companies are engaged in investments. TSMC International Investment and its subsidiaries are engaged in investing in affairs focused on the design, manufacture, and other related business of semiconductors. WaferTech, LLC. is a foundry, and VIS's subsidiaries are engaged in marketing, research, development and investment.

The following diagram presents information of relations and percentage of holding shares among TSMC, VIS and their affiliates as of December 31, 2000.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Combination

The combined financial statements include the accounts of TSMC and the aforementioned affiliates (hereinafter, referred to individually or collectively as "Company"). All significant inter-company accounts and transactions have been eliminated. Minority interests in the affiliates, including InveStar, InveStar(II), WaferTech, VIS are presented separately in the financial statements.

The total assets and/or revenues of VIS's investment in VIS Associates Inc. and its subsidiaries are less than 10% of those of Corporation and, therefore, TSMC is not required to, and did not prepare combined financial statement.

As stated in Note 1, TSMC, a affiliate in 1999, was dissolved by merged with TSMC on June 30, 2000, therefore, its accounts is not include in the combined financial statements.

Cash equivalents

Government bonds acquired under repurchase agreements, with original maturity of less than three months are classified as cash equivalents.

Short-term investments

Short-term investments are stated at the lower cost or market value. The costs of investments sold are determined by the specific identification method.

Allowance for doubtful receivables

Allowance for doubtful receivables are provided on the basis of a review of the collectibility of individual receivables.

Sales and allowance for sales returns and others

Sales are recognized when products are shipped to customers. Allowance and the related provision for sales returns and others are provided based on experience. Such provision is accounted for as reduction from sales and the related costs are deducted from cost of sales.

Inventories

Inventories are stated at the lower of standard cost (adjusted to approximate weighted average cost) or market value. Market value represents net realizable value for finished goods and work in process, and replacement value for raw materials, supplies and spare parts.

Long-term investments

Investments in shares of stock in which the Company exercises significant influences on the investee companies are accounted for using equity method. The increase in the Company's proportionate share in the net assets of its investee company resulting from its subscription to additional shares of stock, issued by such investee company, at the rate not proportionate to its existing equity ownership in such investee companies, is credited to a capital surplus account while any decrease in the Company's proportionate share in the net asset of investee companies is debited against the existing balance of the similar capital surplus account with the difference debited against unappropriated retained earnings.

Other stock investments are accounted by the cost method. These investments are stated at cost less decline in market value of listed stocks or decline in value of unlisted stocks which is considered irrecoverable; such reductions are charged to shareholders' equity or current income, respectively. Cash dividends are recognized as income in the year received but are accounted for as reduction in the carrying value of the long-term investment if the dividends are received in the same year that the related investments are acquired.

Investments in foreign mutual funds are stated at the lower of cost or net asset value (NAV). Write-downs of cost and write-ups to original acquisition cost resulting from subsequent recovery in NAV are debited or credited to shareholders' equity.

Convertible notes and stock purchase warrants are carried at cost.

The costs of investments sold are determined by the weighted average method.

The Company's proportionate share in the gains from disposal of property, plant and equipment, net of the applicable income tax, included as part of its share in the earnings or losses of investee companies accounted for using the equity method for the current year is transferred in to capital surplus from retained earnings. When the Company subsequently disposed such investment in shares of stock, such capital surplus shall be transferred back to retain earnings. Also, if an investee company has unrealized loss on long-term investment which is evaluated by lower-of-cost-or-market method, the Company shall recognize that unrealized loss in proportion to the Company's equity interest and recorded in an account as a component of shareholders' equity.

Gains or losses on transactions with investee companies wherein the Company owned at least 20% of the outstanding common stock but less than a controlling interest are deferred in proportion to ownership percentage until realized through a subsequent transaction with a third party. If the gains or losses stated above are arose from transactions involving sales by the affiliate to the parent, an adjustment should be made in accordance with ownership percentage.

Property, plant and equipment and rental assets

Property, plant and equipment and rental assets are stated at cost less accumulated depreciation. Major additions, renewals and betterment, and interest expense incurred during the construction period are capitalized. Maintenance and repairs are expensed currently.

Property, plant and equipment covered by agreements qualifying as capital leases are carried at the lower of the present value of all minimum future rental payments, or the leased property's market value at the inception date of the lease. The periodic rental payment made by the Company includes the purchase price of the leased property, and the interest expense.

Depreciation is provided on the straight-line method over these estimated service lives: buildings - 5 to 55 years; machinery and equipment - 5 to 10 years; and office and other equipment - 2 to 7 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to income. Any such gain, less applicable income tax, is transferred to capital surplus at the-end of the year.

Combined debits

Combined debits arosen from the business merger and the difference between the investment cost and the

Company's proportionate share in the net asset of the investee companies at the date of acquisition. The combined debits are amortized using the straight-line method over 5 to 15 years.

Deferred charges

Deferred charges, consisting of technology, software and system design costs, bond issuance costs, credit instruments and technology know how, are amortized over three years, five years, the term of credit instruments, and the term of the contract valid period or economic useful lives, respectively.

Pension costs

Net periodic pension costs are recorded on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gain are amortized over 25 years, and unrecognized net transition asset is amortized over 26 years.

Deferred gain on sale-leaseback

The gain resulting from the sale of leased property is deferred. Such deferred gain is then amortized as follows: (a) operating lease - adjustment of rental expenses over leasing period, and (b) capital lease - adjustment of depreciation over the estimate useful life or leasing period.

Income tax

The Company adopted inter-period tax allocation. Deferred income taxes are recognized for the tax effects of temporary differences, unused tax credits, and operating loss carry forwards. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or non-current based on the expected reversal date of temporary difference.

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

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 are recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

Derivative financial instruments

Foreign currency forward exchange contracts are recorded in New Taiwan dollars as assets or liabilities at spot rates on the inception dates of the contracts. The difference in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates are also recognized as premiums or discounts on the inception dates of the forward contracts. Premiums or discounts are amortized by the straight-line method over the terms of the forward contracts. Such amortization is recognized as income. At the balance sheet dates, the receivables or payables arising from forward contracts are restated at the prevailing spot rates, and the resulting differences are recognized in income. Also, the receivables and payable related to the forward contracts are netted out, and the resulting net amount is presented as either an asset or liability.

Under interest rate swap contracts, the Company pays an amount equal to the interest rates based on notional principal amount and receives a specified variable-rate of interest also based on the same notional principal amount; with the notional amounts of the contracts are not exchanged. The net amounts paid or received under the contracts are reported as adjustments to interest income or expense.

The notional amounts of the foreign currency option contracts entered into for hedging purposes are not recognized as either assets or liabilities on the contract dates. However, amounts paid on options bought are recognized as assets and amounts received on options written are recognized as liabilities. Such amounts are amortized using the straight-line method over the period of the contracts and charged to current income. Gains or losses on the exercise of the options are also recognized in current income.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollar, or when

foreign-currency receivables and payables are settled, are credited or charged to income in the year of conversion or settlement.

Translation of financial statements of foreign companies

The financial statements of the foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: assets and liabilities-current rate; shareholders' equity-historical rates; income and expenses-weighted average rate during the year. The resulting translation adjustments recorded as a separate component of shareholders' equity.

Mergers

The acquisition of TSMC was accounted under the Statement of Financial Accounting Standards No. 25 "Business Combination - Purchase Method". On the other hand, the merger with WSMC was accounted for as pooling of interest with the results of operations of WSMC included in the statement of income for the year ended December 31, 2000.

3. SIGNIFICANT ELIMINATING ENTRIES

Company	Account	Amount	Transaction Entity	
TSMC	Payable to related parties	\$1,808,964	VIS	
		1,487,181	WAFERTECH, LLC	
		166,063	TSMC-North America	
		66,343	TSMC-Europe	
		16,165	TSMC-Japan	
		4,487	TSMC-Technology	
		Receivable from related parties	159,890	VIS
			25,728	TSMC-Technology
			20,361	WAFERTECH, LLC
		Sales	370,762	WSMC
	30,816		WAFERTECH, LLC	
	17,012		VIS	
	Purchase	13,296,633	WAFERTECH, LLC	
		6,572,110	VIS	
	General and administrative expenses - premium	14,095	TSMC-Technology	
	Marketing expenses - service charges	118,852	TSMC-North America	
	Marketing Expenses - commissions	994,686	TSMC-North America	
		143,461	TSMC-Europe	
		165,087	TSMC-Japan	
	Deferred revenue	5,837	WAFERTECH, LLC	
Gain on disposal of properties	2,240	VIS		
Non-operating income	5,604	VIS		
WSMC	Accounts receivable	1,670	TASMC	
	Accounts payable	768,677	TASMC	
TSMC International Investment	Interest receivable	128,594	TSMC-Technology	
	Notes receivable	330,790	TSMC-Technology	
	Interest revenue	24,181	TSMC-Technology	

(Forward)

TSMC - Partners	Deferred revenue	10,791,704	TSMC International Investment
	Royalty revenue	491,733	TSMC International Investment
	Notes receivable	11,313,018	TSMC International Investment
TSMC - Technology	Deferred revenue	40,962	WAFERTECH, LLC
	Licensing fee	13,323	WAFERTECH, LLC
	Sales	63,727	WAFERTECH, LLC
	Other receivable	17,669	WAFERTECH, LLC

4. CASH AND CASH EQUIVALENTS

	2000
Cash and bank deposits	\$43,194,039
Government bonds acquired under repurchase agreements	<u>1,523,967</u>
	<u>\$44,718,006</u>

5. SHORT TERM INVESTMENTS

	2000
Listed stocks	\$1,502,098
Mutual funds	<u>959,561</u>
	2,461,659
Less-allowance for losses	<u>(110,099)</u>
	<u>\$2,351,560</u>

6. INVENTORIES

	2000
Finished goods	\$2,174,015
Work in process	11,468,169
Raw materials	932,576
Supplies and spare parts	<u>1,681,850</u>
	16,256,610
Less-allowance for losses	<u>(715,415)</u>
	<u>\$15,541,195</u>

7. LONG-TERM INVESTMENTS

	2000	
	Carrying	% of
	Value	OwnerShip
<u>Shares of stocks</u>		
Equity method		
VIS Associates Inc.	464,077	100
System on Silicon Manufacturing Pte Ltd. (SSMC)	<u>935,870</u>	32
	<u>1,399,947</u>	

(Forward)

Cost Method		
Listed		
Powerchip Semiconductor Corporation	2,651,216	9
Etron Technology Inc.	310,132	3
Taiwan Mask	32,129	2
Non-listed		
Taiwan Semiconductor Technology	500,000	19
Walsin Advanced Electronics	414,481	10
Global Test	183,896	10
Megic	177,000	15
United Industrial Gases Co., Ltd.	175,500	12
Hong Tung Venture Capital	120,000	10
Shin-Etsu Handotai Taiwan	105,000	7
ChipStrate Technology	70,854	9
Form Factor Inc.	64,360	1
APE	50,222	6
W.K. Technology Fund IV	50,000	4
Programmable Microelectronics	49,619	4
Ritch Technology	10,338	9
3Dfx Interactive	9,826	-
Scenix Semiconductor	5,697	2
Equator Technologies	2,978	-
Capella Microsystems	345	-
	<u>4,983,593</u>	
<u>Preferred stocks</u>		
Empower Tel Networks	169,634	7
Sonics	116,752	7
LightSpeed Semiconductor	101,368	6
Equator Technologies	93,908	2
Memsic	82,689	24
Tropian, Inc. (Premier R. F.)	77,209	5
Lara Networks Inc.	75,151	7
RapidStream	69,708	6
Monolithic Power System	66,158	17
Formfactor	66,158	1
Reflectivity	66,158	6
NanoAmp Solutions	61,281	3
Integrated Memory Logic	59,845	10
Rise Technology	49,619	2
Match Lab	49,619	11
Signia	49,619	22
Creosys	49,619	8
Scenix Semiconductor	45,023	2
T-Span System	45,829	3
SiRF Technology	44,105	1
Capella Microsystems	42,949	8
Sensory	41,349	6
Pico Turbo	41,349	9

(Forward)

Seagull Semiconductor	41,349	14
HINT Corporation	33,079	5
Oepic	24,809	-
Divio	16,540	4
Incentia Design Systems	16,539	2
FabCentric	8,270	-
	<u>1,705,685</u>	
<u>Convertible note</u>		
Advanced Analogic Technology	41,349	-
Signia Technologies	16,540	-
Rise	9,924	-
FabCentric	8,270	-
	<u>76,083</u>	
<u>Funds</u>		
Crimson Asia Capital	64,547	-
Horizon Ventures	93,304	-
	<u>157,851</u>	
	8,323,159	
Cumulative translation adjustments	(13,376)	-
	<u>\$8,309,783</u>	

The carrying values of investments accounted for using the equity method and the related investment losses for the year ended December 31 2000 were based on audited financial statements in the same year.

Equity in net losses were as follows:

	2000
VIS Associate	\$325,227
SSMC	473,661
TASMC	311,330
	<u>\$1,110,218</u>

Information on long-term investments is as follows:

	2000
Market value of listed stocks	\$3,681,280
Equity in the net assets of unlisted stocks	7,506,791
Net asset value of funds	157,851

8. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consists of the following:

	2000
Land improvements	\$64,006
Buildings	13,542,134
Machinery and equipment	109,889,527
Office and other equipment	2,781,787
	<u>\$126,277,454</u>

Information on the status of the construction of the manufacturing facilities of TSMC, VIS as of December 31, 2000 is as follows:

Manufacturing Plant	Estimated Cost	Accumulated Expenditures	Expected Date of Start of Operations
TSMC's Fab 6	\$76,889,000	\$67,565,100	March 2000
TSMC's Fab 7	22,540,400	11,121,100	March 2001
TSMC's Fab 8	28,314,300	15,217,800	March 2001
TSMC's Fab 12 - 1st stage	38,280,800	21,372,000	November 2001
TSMC's Fab 14 - 1st stage	9,711,000	7,946,600	May 2002
VIS's Fab 2	6,912,000	260,448	January 2003

Interest expense capitalized for the year ended December 31, 2000 was \$614,817.

9. DEFERRED CHARGES - NET

	2000
Software and system design costs	\$1,550,539
Technology licensing fee	2,172,095
Patent	675,302
Technology know how	157,500
Bond issue costs	150,795
Others	172,357
	<u>\$4,878,588</u>

10. SHORT-TERM LOANS

	2000
Loan for import of materials, US\$ 24,098 thousand, repayable by October 2001, annual interest 7.13%-7.48%	\$797,137
Secured loan, repayable by October 2000, annual interest of 5.8%	329,375
Loan secured by mortgage and credit, US\$ 105,942 thousand, repayable by December 2001, annual interest 7.53%~9.25%	3,504,466
	<u>\$4,630,978</u>

Unused credit lines as of December 31, 2000 were \$8,079,625 and US\$41,000 thousand.

11. OBLIGATION UNDER CAPITAL LEASE

	2000
Repayable through between June 30, 2001 and 2003	\$54,371
Current portion	(51,055)
	<u>\$3,316</u>

12. LONG-TERM BANK LOANS

2000

Loans secured by mortgage-US\$ 705,564 thousand repayable by March 2005, interest at 6.91% ~ 7.663% in 2000	\$23,339,367
Loans for facility and import of equipment-Repayable in semi-annual installments Starting from November 1999 to June 2004, floating Interest 6.35%	5,460,000
Loans for import of equipment-Repayable in semi-annual installments Starting from October 2000 to October 2005, Interest at 6.42%	3,640,000
Loans for import equipment-Repayable in semi-annual installments starting from February 2000 to February 2005, Interest at 6.505% ~ 6.765%	328,000
Loans for import of equipment-Repayable in semi-annual installments starting from July 1999 to July 2004, Interest at 6.63% ~ 6.765%	292,000
Loans for import of equipment-Repayable in semi-annual installments starting from February 1998 to February 2003, interest at 6.755% ~ 6.765%	184,000
Loans for import of equipment-Repayable in semi-annual installments starting from May 1997 to May 2002, interest at 6.755%~6.765%	112,000
Loans for import of equipment-Repayable in semi-annual installments starting from January 2003 to July 2007, Interest at floating rate 6.755%~6.765%	330,000
	<u>33,685,367</u>
Current portion	<u>(2,568,000)</u>
	<u>\$31,117,367</u>

Bonds and loan agreements require, except for foreign currency loan, among other things, the maintenance of specific financial ratios. As of December 31, 2000, the company was in compliance with those ratios.

Unused credit lines as of December 31, 2000 were \$ 70,000 and US\$ 62,436 thousand.

13. LONG-TERM BONDS

2000

Domestic unsecured bonds:	
Repayable in March 2003, 7.71% annual interest payable semi-annually.	4,000,000
Repayable in October 2002 and 2004, 5.67% and 5.95% annual interest payable annually, respectively.	10,000,000
Repayable in December 2005 and 2007, 5.25% and 5.36% annual interest payable annually, respectively.	15,000,000
Repayable in annual installments from November 6, 2000 to November 6, 2003, interest at 6.59%, guaranteed by financial instruments.	2,250,000
	<u>31,250,000</u>
Current portion	<u>(750,000)</u>
	<u>\$30,500,000</u>

14. SHAREHOLDERS' EQUITY

According to the ROC Company Law, capital surplus can only be used to offset a deficit or transferred to capital.

TSMC's Articles of Incorporation provide that the following shall be appropriated from the annual net income (less any deficit):

- a. 10% legal reserve;

- b. Special reserve according to the relevant laws or the regulating authorities;
- c. Bonus to directors and supervisors and to employees equals to 1% and at least 1% of the remainder, respectively;
- d. Dividends to shareholders of preferred stock equal to 3.5% annual rate, based on outstanding period;
- e. These appropriations and the disposition of the remaining net income should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

The aforementioned appropriation for legal reserve shall be made until the reserve equals aggregate par value of TSMC's outstanding capital stock. The reserve can only be used to offset a deficit; or, when it has reached 50% of the aggregate par value of TSMC's outstanding capital stock, up to 50% thereof can be distributed as stock dividend.

TSMC issued nonpublic 1,300,000 thousand preferred stock - Series A to certain investors. The following are the rights and obligations of the holders of the preferred stock and other terms and conditions.

- a. Entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Not be entitled participating any additional shares of stock upon transfer of unappropriated earnings and capital surplus to stock.
- c. Have priority over the holders of common shares to the assets of the Corporation available for distribution to stockholders upon liquidation or dissolution of TSMC Corporation; however, the preemptive rights to the assets shall not exceed the issue value of the shares.
- d. Have voting rights similar to that of the holders of common stock.
- e. No right to convert their shares into common stock. The preferred shares will be redeemed within thirty months from its issuance. The holders will have the foregoing rights and TSMC's related obligations will remain the same until the preferred shares are actually redeemed by TSMC.

VIS's Articles of Incorporation provide that the following shall be appropriated from the annual net income after deducting any deficit and 10% legal reserve:

- a. Special reserve;
- b. 1% as bonus to directors and supervisors;
- c. At least 1% of the remainder as bonus to employees.

These appropriations and the disposition of the remaining net income should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

The aforementioned appropriation for legal reserve shall be made until the reserve equals aggregate par value of outstanding capital stock. The reserve can only be used to offset a deficit; or, when it has reached 50% of the aggregate par value of outstanding capital stock, up to 50% thereof can be distributed as stock dividend.

The Company shall record a special reserve of \$1,091,003 from unappropriated retained earnings equivalent to the net debit balance of any item, other than a deficit, in the shareholders' equity as of December 31, 1999. The special reserve will be adjusted in proportion to the change in the net debit balance of any item in the shareholders' equity.

Pursuant to existing regulations promulgated by the Securities and Futures Commission, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheets, other than the deficit, shall be made from unappropriated retained earnings. The special reserve shall be adjusted accordingly based on the debit balance of such accounts as at year-end.

Under the Integrated Income Tax System that became effective on January 1, 1998, resident shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated starting January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

15. PENSION PLAN

TSMC and its affiliates has a pension plan for all regular employees, which provides benefits based on length of service and average monthly salary for the final six months prior to retirement.

The companies make monthly contributions, equal to 2% of salaries to a pension fund is administered by the pension fund monitoring committee and deposited in the committee's name in the Central Trust of China. VIS's pension cost accrues at a percentage (currently 6%) of salaries and wages.

Pension information are summarized as follows:

	2000
a. Components of pension cost	
Service cost	\$434,590
Interest cost	104,711
Projected return on plan assets	(32,397)
Amortization	5,594
	<u>\$512,498</u>
b. Reconciliation of the fund status of the plan and accrued pension cost	
Benefit obligation	
Vested benefit obligation	\$-
Nonvested benefit obligation	830,688
Accumulated benefit obligation	830,688
Additional benefits based on future salaries	1,703,596
Projected benefit obligation	2,534,284
Fair value of plan assets	(760,627)
Funded status	1,773,657
Unrecognized prior service cost	-
Unrecognized net transitional assets	7,511
Unrecognized net transitional obligation	(165,991)
Unrecognized net gain	157,189
Additional liability	-
Accrued pension cost	<u>\$1,772,366</u>
c. Actuarial assumptions	
Discount rate used in determining present values	6%
Future salary increase rate	6%
Expected rate of return on plan assets	6%
d. Contributions to pension fund	<u>\$144,417</u>
e. Funds transferred from TASMC and WSMC	<u>\$173,339</u>
f. Payments from pension fund	<u>\$1,458</u>

16. INCOME TAX

a. A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax at statutory rate is shown below:

	2000
<hr/>	
Income tax expense on "income before income tax" at statutory rate (20%)	(\$13,261,804)
Tax-exempt income	7,902,733
Temporary difference	(176,027)
Permanent difference	43,995
Assess additional income tax on the unappropriated earning	(88,024)
Income tax expense - current	<u>(\$5,579,127)</u>
b. Income tax credits as of December 31, 2000 consists of:	
	2000
<hr/>	
Income tax expense - current before tax credits	(\$5,579,127)
Tax credits	<u>5,551,970</u>
	(27,157)
Net change in deferred income tax assets (liabilities) for the period	
Investment tax credits	3,151,627
Loss carried forward	43,800
Temporary differences	(234,704)
Others	(73,559)
Valuation allowance	(1,678,791)
Adjustment of prior years' taxes	<u>189,693</u>
	<u>\$1,370,909</u>
c. Deferred income tax assets (liabilities) consisted of the following:	
	2000
<hr/>	
Current	
Investment tax credits	\$9,139,156
Loss carried forward	67,478
Accrued liabilities and others	<u>56,016</u>
	9,262,650
Valuation allowance	<u>(585,187)</u>
	<u>\$8,677,463</u>
Noncurrent	
Investment tax credits	\$14,086,176
Loss carried forward	1,821,125
Interest expense	45,008
Depreciation	(56,033)
Deferred revenue	46,077
Others	<u>(589,858)</u>
	15,352,495
Valuation allowance	<u>(6,725,138)</u>
	<u>\$8,627,357</u>
d. Integrated income tax information:	
	2000
<hr/>	
Balances of the imputation credit account	
TSMC	<u>\$5,888</u>
VIS	<u>\$610</u>

TSMC and VIS's expected and actual creditable ratio as of December 31, 2000 were 0.009% and 7.18%, respectively.

The imputation credit allocated to each shareholder shall be based on the balance in the ICA on the date of distribution of dividends; thus the expected creditable ratio for 2000 may be adjusted according to the difference between the expected and actual imputation credit allowed under the regulation.

- e. The unappropriated retained earnings of TSMC as of December 31, 2000 included the earnings generated up to December 31, 1997 of \$4,827.

The effective tax rates for deferred income tax of TSMC and its affiliates as of December 31, 2000 were 7.54%, and 20%~40%, respectively.

Unused investment tax credits arising from investments in machinery and equipment, and research and development expenditures as of December 31, 2000 will expire as follows:

Year	Loss Carried Forward	Tax Credits
2001	337,390	4,732,617
2002	1,030,365	5,468,790
2003	5,694,914	6,266,645
2004	<u>2,380,345</u>	<u>6,757,280</u>
	<u>\$9,443,014</u>	<u>\$23,225,332</u>

The income from the following projects and services are exempt from income tax:

	Tax-Exemption Period
TSMC's expansion of first manufacturing plant, second manufacturing plant - modules A and B, third manufacturing plant, and fourth manufacturing plant	1997 to 2000
TSMC's expansion of first manufacturing plant, second manufacturing plants - modules A and B, third manufacturing plant and fourth manufacturing plant, and fifth manufacturing plant	1999 to 2002
VIS's original investment	1995 to 2000
VIS's first expansion of manufacturing plant	2000 to 2003

TASMC is entitled to an income tax exemption for a period of four years for the income generated. TASMC decided to commence such tax exemption from January 1, 1998 to December 31, 2000.

The tax authorities have examined income tax returns of TSMC through 1996 and income tax returns of VIS, WSMC and TASMC through 1997. However, TASMC is contesting the assessment of tax authority for the years of 1995 to 1997.

17. RELATED PARTY TRANSACTIONS

TSMC and VIS have business transactions with the following related parties:

- Industrial Technology Research Institute (ITRI), the Company's chairman is one of its directors.
- Philips Electronics N.V., (Philips), a major shareholder of TSMC
- Systems on Silicon Manufacturing Company Pte Ltd. (SSMC), an investee of TSMC
- VIS America, an investee of VIS's subsidiary (VIS Associates Inc.)
- VIS Micro, an investee of VIS's subsidiary (VIS Associates Inc.)
- Walsin Lihwa Corporation (WLC), a shareholder and director of VIS
- Powerchip Semiconductor Corporation (PSC), an investee of VIS
- Walsin Advanced Electronics (WAE), an investee of VIS.

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

	2000	
	Amount	%
<u>During the year</u>		
Sales		
Philips and its affiliates	\$5,289,927	3
ITRI	198,146	-
PSC	162	-
	<u>\$5,488,235</u>	<u>3</u>
Purchase		
PSC	<u>\$379,405</u>	<u>1</u>
Rental expenses		
ITRI	<u>\$161,575</u>	<u>14</u>
Manufacturing expenses		
Philips	\$2,137,175	3
WAE	403,245	1
ITRI	23,905	-
WLC	1,893	-
PSC	1,722	-
	<u>\$2,567,940</u>	<u>4</u>
General and administrative expenses		
ITRI	<u>\$14</u>	<u>-</u>
Marketing expenses		
VIS Micro	\$26,604	12
ITRI	95	-
	<u>\$26,699</u>	<u>12</u>
Research and development expenses		
PSC	\$9,082	-
VIS America	5,706	-
ITRI	28	-
	<u>\$14,816</u>	<u>-</u>
Purchase of machinery and equipment		
WLC	\$1,303	-
VIS America	3,340	-
	<u>\$4,643</u>	<u>-</u>
Non-operating income		
SSMC	\$152,347	3
PSC	\$255	-
Others	38	-
	<u>\$152,640</u>	<u>3</u>
(Forward)		

<u>At end of year</u>		
Receivable		
ITRI	\$56,078	7
Philips and its affiliates	643,604	82
SSMC	89,154	11
	<u>\$788,836</u>	<u>100</u>
Prepayments and other current assets		
ITRI(rental)	\$42,664	1
VIS America	1,232	-
	<u>\$43,896</u>	<u>1</u>
Payable		
Philips and its affiliates	\$797,375	83
WAE	118,754	12
ITRI	21,192	3
PSC	18,419	2
VIS Micro	2,365	-
	<u>\$958,105</u>	<u>100</u>

Transactions with related parties are based on normal prices and collection or payment terms except for that VIS America and VIS Micro perform research and development and marketing activities for VIS, respectively and VIS pays actual expenses incurred related to such undertakings plus a 5% mark-up. The research and development agreement between VIS and VIS America has expired in January 2000.

18. LONG-TERM LEASES

TSMC leases from ITRI the land, building and certain machinery and equipment of its first manufacturing facility under agreements that will expire in March 2002. The annual rental and other related charges under such agreement amount to \$170,656. The agreements can be renewed upon their expiration.

TSMC leases the lands where its second through fourteen manufacturing facilities are located from the Science-Based Industrial Park Administration. These agreements will expire on various dates from March 2008 to November 2019 and have annual rentals aggregating \$172,000. The agreements can also be renewable upon their expiration.

VIS leases the sites of its manufacturing plant and parking lot from the Hsinchu Science-Based Industrial Park Administration under agreements which will expire on April 2010, June 2015 and March 2018, but renewable upon expiration. Annual rentals aggregated to \$45,677.

VIS also leases machinery and equipment from Condisco Trade Inc. under operating lease agreements through September 2001, June 2002, November and December 2002 respectively. Annual rentals aggregated to \$292,540 (US\$8,263 thousand and NT\$ 19,200).

TSMC-North America leases its office premises and certain equipment under a non-cancelable operating agreement, which will expire in September 2020. TSMC Europe entered into an office lease agreement premise, which will expire in 2004; annual rental is \$57,379.

Future annual minimum rentals under the aforementioned leases are as follows:

Year	Amount
2001	\$772,009
2002	608,317
2003	314,064
2004	316,793
2005	314,745
2006-2020	<u>2,429,353</u>
	<u>\$4,755,281</u>

19. PLEDGED OR MORTGAGED ASSETS

Certain assets pledged or mortgaged as collateral for short and long-term loans, derivative financial instruments, letter of credit, customs duties, and guarantee deposits for foreign workers are as follows:

	2000
Pledged time deposits	\$10,000
Short-term investments	937,428
Properties (net)	<u>16,389,623</u>
	<u>\$17,337,051</u>

All of WAFERTECH,LLC's assets (US\$1,243,996 thousand) is secured for the long-term bank loans under the credit facility.

20. COMMITMENTS AS OF DECEMBER 31, 2000

The commitments as of December 31,2000 are as follows:

- a. Under a Technical Cooperation Agreement with Philips, as amended on May 12, 1997, TSMC shall pay technical assistance fee at a percentage of net sales, as defined in the agreement, of certain products. The agreement shall remain in force up to July 9, 2007 and thereafter be automatically renewed for successive periods of three years. Under the amended agreement, the fee is subject to deduction by the amounts TSMC pays to any third party for settling any licensing/infringement issue after the first five-year period of the amended agreement, provided that the fee after reduction will not be below a certain percentage of the net selling price.
- b. Subject to certain equity ownership and notification requirements, Philips and its affiliates can avail themselves each year up to 30% of TSMC's production capacity.
- c. Under a Submicron Technology License Agreement with ITRI, TSMC shall pay license fees of \$129,400 (including 5% value-added tax) to ITRI plus royalty fee at an agreed percentage of net sales of certain products through December 31, 2000 as amended. In addition, under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- d. Under several foundry agreements, TSMC shall allocate a portion of its production output for sale to certain major customers from whom guarantee deposits of US\$213,865 thousand had been received as of December 31, 2000.
- e. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte. Ltd. dated March 30, 1999, the parties agreed to: (a) form a joint venture company to be named Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) for the purpose of constructing an integrated circuit foundry in Singapore, (b) set SSMC's total authorized capital at about US\$1.2 billion, and, (c) allow TSMC to invest 32% of SSMC's capital.

TSMC and Philips committed to buy a certain percentage of the production capacity of SSMC. If any party defaults on the agreement and the capacity utilization of SSMC falls below a certain percentage of its total capacity, the defaulting party should compensate SSMC for all related unavoidable costs.

- f. Under a Technical Cooperation Agreement with SSMC entered into on May 12, 1999, SSMC shall compensate TSMC for technology service provided to SSMC. The compensation shall be a certain percentage of net selling prices of certain products sold by SSMC. The agreement will remain in force for ten years and be automatically renewed for successive periods of five years unless pre-terminated by either party under certain conditions.
- g. Under a Technical Transfer Agreement with National Semiconductor Corporation ("National") entered into on June 27, 2000, TSMC shall receive payments for the technology transferred to National. The agreement will remain in force for ten years. After expiration, this agreement will be automatically renewed for successive periods of two years unless pre-terminated by either party under certain conditions.
- h. VIS shall pay royalties under various patent/license agreements as follows:
 - 1) ITRI - at a specific percentage of sales of certain products for five years from November 11, 1994.
 - 2) LUCENT Technologies, Inc. - (1) at a specific percentage of net sales of certain products for five years from January 1996; (2) at a specific amount in three installments within three years and a percentage of net sales of certain products for three years from January 1998; (3) at a specific amount and a specific percentage of net sales of certain products within two years from January 1998.
 - 3) Texas Instruments Incorporated- at a specific percentage of net sales of certain products for ten years from January 1997.
 - 4) HITACHI Corporation - at a specific amount in semi-annual installments within five years from May 1997.
 - 5) NEC Corporation - at a specific amount in six installments from February 1999 to 2003.
 - 6) MITSUBISHI Corporation - at specific amount and a specific percentage of net sales of certain products within five years from August 1999.
- i. Under a management agreement, InveStar Capital Inc. and InveStar Capital Inc. II., (ISC) of the Cayman Islands provides investment and administrative services to InveStar Semiconductor Development Fund, Inc. and InveStar Semiconductor Development Fund, Inc(II). ISC should received quarterly, starting from October 1, 1996 and August 24, 2000 respectively, a management fee of 2% each year of total weighted average paid-in capital and capital surplus of InveStar Semiconductor Development Fund, Inc. and InveStar Semiconductor Development Fund, Inc.(II), excluding retained earnings and losses.
- j. WaferTech, LLC. had recorded a reserve of US\$16,000 thousand for a litigation arising from a charge by certain contractors that WaferTech, LLC. caused the contractors to incur additional labor and material costs outside the contracts. The reserve is reflected in accrued construction and equipment payable with the offset to construction in progress. On January 19, 2000, WaferTech entered into a settlement agreement with one of the construction contractors and paid US\$10,750 thousand. The remaining accrued reserve of US\$5,250 thousand is sufficient for payments.
- k. In 1996, WaferTech, LLC adopted an Executive Incentive Plan, which was amended in 1997. Under the 1997 amendment, the Board of Directors approved the Senior Executive Incentive Plan and the Employee Incentive Plan (hereafter referred to as the Plans) under which officers, key employees and nonemployee directors may be granted option rights appreciation rights and/or performance units. As WaferTech is a limited liability company and does not have shares of stock. Thus, each option right granted pursuant to the Plans provides grantees rights to buy ownership interests in WaferTech. The Plans also provides for approximately 6% of the total ownership interests to be available for grant, represented by 15.15 million option rights. For option rights granted to date, the option purchase price was equal to or exceeded the fair value at the date of the grant. While WaferTech may grant employees option rights that are exercisable at different times or within different periods, it has generally granted option rights which are exercisable on a cumulative basis in annual installments of 25% each on the first , second, third, and fourth anniversaries of the date of grant.

The following table summarizes information about the Plans:

	Option Rights Available For Grant	Outstanding Option Rights	
		Number of Option Rights	Exercise Price (US\$)
Balance, December 31, 1999	4,154,597	8,226,080	\$0.78
Additional option rights authorized	1,650,000	-	-
Options granted			
Option price > fair market value	(3,203,302)	3,203,302	1.86
Options exercised	-	(3,411,867)	0.74
Options cancelled	<u>1,180,871</u>	<u>(1,180,871)</u>	1.09
Balance, December 31, 2000	<u>3,782,166</u>	<u>6,836,644</u>	1.23

These options will expire if not exercised at specific dates between May 2006 to December 2010.

- i. WaferTech, LLC was assessed by the Department of Revenue of the State of Washington deficiency excise taxes of approximately US\$8,800 thousand. WaferTech, LLC intends to appeal the assessment. As of December 31, 2000, WaferTech, has recorded a reserve that management believes is sufficient to address any exposure related to this tax assessment.
- m. TSMC-North America started a stock appreciation right program whereby the employees received cash bonuses based on the appreciation of the quoted market price of the shares of stock of TSMC. Compensation expenses are recorded based on the difference between the grant price and market price at the end of each period. This expense is recognized ratably over the vesting period and adjusted based on period fluctuations in the stock. In view of the depreciation of the stock from December 1 to December 31, 2000, TSMC-North America did not have any compensation expense or liability related to this program.
- n. TSMC provided a guarantee for loans of US\$268,000 thousand and US\$40,000 thousand obtained by TSMC Development, Inc. and TSMC-North America.
- o. The unused credit lines for TSMC as of December 31, 2000 was \$250,338. VIS was US\$6,494 thousand, JPY376,170 thousand and EUR175 thousand.

21. FINANCIAL INSTRUMENTS

The following are the additional disclosure requirements for TSMC and its affiliates pursuant to SFC requirements:

- a. Financing provided to other parties: Please see table 1 attached.
- b. Collateral provided to other parties: Please see table 2 attached.
- c. Marketable Securities held: Please see table 3 attached.
- d. Balance of marketable securities acquired and disposed of, exceeding 100 million or 20% of the issued capital: Please see table 4 attached.
- e. Acquisition of properties exceeding 100 million or 20% of issued capital: Please see table 5 attached.
- f. Disposal of properties exceeding 100 million or 20% of issued capital: None.
- g. Transaction of purchase or sales with related parties amounting to more than 100 million or 20% of the issued capital: Please see table 6 attached.
- h. Receivable from related parties amounting to more than 100 million or 20% of the issued capital: Please see table 7 attached.
- i. Information regarding names, locations and others of investee on which the Company exercises significant influences: Please see table 8 attached.
- j. Transactions of derivative financial instruments:
The relevant information on the derivative financial instruments entered into by TSMC and its affiliates are as follows:

1) Outstanding forward exchange contracts as of December 31, 2000 and 1999:

	Currency	Contract Amount (Thousand)	Fair Value (Thousand)	Settlement Date	Maturity Amount (Thousand)
Buy	US\$	US\$ 60,000	NTD 1,978,998	Jan. 2001	NTD 1,989,006
Buy	EUR	US\$ 28,968	US\$ 27,080	Jan. to Sep. 2001	US\$ 26,823
Buy	JPY	US\$ 42,772	US\$ 374	Jan. 2001	US\$ 374
Sell	US\$	US\$ 106,993	NTD 3,582,959	Jan. to Feb. 2001	NTD 3,553,080
Sell	US\$	US\$ 156,875	NTD 5,100,386	Jan. 2001	NTD 5,091,560
Sell	US\$	US\$ 365,000	NTD 12,105,459	Jan. to Dec. 2001	NTD 12,032,465
Sell	US\$	US\$ 43,000	NTD 1,413,083	Jan to Mar. 2001	NTD 1,407,809

Receivables from forward exchange contracts (shown in the balance sheet as part of "Other current assets" account) as of December 31, 2000 aggregated to \$119,227 and payables from forward exchange contracts (shown in the balance sheet as part of "Other current liabilities" account) aggregated to \$192,677 as of December 31, 2000. Net exchange gains for the year ended December 31, 2000 was \$198,035.

The net assets or liabilities that have been hedged by the above forward exchange contracts are as follows:

	Amount (Thousand)	
	2000	
Accounts receivable	US\$	868,522
Payable to contractors and equipment suppliers	US\$	571,332
	JPY	21,237,708
	EUR	62,480

2) Interest rate swaps

TSMC has entered into interest rate swap transactions to hedge exposure to rising interest rates on its floating rate long-term bank loans. These significant transactions are summarized as follows:

Contract Date	Period	Amount (Thousand)
April 28, 1998	May 21, 1998 to May 21, 2003	NTD 2,000,000
April 29, 1998	May 21, 1998 to May 21, 2003	NTD 1,000,000
June 26, 1998	June 26, 1998 to June 26, 2003	NTD 1,000,000
June 26, 1998	July 6, 1998 to July 6, 2003	NTD 1,000,000

Interest expense on these transactions for the years ended December 31, 2000 was \$113,683.

3) Option contracts

Outstanding option contracts as of December 31, 2000 were as follows:

Contract	Currency	Contract Amount (Thousand)	Carrying Value	Fair Value	Strike Price	Maturity
Put option sell	EUR	EUR 525,537	\$-	(\$189,735)	0.8870~0.9680(US\$/EUR)	May 2001
Call option sell	US\$	US\$ 203,500	-	(264,885)	107.77~110.5(US\$/JPY)	Mar. 2001
Call option sell	US\$	US\$ 20,000	-	(1,485)	32.42(US\$/NTD)	Jan. 2001
Put option buy	US\$	US\$ 15,000	-	37	110~110.5(US\$/JPY)	Feb. 2001

For the year ended December 31, 2000, TSMC recognized premium income of \$116,248 on foreign currency options written and incurred premium expenses of \$108,133 on foreign currency options bought.

- 4) Transaction risk
- a) Credit risk. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposures related to the potential default by those counter parties are low.
- b) Market price risk. The Company is exposed to market risks arising from changes in currency exchange rates due to U.S. dollar-denominated accounts receivable, Yen-dominated accounts payable, Euro-denominated accounts payables, and U.S. dollar-denominated debt related to its importation of materials and machinery and equipment and long-term bank loans. The Company enters into forward contracts and option contracts to manage its exposures. The Company uses interest rate swap contracts with banks to principally manage the risks arising from the changes in interest rates of its obligations. It enters into financial derivative contracts based on analysis of specific and known economic exposures and by policy prohibits entering into such contracts for trading purposes. Its hedging strategy is to use financial instruments having negative correlation to fair value of the hedged items as hedging instruments and periodically evaluates the effectiveness of these instruments as hedges of its interest rate exposures.
- c) Liquidity and cash flow requirements. The cash flow requirements with respect to the Company's derivative financial instruments are as follows: (i) options - the exercise price but the options may not have to be exercised at all in cases where the strike price is higher than the related market price at exercise dates, and (ii) interest rate swap agreements - equal to the net difference between the interest receivable and payables under the agreements.
- 5) Fair value of financial instruments

	December 31, 2000	
	Carrying/ Notional Amount	Fair Value
<u>Non-derivative financial instruments</u>		
Assets		
Cash and cash equivalents	\$44,718,006	\$44,718,006
Pledge time deposits	100,00	10,000
Short-term investments	2,351,560	2,351,560
Receivables from related parties	788,836	788,836
Accounts receivable	28,586,108	28,586,108
Long-term investments	8,309,783	11,345,922
Refundable deposits	41,410	41,410
Liabilities		
Short-term bank loans	4,630,978	4,630,978
Payable to related parties	958,105	958,105
Accounts payable	9,528,743	9,528,743
Payable to contractor and equipment suppliers	26,107,865	26,107,865
Long-term bank loans (including current portion)	34,489,738	34,489,738
Long-term bonds	30,500,000	30,500,000
Guarantee deposits	7,086,429	7,086,429
<u>Derivative financial instruments</u>		
Forward exchange contracts (buy)	2,820,220	2,887,126
Forward exchange contracts (sell)	22,224,708	22,201,887
Interest rate swaps	1,601	234,017
Option	-	(456,068)

Fair values of financial instruments were determined as follows:

- a) Short-term financial instruments -- carrying values.
- b) Short-term investments -- market values.
- c) Long-term investments -- market value for listed companies and net equity value for the others.
- d) Refundable deposits and guarantees deposits - - carrying values.
- e) Long-term liabilities -- based on forecasted cash flows discounted at interest rates of similar long-term liabilities. Long-term bonds payable is discounted at present value. Fair values of other long-term liabilities are also their carrying values as they use floating interest rates.
- f) Derivative financial instruments -- based on outright forward rates and interest rate in each contract.

The fair values of 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 are not equal the fair value of the Company.

22. SEGMENT FINANCIAL INFORMATION

a. Geographic information:

	Overseas	Domestic	Adjustment and Elimination	Combined
<u>2000</u>				
Sales to unaffiliated customers	\$-	\$178,929,916	(\$17,102)	\$178,912,904
Transfers between geographic areas	<u>14,451,231</u>	<u>6,644,266</u>	<u>(21,095,497)</u>	<u>-</u>
Total sales	<u>\$14,451,231</u>	<u>\$185,574,182</u>	<u>(\$21,112,509)</u>	<u>\$178,912,904</u>
Gross profit	<u>\$3,970,099</u>	<u>\$78,336,085</u>	<u>(\$1,219,730)</u>	\$81,086,454
Operating expenses				(16,693,414)
Non-operating income				6,999,888
Non-operating expenses				<u>(5,771,296)</u>
Income before income tax				<u>\$65,621,632</u>
Minority interest gain				<u>\$1,886,347</u>
Identifiable assets	<u>\$64,659,712</u>	<u>\$354,919,052</u>	<u>(\$25,844,792)</u>	\$393,733,972
Long-term investments				8,309,783
Total assets				<u>\$402,043,755</u>

b. Gross export sales

Area	2000
America	<u>\$84,606,754</u>
Asia	<u>44,921,269</u>
Europe	<u>12,596,580</u>
	<u>\$142,124,603</u>

The export sales information of TSMC is presented by billed regions.

c. No single customer accounts for more than 10% of total sales.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

FINANCING PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 1

No.	Financing Provider Company Name	Transaction Entity	Accounts	Limitation on Financing	Maximum Balance for the Period	Ending Balance (Thousand)	Interest Rate	Financing Reasons	Allowance for Bad Debt	Mortgage Item Value	Transaction Amount	Amount Limited on Financing
2	VIS	VIS America	Prepaid expenses	(Note 1)	\$6,122	\$1,232	-	Prepayments for product development	\$-	-	\$5,706	\$4,400,000 (Note 2)

Note 1: Not exceeding 10% of the issued capital of VIS for each transaction entity, and also limiting to 30% of the issued capital of each transaction entity.

Note 2: Not exceeding 20% of the issued capital of VIS.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

COLLATERAL PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 2

No.	Collateral Provider Name	Transaction Entity Name	Nature of the Relationship (Note 3)	Limitation on Collateral	Maximum Balance for the Period (US in Thousand)	Ending Balance (US in Thousand)	Amount of Properties Guaranteed by Collateral	% of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement	Amount Limited on Collateral (Note 1)
0	TSMC	TSMC Development Inc.	3	(Note 2)	\$8,865,172 (USD268,000)	\$8,865,172 (USD268,000)	\$8,865,172	3.39%	\$38,968,094
		TSMC - North America	2		1,323,160 (USD40,000)	1,323,160 (USD40,000)	1,323,160	0.51%	

Note 1: 30% of the issued capital of TSMC.

Note 2: Not exceeding 10% of the issued capital of the Company, and also limiting to the issued capital of the transaction entity with the exception of approval from BOD.

Note 3: The number 2 represent subsidiary that directly holds exceeding 50% of the issued.

The number 3 represents the investee that has over 50% of the common stocks holds by the parent company and subsidiary.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

MARKETABLE SECURITIES HELD

December 31, 2000

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

Table 3

Marketable Securities Name & Type	Nature of the Relationship	Account	December 31, 2000				Note
			Shares (Thousand)	Carrying Value (US in Thousand)	% of Owner- ship (Note 1)	Market Value or Net Asset Value (US in Thousand)	
Held Company Name: TSMC							
SSMC - Stock	Investee	Long-term investment	90	\$935,870	32	\$935,870	
Taiwan Mask Corp. - Stock	-	Long-term investment	6,887	32,129	2	87,325	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	10,058	146,250	10	155,041	
Shin-Etsu Handotai Taiwan Co., Ltd. - Stock	-	Long-term investment	10,500	105,000	7	105,476	
W.K. Technology Fund IV - Stock	-	Long-term investment	5,000	50,000	4	81,059	
Taiwan Semiconductor Technology Corp. - Stock	-	Long-term investment	50,000	500,000	19	434,385	
Hon Tung Ventures Capital - Stock	-	Long-term investment	12,000	120,000	10	125,927	
Crimson Asia Capital Fund - Equity	-	Long-term investment	-	64,547	N/A	64,547	
Horizon Ventures Fund - Equity	-	Long-term investment	-	93,304	N/A	93,304	
Held Company Name: TSMC-BVI							
3DFX. Interactive Inc. - Stock	-	Long-term investment	68	USD297	-	USD84	
Held Company Name: VIS							
VIS Associates Inc. - Stock	Subsidiary	Long-term investment	23,570	464,077	100	464,077	
PowerChip Semiconductor Inc.- Stock	Investee	Long-term investment	168,488	2,651,216	9	3,315,837	
Etron Technology Inc. - Stock	-	Long-term investment	5,590	310,132	3	278,118	
Walsin Technology Inc. - Stock	Investee	Long-term investment	31,410	414,481	10	414,481	
MEGIC Corporation - Stock	-	Long-term investment	16,500	177,000	15	177,000	
Form Factor Inc. - Stock	-	Long-term investment	267	64,360	1	64,360	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	2,313	29,250	2	29,250	

Note 1: The percentage of ownership in the ended of the year are equal to the highest point of interim ownership percentage.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

**BALANCE OF MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF
EXCEEDING 100 MILLION OR 20% OF THE ISSUED CAPITAL**

For the Year Ended December 31, 2000

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

Table 4

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
				Shares (Thousand)	Amount	Shares (Thousand)	Amount	Share (Thousand)	Amount	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount (Note 1)
Company Name: TSMC													
Taipei Bank Stock	Short-term investment	-	-	8,750	\$236,250	-	\$-	8,750	\$288,719	\$236,250	\$52,469	-	\$-
The Wan Pao Securities Investment Trust Fund	Short-term investment	-	-	-	-	18,207	230,000	18,207	231,644	230,000	1,644	-	-
Kwang Hua Bond Fund	Short-term investment	-	-	-	-	25,495	323,000	25,495	326,273	323,000	3,273	-	-
Jin-sun Bond Fund	Short-term investment	-	-	-	-	26,382	300,000	26,382	302,604	300,000	2,604	-	-
Capital Safe Income Securities Investment Trust Fund	Short-term investment	-	-	-	-	24,468	300,000	24,468	302,748	300,000	2,748	-	-
First Global Investment Trust Wan Tai Bond Fund	Short-term investment	-	-	-	-	25,484	300,000	25,484	302,523	300,000	2,523	-	-
President Home Run Bond Fund	Short-term investment	-	-	-	-	28,222	332,000	28,222	333,627	332,000	1,627	-	-
Grand Cathay Bond Fund	Short-term investment	-	-	-	-	57,900	630,000	57,900	633,522	630,000	3,522	-	-
The GP ROC Bond Fund	Short-term investment	-	-	-	-	26,842	340,000	26,842	341,476	340,000	1,476	-	-
Flemings Taiwan Bond Fund	Short-term investment	-	-	-	-	25,593	330,000	25,593	332,564	330,000	2,564	-	-
National Investment Taiwan Bond Fund	Short-term investment	-	-	-	-	25,556	300,000	25,556	301,955	300,000	1,955	-	-
National Investment Bond Fund	Short-term investment	-	-	-	-	2,956	410,000	2,956	411,752	410,000	1,752	-	-
United Bond Fund	Short-term investment	-	-	-	-	30,054	330,000	30,054	331,605	300,000	1,605	-	-
President Investment Bond Fund	Short-term investment	-	-	-	-	46,405	600,000	46,405	603,210	600,000	3,210	-	-
System on Silicon Manufacturing Company (SSMC) Stock	Long-term investment	SSMC	Investee	26	360,177	64	989,690	-	-	-	-	90	935,870

(Forward)

Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
				Shares (Thousand)	Amount	Shares (Thousand)	Amount	Share (Thousand)	Amount	Carrying Value	Gain (Loss)	Shares (Thousand)	Amount (Note 1)
Company Name: VIS													
The GP Bond Fund	-	-	-	-	-	58,761	\$750,000	58,761	\$761,731	\$750,000	\$11,731	-	\$-
Kwang Hua Bond Fund	-	-	-	-	-	42,671	550,000	42,671	558,584	550,000	8,584	-	-
Ta Chong Investment Bond Fund	-	-	-	-	-	16,199	180,000	16,199	182,393	180,000	2,393	-	-
National Investment Bond Fund	-	-	-	-	-	3,921	550,000	3,921	558,516	550,000	8,516	-	-
First Global Investment Trust Wan Tai Bond Fund	-	-	-	-	-	45,921	550,000	45,921	558,212	550,000	8,212	-	-
Money Mgmt Fund	-	-	-	-	-	31,415	400,000	31,415	404,997	400,000	4,997	-	-
Grand Cathay Bond Fund	-	-	-	-	-	21,446	240,000	21,446	242,656	240,000	2,656	-	-

Note 1: The ending balance included the recognition of the investment income (loss) by the equity method and the accumulated translation adjustment.

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

**ACQUISITION OF PROPERTIES EXCEEDING NTD 100 MILLION OR 20% OF ISSUED CAPITAL
For the Year Ended December 31, 2000**

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

Table 5

Company Name: TSMC

Properties	Transaction Date	Transaction Amount	Payment Term	Transaction Entity	Nature of the Relationship	Former Transaction Detail when Transacting with Related Parties				Reference of Price Determined	Purpose of Acquisition	Other Commitments
						Owner Relationship	Transfer Date	Amount				
Fab 6 and office	Feb. 16, 2000 ~ Dec. 31, 2000	\$3,254,412	Depend on the progress of the construction	Fu Tsu Construction Co. Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

TRANSACTION OF PURCHASE OR SALES WITH RELATED PARTIES AMOUNTING TO MORE THAN NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL

For the Year Ended December 31, 2000

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

Table 6

Transaction Entity	Nature of the Relationship	Transaction Detail				Abnormal Transaction		Notes, Accounts Payable or Receivables Ending Balance	Note %
		Purchase or Sales	Amount	%	Collection Terms	Unit Price	Collection Terms		
Company Name: TSMC									
ITRI	Its director is TSMC's chairman	Sales	\$198,146	-	Net 45 days from monthly closing date	None	None	\$56,078	7
Phillips and its affiliates	Major shareholder	Sales	5,289,927	3	Net 30 days from invoice date	None	None	643,604	82
Company Name: VIS									
PSC	Investee	Purchase	379,405	-	Net 45 days from monthly closing date	None	None	(18,419)	(2)

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANUGARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

**RECEIVABLE FROM RELATED PARTIES AMOUNTING TO
MORE THAN 100 MILLION OR 20% OF THE ISSUED CAPITAL
December 31, 2000**

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

Table 7

Company Name: TSMC							
Transaction Entity	Nature of the Relationship	Ending Balance	Turnover	Amount	Overdue Management	Amounts Received from Dec. 31, 2000 Up-to-Date	Allowance for Bad Debts
Phillips and its affiliates	Major shareholder	\$643,604	27days	\$175,828	Accelerate demand on account receivables	\$193,403	\$-

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND
VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION**

**INFORMATION REGARDING NAMES, LOCATIONS AND OTHERS OF INVESTEE ON WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCES**

December 31, 2000

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

Table 8

Company Name: TSMC

Investee	Location	Businesses Activity	Original Investment Amount		Balance as of Dec. 31, 2000			Net income (Loss) of the Investee	Investment Gain (Loss)	Note
			Dec. 31, 2000	Dec. 31, 1999	Shares (Thousand)	%	Carrying Value			
SSMC	Singapore	Manufacture of wafer	\$1,432,482	\$442,792	90	32	\$935,870	(\$1,480,190)	(\$473,661)	Investee

2. Dividend Policy

The dividend shall be allocated according to the following principles per resolution of the meeting of shareholders:

- 1) Except distribution of reserve in accordance with item 2) below, this Corporation shall not pay dividends or bonuses when there is no profit; however, where the legal capital reserve reaches over 50% of the authorized capital or the sums set aside as capital reserve in profitable years have exceeded 20% of such profits, this Corporation may, for the purpose of stabilization of market prices of this Corporation's shares, distribute the amount in excess as dividends and bonuses. Profits may be distributed in total after taking into consideration financial, business and operational factors. Profits of this Corporation may be distributed by way of cash dividend and/or stock dividend. Since this Corporation is in a capital-intensive industry at the developmental stage of its business, distribution of profits shall be made preferably by way of stock dividend. Distribution of profits may also be made by way of cash dividend; provided however, the ratio for cash dividend shall not exceed 50% of total distribution.
- 2) In case there is no profit for distribution in a certain year, or the profit of a certain year is far less than the profit actually distributed by this Corporation in the previous year, or considering the financial, business or operational factors of this Corporation, this Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

The earnings will be distributed based on the aforementioned policy for the coming three years. The Company is in the stage of growth and most earnings is to be retained for re-investment purpose. Distribution of earnings is expected to be mostly in the form of stock dividend for the coming three years.

3. Statement of Internal Control

Taiwan Semiconductor Manufacturing Co., Ltd.
Statement of Internal Control
(Translation)

Date: March 6, 2001

TSMC has conducted a self-assessment of internal controls for the period of January 1, 2000 to December 31, 2000, based on TSMC's internal control system. The results are as follows:

1. TSMC acknowledges that the Board of Directors and management personnel are responsible for establishing, performing, and maintaining an internal control system, which has already been established. The purpose of the internal control system is to provide a reasonable assurance for achieving the company's goals: efficient and effective operations (including profit, efficiency and the safeguard of assets, etc.), reliability of financial reports, and compliance with applicable laws and regulations.
2. The internal control system has an inherent constraint. No matter how impeccable the system is, it can only provide a reasonable assurance of achieving the three goals abovementioned. Due to the changes in the environment and changing circumstances, the effectiveness of the internal control system may vary accordingly. However, TSMC's internal control system has self-monitoring functions with which once a shortcoming is found, action will be taken to cure.
3. TSMC evaluates the effectiveness in the design and performance of its internal control system in accordance with the items for evaluating the effectiveness of internal control system as indicated in the Points Governing the Establishment of Internal Control Systems by Public Companies (the "Points") announced by the Securities and Futures Commission of the Ministry of Finance. Based on management control process, the items for assessing the internal control system specified in the Points divide internal control into five components: 1. Control Environment; 2. Risk Assessments; 3. Control Activities; 4. Information and Communication; 5. Monitoring. Each component comprises certain factors. For the said factors please refer to the Points.
4. TSMC has evaluated the effectiveness in the design and performance of its internal control system in accordance with the aforesaid factors.
5. Based upon the results of evaluation abovementioned, TSMC is of the opinion that the design and performance of its internal control, including the efficiency and effectiveness of operations, reliability of financial reports, and compliance with applicable laws and regulations, during the period of January 1, 2000 to December 31, 2000 is effective and provide a reasonable assurance of achieving the abovementioned goals.
6. This Statement of Internal Control will be a prominent feature of TSMC's annual report and prospectus, and will be released to the public. Should any statement herein involve forgery, concealment or any other illegality, Articles 20, 32, 171 and 174 of the Security Transaction Law shall apply.
7. This Statement of Internal Control has been approved by TSMC's Board of Directors at the meeting of March 6, 2001 with 7 directors present at the meeting and 0 director disagreeing with this Statement of Internal Control.

Morris Chang
Chairman of the Board

F.C. Tseng
President

Taiwan Semiconductor Manufacturing Company, Ltd.

4. Other Necessary Supplement

Any Events in 2000 which had significant impact on shareholders' rights or the prices for the securities as stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of R. O. C.: None



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Taiwan Semiconductor Manufacturing Company, Ltd.



Morris Chang, Chairman

